Financial Statements
2022-23

SOUTHERN
HOUSING

Contents

01 **HIGHLIGHTS**

Highlights	6
About Southern Housing	8
Opening Statements	12

02 **STRATEGIC REPORT**

Our Business Model	18
Strategic Plan 2023-26	22
Sustainability	29
SEC Report Submission Statement	32
Financial Review	33
Value for Money	39
Financial Planning and Treasury Management	44
Risk Management	46

03 **LEADERSHIP AND GOVERNANCE**

The Board	45
Committees	57
Resident Governance	58
Executive Team	62
Compliance	64

04 **FINANCIAL STATEMENTS**

Independent Auditor's Report to the Members	72
Statement of Comprehensive Income	82
Statement of Financial Position	83
Statement of Changes in Reserves	84
Consolidated Statement of Cash Flows	85
Notes to the Financial Statements	87
Other Company Information	131


SOUTHERN
HOUSING

01 HIGHLIGHTS

02 STRATEGIC REPORT

03 LEADERSHIP AND GOVERNANCE

04 FINANCIAL STATEMENTS

Highlights

About Southern Housing

Statement from Chair of the Board

Statement from Chair of Resident Strategy Group

Statement from Chief Executive

Highlights

For the year to 31 March 2023

Financials

Turnover
£642m

Operating surplus
£136m

Net surplus
£80m

New sales receipts
£127m

Social Housing cost per unit
£5,544**

Current arrears
5%**

Operating margin
14%*

Moody's Credit rating
A3 negative outlook

Fitch Credit rating
A Stable

Total assets
£7bn

Total debt including Bonds
£3bn

*Operating margin is adjusted to exclude surplus on housing property disposals (£47 million) but includes surplus on first tranche shared ownership (£9 million) and market sales (£12 million). Our internal target operating margin excludes all sales.

**Calculated using Regulator of Social Housing (RSH) definitions.

Operational

Satisfied with overall service
72%

Satisfaction with repair service
66%

Agree we treat residents fairly and with respect
84%

Satisfied we provide a safe home
81%

Satisfied we keep residents informed
82%

Satisfied with our approach to handling anti-social behaviour
70%

Satisfied we listen to residents' views and act upon them
68%

Vacant homes available for letting
1%

EPC band C and above
73%

Regulator rating
G2 / V2

Development & Investment

New home starts

952

New homes developed
(including Joint Ventures and open market sales (OMS))

1,089

Homes in contract at 31 March 2023

3,936

Total homes owned and managed

78,760

Spend on homes acquired from other providers

£96m

Capitalised investment in existing homes

£58m

Capital commitments

£665m

New homes spend

£269m

People into jobs and training

2,081

About Southern Housing

Southern Housing was formed in December 2022 following the merger of Optivo and Southern Housing Group. The financial statements have been prepared under merger accounting principles. Merger accounting involves combining all the results and cash flows of all the amalgamating parties from the beginning of the financial period in which the merger occurs.

Our history stretches back to the early 20th century and 121 years later our social purpose of helping those in housing need remains.

Southern Housing owns over 78,000 homes and serves 167,000 residents across London, the South East, the Midlands and the Isle of Wight. Our merger has enabled us to deepen ties in our key communities. With a more dense footprint we're a bigger strategic presence in more local authorities. We're using this status to increase our social impact, whether that be developing new homes for those in housing need or investing in the health, wealth and wellbeing of our residents.

Our founders were passionate about helping families with a housing need. As Southern Housing, we're continuing that strong commitment to social purpose, putting residents at the heart of everything we do. At every level of the business our residents collaborate with us as one team, to co-design and scrutinise our work so we can deliver brilliant services and improve value for money. This is crucial as we integrate the legacy businesses.

One of the motivations behind the merger was to become more financially resilient in an increasingly challenging economic and regulatory environment. We're better equipped to improve customer services, invest in our existing homes and continue to supply much-needed new affordable housing.

We know the importance of living in a safe and secure environment and how this enables people to flourish. We're building new homes to help solve the housing crisis, working with residents, local authorities and partners to create safe and sustainable homes and communities.

The high cost of living is having a massive impact on many people's lives and our social purpose is more important than ever. Our social impact statement underpins our corporate objective of creating jobs and training. Employment activities run by Southern Housing offer a vast range of benefits including increasing job prospects, and improved health and wellbeing. We're continuing to create support programmes that match residents' skills and talents to job opportunities. During 2022/23 we supported 2,081 people into jobs or training qualifications and 6,693 people directly benefited from our money guidance support.

Our own charity, Fresh Visions, supports children, young people and adults facing extreme poverty, domestic abuse, lack of education and social exclusion. Over the last 20 years the charity has helped transform the lives of hundreds of young people and our colleagues are proud to support such a worthwhile cause.

Our markets, external environment and future prospects

Our strategic plan 2023-2026 sets out our ambitions and our vision is to create communities where everyone has a safe home, in a place where they're proud to live. In the first year of merger the business' risk profile is heightened. We are focusing in the short term on integrating our systems, data and people. This will pave the way for our future ambitions. Our new scale as one of the largest housing organisations in the country increases our positioning with grant givers such as Homes England, the Greater London Authority, and Local Authorities and County Councils. Our role to provide safe, affordable homes, and positive social impact is more important than ever given the current economic, social, and environmental challenges.

The housing crisis remains a critical national issue and we work in many communities affected by an urgent need for affordable housing. One of our primary objectives is to maximise the delivery of new affordable homes and these form most of our development programme over the next few years. In the face of economic challenges and the need to increase investment in our existing homes, our planned new home starts will reduce to 250 homes a year for four years. This will enable us to maintain a market presence and retain a platform from which to build on in four years' time.

Our home and customers

Nearly half our homes are in London and the majority of homes across all regions are low cost rented (general needs). Just under 20% of our residents are homeowners. The majority of our homes are flats, with almost 70% of our homes being one or two bedroom properties. Rooms and studios are mainly found in our Housing, Student and Supported Housing accommodation. Approximately 15% of our homes were built pre-1949. These properties present the biggest challenge for investment and technical solutions to meet our zero carbon and sustainability aspirations.

Stock condition data and agreed standards are informing the scale and scope of our investment programme. Our priorities include scaling up our energy efficiency retrofit programmes and increasing our investment spend on existing properties by 49% in 2023/24 compared with current year.

Homes in management and / or owned

General Needs	65%
Shared Ownership	11%
Supported, Care & HOPs	10%
Leasehold	8%
Key workers	2%
Non Social Housing	2%
Temporary & Intermediate	2%

Photography clockwise from top left:
The Uncommon
Clifton Road
Home X Brighton
Lisgar Terrace
Carmen Fields

CASE STUDY

Dawson Heights Service Improvement Working Group

Dawson Heights is a mixed tenure scheme in East Dulwich, London. Residents told us they wanted better engagement and service delivery from multiple teams and were also concerned with costs for planned investment works on the development. Fly tipping and anti social behaviour were also key issues residents wanted to improve in their community.

A working group met throughout 2022, led by the Director of Estate Services and in collaboration with involved residents, internal and external stakeholders. They developed an action plan to address the issues raised by residents and make improvements to services, including better communication through a new local newsletter.

As planned investment works were going to be substantial across the area, the Planned Investment Team felt it was important to be visible and approachable to residents whilst work was taking place.

The team held regular informal coffee mornings on site, enabling a space for residents to raise issues and have concerns addressed. Information on budget, costs and work updates were always accessible. Resident feedback also helped the Planned Investment Team improve their satisfaction survey service.

In addition, various local projects were designed and delivered by residents and supported by our Community Investment Team including: gardening, grassroots community club, community food project and a film night. These helped develop the incredible community spirit felt across the neighbourhood.

Housing, Estate Care and the Repairs Team engaged with residents through regular virtual surgeries. There are now plans for a webpage to be created, where residents can find key information on everything that is happening on the estate.


DAWSON HEIGHTS

From Chair of the Board

I believe the newly merged Southern Housing will make a positive difference to our residents and the communities we work in. We have brought together two organisations aligned on culture, colleague focus, and service delivery. Both have long and distinguished histories going as far back as 1901 and worked alongside each other in the same communities for many years. Southern Housing will build on that legacy creating the opportunity to further enhance historic connections and address local need. Placing residents at the heart of services, we will work with residents to co-create innovative services that are more effective and responsive, meeting our residents' needs.

The environment in which we operate is increasingly challenging, not least needing to manage the disconnect between inflation and rent increases. We know the pressures that cost inflation also puts on our residents. Our social impact programmes continue to improve employment opportunities and wellbeing. Through our financial inclusion services and our financial and hardship fund, we help those hardest hit by the tough economic conditions.

The sector is rightly facing increased scrutiny over the safety and quality of our homes. At Southern Housing the safety of residents and colleagues remains our top priority. We continue to deliver our building safety programme and respond to increased Building Safety Regulatory requirements.

We welcome the Levelling Up, Housing and Communities Committee inquiry into finances and sustainability in the social housing sector examining the financial pressures facing social landlords and the resources needed to meet a variety of challenges.

Our colleagues are our greatest asset and are key to driving our success. We recognise the importance of flexibility and agility to ensure our colleagues can manage the challenges we face. Through our culture we're creating an environment which is inclusive and diverse where all can develop and thrive.

I look forward to the next year working with my fellow Board and Committee members and with residents at the heart of our services to deliver on Southern Housing's vision to create communities where everyone has a safe home, in a place where they're proud to live.

Sir Peter Dixon
Chair of Southern Housing Board

From Chair of Resident Strategy Group

It only feels a short time since I was reflecting on 2021/22 after being only six months into my term as chair of the Resident Strategy Group. Now well over a year into my role, I'm reminded of how busy it's been, filled with both challenges and achievements.

We've worked closely with residents and colleagues from Southern Housing to develop our new involvement structure. We used the opportunity to take a fresh look at what we do and how we do it, ensuring we as residents are at the very heart of everything we do. And our voices are heard and acted on. I'm confident the new organisation is well placed to ensure we deliver a high standard of service and safe, affordable homes for the future.

Like most sectors, we've continued to feel the effects of the global pandemic on our services, with people and material resources impacting repairs in particular. It's also a pivotal time for the wider housing sector. In the wake of tragedies like the Grenfell fire and the death of toddler Awaab Ishak, the government has recognised that we all must work together to improve social housing. Whether it's safety or service, residents' voices must now be heard. I believe we all have a great opportunity to help shape things for the future and give something back.

To develop a deeper understanding of services, Resident Strategy Group members have had the opportunity to visit the teams responsible for completing repairs and seeing the work being carried out to ensure repairs are completed in a timely manner and to a high standard.

I'm really pleased our Resident Scrutiny Panel at Southern Housing has chosen damp and mould as its first review, following the recent merger. It's only by residents and colleagues rolling up their sleeves to look at what should be done on these difficult issues that we'll make progress that lasts.

This year much work has been done to recruit a fantastic group of diverse and engaged residents, with a wide range of skills and knowledge. We've already started to see the real value they bring to scrutinising services on behalf of all residents. I look forward to working with my fellow involved residents over the coming months to co-create an organisation we can all be proud of.

The past year has continued to be challenging for us all and I'm sure there is more to come. However, if we all continue to work together in the spirit of kindness, understanding and accountability I'm sure we can make the future a better place for us all to live.

Billy Brown
Chair of Resident Strategy Group

From **Chief Executive**

In March 2022 we announced our plan to merge Optivo and Southern Housing Group to create Southern Housing. The key to the merger being the ability to cope with rapidly rising construction costs and a need to invest in existing homes. Over the following months we engaged extensively with residents, colleagues and our external partners on the potential merger, completing the merger in December 2022. Our focus now is on integration and delivering for our existing residents whilst laying the foundations for ambitious growth in the future.

The Regulator of Social Housing has given the new business an interim governance and viability rating of G2 / V2. Whilst we meet the regulatory expectations there are some aspects of our business we need to improve and there are financial challenges we are managing that reflect the tough economic situation and pressures faced by all associations.

That has meant taking some tough decisions in relation to our capacity to build new homes that we recognise are desperately needed. Although starts will reduce over the next few years, we completed 1,089 new homes in 2022/23, which was slightly ahead of forecast, and started 952.

Through co-creation we're working with our residents and service providers to review and improve services where necessary. We're being proactive in relation to damp and mould issues. Over the last four years 85% of our homes have been surveyed and we have installed over 200 damp meters in homes to support residents.

Ensuring we provide homes that meet national energy efficiency targets will help residents in the longer term with the cost of living. We've secured £10 million retrofit funding to improve the energy efficiency of 1,500 homes. The investment will focus on passive measures to bring homes up to EPC B and C across London, Kent, Sussex, and the Isle of Wight. We have been at the forefront of sustainability reporting and continue to support the sector's Sustainable Reporting Standard. Through a newly created ESG Programme Board we continue to embed ESG in our activities for residents and colleagues.

As we enter the first full year of Southern Housing, I would like to thank all my colleagues for their commitment to the success of our business. I look forward to working with them and our Board to deliver on our vision of Creating Communities Together.

Paul Hackett CBE
Chief Executive Southern Housing


SOUTHERN
HOUSING

01

HIGHLIGHTS

02

STRATEGIC REPORT

03

LEADERSHIP AND GOVERNANCE

04

FINANCIAL STATEMENTS

Our Business Model

Strategic Plan 2023–26

Sustainability

SEC Report Submission Statement

Financial Review

Value for Money

Financial Planning and Treasury Management

Risk management

Management presents its report incorporating the strategic report and audited consolidated financial statements for Southern Housing and its subsidiary undertakings for the year ended 31 March 2023. These consolidated accounts are also available on our website www.southernhousing.org.uk.

Our Business Model

Who we are

We're one of the largest housing providers in the UK with over 78,000 homes owned and managed across London, the South East, the Isle of Wight and the Midlands. Our core business, providing homes for people who need them, is founded on maintaining a strong social purpose. 88% of the group's business (by income) is undertaken by Southern Housing, the charitable parent organisation. New build activities are conducted through Lamborn Estates (market sales), Optivo Development Services, Southern Housing Construction Limited, Southern Home Ownership and Ink Development, a limited company jointly owned in which Southern Housing holds one share. A full list of the group subsidiaries and their activities are set out in note 31 to these financial statements.

Southern Housing has invested equity in its subsidiary companies. £1.8 million is invested in Rosemary Simmons Memorial Housing Association (trading as Crown Simmons) and £1.7 million is invested in Spruce Homes. These investments are supported by the net assets of these subsidiaries. £13,000 is invested in our finance company Optivo Finance Plc. The sum of equity investment in dormant companies, charities and registered providers is nominal at £3. We have one project specific company, Middlesex First Limited to which Southern Housing provides an equity loan of £8.8 million accounted for in intercompany debtors.

How we generate our money and what we do with it

In 2022/23, 71% of our turnover came from rent and service charges and 19% from the sale of first tranche (shared ownership) and market sales properties. Our operations generated £345 million cash. This together with net funding of £136 million and grant receipts of £53 million helped us to maintain a high level of investment back in to existing and new homes. At year end we had committed £665 million in capital investments on developments already in contract and a further £116 million investment on developments which had been approved but were not yet in contract.

What we do

We work with residents, local authorities and partners to help meet housing need and to create safe, sustainable communities for our residents. Our core tenure is social rented housing. Through our work on social impact we aim to make a difference and work to support our residents and communities. Enhancing lives is key to our mission. Operating in some of the UK's poorest neighbourhoods we adapt our activities and projects to meet local need and priorities. In 2022/23 we helped 2,081 people back into jobs and training. Our work helps people to gain confidence and overcome significant barriers to securing work. We also work with our supply chain businesses to find jobs and opportunities to improve skills for our residents.

We use our existing housing portfolio to secure new funding to support our development ambitions. We started 952 new homes in 2022/23. Our new homes programme will provide housing for rent (including affordable and social rent), shared ownership and open market sale. The majority will be in London and the South East with a small element in the Midlands.

Our stakeholders and engagement

We're committed to operating fairly, with integrity and respect for the opinions and perspectives of our stakeholders. A summary of our engagements is outlined below. Our primary stakeholders include our residents and service users, both current and future, our partners in central and local Government, our colleagues, suppliers and investors and the wider communities in which we operate.

STAKEHOLDER	KEY ENGAGEMENTS	OUTCOMES
Residents & service users We seek to involve our residents in what we do, we regularly communicate with them, and through scrutiny reviews seek their views on how we can improve, and listen and act upon what they tell us Our co-creation framework sets out how we involve residents in innovative and meaningful ways.	• Opportunity for 100+ residents to be involved in our Resident Governance Structure • Publishing policy documents and corporate reports on our website • Issued a Customer Service Promise to all residents • Offering volunteering opportunities • Money and benefits guidance • Providing employment and digital support • Offering energy efficiency advice • Commitment to safeguarding the wellbeing of all residents • Carrying out satisfaction surveys • Social media presence • Online service • Rent flex plan offering flexible rent payment options • Regular resident magazine.	**Tenant satisfaction measures performance:** ✓ 72% Satisfied with overall service ✓ 66% Satisfied with repairs service over the last 12 months ✓ 61% Satisfied with time taken to complete most recent repair ✓ 84% Agree we treat residents fairly and with respect ✓ 68% Satisfied we listen to residents' views and act upon them ✓ 82% Satisfied we keep residents informed ✓ 81% Satisfied we provide a safe home ✓ 75% Satisfied we provide a well maintained home.
Colleagues Key to the delivery of all we do are our colleagues. We're only as good as those who deliver services on our behalf Effective communication with our colleagues is critical to our ongoing success as are appropriate reward, honesty, dialogue and appraisal between employer and employee.	• Executive Team roadshows • Biennial staff conference • Colleague forum • Union recognition with regular engagement • Colleague surveys • Range of colleague communications including magazine, intranet, email bulletins • Culture calendar • Whistle blowing process.	✓ 7.7 Average number of sickness days absent per employee ✓ 14% Colleagues leaving for a voluntary reason.
Investors / funders We're a not-for-profit organisation with charitable status. We access debt capital through lenders and investors to enable continued investment in new homes. Communicating effectively with stakeholders and providing them with relevant and timely information are essential for maintaining access to debt markets and competitive pricing.	• Quarterly financial covenant compliance reporting • Half year trading statements • Bilateral meetings with lenders • Investor presentations.	• **Moody's Credit rating** A3 negative outlook • **Fitch Credit rating** A Stable.

STAKEHOLDER	KEY ENGAGEMENTS	OUTCOMES
Suppliers We work with numerous contractors and suppliers. They are an essential ingredient to enable us to deliver services and new homes, providing jobs and training opportunities for residents Maintaining this two-way relationship is important.	• Equal access to tendering opportunities • Multi-year contracts with key suppliers • Standard contract management processes and controls including monthly/quarterly meetings and annual reviews • Standard approved supplier processes and controls • Contractual mechanisms to extend contracts based upon performance • Problem solving hierarchies and escalation processes set out in contracts • KPIs in place.	✓ We made Social Value partnership agreements with 157 businesses, creating 183 jobs, apprenticeships and training opportunities for residents. ✓ Contractors contributed £330k of funding and in-kind contributions to residents' community projects and charity.
Universities & NHS Trust partners We work in partnership with our NHS Trusts to provide key worker homes. Our student accommodation assets serve several universities, in many cases under explicit partnership arrangements.	• Regular dialogue with partners on accommodation bookings and demand forecasting. We're subject to their scrutiny on the quality of our service and welcome feedback.	✓ 97.2% occupancy in NHS key worker accommodation ✓ 1.7% keyworker arrears ✓ 96.9% occupancy in direct let student accommodation ✓ 3.2% student arrears.
National & Local Government We receive public money to help us provide more homes and services.	• Regularly respond to housing enquiries from Members of Parliament and local authorities. • Active member of the National Housing Federation and the G15 group of London's leading associations • Through these bodies and our own activities, we engage with national Government, City Hall and local authorities to influence policy priorities • We focus on making the case for funding for social housing delivery and associated services to be given high priority • We champion the difference social housing delivery makes to the lives of our residents.	✓ All regulatory returns submitted on time ✓ Strategic partnership status with the Greater London Authority.

<table>
<tr><th>STAKEHOLDER</th><th>KEY ENGAGEMENTS</th><th>OUTCOMES</th></tr>
<tr><td>Care and Support Isle of Wight (IOW) Local Authority, Care Quality Commission (CQC) and NHS Trust Partners
We work in partnership with the IOW Local Authority, NHS trust/mental health recovery teams and CQC in the delivery of care and support services on the IOW.

These services deliver regulated care and support services to over 600 people in 480 specialist homes, including care homes, extra care schemes, temporary homes for individuals and families to prevent homelessness, supported living schemes and outreach home care services.</td><td>• We are regulated by the CQC, they carry out unannounced inspections to ensure we remain compliant with legislative requirements
• We have contracts with the local authority to deliver services, which outline specific performance indicators we are required to deliver and report on. The Local authority regularly inspect services to ensure we remain compliant with the contract
• We have agreements with the health authority/mental health team to provide specialist accommodation, and we regularly meet with our partners to ensure the services we provide meet the required outcomes.</td><td>✓ 96% of residents are happy with the services we provide
✓ 99% of residents were supported to successfully maintain their independence
✓ 100% of care plans are in place
✓ 90% of residents in temporary homeless services were successfully supported to retain independence
✓ 47% of residents living in temporary homeless services were supported into training and employment
✓ 82% safe staffing levels in regulated care services
✓ Care Services – 4 services CQC rated Good, 1 service rated requires improvement
✓ 14 days void turnaround.</td></tr>
<tr><td>Communities & Environment
We support residents to save money on their bills, manage energy costs, improve their health and wellbeing and reduce environmental impact

We're striving to reduce our environmental impact to help manage our costs and be a more responsible business

We're investing in the quality, safety and environmental sustainability of our homes.</td><td>• Strategic plan 2023-26 sets our targets
• Our social impact statement makes a positive difference to our communities – one team working together
• We tackle antisocial behaviour, crime and domestic abuse.</td><td>✓ 73.3% homes meeting EPC C or above
✓ 70% satisfied with our approach to handling anti-social behaviour.</td></tr>
</table>

Strategic Plan 2023–26

We've over 78,000 homes across London, the Midlands, the South East of England and the Isle of Wight. This includes over 30,000 homes in London. We're big and we're local. Merger means we'll provide residents and communities with better outcomes.

Our vision is to create communities where everyone has a safe home in a place where they're proud to live.

Residents are at the heart of our services, and we use our size to influence positive change in the areas where we operate.

Tenant Satisfaction Measures

From April 2023 all housing associations implemented the new regulatory Tenant Satisfaction Measures (TSMs). We've included these in our strategic plan as measures of success. For 2023/24 we will track performance against the benchmark set by our pilot surveys carried out last winter.

Our Objectives 2023–26

Objective 1
Great customer experience

Objective 2
Listen and act on resident views

Objective 3
Safe sustainable homes in good repair

Objective 4
Neighbourhoods where residents are proud to live

Objective 5
Build homes to meet housing need

Objective 6
Empower our people

Objective 7
Deliver efficiency

Our expanded objectives are continued in the following section

Objective 1
Great customer experience

Destination statement:

To have great customer experiences in all areas.

Our success will be measured by satisfaction with:

- Overall service experience TSM
- Repairs service, and latest repair TSM
- Being treated fairly and with respect TSM

We'll foster a customer-centric ethos to deliver great service experiences, while using our new scale to achieve better value and outcomes. We'll drive better experiences using technology, while making sure everyone can access the services they need. We'll launch a new Customer Service Promise in 2023.

We'll also seek opportunities to bring services in house where we feel we can offer increased value and improved experience.

We'll achieve our objectives, destination statement and success by:

- Working with residents to design our services
- Rolling out our culture programme and service promises
- Ensuring our repair service is effective
- Equipping colleagues with the right skills
- Acting on feedback, complaints, and insight
- Using technology effectively
- Moving to a single customer access centre
- Seeking to bring services in house

Great customer experience	Actual 2022-23	Benchmark 2023-24
% Satisfied with overall service	72%	75%
% Satisfied with repairs service over the last 12 months	66%	75%
% Satisfied with time taken to complete most recent repair	61%	65%
% Agree we treat residents fairly & with respect	84%	70%

Objective 2
Listen and act on resident views

Destination statement:

Services are shaped around residents to create improved experiences and better value.

Our success will be measured by satisfaction that we're:

- Listening to resident views and act TSM
- Keeping residents informed about the things that matter most to them TSM

Southern Housing brings together two organisations with a history of engaging residents. We'll continue this to ensure residents shape future service.

Residents will be involved at every level, with representatives on our Board influencing strategic direction and forums helping to improve local delivery.

Together we'll create places where people are proud to live and great service experiences.

We'll achieve our objectives, destination statement and success by:

- Co-creating services
- Embedding our resident governance structures
- Offering a range of options for residents to get involved and influence
- Seeking diverse views and opinions to inform decisions

Listen and act on resident views	Actual 2022-23	Benchmark 2023-24
% Satisfied we listen to residents views and act upon them	68%	68%
% Satisfied we keep residents informed	82%	83%

Objective 3
Safe sustainable homes in good repair

Destination statement:

Our homes will be safer, more energy efficient and well maintained.

Our success will be measured by:

- Satisfaction that the home is safe and well maintained TSM
- The % of homes meeting Energy Performance Certificate C or above

The safety of residents is our top priority. We'll continue to invest to make our homes safer and instil a culture of safety.

We'll take measures to improve the sustainability of our homes and operations. Residents and stakeholders will influence our new Asset Management and Sustainability Strategies.

We'll achieve our objectives, destination statement and success by:

- Completing programmes of home improvement
- Ensuring our repairs services are effective
- Using our scale to offer better value, and simplifying our supply chain
- Using technology and data to work more effectively and to spend wisely

Safe sustainable homes in good repair	Actual 2022-23	Benchmark 2023-24
% Satisfied we provide a safe home	81%	85%
% Satisfied we provide a well maintained home	75%	80%
% Homes meeting EPC C or above	73%	74%

Objective 4
Neighbourhoods where residents are proud to live

Destination statement:

To have neighbourhoods where everyone has a safe home in a place where they're proud to live, and where people have improved opportunities.

Our success will be measured by:

- Satisfaction that communal areas are clean and well maintained
- Satisfaction with handling anti-social behaviour
- The number of people into jobs and training

Working with residents and organisations we'll keep neighbourhoods clean, safe and in good repair, and explore options for delivering services in house. Anti-social behaviour is a key concern for residents. We'll work in partnership with residents and stakeholders to manage and meet expectations. We'll be clear on what we can do and where others can also help. We'll learn from the best.

Cost of living challenges place new pressures on everyone, especially the poorest in our communities. We'll maximise social impact with new urgency, and in a renewed way to achieve local priorities. We'll energise and mobilise our organisation to achieve the right outcomes for residents.

We'll achieve our objectives, destination statement and success by:

- Investing in homes and neighbourhoods
- Exploring options for in house services
- Using our influence, procurement, and partnerships to drive social value
- Leveraging in social impact funds

Neighbourhoods where residents are proud to live	Actual 2022-23	Benchmark 2023-24
% Satisfied we keep communal areas clean and well maintained	73%	73%
% Satisfied with our approach to handling anti-social behaviour	70%	69%
Number of people into jobs and training	2,081	1,500
% Vacant homes available for letting (GN and HOPS)	0.62%	0.95%

Objective 5
Build homes to meet housing need

Destination statement:

We'll invest in good quality sustainable new homes to meet housing need and tackle homelessness.

Our success will be measured by:

- The numbers of homes we start on site and complete

As a larger organisation we're more resilient and better placed to deliver new affordable homes. We'll support Government and local authorities to address housing need and homelessness. We expect our new home programmes to significantly increase as our capacity grows, integration is completed, and as the demands of building safety measures settle.

This, with a shift to more land led development and larger sites will ensure we develop quality, sustainable homes. In addition, regeneration of some existing assets will provide homes with higher sustainability standards.

We'll achieve our objectives, destination statement and success by:

- Shifting to more land led development
- Building new homes to Energy Performance Certificate B
- Exploring modern construction methods
- Using technology in development
- More joint ventures with partners

Build homes to meet housing need	Actual 2022-23	Benchmark 2023-24
Build Completions	1,089	1,402
Starts	952	500
New Sales Receipts	£126.8m	£125.1m

Objective 6
Empower our people

Destination statement:

Southern Housing will be an employer of choice, a great place to work, and an organisation where everyone is treated with respect and dignity.

Our success will be measured by:

- Colleague satisfaction

We'll work effectively together across all teams to deliver great experiences to residents efficiently. The employment market is highly competitive at the moment. So to retain and recruit the best we'll have an attractive employment proposition. Our new learning academy will help equip colleagues with the skills to advance their careers, increase productivity and create routes to employment and progression for residents.

In creating Southern Housing, we bring together two organisations with strong values and a clear commitment to diversity and inclusion. Southern Housing will be a diverse and inclusive place where everyone is treated with respect and dignity. Our HEART values are embedded into everything we do and drive the delivery of great service.

We'll achieve our objectives, destination statement and success by:

- Creating a culture that supports everyone to be their best selves and maximise their potential
- Creating a diverse and inclusive organisation
- Ensuring we have a valued wellbeing offer
- Developing our employment offer
- Embedding our values
- Creating a sector leading learning academy
- Supporting colleagues with the right skills, tools, and technology

Empower our people	Actual 2022-23	Benchmark 2023-24
% Colleagues satisfied overall with Southern as an employer	N/A	75%
Average number of sickness days absent per employee	7.7 days	8 days
% Colleagues leaving for a voluntary reason	14%	15%

Objective 7
Deliver efficiency

Destination statement:

Value for money secured to invest in delivering our mission and strategic objectives.

Our success will be measured by:

- Our operating margin excluding sales

The economic climate presents challenges to all housing organisations. The larger Southern Housing will be more resilient and more able to withstand operating environment shocks and risks. The Government has capped social and affordable rents at 7% for 2023-24.

We'll continue to invest significantly in building safety and net zero carbon programmes. We'll adopt prudent financial planning and will seek to drive down cost per home.

We'll achieve our objectives, destination statement and success by:

- Improving value for money through procurement
- Seeking to bring services in house
- Reviewing our office portfolio
- Using technology
- Working with residents to improve service efficiency

Deliver efficiency	Actual 2022-23	Benchmark 2023-24
% Operating margin overall (excludes all sales)	13.2%	20.2%
% Current rent arrears (GN and HOPS)	4.7%	4.5%

CASE STUDY

Involving residents in procurement at Palliser Road

Involving residents in procurement can be an effective way of empowering them to influence the quality of services that they receive. Since undertaking training in 2021, a group of residents have been involved in several development procurement tenders.

There were plans to develop new homes at Palliser Road in Hammersmith and Fulham and we tendered to choose the house builder. We invited members of the Lisgar Terrace Steering Group, as they had valuable lived experience from the regeneration of their own estate. We also invited Vanston Place residents, as any social value benefits from the development would be used to support projects on their estate. From this, we recruited to the two resident positions available.

The residents worked with us to draft questions about community engagement and social value to go in the tender packs and reviewed the contractor's written answers.

In September 2022, they attended the interviews, asked questions, and submitted comments and scores that informed selection of the preferred contractor.

Rajvinder Uppal, Social Value Lead acknowledged residents for their involvement, saying: "thank you so much for making time to be involved in the process. It is really appreciated by us all".

Sustainability

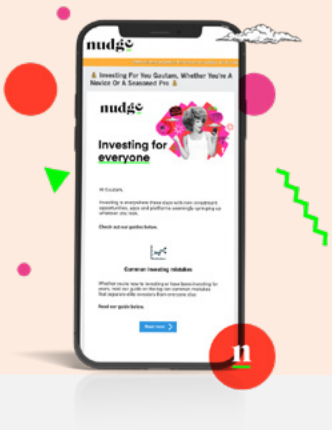
Our energy advice service helps residents reduce their fuel bills. Free to all residents, it provides independent advice on everything from switching to the best deal, to home efficiency tips and tutorials on how to set thermostats and radiator valves. The service is widely publicised on our website and through targeted campaigns, for example to residents living in the least energy efficient homes. As a result, last year we provided over 60 home visits, nearly 200 phone consultations and sent out over 150 winter warmer bags. In addition, we provided targeted home visits to over 230 residents living in our Independent Living schemes.

Our Sustainability Team is responsible for helping to improve our environmental standards and to minimise our carbon footprint. We've improved the energy efficiency of our homes, delivered innovation and achieved significant cost savings for the organisation by auditing our energy and water consumption. We're developing a Net Zero Carbon framework; a roadmap that will support the decarbonisation of our homes between now and 2050. The framework also includes a new Retrofit Programme Board made up of key staff members who will oversee the delivery.

"As someone who is terrible with money - I'd rather go on holiday and put those holidays on the credit card. nudge has already helped me to budget and put a plan in place and in just 11 months, I'll have my 5 credit cards paid off!"

A nudge in the right direction

We're the first Housing Association in the UK to invest in an independent money guidance tool called nudge, which is available to all our residents. The web app can help users better manage their money with personalised guidance.



BY **2025**

80%
of homes

EPC C and above

BY **2030**

All
homes

EPC B and C

BY **2050**

All
homes

Net zero carbon

We're launching a recruitment campaign of local residents to become sustainability champions. This is to support our retrofit programme.

The Social Housing Tenants' Climate Jury supports the importance of local champions in raising awareness, educating and communicating with our communities.

We're working with our professional services consultant, Pellings to deliver our PAS 2035 requirements.

PAS 2035 is a framework for retrofit project delivery to ensure work is carried out in the right sequence and to the right standard.

We've mobilised our contract with our Retrofit Installers, Vinci and have carried out joint Workshops with them, embedding our culture and ethos.

We've found lots of similarities between our values and Vinci's and are excited to embark on this partnering contract with them to deliver project ReNew.

We're working up our bid plans for the Social Housing Decarbonisation Fund (SHDF).

SHDF is a £3.8bn 2019 Conservative manifesto commitment over a 10-year period to improve the energy performance of social rented homes, on the pathway to Net Zero 2050.

Damp and Mould

We were shocked and saddened by the tragic death of Awaab Ishak in Rochdale attributed to untreated mould in the family home. We had already updated our procedures in response to the Housing Ombudsman Service Spot Report on Damp and Mould, published in October 2021. We introduced new action plans in January 2023 covering the 26 steps required to achieve a zero-tolerance approach and keep them under review to ensure we are improving our response to reports of damp and mould. We actively encourage our residents to report damp & mould issues. We've reviewed all complaints and reports of damp and mould received since April 2022. The findings from these were used to inform and develop our new Southern Housing Damp and Mould Best Practice Action Plan, new Standard Operating Procedure and Framework. These documents now form an integral part of our overall zero tolerance approach to damp and mould. Case performance is reported to Executive Team (monthly) and Board (quarterly).

We're using technology such as thermal imaging cameras and hygrometers to help us diagnose the root cause of instances of damp and mould. We've refreshed the information available to residents and are using our direct labour resources, contractors and housing colleagues to proactively raise concerns.

SEC Report Submission Statement

MEASURE	2022/23
SCOPE 1 Combustion of fuels	**10,834**
Gas heating in homes	9,654
Gas heating in offices	111
Combustion of fuel for Optivo owned vehicles	1,069
SCOPE 2 Indirect emissions from the electricity we purchase	**4,688**
Purchased electricity for our offices	398
Purchased electricity for our homes	4,290
SCOPE 3 All other indirect emissions	**123,832**
Combustion of fuel from personal vehicles used for business purposes	147
Transmission and Distribution losses	429
Estimated carbon emissions of social homes	123,256
Total emissions (tonnesCO_2e) including homes	**139,354**
CO_2 emissions per home managed	**2.28**
Total emissions (tonnesCO_2e) excluding homes	**15,669**
Number of homes managed (with asset investment liability)	**61,003**
CO_2 emissions per home managed	**0.26**

Methodology

The table above has been prepared in accordance with the provisions of the GHG Reporting Protocol - Corporate Standard and HM Government "Environmental Reporting Guidelines including Streamlined energy and carbon reporting guidance"

DEFRA conversion factors 2022 have been used to convert electricity and gas consumption from kWh to tonnes CO_2e

DEFRA conversion factors 2022 have been used to convert transport fuel consumption and mileage from litres/miles to tonnes CO_2e

Actions on energy efficiency undertaken in the reporting period

- Upgraded heating in 2,384 homes, including A rated boilers and high intensity storage heaters
- Upgraded windows, doors or roofs in 687 homes
- Retrofitted over 450 of our lowest performance homes, improving insulation and installing solar panels
- Surveyed over 22,000 lights to develop a business case on how we can achieve savings of up to 1GWh/year of electricity or 236 tonnes/year of CO2e. We've delivered a demonstrator project evidencing the availability of savings across ten diverse sites. This year we will use these findings to integrate LED lighting into our strategic asset management strategy
- To support our net zero plans, we successfully bid for over £10 million of funding under Wave 2.1 of the Social Housing Decarbonisation Fund (SHDF). With match funding, this means our spend on retrofitting homes in the next two years will be £22.5 million. This will enable us to retrofit nearly 1,500 homes to at least EPC Band C, while also building our capabilities and capacity to the levels required to reach net zero carbon by 2050.

Financial Review

In 2022/23 our turnover was £642 million. At 31 March 2023 we had fixed assets of £6 billion (at cost) and reserves of £2 billion. We reported an operating surplus of £136 million and an operating margin of 14% (including first tranche and market sales but excluding property disposals). Our social housing activities generated an operating margin of 19%. Our operating surplus includes £47 million surplus on housing property disposals (2021/22: £42 million). We have made an impairment provision of £27 million. The provision made covers two land sites held ahead of development where values have fallen, four schemes where sales values have been impacted by current market conditions and one site we anticipate will be subject to redevelopment. Net interest costs increased by £7 million. Surplus before tax is £80 million (2021/22: £140 million).

RESULTS	2022/23 £m	2021/22 £m	2020/21 £m
Turnover	642	592	544
Cost of sales	(105)	(87)	(63)
Operating costs	(421)	(382)	(364)
Impairment provision	(27)	-	-
Surplus on disposal of fixed assets & investments	47	42	48
Operating surplus	**136**	**165**	**165**
Surplus on other sales	-	-	59
Net interest payable	(96)	(89)	(91)
Surplus before fair value movements	**40**	**76**	**133**
Fair value property & investment movements	5	9	5
Derivative movement	35	55	35
Surplus for the year	**80**	**140**	**173**

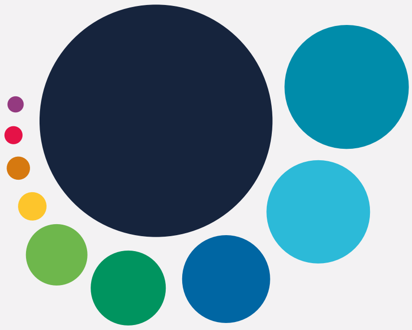
Combined Southern Housing comparatives

Analysis of turnover

- Turnover of £515 million (excluding sales) increased by £35 million compared with 2021/22. Increased income came from the annual rent increase and from new homes handed in to management. 95% of turnover excluding sales is generated from social housing activities
- First tranche sales turnover of £60 million increased by £7 million compared with 2021/22. Turnover from market sales was £67 million compared with £59 million in 2021/22
- Turnover from general needs rent properties increased by 9% to £359 million (2021/22: £329 million) and turnover from shared ownership properties increased by 24% to £60 million (2021/22 £48 million) reflecting an increase in homes completed and annual rent increases partly offset by additional staircasing and disposals in the year
- Service charge costs of £62 million exceeded our income of £54 million (2021/22 net loss £3 million) mainly due to additional fire safety spend and managing agents' fees not recovered.

General needs	£359m
Market sales	£67m
First tranche sales	£60m
Shared ownership	£60m
Supported & HOPs	£59m
Other non social housing	£13m
Student accommodation	£12m
Keyworker accommodation	£8m
Other social housing	£4m

Analysis of expenditure



Maintenance	£146m
Management	£113m
Depreciation (housing properties)	£65m
Services	£62m
Cost of sales: market sales	£55m
Cost of sales: first tranche	£51m
Impairment	£27m
Other social housing	£14m
Student accommodation	£10m
Other non social housing	£11m

Operating costs (excluding cost of sales) increased by £65 million to £448 million. We increased our maintenance spend by £18 million and services spend increased by £2 million. Management costs increased by £15 million, mainly due to cost inflation, energy price increases and one off costs of £5 million to complete the merger. We also made an impairment provision of £27 million.

Interest and sales

- Interest and financing costs increased by £10 million to £100 million (2021/22: £90 million). This is due to additional costs incurred as we refinanced our loan portfolio ahead of merger, cost of additional borrowing to fund development and higher interest rates
- Surplus on staircasing (where the leaseholder acquires a further property equity share), voluntary right to buy / right to acquire sales and asset management sales increased by £5 million to £47 million (2021/22: £42 million). We sell void properties if it is not economically viable to repair them or if they are in an estate regeneration disposal programme. We reinvest sales proceeds to build new and improve existing homes.

Statement of Financial Position (Balance sheet)

STATEMENT OF FINANCIAL POSITION	2022/23 £m	2021/22 £m	2020/21 £m
Total fixed assets & investments	6,219	5,945	5,634
Net current assets / (liabilities)	105	191	(37)
Total assets less current liabilities	6,324	6,136	5,597
Long term liabilities & provisions	(4,615)	(4,505)	(4,136)
Net assets	1,709	1,631	1,461
Reserves	1,709	1,631	1,461

Housing properties

Housing properties are mainly held at historical cost, unamortised grant is held in creditors. The increased total fixed asset carrying cost of £274 million includes £269 million investment in new homes, £96 million spend on acquiring homes from another provider and £58 million spend on improvements and component replacements to existing homes. To date we've received £1.7 billion social housing and capital grant to support our development programme.

Pensions

We operate six funded schemes and two defined contribution schemes which are used for auto enrolment. Two funded schemes are in deficit and all are closed to new members. The liability on the funded schemes is £16 million, total unrecognised surplus is £18.6 million. The defined contribution schemes offered to new colleagues carry no deficit risk to Southern Housing.

Reserves

Our reserves are fully reinvested back into services and new homes to deliver sustainable communities.

HOMES	2022/23 £bn	Funded by	2022/23 £bn
Property cost less depreciation and impairment	5.8	Loans and bonds net of cash and short term investments	2.8
		Unamortised grant	1.7
		Revenue reserves	1.7
		Other balances	(0.4)

Combined Southern Housing comparatives

CASH FLOW	2022/23 £m	2021/22 £m	2020/21 £m
Cash generated from operations	320	325	259
CASHFLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of assets	-	-	24
Purchase of assets	(436)	(414)	(317)
Investment in joint venture	3	7	2
Grant received	53	32	43
Interest received	4	-	1
CASHFLOW FROM FINANCING ACTIVITIES			
Net borrowings	135	221	15
Interest paid	(120)	(106)	(101)
NET CHANGE IN CASH	(42)	65	(74)

We had £146 million cash and liquid resources at 31 March 2023.

Social Housing Lettings performance

Our core business is social housing lettings with our main tenures being general needs, supported housing, keyworkers and shared ownership. Our NHS keyworker portfolio had another exceptional year ending with 97.2% average occupancy. Our operating margin reduced by 2%, turnover increased by £32.3 million but that was offset by increased spend on maintenance of £17.7 million, services £1.8 million, impairment £2.3m and management costs of £14.8 million. Cost pressures and rising stock investment needs have continued to impact our operating margins.

SOCIAL HOUSING LETTINGS	2022/23	2021/22
Homes owned and or managed	70,707	69,036
Revenue	£481m	£449m
Operating surplus	£90m	£93m
Operating margin	19%	21%

Combined Southern Housing comparatives

Non social housing

Occupancy in our direct let student accommodation average for the academic year was 96.9%. We achieved 99% between January and March 2023. Void loss was 17.2% in line with expectations and summer voids cycle. The Autumn Arrival Survey conducted by Global Student Living Indent returned a net promoter score (NPS) of +14 (-13 the previous year) in line with UK private halls (+14) and above UK university halls (+9).

STUDENT ACCOMMODATION	2022/23	2021/22
Homes owned and or managed	1,654	1,835
Revenue	£12.2m	£10.9m
Operating surplus	£2.1m	£2.3m
Operating margin	17%	21%

SOCIAL IMPACT	2022/23	2021/22
Revenue	£1.6m	£1.4m
Costs	£3.9m	£3.5m
Southern Housing investment	£2.3m	£2.1m

Contractors and businesses contributed towards a range of social Impact activities, including providing training, donating staff hours, providing materials for community projects, making charity donations and providing job and placement opportunities.

Development and sales performance

We completed 1,089 homes last year against a target of 1,704, with 444 being shared ownership, 590 for rent and 55 market sale. The difficult economic operating environment has created a number of issues for us in delivering our programme – we are managing cost increases and the impact of a number of contractors having gone into administration in 2022/23. Forecasts of a property market slowdown continue to indicate a housing market correction but as yet not of a significant magnitude. We are monitoring the impact of the Bank of England increasing the base rate on mortgage affordability. To date our home ownership sales have remained buoyant, with 498 sales last year and our net surplus was better than budget. However, sales are increasingly challenging, predominantly in the London market. The social housing grant environment hasn't yet changed to reflect the new reality of the cost of delivering new social housing homes and this is another limiting factor on our development capacity.

DEVELOPMENT AND SALES	2022/23	2021/22
Homes started	952	1,148
Homes completed	1,089	851
In contract at 31 March	3,936	3,605
Available for sale - shared ownership	257	238
Available for sale – open market	40	45

Combined Southern Housing comparatives

PROPERTY DISPOSALS WITHIN OPERATING SURPLUS	2022/23			2021/22		
	Turnover (£m)	Operating surplus (£m)	Margin	Turnover (£m)	Operating surplus (£m)	Margin
Shared ownership first tranche	60.1	9.4	16%	53.4	4.8	9%
Open market sales	66.7	12.1	18%	58.6	20.1	34%
Staircasing & right to buy	-	22.5	-	-	25.1	-
Miscellaneous property sales (social housing)	-	24.2	-	-	16.4	-

Cash and financing

We have over £1.5 billion of own name bonds in issue, with maturities out to 2048. We have £68.5 million of 2035 maturity retained bonds and £50 million of 2036 maturity retained bonds available to sell in the future. The 2036 maturity is our sustainable bond issued by Southern Housing Group in 2021. Through merger our lenders have increased their commitment to the enlarged group by circa £200 million. As a result of prudent liquidity management and supportive lender engagement during merger, we have ample liquidity.

On 29 June 2023 Southern Housing sold £30 million of its 2036 retained bonds, leaving £20 million of the £300 million 2036 sustainability linked bond unsold. This is in addition to £68.5 million of the 2035 retained bond.

FUNDING SOURCE	2022/23 £m	2021/22 £m
Cash and cash equivalents	146	188
Undrawn available bank facilities	1,239	1,054
Retained bonds held	119	100

METRICS	2022/23	2021/22
INTEREST RATE PROFILE		
% of net debt fixed	88%	92%
Weighted average duration	9.6 years	11 years
Weighted average debt cost	3.8%	3.7%
Derivative mark-to-market	£14m	£(21)m

Combined Southern Housing comparatives

Value for Money

Our Board drives the delivery of efficiencies supported by the whole business and residents. We are embedding a culture of cost awareness. Colleagues understand efficiency is not just about cost cutting but about freeing up resources to invest in making a bigger positive impact on society.

KEY FINANCIAL INDICATORS	2022/23	2021/22
Number of homes in management excluding leaseholders	72,671	71,182
We started 952 homes and completed 1,089.		
Social Housing cost per unit	£5,544	£5,052
Our cost per unit increased by £492. Increased maintenance spend was £304 and management costs increased by £177. This included one off costs of merger of approximately £74.		
Interest cover (Association as per loan agreements)	203%	204%
EBITDA Earnings before interest, tax, depreciation & amortisation per home (including impairment)	£3,187	£4,039
EBITDA - Earnings before interest, tax, depreciation & amortisation per home and **excluding IMPAIRMENT provision**	£3,554	£4,039
EBITDA - Earnings before interest, tax, depreciation & amortisation and **excluding FAIR VALUE movements** per home	£2,638	£3,124
EBITDA MRI (including major repair improvements capitalised) per home	£2,387	£3,303
EBITDA MRI (including major repair improvements capitalised) **excluding FAIR VALUE movements** per home	£1,838	£2,388
Rising costs have reduced our EBITDA.		
Net debt to turnover	4.30	4.37
Debt less cash increased by £175 million and turnover increased by £50 million.		
Operating margin	13.2%	20.8%
Operating margin (excluding all sales) of 13.2% is below our target for the year of 20.8%. Impairment charge of £26.7 million reduced the operating margin excluding all sales by 5.2% (18.3%). Year one merger costs of £5 million were not included in our target. The reduction also reflects a difficult operating environment with actual cost inflation exceeding CPI-linked income growth.		
Change in turnover	8%	9%
Increased revenue from rents & service charges £32 million, initial sales £7 million and open market sales £8 million.		
Change in major repair improvements capitalised year on year	12%	N/A
Effective interest rate	3.8%	3.6%
We increased net borrowing by £175 million, our average weighted cost of debt increased to 3.8%.		

Combined Southern Housing comparatives

Regulator of Social Housing
Value for Money metrics

We use the Regulator of Social Housing's value for money metrics to review our performance and target actions. We measure these against our G15 peers. Although G15 comparisons are a year behind our financial reporting they provide an effective comparison of performance. Our performance against targets is summarised below.

METRIC 1 REINVESTMENT			G15 2021/22		
	2022/23	2021/22	Highest	Lowest	Median
Investment in property	7.3%	7.2%	7.7%	2.4%	5.6%

This measures our investment in new and existing homes as a percentage of the total value of properties held. We invested £422 million in new and existing homes in 2022/23 compared to £402 million in 2021/22. We were above the median for reinvestment % in 2021/22 in our peer group.

METRIC 2 NEW SUPPLY			G15 2021/22		
	2022/23	2021/22	Highest	Lowest	Median
A. New supply delivered % (social housing)	1.5%	1.1%	1.8%	0.6%	1.1%
B. New supply delivered % (non-social housing)	0.1%	0.3%	1.5%	0.0%	0.2%

This metric sets out new housing supply delivered by us as a proportion of our total homes at period end. We focus investment in new homes in to our core social housing business rather than non social housing activities. New supply delivered was slightly below target due to handover delays. 2021/22 performance was the same as the median in our peer group for social housing supply.

METRIC 3 GEARING			G15 2021/22		
	2022/23	2021/22	Highest	Lowest	Median
Gearing	47.8%	46.5%	56.1%	38.0%	47.3%

This metric assesses how much of the adjusted assets are made up of debt and the degree of reliance on debt finance. Our net debt increased by £175 million, this was offset by an increase in housing assets of £250 million. We are within our lender covenant. 2021/22 performance was just below the peer group median.

METRIC 4 EBITDA MRI INTEREST COVER %			G15 2021/22		
	2022/23	2021/22	Highest	Lowest	Median
EBITDA-MRI %	72.3%	117.9%	163.9%	(10.0) %	98.9%

This is a key indicator for liquidity and investment capacity. Our EBITDA - MRI percentage decreased, our surplus (excluding property disposals) decreased by £34 million (£27 million impairment provision) and total interest payments increased by £12 million. Major repairs spend increase by £6 million. Our 2021/22 performance was significantly above the median in our peer group.

Combined Southern Housing comparatives

METRIC 5 HEADLINE COST PER UNIT (CPU)	2022/23	2021/22	G15 2021/22 Highest	G15 2021/22 Lowest	G15 2021/22 Median
Social housing CPU	5,544	£5,052	£10,873	£4,388	£5,191

Our social housing cost per unit has increased by £492. £304 is due to increased maintenance spend per home. Service charge costs increased by £5 and management costs by £177. 2021/22 cost per unit was in the lower quartile compared to the G15.

METRIC 6 OPERATING MARGIN	2022/23	2021/22	G15 2021/22 Highest	G15 2021/22 Lowest	G15 2021/22 Median
Operating margin – overall	13.9%	20.8%	23.5%	(1.0)%	20.2%
Operating margin – social housing	18.6%	23.4%	33.8%	11.0%	26.9%

The operating margin demonstrates the profitability of operating assets. Our operating margin including market and first tranche sales is 13.9%. Excluding all sales it reduces to 13.2%, below our target of 20.4%. The target did not include merger costs of £5 million or impairment provision of £27 million.

Excluding these items, we'd have achieved an overall operating margin of 19.3%. This is lower than 2021/22 due to an increase in maintenance, management and service charge costs, partly offset by increased income. Social housing operating margin also decreased. Our operating margin overall for 2021/22 was above the median level for our peer group and social housing operating margin was below the median.

METRIC 7 RETURN ON CAPITAL EMPLOYED	2022/23	2021/22	G15 2021/22 Highest	G15 2021/22 Lowest	G15 2021/22 Median
Return on Capital Employed (ROCE)	2.2%	2.7%	6.2%	1.7%	2.5%

ROCE is a measure of the efficient investment of our resources. Annual operating surplus is divided by capital employed (total assets minus current liabilities). Most of our housing stock is held on balance sheet at historical cost. Our ROCE decreased, operating surplus (including sales) decreased by £29 million and capital employed increased by £187 million. Compared with our peers we were above the median in 2021/22.

OTHER	2022/23	2021/22	G15 2021/22 Highest	G15 2021/22 Lowest	G15 2021/22 Median
Rent collected % general needs	100.8%	99.0%	101.0%	98.6%	100.2%
Overheads as a % of turnover	10.2%	10.4%	12.7%	9.3%	11.3%
Ratio of responsive repairs to planned maintenance	0.53	0.52	1.3	0.35	0.55
Satisfaction with overall service	72%	82.4%	88.8%	46.0%	74.5%
Total investment in community activities	£3,900	£3,600	£16,300	£361	£2,700

Combined Southern Housing comparatives

Regulator of Social Housing
Financial Forecast Return (FFR) Value for Money metrics

The metrics set out below are calculated from our FFR submission. Our forecast performance for financial year 2023/24 and 2025/26 (final year of our current strategic plan) are as follows:

METRIC 1 REINVESTMENT %	**2023/24**	**2025/26**
Reinvestment	7.8%	3.6%

We plan to invest £397 million in new and existing homes in 2023/24 and £135 million in 2025/26.

METRIC 2 NEW SUPPLY	**2023/24**	**2025/26**
A. New supply delivered % (social housing)	2.4%	0.9%
B. New supply delivered % (non-social housing)	0.1%	-

We're forecasting to complete 1,402 new homes in 2023/24 and 725 in 2024/25.

METRIC 3 GEARING	**2023/24**	**2025/26**
Gearing	48.4%	47.1%

Gearing is forecast to decrease as we scale back our development programme. We remain well within our lender covenants and risk appetite set by Board.

METRIC 4 EBITDA MRI INTEREST COVER %	**2023/24**	**2025/26**
EBITDA-MRI %	72.6%	120.1%

Our forecast performance below 100% in 2023/24 reflects the need to invest in major works to address façade remediation costs. Completion of committed development schemes without borrowing to spend on new schemes is the biggest driver of interest cover improvement by 2025/26.

METRIC 5 HEADLINE COST PER UNIT (CPU)	**2023/24**	**2025/26**
Social housing CPU	£6,582	£6,741

Our cost per unit is forecast to increase by 2025/26 compared with 2022/23 (£5,544) due to increasing our investment in properties.

METRIC 6 OPERATING MARGIN	**2023/24**	**2025/26**
Operating margin – overall	18.6%	26.1%
Operating margin – social housing	17.9%	25.5%

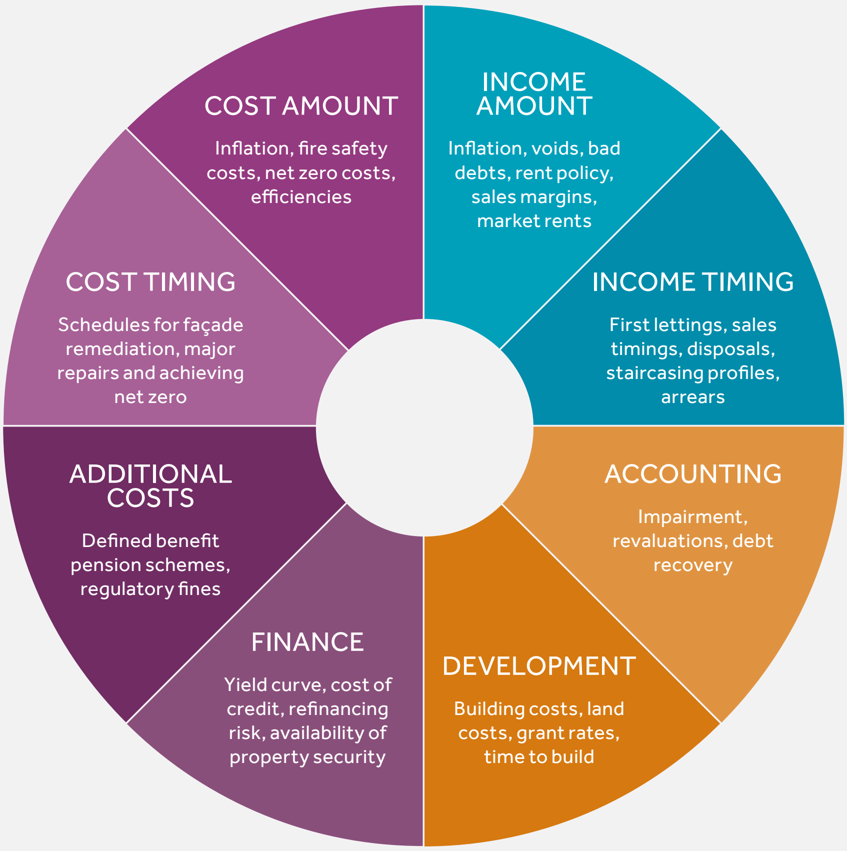
By 2025/26 we forecast our operating margin both overall and for social housing lettings will have improved as we realise efficiencies expected from the merger and through growth.

METRIC 7 RETURN ON CAPITAL EMPLOYED	**2023/24**	**2025/26**
Return on Capital Employed (ROCE)	2.4%	3.4%

Our ROCE is forecast to increase reflecting investment in new homes generating improved surpluses through efficiencies.

Financial Planning and Treasury Management

Board uses the long term financial plan to ensure long term covenant compliance, to establish financial risk appetite and to set an envelope for investment in new homes. We undertake a remodelling at least annually, most recently in May 2023. The plan reflects resources required to deliver our strategic objectives including the investment needed into technology, fire safety and decarbonisation.



We've undertaken a wide range of stress testing on the financial plan and considered the mitigating actions Board would be able to take in an adverse scenario. This stress testing shows the business to be robust even in extreme downside scenarios. Our viability can be maintained, and social housing assets not put at undue risk even with our continuing strategy of debt funded social housing investment.

The emerging change in inflation outlook and other possible risks are scenarios we stress test, including high interest costs and lower rent settlements from the Government. Possible wildcard events we've explored include: a rent strike; civil unrest; more rapid move to net zero; large scale flooding / environmental disasters; a major property disaster with reputational and other repercussions; widespread contractor failures; large scale staff absences; loss of insurance cover; a cyber-attack.

Our Treasury Management Policy Statement sets out the principles, policies, procedures and objectives of our treasury management activities. We review it annually to ensure we apply best practice.

Significant treasury risks include ensuring the Group has sufficient liquidity to fund its operations and development pipeline, interest rate risks and ensuring that all loan covenants are met. Our liquidity policy requires us to have sufficient funds in place so as not to rely on sales.

Facilities and funding

Committed facilities are mainly secured against our social housing assets (£244 million of funding is unsecured). These assets are independently valued to ensure we meet lenders' asset cover requirements. At 31 March 2023, 45,712 homes were charged as security to lenders (including derivative counterparties). We also held 35,467 unencumbered properties of which 31,286 are chargeable.

At 31 March 2023, borrowings for the Group totalled £2.9 billion from available facilities of £4.2 billion. All undrawn facilities are short term revolving credit facilities and are fully secured and available to be drawn. We maintain diversification in funding sources with 53% coming from eleven banks and 47% from capital markets, Government backed schemes, syndicated funding and Local Authority funding. The Group has limited near-term re-financing risk with 81% of current debt due for repayment in over five years.

The Group manages its exposure to fluctuations in interest rates with a view to achieving an acceptable level of certainty in net interest costs. We target the range of 75% to 100% of net debt to be on a fixed rate basis. Net debt is fixed either on an embedded basis, by drawing fixed-rate loans under the terms of our loan documentation or through standalone interest rate swaps transacted under International Swaps and Derivatives Association (ISDA) agreements. As at 31 March 2023 88% of net debt was fixed and the weighted average duration was 9.6 years. The weighted average cost of debt was 3.76% (March 2022: 3.57%).

We manage our mark to market (MTM) exposure risk using thresholds built into our ISDA agreements below which margin calls do not arise and providing property security as collateral. At 31 March 2023, MTM fair value equalled £13.8 million (31 March 2022: £(21.4) million liability). Thresholds and property security cover the full market exposure. A 1% fall in rates would increase our MTM exposure by £2.9 million. Our policy of over collateralisation with property security means this would not trigger a cash margin call.

Liquidity

We maintain sufficient liquidity to meet our liabilities and expenditure requirements. Our liquidity tests are as follows:

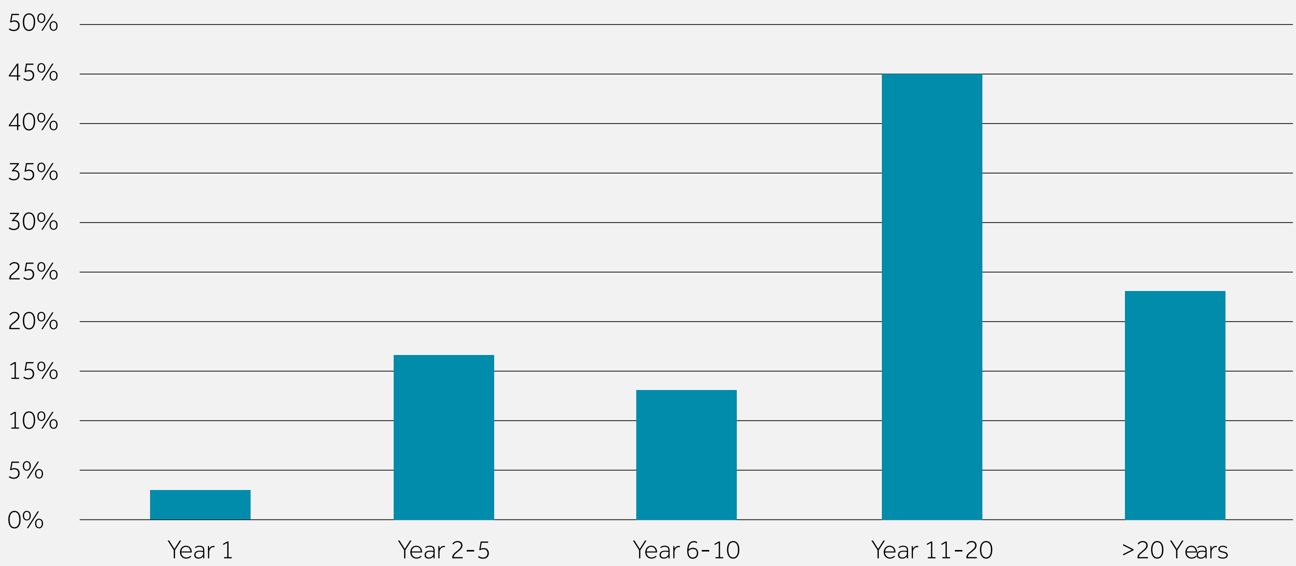
1. Cash of £50 million to be always available
2. A minimum of £400 million cash and undrawn committed loan facilities
3. The sum of cash and committed loan facilities to cover 18 months' cashflow requirements, excluding any capital receipts and grant income and only including 12 months of loan repayments.

Cash and short term balances are placed in money market funds, short-term bank deposits and in interest bearing accounts with our clearing banks.

Compliance with loan covenants

The treasury team reports compliance with loan covenants quarterly to the Treasury Committee. The Group complied with all financial covenants for the year ended 31 March 2023 and expects to do so for the next twelve months.

Debt repayment profile



Risk Management

Everything we do involves a certain amount of risk. We plan carefully, but there are always things that can go wrong or do not turn out as we would want them to. Risk management is the collection of actions we conduct to identify, understand and manage risks to the achievement of our objectives, it's not about avoiding or eliminating risk. Rather it's about understanding what the risks are, what can cause those risks to occur, their likely impact, and how we can manage or mitigate this. When we understand the risks we face we can make properly informed decisions and find efficiencies through avoiding 'surprises'.

Principal risks and uncertainties

Our goal is for risk management to be:

- Embedded in our culture, a positive organisational culture in which people embrace their roles and responsibilities
- An integral part of all organisational processes, and not a stand-alone activity performed in isolation
- Explicitly addressing uncertainty, identifying the nature of uncertainty and how we can address it
- Based on the best available information, drawing on data, expert judgement and stakeholder feedback to inform evidence-based decisions
- Part of decision-making, helping staff to make informed choices, prioritise activities and identify the most effective and efficient course of action
- Dynamic and responsive to change, responding swiftly to events, changes in the environmental context and the results of monitoring and reviewing activities
- Applied consistently across our business, to facilitate comparisons and prioritisation
- Applied with clarity, clear delineation of roles and responsibilities for regular review and challenge of risk management.

We define strategic risks as 'threats' which if they occur could materially impact the long term viability of the business, or which could cause significant derailment, such that strategic objectives are not delivered.

Typically these are affected by competition, sector changes, capital availability, political environment, legal and regulatory changes and reputation issues. These tend to be inter-departmental in nature and reflect cross-cutting themes. Strategic Risks are owned by the Executive Team and reported to each regular Board meeting and to Audit & Risk Committee.

Operational Risks

Operational risks are significant in the context of our business. These are owned by Leadership Team (LT), who report into Executive Team, and reviewed at least quarterly. Structured in this way, we ensure risk ownership is clear and the whole operational business is risk assessed. Some Risk Registers are subject to review by committees. Risks can be "escalated" from Operational Risk Registers to the Strategic Risk Register by the Executive Team.

Risk Appetite

We recognise it may not be possible to deliver our strategic objectives unless the business takes risks. We've a responsibility to strike the right balance between a very passive approach (taking little or no risk) and a very active approach (taking too much risk). Our Statement of Risk Appetite is an expression of how much risk we're prepared to take. It's set by Board and reviewed annually by Audit & Risk Committee. Risk appetite varies between different business areas, can change over time and is dependent on the opportunities or benefits presented through the activity weighed against the risk exposure. There is therefore no single definition of risk appetite which applies across the business. We consider risk appetite for each strategic risk. Audit & Risk Committee considered the new business risk appetite in July for Board to then review.

Strategic Risks at May 2023

We currently have 14 strategic risks reflecting those factors representing a greatest potential exposure to the newly merged Southern Housing business.

Risk management is a fundamental tool in ensuring post-merger success. By operating an objectives-led risk management process, we're able to identify those risks which put at jeopardy the achievement of our strategic objectives. Our risk scoring mechanism ensures consistency in assessing our risk profile, but also facilitates risk prioritisation, and the development of corresponding mitigation strategies.

We are constantly monitoring our risk environment. Current focuses include changes in the macroeconomic environment, recruitment markets, cyber security, and pan-Southern Housing integration.

Whilst Board delegates oversight responsibility of risk to the Audit & Risk Committee, Board remains ultimately responsible for risk management. Both forums provide review, oversight, and challenge of our risk approach and strategic risks.

As our embedded risk management approach is objectives-led, the management and reflection of our strategic risks on the strategic risk register supports the achievement of our strategic objectives.

The following pages outline current strategic risks aligned to the objectives in our 2023-26 strategic plan.

EMPOWER OUR PEOPLE

RISK	COMMENT AND RISK MITIGATIONS
Failure to comply with health & safety legislation.	Adherence to relevant H&S legislation helps us protect staff, residents and other third parties. The consequences of failure to comply would be significant for them and our business. We produce regular health & safety scorecard reporting providing a regular measure of H&S performance. We are accredited Gold by ROSPA (Royal Society for Prevention of Accidents). Our staff maintain their accreditations and required professional knowledge through continued professional development and we're active members of a number of relevant professional bodies including the British Safety Council, and Institute of Occupational Safety & Health.
Failure to attract, recruit, and retain people with key skills and experience to meet our business demands and cultural expectations.	Our people are one of our most important assets. Our culture programme provides guidance on our values, behaviours and expectations and forms a part of our strong induction process. Regular colleague surveys are performed and in time for the new business will provide us with a wealth of data to continually improve as a great place to work and to gauge employee satisfaction. Having a strong union relationship and colleague forum encourages a strong employee voice and gives colleagues a place to formally discuss and raise issues affecting them. We continue to expand our internal talent pool through professional development, and progression and perform pay reviews and salary benchmarking to ensure we're attracting the best external talent. Our benefits offer was reviewed at the point of merger and will continue to be assessed attending to those factors which are most relevant for attracting and retaining colleagues.
Post-merger focus including integration driving a failure to properly manage business as usual, achieve full integration, or deliver on going benefits.	Integration planning is well under way with a dedicated Director of Integration & Transformation in post. An Integration & Transformation Committee and an Executive Integration Steering Group receive regular updates on integration progress and makes decisions on priorities including systems and data including assessment against our regulatory and legal obligations to ensure appropriate prioritisation. Our integration project plan identifies the various workstreams, resources, deliverables and time frames for pan-Southern integration.

DELIVER EFFICIENCY

RISK	COMMENT AND RISK MITIGATIONS
Business negatively impacted by changes to Government policy	We influence Government on a wide range of relevant policy decisions through senior management involvement in government forums & boards. Where policy is identified as potentially changing, these changes are fed into our long-term financial plan and stress tested to ensure the Plan is sufficiently robust and resilient to these changes. We perform assessments on current internal position compared against the requirements of forthcoming legislation and take appropriate action where gaps are identified. We have an extensive network of external relationships with MPs, local authorities, senior civil servants, and politicians allowing a greater level of insight and influencing and work closely with other stakeholder groups such as G15, CASE, and NHF to further influence government policy.
Significant breach in regulatory standards	We operate in a heavily regulated sector and use a number of mechanisms to ensure we meet our regulatory obligations. Annual assessments are performed against the published regulatory standards with additional independent assurance provided over these assessments and reported to Board each July. Mandatory training allows us to continually ensure staff are kept abreast of their responsibilities as well as an understanding of the latest regulation. We have an effective governance structure in place which includes a range of relevant policies which provide guidance to the business. Independent assurance is provided through a range of assessments determining our level of compliance with regulatory obligations.
Financial health is not fully protected in line with risk appetite	It's essential we operate an effective, efficient business delivering the right services to our residents. We operate tight control over our finances which includes a well-governed budget and forecasting process. We have effective monitoring of lender covenants with reporting and oversight from multiple sources including our Treasury Committee. The annual review of the financial plan allows us to flex the plan as necessary and the assurance over its appropriateness.
Significant cyber security breach resulting in loss of IT systems and / or loss of data	Loss of IT would be extremely detrimental to our ability to provide effective services for our residents. The development of a cyber security strategy provides assurance over our protective posture of the business. Disaster recovery plans are tested monthly and we've ongoing monitoring of our network for exceptional / unusual activity to keep us safe. Restricted access to our corporate environments means staff and the business are protected whilst performing their duties and the operation of a 24/7 Security Operations Centre allows us to respond immediately to any identified threat.

DELIVER EFFICIENCY

RISK	COMMENT AND RISK MITIGATIONS
Ineffective governance and/or poorly controlled business including lack of data integrity	We update our financial plan and stress test annually. Our financial parameters place limits on the risk built into the plan and so the scale and tenure mix of the development programme. They express the Board's risk appetite and ensure actual and projected financial risks are within our capacity for financial risk. Insights from our stress testing drive decisions about when and what new development commitments we should make. We've strong financial controls and frequent reporting on treasury matters including, covenant compliance, mark to market exposure and liquidity. Our internal controls framework and risk and assurance framework provide clear, structured guidance to the business on how these areas are managed and delivered. We are reviewing the corporate structure post merger and will be consolidating and dissolving a number of subsidiary entities to increase simplicity of the group structure.
Non-compliance with Rent Standard.	An external consultant completed an end-to-end review of rents and reviewed our rent policy to ensure compliance with the Rent Standard in December 2022 for one of the legacy businesses. We seek legal advice where there is a lack of clarity on a rent product. Assurance over our adherence to the rent standard is given through several means including reflection in the Internal Audit Plan.
Slow and/or failed business integration.	A key part of our systems integration work is data integration; ensuring we have assessed and improved the quality of data before it is migrated between systems.

BUILD HOMES TO MEET HOUSING NEED

RISK	COMMENT AND RISK MITIGATIONS
Development activity fails to deliver the financial plan returns due to the housing and contracting markets	Our ability to deliver the target number of homes ultimately will be driven by our capacity which we measure through the financial plan and stress testing. We ensure any new scheme is fully backed by funding before commitment. Effective programme monitoring ensures we stay within capacity. Board approved a number of triggers to ensure we manage the impact of rising costs.

SAFE SUSTAINABLE HOMES IN GOOD REPAIR

RISK	COMMENT AND RISK MITIGATIONS
Failure to deliver, and maintain, safe homes to required legislative, regulatory, or internal standards.	Oversight of delivery against relevant standards both legal and regulatory is baked into scorecard reporting with oversight from several governance bodies, including assessment against the Decent Homes standards. Partnerships with relevant emergency services provides assurance over our programmes of work which are delivered through a number of strategic relationships including our fire safety supply chain.
Failure to plan and deliver environmental sustainability targets for the organisation including road map to Net Zero Carbon	High energy costs and low efficiency increases fuel poverty and damp and mould risks. We maximise opportunities for external funding by applying for all relevant opportunities and scan the horizon for specific funds available. We've been successful with various bid applications in the past, including a recent BEIS bid to fund our retrofit programmes for 2023/2025. We routinely consider energy efficiency and wider sustainability considerations to ensure building standards and planning requirements are met on new build projects.

GREAT CUSTOMER EXPERIENCE

RISK	COMMENT AND RISK MITIGATIONS
Deteriorating levels of service delivery	We face increased ombudsman scrutiny. We have a dedicated resource established to manage the strategic relationship between Southern Housing and our External Management Agents partners and we have a new complaint policy and robust processes for handling complaints in line with HOS handling code. Through our resident governance structure our residents work alongside colleagues to influence policies and strategies, monitor performance and help shape the services we deliver.


Wilson

02

STRATEGIC REPORT

03

LEADERSHIP AND GOVERNANCE

04

FINANCIAL STATEMENTS

The Board

Committees

Resident Governance

Executive Team

Compliance

Effects of material estimates and judgements upon performance

The Board

Southern Housing is led by the Board which sets the strategy for the business. Our Executive Team is responsible for day to day management. We actively encourage and involve residents to work alongside us, ensuring their voice is heard at all levels and to help us improve services and drive-up performance and customer satisfaction.

The Southern Housing Board as at 29 August 2023 has fourteen members; thirteen are independent Non-Executive Directors (NEDs), of which four are Southern Housing residents. Our Chief Executive also sits on the Board. The Board brings independent oversight on all strategic issues either directly or through Committees with delegated authority. The Board also reviews performance, resources and the control framework. The Board and Committees are appraised annually, both individually and collectively. This helps to ensure that Southern Housing has ongoing effective governance.

The main responsibilities of our board include:

- Setting our overall strategy and business plan
- Making sure our executive team is working effectively and has access to the resources it needs
- Ensuring any risks to the organisation are identified and controlled
- Monitoring our performance, service delivery and financial viability.

Sir Peter Dixon
Chair of Southern Housing Board

Peter is an experienced non-executive Director and is currently Chair of Flint Housing Ltd. He has also held various Board level roles including:

- Former Chair of Housing Corporation
- Former Vice Chair of the Broads Authority
- Former Chair of UCL NHS Foundation Trust

Janet Collier
Vice-Chair of Southern Housing Board

Janet is a CIPFA qualified accountant with over 30 years' public sector experience. She has worked at a number of local authorities in both housing and corporate finance and was previously Deputy Chief Executive and Director of Finance at CityWest Homes. She has also worked as a consultant providing financial consultancy and training for public sector organisations, especially on social housing finance and value for money.

She is an experienced non-executive having been a board member and Chair of Audit Committee within the housing sector. Janet is currently also a board member and Chair of Audit and Risk at Advance Housing and Support.

Carol Rosati

Carol has over 25 years' experience of talent management and workforce development, focusing on diversity and inclusion. She is currently UK Diversity, Equity & Inclusion Lead for GSK. She is also a qualified executive coach and runs a coaching business, v2 Coaching. She is an experienced non-executive Director and holds various Board level roles:

- Vice Chair of UN Women UK and chairs their Nominations Committee
- Board member of Alliance Homes based in Somerset, where she is both SID and Chair of the Remuneration and People's Committee

Carol was awarded an OBE in the Queen's 2015 Birthday Honours List for Services to Women in Business.

Daisy Armstrong

Daisy is a resident board member with life-long experience of living in social housing. She knows the benefits social housing can bring, two of her great-grandfathers were housed in 'Homes for Heroes' in West London.

Daisy is a qualified teacher and specialised in IT, design and technology. Her non-executive experience includes seven years in school governance before being Chair of Governors for eight years.

Daisy's lived experience includes the barriers of being disabled, as such she's an advocate for ensuring disabled residents needs are considered in plans and decision making. As a member of the Resident Services Committee, Daisy is one of our resident representatives.

Damien Régent
Chair of Audit & Risk Committee

Damien is a financial analyst with expertise in credit markets and financial institutions. He's an experienced non-executive Director and holds board level roles across different sectors including:

- Chair of the Audit & Risk Committee at Longhurst (housing association)
- Chair of the Audit Committee at Kingston Hospital NHS Foundation Trust
- Trustee-treasurer at Pro Bono Economics

His previous roles were Chair of the Audit, Risk and Assurance Committee on the board of the charity, Crisis. Non-Executive Director on the board of two software businesses and Trustee at charities, Doctors Without Borders UK and Reprieve.

Eugenie Turton CB
Chair of Residents' Services Committee

Eugenie is a former civil servant whose last government role was Director General for Housing, Planning and Regeneration. She is an experienced non-executive Director and has held various non executive Board roles including:

- NED, Woolwich Building Society
- NED, Wates Group
- NED, Notting Hill Genesis Housing Group (Chair of People Committee and Customer Services Committee)
- Chair, Wessex Archaeology

Geanna Bray

Geanna has over 20 years' experience working in the social housing sector in executive and senior management roles. She is the Board lead for complaint handling.

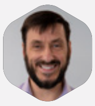
Grace Alaneme

Grace is an experienced nurse with extensive knowledge of holistic care as well as the health and social care field. Grace also has a passion for customer service and wellbeing.

(William) Howard Cresswell
Chair of Integration Committee

Howard is an experienced non-executive Director and has held various Board level roles including:

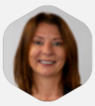
- Chair of Havebury Housing Partnership
- Former Board Member at Ascham Homes
- Former Deputy Chief Executive of Circle Anglia
- Interim Chief Executive of Hornsey Housing Trust



Ian Wilson

Ian is a resident board member. He is currently Head of Residential Fund Management at Knight Frank Investment Management and has worked in the real estate industry for over 25 years. He has been a Member of Royal Institution Of Chartered Surveyors (RICS) since 2000. Previously he worked at CBRE Investment Management where he launched the CBRE UK Affordable Housing Fund in 2018.

He has worked in real estate fund management since 2006 undertaking a variety of asset management, fund management and development roles.



Michelle Dovey
Chair of Treasury Committee

Michelle is an experienced financial risk management executive and Director of MJD Treasury Solutions Ltd. She is former Chair of Board at Kairos Women Working Together.

Paul Hackett CBE
Chief Executive of Southern Housing

- Member of Amicus Group Limited Board
- Honorary Professor at the UCL Bartlett School of Sustainable Construction and a member of the Independent Advisory Board
- Fellow of the RICS, the Chartered Institute of Building, the Chartered Institute of Housing and an Academician of the Academy of Urbanism

Phil Blume

Phil is a resident board member. He has been the administrator and fundraiser for a charity that operates in the cultural heritage sector for many years.

He works with volunteers to develop a historic building as a heritage centre and museum and organises projects to conserve collections, gather and disseminate historical records and present events and exhibitions.

He also collaborates with university researchers to explore ways of telling stories using immersive technologies.

Robert Clark

Robert has been a qualified member of Royal Institution Of Chartered Surveyors (RICS) since 1974 and retired as CEO of Durkan Ltd in 2016.

He was responsible for the management of all construction projects, business planning and HR management. His board and committee experience has included joint venture companies, housing associations, construction skills training, The Housing Forum and The Hertfordshire Housing Conference.

Committees

The following are the principal committees supporting the Southern Housing Board. All Committees are chaired by a Board member.

Audit and Risk Committee

The Audit & Risk Committee has five members; two are Board members and three are independent committee members. The Committee meets regularly with senior managers and external and internal auditors to scrutinise audit findings and the effectiveness of the internal control framework. The Committee reviews the financial statements, including the applicability of policies and areas of judgement. It receives control reports and recommendations arising from internal and external audits and also considers any matters relating to fraud, whistleblowing, bribery and money laundering. The Committee meets privately with the internal and external auditors at least once a year.

People Committee

The People Committee has up to five members; at least two are Board members. The Committee's role is to support the Board to achieve strategic objectives relating to our people, our culture and our governance. The Committee also maintains oversight of equality, diversity and inclusion.

Integration & Transformation Committee

This Committee has up to seven members with at least six Board members. The Committee's role is to support the Board to achieve strategic objectives in relation to post merger integration, achievement of efficiencies, use of technology and transformation.

Development & Growth Committee

The Growth Committee has up to five members, at least two are Board members. This Committee supports delivery of our development programme and development strategy. The Committee recommends the development strategy to the Board, monitors the development programme, and advises the Board on development issues and new initiatives.

Treasury Committee

The Treasury Committee has up to five members, at least one must be a Board member. The Committee's role is to oversee treasury related activity and recommend the treasury strategy and plans to the Board.

Pensions Group

The group's role is to oversee the pensions strategy for the organisation. It is chaired by a Board member and has up to five members with at least one Board member.

Chair's Group

The Chair's Group comprises the Chairs of the Board and Committees. The Group's role is to consider specific issues requiring consideration/attention ahead of a Board meeting. The Group does not have any delegated powers.

Residents' Services Committee

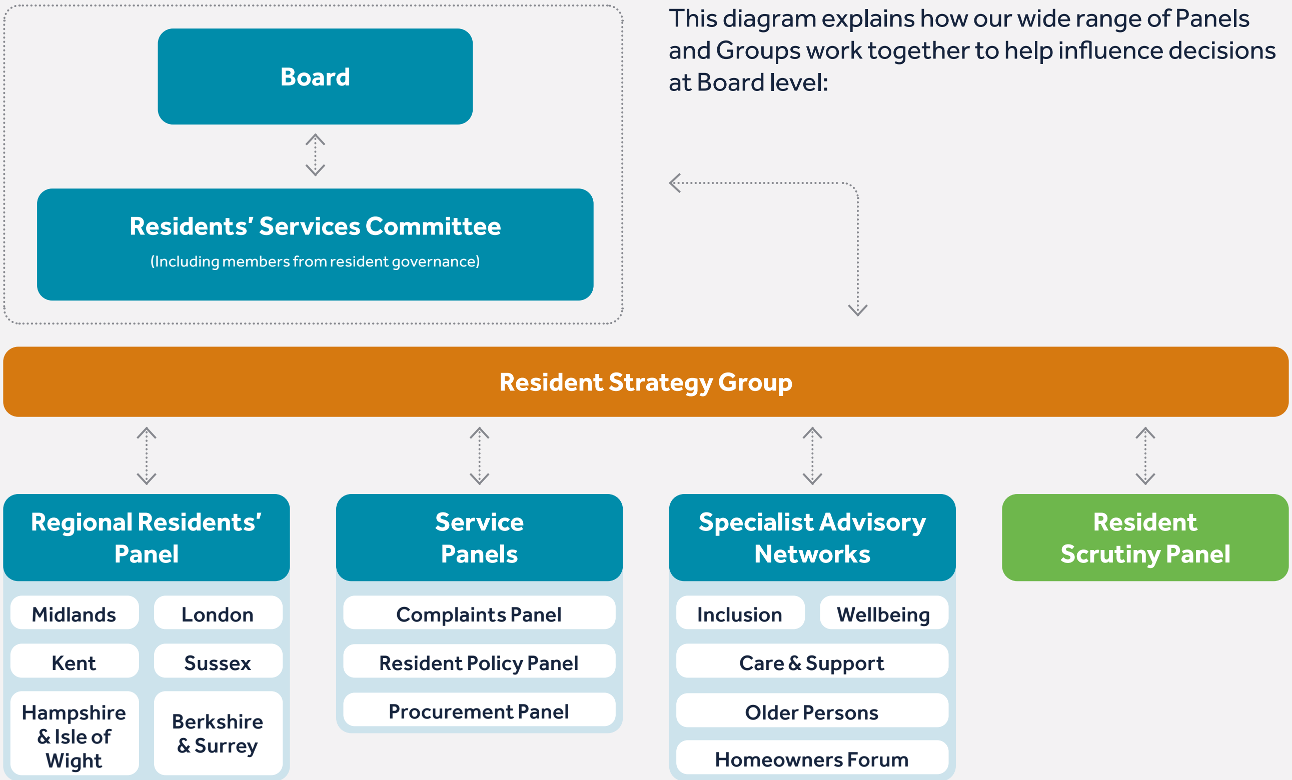
This committee provides strategic oversight for activities relating to customer experience in all business areas including housing management, commercial housing portfolio, financial inclusion, resident involvement, social impact and property services. The Committee drives innovation to improve the customer journey and experience. The Committee has up to eight members, at least two are Board members and at least three are resident members.

Residents

At Southern Housing we know the importance of living in a safe and secure environment and how this enables people to flourish. This can be achieved by colleagues and residents working together. Having residents as part of our governance structure gives them a voice in the way they're managed and enables them to influence decisions that affect them, their home and their local community.

Involving residents is more important now than ever. Changes being brought in by the Regulator of Social Housing, following the white paper and devastating cases like Grenfell have led to changes in the way social landlords are regulated. We want to be the best in the sector and the way we can do this is by continually driving to improve our services and demonstrate we're listening to the resident voice and engaging in a meaningful way.

Resident Governance



This diagram explains how our wide range of Panels and Groups work together to help influence decisions at Board level:

We designed our resident governance structure alongside our residents. We need residents to tell us if we're doing things right by asking questions, challenging us and monitoring our performance against our objectives. If we do this well, we'll be able to provide the best services to all our residents. Most Panels within the resident governance structure have up to 12 resident members. The Resident Strategy Group has 17 resident members.

Resident Strategy Group

Works with Board and Executive Team to develop strategy and influence budgets. This important group scrutinises and monitors performance across the whole of Southern Housing and challenges decisions made by the organisation. Our Resident Strategy Group works in partnership with the Board and our Executive Team. Led by an independent resident Chair, they play a vital and key role in the direction we're heading.

Regional Residents' Panel

Local panels from our six regions – Midlands, London, Kent, Sussex, Hampshire & Isle of Wight and Berkshire & Surrey look at decisions made by the Resident Strategy Group. These groups are our critical friend. They consider the impact of our decisions at local level, while building and maintaining links with local communities.

Complaints Panel

Monitors and scrutinises complaints performance across the whole of Southern Housing. They sit on complaints review hearings. They're responsible for monitoring and scrutinising complaints performance, value for money and service delivery. The panel collaborates with our colleagues to make recommendations on how the complaints service could be improved and helps decide serious complaints. It isn't involved in day-to-day resident complaints. Members also have the opportunity to consult on key policies and procedures impacting on the delivery of the complaints service.

Resident Procurement Panel

Work with us to get the best value for money from our contractors. They assist us with scoring bids, carrying out interviews and with awarding of contracts.

Resident Scrutiny Panel

Consists of residents from across our regions. Scrutiny panel members are not able to join our other resident panels. This is to ensure the panel takes an independent view of Southern Housing's services. Their role is to conduct in-depth scrutiny reviews of our service areas. They undertake an annual project, commissioned by the Resident Strategy Group, to scrutinise a specific service area. A report of findings and recommendations is then presented to the Resident Strategy Group and Executive Team.

Resident Policy Panel

Monitors and scrutinises customer facing policy work across Southern Housing, as well as endorsing customer facing policies. They agree, monitor and manage the programme of policies. The panel also recommends new or revisions to existing policies to Board or Executive Team.

CASE STUDY

Building safety resident engagement strategy project

Following the Building Safety Act 2022, we've been working with the fire safety team to develop a new resident engagement strategy for building safety. We aimed to develop a strategy that ensures residents have a greater voice on the building safety decisions that impact them, and that they have opportunities to express their views.

There were three key objectives at the outset of the project:

- To map our current approach to building safety communications
- To understand how best to engage with residents so feedback is captured and acted on
- To draft a Resident Engagement Strategy in collaboration with staff and residents

Co-creation approach

There was appetite from the project team to go beyond what the government legislation asked of housing associations. We've worked to create a strategy that would be sector leading, ensuring that residents are informed, engaged and empowered on building safety issues.

This is a complex project which involves 12 teams, each with their own priorities, on a sensitive issue under intense scrutiny from government and residents. From the outset of this project we've focused on creating a collaborative space where all stakeholders can contribute openly.

Co-creation activities

Initially the Co-creation team undertook desktop research to map expectations from both government and the team at Southern Housing with regards to what an impactful building safety resident engagement strategy should include. Once this initial scoping was complete, the team approached key stakeholders to map our current building safety communication model.

Following this, a draft of the strategy was created and shared with colleagues who took part in the initial consultation for feedback. The next stage of the project was edit the draft strategy in partnership with all key stakeholders. We delivered interactive co-creation workshops with staff to collaboratively refine the documents.

A wider staff consultation was the final step in this project, with comments taken on board and adjustments made to the strategy where needed.

Next steps

Success in this project will mean we publish a strategy that ensures we effectively engage with our residents across all building safety topics. The co-creation of this project was essential to ensure not only that the strategy was fit-for-purpose but also that our colleagues felt a sense of ownership of the strategy, and that we could confidently deliver it for our residents.


BUILDING SAFETY RESIDENT ENGAGEMENT SESSION

Executive Team

The Board delegates day to day management to the Executive Team (ET) named on page 131. ET are supported by the Leadership Team (LT) in developing and co-ordinating our culture and values.

Paul Hackett CBE
Chief Executive

Prior to the launch of Southern Housing, Paul held the same positions at Optivo from 2017 and led AmicusHorizon as CEO from 2012. Paul has worked in the housing association sector since 1989. Before joining AmicusHorizon, Paul was Executive Director, Development and New Business with Moat. Between 2017-19 Paul was Chair of G15 and a member of the Homes for Londoners Board. During his two-year term, Paul focused on building stronger relationships with the public sector and making the economic case for higher grant rates and longer-term funding. He was also a high-profile advocate of rebalancing the landlord tenant relationship. In 2021 Paul was awarded a CBE for services to social housing.

Sarah Smith
Chief Financial Officer

Sarah has worked with and in the housing association sector since 1988. She is a Chartered Accountant beginning her career with BDO. Before joining Southern Housing, Sarah spent eight years as Director of Financial Services at London & Quadrant Housing Trust. Sarah is a member of the National Housing Federation's Finance & Policy Advisory Group. She sits on the Institute of Chartered Accountants in England and Wales (ICAEW) social housing sub-committee. She is a Trustee of Dolphin Square Charitable Trust and also a member of their Audit Committee. She is a Board member and Chair of Audit Committee at Reall and was appointed to the Sustainability for Housing Board in 2021.

Jane Porter
Chief Operating Officer

Jane has worked in housing for over 30 years and has held senior executive roles in both asset and housing management, development, sales and home ownership. She is on the Regulator for Social Housing's Tenant Satisfaction Measures Sounding Board and in terms of fire safety, the MHCLG Social Sector (Building Safety) Engagement Best Practice Group and the Home Office Means of Escape Technical Steering Group. Jane is passionate about delivering excellent customer services. She has delivered sector leading performance through the use of real time data, customer segmentation and insight. She has driven continuous improvement and efficiencies through her vision and enthusiasm for technology solutions including predictive analytics, Robotic Process Automation, Artificial Intelligence, Internet of Things and bots.

Tom Paul
Executive Director of Strategy & Change

Tom has worked for predecessor organisations for a decade. He's responsible for strategy, corporate finance and financial planning, business transformation, data and technology. Tom's professional background is in corporate finance. He moved into social housing in 2011 as a treasury advisor to Housing Associations. Tom is an economist and a member of the Chartered Institute of Securities and Investments. He's a member of the British Property Federation's Affordable Housing Committee.

Richard White

Executive Director of Development

Richard has extensive experience in land led development and delivering high quality design and place making. With over 32 years of experience in residential development, Richard started his housing career in local Government. He then progressed into senior land, planning and technical roles with FTSE 100 Housebuilders. He moved to the housing association sector in January 2017.

Jenny Poore

Executive Director of People & Culture

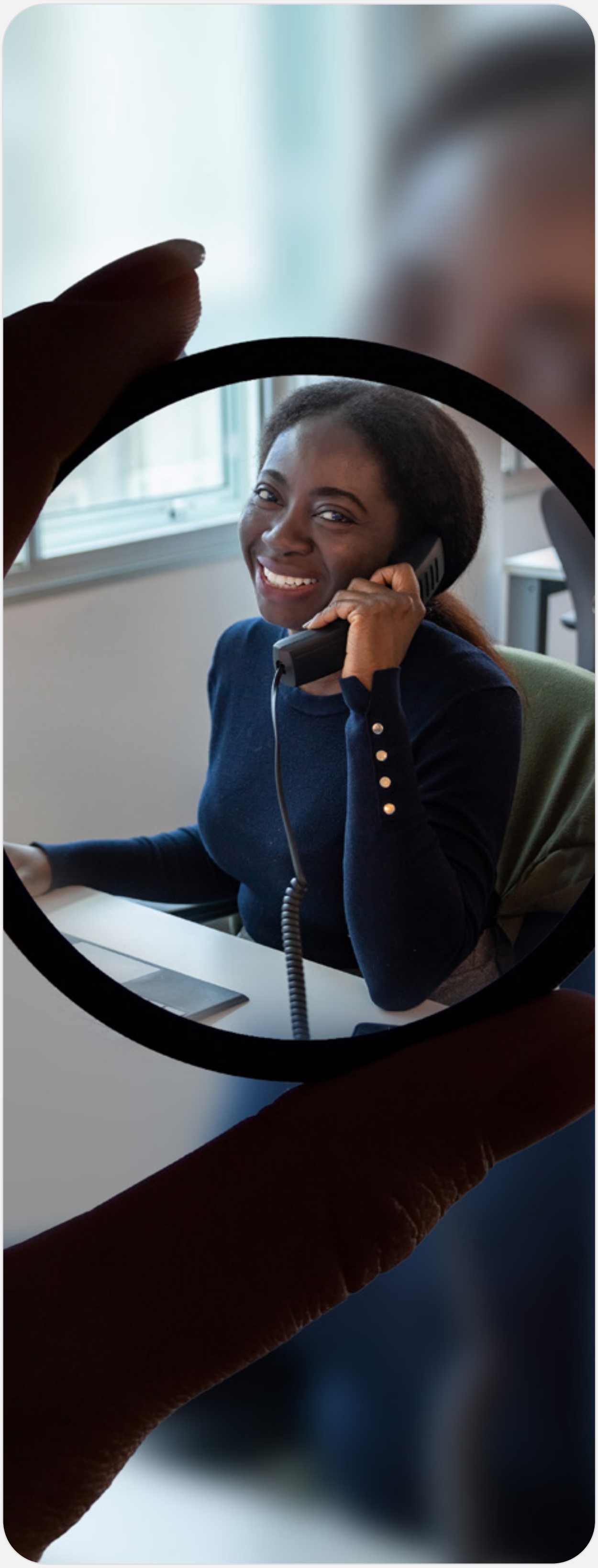
Jenny is a Fellow of the Chartered Institute of Personnel & Development (FCIPD). Jenny has had an extensive career spanning all aspects of Human Resources and communications. This includes senior national HR and communications roles at Royal Mail and executive appointments within the Further Education sector and at Sussex Police. Jenny joined Southern Housing Group as HR Director in 2015.

Yvette Carter

Executive Director of Contract Services

Yvette is a qualified accountant with many years' senior strategic and commercial experience across a range of sectors including outsourced service industries, logistics and mobile technology. Yvette is directly responsible for all day-to-day repairs and estate services.

Compliance



Health, safety and welfare of employees at work

We have a well-developed Health and Safety Management System, underpinned by our Health & Safety Policy statement. The Policy contains a comprehensive organisational structure and framework, sets out responsibilities of managers and staff, and summarises the arrangements for putting the Policy into practice. The Chief Operating Officer acts as the Southern Housing 'Health & Safety Champion' and executive lead, chairing our Health & Safety Group (HSG), and reporting to the Board on performance twice per year.

Our Director of Health and Safety is a Chartered Safety & Health Practitioner, and is responsible for the strategic management and implementation of the Health and Safety Management System, supported by a competent in-house Health and Safety Team. We carry out regular inspections of health and safety standards across our portfolio, and closely monitor performance relating to key compliance areas which is scrutinised at Customer Obsession Group, HSG and Board meetings.

Environmental policy

We strive to adopt the highest available environmental standards in all areas of our operations and investment decisions. We also expect similar environmental standards from our partners. Our environmental performance group monitors delivery of our energy and environment strategy. We're committed to improving the energy efficiency of our homes which, in turn helps residents to reduce their fuel bills and to live more comfortably. We also help residents to manage their energy bills by delivering energy advice. By reducing emissions from our offices and business travel, we're reducing our environmental impact and improving value for money. We hold a Sustainable Homes Index for Tomorrow (SHIFT) Gold rating. We scored highly in resident engagement, reflecting our commitment to bringing our residents on board with our net zero carbon journey.

Compliance with Governance and Financial Viability Standard

The Regulator of Social Housing's (RSH) Governance and Financial Viability Standard (the Standard) provides a framework to enable us to assess our compliance with the Standard. The overall required outcomes of the Standard are:

- To ensure we have effective governance arrangements in place that deliver the aims, objectives and intended outcomes for our residents and potential residents in an effective, transparent and accountable manner.
- To manage our resources effectively to ensure we maintain our viability, ensuring that social housing assets are not put at undue risk.

The Standard requires registered providers to assess their compliance with the Standard at least annually. Boards are required to report their compliance with the Standard within their annual accounts. Boards need to determine where they are obtaining their assurance to demonstrate to the RSH:

- A clear understanding of asset values, related security and potential losses. Boards need to know exactly what information will be required in the event of distress. They should ensure an up to date and accurate record of assets and liabilities is maintained, particularly those liabilities that may have recourse to social housing assets.
- Evidence of application of the principles.
- The assurance they receive on the quality of records.

The Audit & Risk Committee reviewed the annual assurance report from the CEO on 11 July 2023. Compliance with the Regulator's Governance and Financial Viability Standard was reviewed by the Board on 26 July 2023 which covers the compliance from 1 April 2022 until signing of the financial statements on 29 August 2023.

For 2022/23 we report full compliance with the regulatory standards and the Data Protection Act 2018.

The Board adopted the National Housing Federation 2020 Code of Governance from Southern Housing's inception on 22 December 2022. Southern Housing complies with this Code except for two areas as reported to Board on the 26 July 2023.

The first area relates to Board composition. The Board comprises 14 members based on an assessment of the skills needed for the newly merged organisation going forward and a need to ensure that people with direct lived experience of, and insight into, the communities served by the organisation are meaningfully engaged in its governance at the highest level.

The second area relates to a published policy on the role of executives on Boards and Committees. Southern Housing will publish a policy in 2023-24 on the role of its executives and officers on the parent and subsidiary Boards.

Effects of material estimates and judgements upon performance

The following are the material judgements and estimates affecting performance.

Capitalisation of property development costs

Distinguishing the point at which a project is more likely than not to continue and allowing capitalisation of associated development costs requires judgement. After capitalisation management monitors the asset and considers whether changes indicate that impairment is required. The total associated development administration costs capitalised in the year was £11.3 million.

Impairment

Management assesses housing properties for indicators of impairment at each balance sheet date. Where indicators exist a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. Judgements in assessing the level of cash generating units and the recoverable amounts could lead to increases or decreases in the impairment provision.

Development contractors in administration

The construction industry is facing high levels of contractors going into administration, some of our schemes in construction have been directly impacted. We are applying our judgement in a period of high uncertainty to assess the potential cost to complete those schemes.

Fire remediation works

We've determined the costs we incur will not meet the recognition criteria set out in the SORP which requires there to be incremental future benefits (increase in the rental income over the life of the housing property, a reduction in future maintenance costs or a significant extension of the life of the property). The costs incurred are charged as expenditure in the Statement of Comprehensive Income unless we've demonstrated future benefits.

Defined benefit pension scheme obligations

At 31 March 2023 we had six defined benefit pension schemes, all closed to new members. Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. We draw advice from scheme actuaries and our retained advisors. Variations in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expenses (as analysed in note 32). Where schemes are in surplus due to rising interest rates we have taken a judgement not to include the surpluses as assets. The net liability at 31 March 2023 was £16 million.

Fair value

Investment properties and financial instruments are held at fair value, differing valuation approaches may have an impact on the surplus reported. We have explained our approach to valuation in the related accounting policy and note.

Bad debt provision

We make a provision for the likelihood of debtors failing to pay. Our assumptions bandings are based on the type of debt (including customer analysis) and length of time the debt remains unpaid.

Useful lives of depreciable assets

We set out the expected useful lives of our assets in notes 13 and 14. Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and ICT equipment, changes to decent homes standards which may require more frequent replacement of key components and changes to the ability to let the property which may reduce the economic life of the property. Our policies are well developed. Accumulated depreciation at 31 March 2023 was £871 million, with the total charge in year of £72 million.

Going concern

After reviewing Southern Housing's budget and cashflow forecasts to August 2024, the Board have a reasonable expectation Southern Housing has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Board have considered the risks from the emerging change in inflation, high interest rates and possible lower rent settlements from the Government. These scenarios are included in stress testing of our financial plan. This stress testing shows the business to be robust even in extreme downside scenarios. Board are confident our viability can be maintained, having assessed our plans, liquidity levels and mitigating actions available there is reasonable expectation that the Group has adequate resources to continue in operational existence for the 12 months to August 2024. For these reasons, they continue to adopt a going concern basis for the preparation of the financial statements.

Assessment of the effectiveness of internal controls

The Board is responsible for internal control and for reviewing its effectiveness. Board delegates the ongoing review of controls to the Audit & Risk Committee and receives annual reports from the Chief Executive and the Audit & Risk Committee. Day to day management of the business is the responsibility of the Executive Team.

In order to fulfil their responsibility the Executive Team has established an assurance framework supported by clear delegated authorities and operating procedures. We use our documented assurance framework to demonstrate to Board and Audit & Risk Committee a transparent process of reporting on the annual internal controls. The internal audit department provides independent assessment on the robustness and effectiveness of the internal controls across the organisation. The team achieves this through a programme of reviews which are approved by and reported to the Audit & Risk Committee. The organisation also uses the services of independent third party auditors to review controls and processes where the nature of the review requires expertise not available in-house. These systems have operated throughout the financial year and up to the date of signing these accounts.

Scope of Assurance

The Board understands our internal controls system is designed to manage rather than eliminate all risks. Our procedures can only provide Board with reasonable rather than absolute assurance against material misstatement, errors, losses or fraud.

The Board's Review of Effectiveness

The Board recognises that post merger the business is operating in a period of heightened risk while work is underway to integrate people, processes and controls and systems. The external regulatory and economic environment also continue to be challenging. Both the internal and external factors require strong systems of control and oversight to monitor and manage the risk environment.

We have introduced robust governance arrangements in relation to integration including maintaining detailed plans for systems, data and people integration supported by a risk register. The work is overseen by the Integration & Transformation Committee, chaired by a member of the Board, which gives regular updates to Board.

The Board considered the Chief Executive's report on Internal Controls and the Annual Report from Audit & Risk Committee for the year to 31 March 2023 and up to the date of signing these accounts. The Board monitored and considered outcomes arising as a consequence of the risk management process. They also saw reports from officers on the associated integration work and control environment. The Board confirms the risk management process was in place in the year under review, up to the date of the annual report, and is regularly reviewed.

The Board confirms we had no breakdown in internal control resulting in material losses, contingencies or uncertainties which would require disclosure in the financial statements during the year.

The Board and Executive Officers

The Board and Executive Officers of the subsidiaries are shown in those entities' financial statements.

Each Southern Housing Non Executive Board member holds one fully paid £1 share in Southern Housing. The Executive Officers hold no interest in Southern Housing's share capital. They do not have the legal status of directors (apart from the Chief Executive), but act as executives within the authority delegated by the Board. We have directors' and officers' liability insurance for the Board, Executive Officers and staff.

Statement of the Board's responsibilities

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

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

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

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

Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. They are also responsible for safeguarding the assets of the Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Financial statements are published on the Group and Association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions.

The maintenance and integrity of the Group and Association's website is the responsibility of Board members. Board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Anti-slavery statement

We confirm, so far as we are aware, we had no acts of modern day slavery within our organisation at 31 March 2023. We recognise we need to be vigilant and committed to driving out potential acts of modern day slavery from our supply chains. We've responsibility under the Modern Slavery Act 2015 to ensure transparency in the provision of all our goods and services. As part of our due diligence processes to prevent slavery and human trafficking, our:

- Supplier set-up process requires suppliers to outline the controls they have in place. Imported products from sources outside the UK and EU are potentially more at risk of slavery/human trafficking issues.
- Dedicated People team who have created robust and inclusive selection, recruitment and induction processes.
- Account Managers and Contracts Managers continually monitor the level of management control required. People team report on this annually to our Executive Team.

We've briefed Southern Housing colleagues and contractors on how to recognise the signs and symptoms of modern day slavery as part of our work around Safeguarding. Our full statement has been approved by the Board and is available on our website.

Each Director has confirmed in fulfilling their duties as a Director they have taken the steps they ought to have taken to make themselves aware of any information relevant to the audit and the auditors are aware of that information. So far as they are aware, there is no relevant audit information which they haven't made the auditors aware of.

Auditors

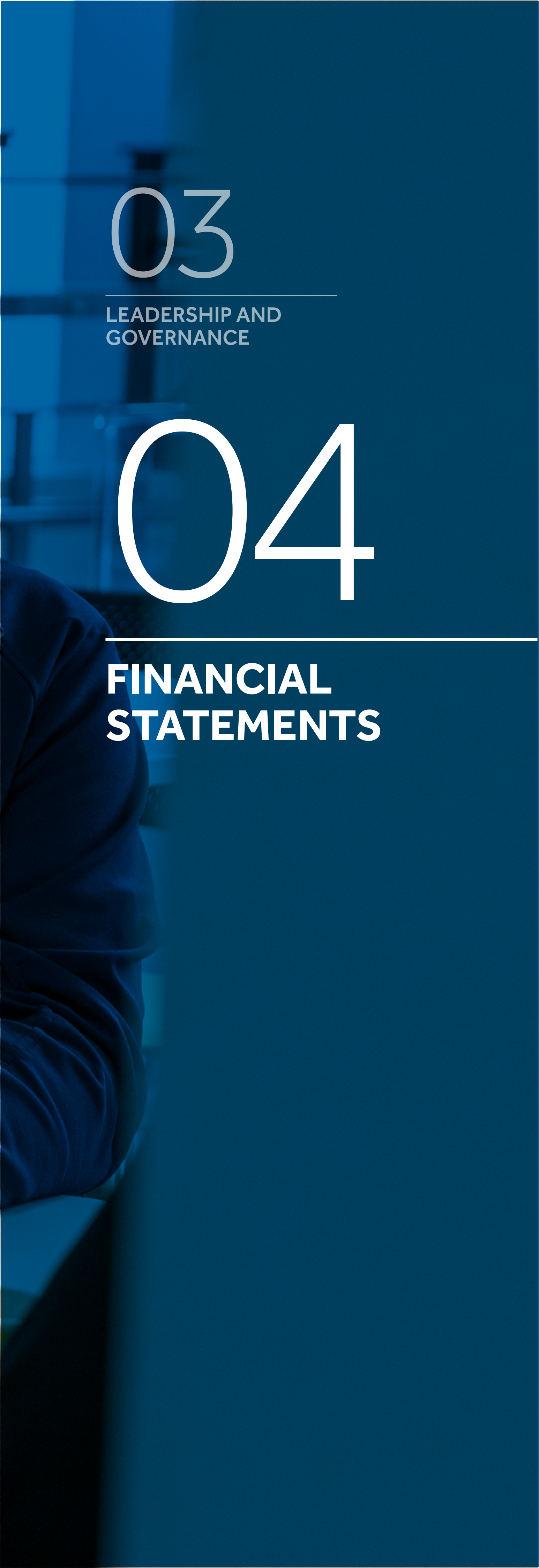
As per the regulatory requirements and in accordance with our company policy, Southern Housing will be retendering the audit services for the upcoming fiscal year. This is in line with the maximum tenure limit of 10 years with our current auditors, BDO LLP. The Board will oversee the retendering process to select an auditing firm to ensure an independent and comprehensive audit of our financial statements. By order of the Board.

Sir Peter Dixon
Chair of Southern Housing Board
29 August 2023

Approval

This Report of the Board and Strategic Report were approved by order of the Southern Housing Board on 26 July 2023 and authorised for issue and signed on 29 August 2023.

Puneet Rajput
Director of Governance and Regulation
29 August 2023



04

FINANCIAL STATEMENTS

Statement of Comprehensive Income

Statement of Financial Position

Statement of Changes in Reserves

Consolidated Statement of Cash Flows

Analysis of changes in net debt

Notes to the Financial Statements

Other Company Information

Independent Auditor's Report to the Members of Southern Housing

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2023 and of the Group's and the Association's surplus for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been properly prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

We have audited the financial statements of Southern Housing ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2023 which comprise the Consolidated and Association statement of comprehensive income, the Consolidated and Association statement of financial position (balance sheet), the consolidated and Association statement of changes in reserves, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Independence

On 16 December 2022, Optivo and Southern Housing Group amalgamated to become Southern Housing. We were first appointed as auditors to Optivo for the year ended 31 March 2014 and for Southern Housing Group for the year ended 31 March 2022. In considering our independence we use the Optivo appointment date.

Following the recommendation of the Audit and Risk Committee, we were re-appointed by the Board on 28 September 2022 to audit the financial statements for the year ending 31 March 2023. The period of total uninterrupted engagement including retenders and reappointments is 10 years, covering the years ending 2014 to 2023.

We remain independent of the Group and the Parent Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Association.

Conclusions relating to going concern

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

- We obtained management's assessment that supports the Board's conclusions with respect to the disclosures provided around going concern.
- We assessed the internal forecasting process to confirm the projections are prepared by appropriate personnel that are aware of the detailed figures in the forecast and also have a high level understanding of the entity's market, strategy and profile in the customer base, and the potential impact that current economic pressures might have on these projections.
- We considered the forecasts prepared by management and challenged the key assumptions based on our knowledge of the business.
- Scenarios modelled by management include a range of stress tests to analyse the current estimates of rent collection, property sales and maintenance and development spend that could be sustained without breaching banking covenants. We challenged the assumptions used and mitigating actions included within this scenario and reviewed the stress test calculations.
- We challenged management on the suitability of the mitigating actions identified by management in their assessment and the quantum and period ascribed to these mitigating actions.
- We considered the appropriateness of management's forecasts by testing their mechanical accuracy, assessing historical forecasting accuracy and understanding management's consideration of downside sensitivity analysis.
- We obtained and assessed the availability of financing facilities, including the nature of facilities, repayment terms and financial covenants. We considered management's financial covenant compliance calculations through to March 2025 and concluded on the consistency of such calculations with the ratios stated in the relevant lender agreements. We assessed the facility and covenant headroom calculations, and re-performed sensitivities on management's base case and stressed case scenarios.
- We considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure against the forecasts and stress test scenarios.

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

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

Overview

	2023	
COVERAGE	100% of Group surplus before tax 100% of Group revenue 100% of Group total assets	
	The recoverable amount of property developed for sale is materially misstated.	✓
	The recoverable amount of housing property is materially misstated.	✓
MATERIALITY	• Group financial statements as a whole • £14.2m based on 6.5% of adjusted operating surplus as defined by the entity's lending covenants.	

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Board that may have represented a risk of material misstatement.

A full scope statutory audit was carried out for all subsidiary undertakings. Audit work on all components was performed by BDO UK, both for the purposes of reporting on the individual financial statements and for group/consolidation purposes. We identified five components which, in our view required an audit of their complete financial information due to their size or risk characteristics and were therefore considered to be significant components.

Southern Housing (Parent), Optivo Finance Plc and Southern Housing Ownership Limited were identified as significant components due to their size and risk characteristics and Optivo Development Services Limited and Lamborn Estates Limited due to their risk characteristics.

Key audit matters

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

KEY AUDIT MATTER

The recoverable amount of property developed for sale is materially misstated

As explained in the note 17 accounting policies, properties developed for sale, including shared ownership first tranches and properties developed for outright sale, are measured at the lower of cost and net realisable value resulting in an amount recognised in the balance sheet of £175,200,000.

For completed properties at the balance sheet date an assessment is needed of the anticipated selling price.

For properties in development at the balance sheet date, an assessment is needed of an anticipated selling price and a determination of the expected costs to complete and sell.

This area also represents a key area of estimation uncertainty for management, as described in the notes.

Due to the volume of property developed for sale and the inherent estimation uncertainty in determining both sales proceeds and costs to complete we considered there to be a significant risk that the carrying amount of properties developed for sale is misstated and was therefore a key audit matter.

HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

We obtained management's assessment of the recoverable amount of properties developed for sale as part of their year end procedures.

For a sample of property developed for sale, we have:

1. FOR SALES PRICE	• compared anticipated selling prices to sales prices achieved after the year end, sales prices achieved for similar units in the year, valuation of properties for marketing purposes, valuation certificates for properties under construction and other selling prices of similar properties in the locality.
2. FOR COSTS TO COMPLETE	• obtained the latest valuers report and compared the construction costs against the total contract value taking into account contract variations. • obtained details of the expected costs to complete from the scheme budget for that development and agreed the budgeted contracted cost of the development to the latest contract documentation. • considered Impairment Working Group minutes and made enquiries of Scheme Project Managers for indications of cost overruns, contractor disputes or solvency issues in relation to the schemes tested. • compared the incurred expenditure (including costs incurred after the reporting date) to the estimated amount to ensure that the cost to complete estimate reflects actual costs. • assessed the accuracy of cost forecasting by looking at outturn costs compared to budget on schemes that completed in the year.
3. FOR COSTS TO SELL	• considered computations of selling costs and compared against known selling costs that have been incurred in the year.

KEY OBSERVATIONS

Based on the evidence obtained we did not identify any indications that the assessments of the recoverable amount made by management were inappropriate.

KEY AUDIT MATTER

The recoverable amount of housing property is materially misstated

As described in Note 13, the Association annually assess housing properties for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount.

This area is also considered by management a key estimation uncertainty as described in Note 2.

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

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

HOW THE SCOPE OF OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

Having obtained management's assessment of indicators of impairment, and subsequent impairment review calculations where indicators of impairment were identified, we have:

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

KEY OBSERVATIONS

Based on our procedures we noted no exceptions.

Our application of materiality

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

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

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

	GROUP FINANCIAL STATEMENTS 2023	PARENT ASSOCIATION FINANCIAL STATEMENTS 2023
MATERIALITY	£14.2m	£13.7m
BASIS FOR DETERMINING MATERIALITY	6.5% of adjusted operating surplus	6.5% of adjusted operating surplus
RATIONALE FOR THE BENCHMARK APPLIED	Management reports its performance to key stakeholders and monitors the business based on adjusted operating surplus as defined by the loan covenants. It is therefore appropriate to adjust materiality in order to respond to the risk of covenant breach.	
PERFORMANCE MATERIALITY	£10.0m	£9.6m
BASIS FOR DETERMINING PERFORMANCE MATERIALITY	70% of materiality	70% of materiality
RATIONALE FOR THE PERCENTAGE APPLIED FOR PERFORMANCE MATERIALITY	Performance materiality has been calculated based on our previous experience of the audit and factors such as the low levels of misstatements previously identified partially offset by the number areas of the financial statements subject to significant estimation uncertainty.	

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, apart from the Parent Association whose materiality is set out above, based on a percentage of between 2.4% and 18.1% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £770 to £2.6m. In the audit of each component, we further applied performance materiality levels of 70% - 80% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit and Risk Committee that we would report to them all individual audit differences in excess of £285k. We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- the Association has not kept proper books of account;
- the Association has not maintained a satisfactory system of control over its transactions;
- 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.

Responsibilities of the Board

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be the Regulator of Social Housing's Regulatory Standards, employment law, Financial Conduct Authority ("FCA") regulations, data protection and health and safety legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Involvement of tax specialists in the audit; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override through accounting estimates and inappropriate journal entries.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met a defined risk criteria, by agreeing to supporting documentation; and
- Challenging assumptions made by management in their significant accounting estimates, in particular in relation to the net realisable value of properties developed for sale (see Key Audit Matter 1), the value of defined benefit pension liabilities and the valuation of derivative financial instruments.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

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

Use of our report

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

DocuSigned by:

Paula Willock

8F75FEDC31D1467...

Paula Willock
For and on behalf of BDO LLP, Statutory Auditor
London, UK

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

30 August 2023

Statement of comprehensive income
for the year ended 31 March 2023

	NOTES	GROUP 2023 £m	GROUP ◐2022 £m	ASSOCIATION 2023 £m	ASSOCIATION ◐2022 £m
TURNOVER	3a	642.3	592.4	565.1	563.3
Cost of sales	3a	(105.3)	(87.1)	(38.2)	(58.9)
Operating expenditure	3a	(447.7)	(381.8)	(439.0)	(379.4)
Surplus on disposal of housing properties	3c	46.7	41.5	43.8	40.0
Operating surplus		**136.0**	**165.0**	**131.7**	**165.0**
Surplus on disposal of commercial properties and other fixed assets	9	-	0.7	-	0.7
Interest receivable	10	3.9	0.5	21.8	9.4
Interest and financing costs	11	(100.0)	(89.9)	(110.1)	(98.7)
Movement in fair value of financial instruments	11	35.2	55.0	34.3	56.2
Movement in fair value of investment properties	15	0.1	8.0	0.2	7.4
Movement in fair value of investments	16	4.6	1.1	-	-
Surplus before taxation		**79.8**	**140.4**	**77.9**	**140.0**
Taxation	12	(0.1)	(1.1)	-	(1.1)
Surplus for the year		**79.7**	**139.3**	**77.9**	**138.9**
Actuarial (loss) / gain in respect of pension schemes	32	(2.3)	22.3	(2.3)	22.3
Discontinuation of hedge accounting		-	1.8	-	-
Movement in fair value of hedged financial instruments		-	0.2	-	-
Total comprehensive income for the year		**77.4**	**163.6**	**75.6**	**161.2**

The notes on pages 87 to 130 form part of these financial statements.

All activities relate to continuing operations.

◐ **Combined Southern Housing comparatives (note 33)**

Statement of Financial Position (Balance Sheet)

as at 31 March 2023

	NOTES	GROUP 2023 £m	GROUP ◐2022 £m	ASSOCIATION 2023 £m	ASSOCIATION ◐2022 £m
FIXED ASSETS					
Tangible fixed assets - Housing properties	13	5,777.8	5,535.1	5,481.5	5,273.1
Tangible fixed assets - other	14	80.4	77.7	79.4	77.2
Investment properties	15	325.4	311.5	242.0	242.8
Other investments	16	13.9	12.2	14.0	14.1
Unlisted investments	16	-	8.1	-	7.9
Derivatives	16	21.0	-	21.3	1.2
Total fixed assets		**6,218.5**	**5,944.6**	**5,838.2**	**5,616.3**
CURRENT ASSETS					
Properties held for sale	17	175.2	214.1	58.6	72.0
Trade and other debtors	18	102.6	78.2	440.4	424.2
Cash and cash equivalents	19	146.1	187.7	127.3	159.3
Total current assets		**423.9**	**480.0**	**626.3**	**655.5**
Creditors: amounts falling due within one year	21	(319.1)	(288.7)	(294.6)	(273.2)
Net current assets		104.8	191.3	331.7	382.3
Total assets less current liabilities		6,323.3	6,135.9	6,169.9	5,998.6
Creditors: amounts falling due after more than one year	22	(4,596.9)	(4,471.4)	(4,557.8)	(4,447.2)
Provisions and other liabilities	26	(1.6)	(8.8)	(1.6)	(8.2)
Pension liability	32	(16.0)	(24.3)	(16.0)	(24.3)
Net assets		**1,708.8**	**1,631.4**	**1,594.5**	**1,518.9**
CAPITAL AND RESERVES					
Share capital - non equity	28	-	-	-	-
Income & expenditure reserve		1,706.7	1,629.0	1,593.0	1,517.4
Designated reserves		1.3	1.4	1.1	0.9
General reserves		**1,708.0**	**1,630.4**	**1,594.1**	**1,518.3**
Restricted reserve		0.4	0.6	0.4	0.6
Revaluation reserve		0.4	0.4	-	-
Total reserves		**1,708.8**	**1,631.4**	**1,594.5**	**1,518.9**

The notes on pages 87 to 130 form part of these financial statements.

The financial statements on pages 72 to 130 were approved by the Southern Housing Board and authorised for issue on 29 August 2023 and were signed on its behalf by:

Sir Peter Dixon
Chair

Janet Collier
Vice Chair

Puneet Rajput
Secretary

◐ Combined Southern Housing comparatives (note 33)

Statement of Changes in Reserves

For the year ended 31 March 2023

GROUP	General reserve £m	Designated reserve £m	Restricted reserve £m	Revaluation reserve £m	Total £m
Balance as at 1 April 2022 combined	**1,629.0**	**1.4**	**0.6**	**0.4**	**1,631.4**
Surplus for the year	79.7	-	-	-	79.7
Actuarial loss on defined benefit pension scheme	(2.3)	-	-	-	(2.3)
Total comprehensive income for the year	**77.4**	**-**	**-**	**-**	**77.4**
Reserves transfers	0.3	(0.1)	(0.2)	-	-
Balance as at 31 March 2023	**1,706.7**	**1.3**	**0.4**	**0.4**	**1,708.8**

ASSOCIATION	General reserve £m	Designated reserve £m	Restricted reserve £m	Total £m
Balance as at 1 April 2022 combined	**1,517.4**	**0.9**	**0.6**	**1,518.9**
Surplus for the year	77.9	-	-	77.9
Actuarial loss on defined benefit pension scheme	(2.3)	-	-	(2.3)
Total comprehensive income for the year	**75.6**	**-**	**-**	**75.6**
Reserves transfers	-	0.2	(0.2)	-
Balance as at 31 March 2023	**1,593.0**	**1.1**	**0.4**	**1,594.5**

For the year ended 31 March 2022

GROUP	General reserve £m	Designated reserve £m	Restricted reserve £m	Revaluation reserve £m	Hedge reserve £m	Total £m
Balance as at 1 April 2021	**1,467.2**	**1.5**	**0.7**	**0.4**	**(2.0)**	**1,467.8**
Surplus for the year	139.3	-	-	-	-	139.3
Discontinuation of hedge accounting	-	-	-	-	2.0	2.0
Actuarial gain on defined benefit pension scheme	**22.3**	**-**	**-**	**-**	**-**	**22.3**
Total comprehensive income for the year	**161.6**	**-**	**-**	**-**	**2.0**	**163.6**
Reserves transfers	0.2	(0.1)	(0.1)	-	-	-
Balance as at 31 March 2022	**1,629.0**	**1.4**	**0.6**	**0.4**	**-**	**1,631.4**

ASSOCIATION	General reserve £m	Designated reserve £m	Restricted reserve £m	Total £m
Balance as at 1 April 2021	1,356.2	**0.9**	**0.6**	**1,357.7**
Surplus for the year	138.9	-	-	138.9
Actuarial gain on defined benefit pension scheme	**22.3**	**-**	**-**	**22.3**
Total comprehensive income for the year	**161.2**	**-**	**-**	**161.2**
Reserves transfers	-	-	-	-
Balance as at 31 March 2022	**1,517.4**	**0.9**	**0.6**	**1,518.9**

Combined Southern Housing comparatives (note 33)

Consolidated Statement of Cash Flows

for the year ended 31 March 2023

	2023 £m	2022 £m
CASHFLOWS FROM OPERATING ACTIVITIES		
Surplus for the year	**79.7**	**139.3**
ADJUSTMENTS		
Depreciation and amortisation	59.8	57.7
Impairment	25.1	(0.7)
Share of (surplus)/loss in joint venture	(4.6)	1.0
Tax	(0.1)	1.0
Interest payable	100.0	89.9
Interest receivable	(3.9)	(0.5)
Surplus on disposal of commercial properties and other fixed assets	-	(0.2)
Cost of properties disposed in year	59.6	42.9
Net fair value gains recognised in profit or loss	(35.3)	(65.1)
Difference between net pension expense and cash contribution	(10.6)	(8.0)
Decrease in stocks	43.3	34.3
Increase in trade and other debtors	(22.0)	(6.7)
Increase in trade and other creditors	28.8	40.1
Decrease in provisions	(0.3)	-
Net cash generated by operating activities	319.5	325.0
CASHFLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(420.8)	(400.5)
Purchase of investment property	(15.3)	(13.2)
Investment in joint ventures	2.8	6.9
Proceeds from sale of commercial properties	-	0.1
Interest received	3.9	0.5
Net capital grant received	52.7	31.8
Net cash used in investing activities	(376.7)	(374.4)
CASHFLOW FROM FINANCING ACTIVITIES		
Proceeds from long term borrowings (loans)	105.9	569.2
Proceeds from long term borrowings (bonds)	81.5	200.0
Interest paid	(120.0)	(106.3)
Repayment of borrowings	(51.8)	(548.4)
Net cash generated by financing activities	15.6	114.5
Net change in cash and cash equivalents	(41.6)	65.1
Cash and cash equivalents at start of year	187.7	122.6
Cash and cash equivalents at end of year	146.1	187.7

Combined Southern Housing comparatives (note 33)

Analysis of Change in Net Debt

CASH AND CASH EQUIVALENTS	At 1 April 2022 combined £m	Cashflows £m	Other non cash changes £m	At 31 March 2023 £m
Cash	155.3	(59.5)	-	95.8
Cash equivalents	32.4	17.9	-	50.3
	187.7	**(41.6)**	**-**	**146.1**
BORROWINGS				
Debt due within one year	(46.7)	44.4	(92.5)	(94.8)
Debt due after one year	(1,247.9)	(105.9)	104.7	(1,249.1)
Bonds	(1,425.0)	(81.5)	-	(1,506.5)
	(2,719.6)	**(143.0)**	**12.2**	**(2,850.4)**
DERIVATIVES	**(21.4)**	**1.7**	**33.5**	**13.8**
Total	**(2,553.3)**	**(182.9)**	**45.7**	**(2,690.5)**

Non cash changes represent effective interest rate adjustments, which include debt issue costs, amortisation and movements on accrued interest.

Notes to the Financial Statements for the year ended 31 March 2023

Introduction

Southern Housing was formed on 16 December 2022 when Optivo and Southern Housing Group merged. This business combination was effected through an Amalgamation under s109 of the Community Benefits Societies Act 2014.

Legal status

Southern Housing is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and is registered with Homes England as a social housing provider. The Association is a public benefit entity and has adopted the public benefit entity sections of FRS 102.

1. Surplus for the year

The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018 and the Accounting Direction for Private Registered Providers of Social Housing 2022. The functional and presentation currency is GBP. The figures are rounded to the nearest thousand.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting judgements and estimates. It also requires management to exercise judgement in applying the Group's accounting policies. The impact potential variations may have on the financial information are explained in the accounting policies below. In preparing the separate financial statements of the parent Association, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent Association would be identical
- No cash flow statement has been presented for the parent Association
- Disclosures in respect of the parent Association's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent Association as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied in relation to the financial statements.

Basis of consolidation

These financial statements have been prepared under merger accounting principles, management have concluded that the ultimate equity holders remain the same and no controlling interest in the net assets of the group is altered. Merger accounting involves combining all the results and cash flows of all the amalgamating parties from the beginning of the financial period in which the merger occurs. The comparative amounts are calculated by including the results for all the combining entities for the previous accounting period and by combining their statement of financial positions as at the previous reporting date. The Board considers that merger accounting is appropriate because the amalgamation satisfied the following key criteria:

(a) no party to the combination was portrayed as either acquirer or acquiree, either by its own board or management or by that of another party to the combination.

(b) there was no significant change to the classes of beneficiaries of the combining entities or the purpose of the benefits provided as a result of the combination; and

(c) all parties to the combination, as represented by the members of the board, participated in establishing the management structure of the combined entity and in selecting the management personnel, and such decisions are made on the basis of a consensus between the parties to the combination rather than purely by exercise of voting rights.

The consolidated financial statements present the results of Southern Housing and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. Control of each subsidiary is established through holding 100% of the share capital or through ability to appoint the Board.

Going concern

The Group prepares a 30 year financial plan which is updated and approved at least annually by the Board. The most recent long term financial plan was approved by the Board in May 2023. After reviewing Southern Housing's budget and cash forecasts to August 2024, the Board have a reasonable expectation Southern Housing has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Board have considered the risks from the emerging change in inflation, high interest rates and possible lower rent settlements from the Government. These scenarios are included in stress testing of our financial plan. This stress testing shows the business to be robust even in extreme downside scenarios. Board has also reviewed and approved the group and association budgets for 2023/24 and the medium term financial position. Board are confident our viability can be maintained, having assessed our plans, liquidity levels and mitigating actions available there is reasonable expectation that the Group has adequate resources to continue in operational existence for the 12 months to August 2024. For these reasons, they continue to adopt a going concern basis for the preparation of the financial statements.

Segmental reporting

As we have publicly traded securities within the Group we are required to disclose information about our operating segments under IFRS 8. Segmental information is disclosed in notes 3(a) and 3(b) and as part of the analysis of housing properties in note 13. Information about income, expenditure and assets attributable to material operating segments are presented on the basis of the nature and function of housing assets held by the Group rather than geographical location. As permitted by IFRS 8 this is appropriate on the basis of the similarity of the services provided, the nature of the risks associated, the type and class of customer and the nature of the regulatory environment across all of the geographical locations in which the Group operates. The Board does not routinely receive segmental information disaggregated by geographical location.

Cash and cash equivalents

Cash and cash equivalents in the Group's consolidated balance sheet consist of cash at bank and in hand, deposits and short term investments with an original maturity of three months or less.

Impairment of rental and other trade receivables

The Association estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair the Association reviews the age profile of the debt, historical collection rates and the class of debt. Former tenant arrears are written off to the statement of comprehensive income at the point the resident exits the property to the extent that they are not considered recoverable.

Reserves

Income received, and expenditure incurred, for restricted and designated purposes is separately accounted for within restricted and designated funds. The revaluation reserve was established on transition to FRS 102 on application of the deemed cost model which allowed first time adopters to elect to measure an item of fixed assets at its fair value at the date of transition and to use that fair value as its deemed cost at that date. Movements in the revaluation reserve relate to depreciation in the year of homes held at deemed cost.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, key judgements have been made in respect of the following:

- Whether there are indicators of impairment of the Group's tangible fixed assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit. Board have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. Board have also considered impairment based on their assumptions to define cash or asset generating units, and the impact of contractors having gone in to administration
- What constitutes a cash generating unit when indicators of impairment require there to be an impairment review
- The categorisation of housing properties as investment properties or property, plant and equipment based on the use of that asset
- Determining the appropriate accounting treatment of fire remediation works. We've determined the costs we incur will not meet the recognition criteria set out in the SORP which requires there to be incremental future benefits (increase in the rental income over the life of the housing property, a reduction in future maintenance costs or a significant extension of the life of the property). The costs incurred are charged as expenditure in the Statement of Comprehensive Income
- Determining the appropriate point to begin and cease capitalisation of development overheads and interest costs for a development scheme
- The categorisation of financial instruments as basic or other
- Determining that the net pension asset is not recoverable
- The treatment of the sale of properties developed and sold on to a for profit provider. The disposal of these properties is treated as a fixed asset disposal and included in operating surplus.
- The application of merger accounting following the coming together of Optivo and Southern Housing Group. The Board exercised judgement in determining whether the criteria for merger accounting, as set out in the accounting policies, had been met. Had the board concluded that those criteria had not been met, the purchase method of accounting would have applied, resulting in the need to identify an acquirer in the business combination and for the assets and liabilities of the acquiree to have been recognised at fair value with any gain or loss being recognised through the I&E. In making this key judgement, the board considered the accounting treatment which more closely reflected the nature of the combination.

Other key sources of estimation uncertainty

Tangible fixed assets (notes 13 and 14)

- Tangible fixed assets other than investment properties are depreciated over their useful economic lives taking into account residual values where appropriate. The actual lives of these assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as economic conditions are taken into account. Residual value assessments consider future market conditions, the remaining useful life of the asset and projected disposal values.
- For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.
- Determining the anticipated costs to complete a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. We then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This is based on our best estimate of current sales and economic conditions prevailing at the time.

Investment properties (note 15)

- Our market rent, commercial rent and student accommodation properties are professionally valued. For market rent and commercial properties a rent capitalisation model was adopted coupled with an assessment of what an owner-occupier might pay with reference to respective rental and capital value markets. For student accommodation properties a discounted cash flow methodology was used with discount rates between 7.15% and 16%. Rates used are higher than current market discount rates due to onerous restrictions imposed under the project agreement with Middlesex First Limited. A special method based on option prices has been used to value our Eastbourne site where we are expecting an early termination of the lease.

Recovery of properties developed for sale (note 17)

- Properties developed for sale are carried on the statement of financial position at the lower of cost and net realisable value. Net realisable value is based on estimated sale proceeds after allowing for further costs to completion and selling costs.

Fair value measurement of derivatives (note 11)

- These instruments are measured at fair value (mark-to-market) at each reporting date. Each instrument's mark-to-market is calculated with reference to mid-market rates.

Defined benefit pension schemes (note 32)

- The defined benefit liabilities are calculated based on proposed actuarial assumptions by the scheme actuaries. The Group has used these proposed assumptions with the exception of the local government pension schemes where we have varied three assumptions based on advice from our retained actuarial advisors. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.

3. Turnover

Income is measured at the fair value of the consideration received or receivable. The Group generates the following material income streams:

- Rental income receivable (after deducting lost rent from void properties available for letting)
- First tranche sales of shared ownership housing properties developed for sale
- Service charges receivable
- Amortisation of deferred capital grants and other grants receivable
- Proceeds from the sale of land and property
- Key worker accommodation
- Student accommodation
- Market rent lettings
- Commercial lettings.

Rental income

Rental income is earned from social housing properties, key worker accommodation, student accommodation, market rent lettings and commercial lettings. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of voids. Rental income received in advance is disclosed within creditors in the balance sheet.

Income from disposal of properties

Income from first tranche sales is recognised at the point of legal completion of the sale. The profit or loss on disposal of social housing properties intended for outright sales or first tranche sales is recognised within operating surplus. Any profit or loss on disposal of investment properties is recognised below the operating surplus.

Service charges

The Group operates both fixed and variable service charges on a scheme by scheme basis. Service charges on all schemes are set on the basis of budgets. Where variable service charges are used the budget will include an allowance for the surplus or deficit from prior years, with a surplus being returned to residents in the form of a reduced charge for the year and a deficit being recovered via a higher service charge.

Charges made to leaseholders for the replacement of equipment and repairs within their estates are held in sinking funds which are ring-fenced for use on those estates. Such sinking funds are disclosed on the balance sheet as creditors.

Rent and service charge agreements

The Association has made arrangements with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

Schemes managed by agents

Income represents rent receivable. Management fees payable to agents are included in operating costs.

Government grants

As required by the Housing SORP, grant is carried as deferred income in the balance sheet and released to the statement of comprehensive income on a systematic basis over the useful economic life of the asset for which it was received. In accordance with Housing SORP the useful economic life of the housing property structure has been selected (see table of useful economic lives below).

Social housing grant (SHG) becomes recyclable at the point the related property is sold and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the statement of comprehensive income.

Grants relating to revenue are recognised in the statement of comprehensive income over the same period as the expenditure to which they relate once performance related conditions have been met. Grants due from government organisations or received in advance are included as liabilities.

Other grants

Grants received from non-government sources are recognised using the performance model. Grants are recognised as income when the associated performance conditions are met.

3(a) Particulars of turnover, operating costs and operating surplus

Group

	2023				2022 Combined			
	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit) £m	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit)£m
SOCIAL HOUSING ACTIVITIES (NOTE 3B)	481.1	-	(391.4)	89.7	448.8	-	(355.8)	93.0
OTHER SOCIAL HOUSING ACTIVITIES								
First tranche sales	60.1	(50.7)	-	9.4	53.4	(48.6)	-	4.8
Supported housing	7.3	-	(9.1)	(1.8)	6.5	-	(6.1)	0.4
Impairment	-	-	(24.4)	(24.4)	-	-	0.7	0.7
Other	1.5	-	(1.6)	(0.1)	1.6	-	(1.1)	0.5
	68.9	**(50.7)**	**(35.1)**	**(16.9)**	**61.5**	**(48.6)**	**(6.5)**	**6.4**
SURPLUS ON ASSET DISPOSAL (NOTE 3C)	-	-	-	**46.7**	-	-	-	**41.5**
NON SOCIAL HOUSING ACTIVITIES								
Community activities	1.6	-	(3.9)	(2.3)	1.4	-	(3.5)	(2.1)
Market & sub-market renting	4.9	-	(1.8)	3.1	4.5	-	(0.7)	3.8
Student accommodation	12.2	-	(10.1)	2.1	10.9	-	(8.6)	2.3
Commercial renting	3.2	-	(3.1)	0.1	3.6	-	(2.0)	1.6
Market sales	66.7	(54.6)	-	12.1	58.6	(38.5)	-	20.1
Other	3.7	-	(2.3)	1.4	3.1	-	(4.7)	(1.6)
	92.3	**(54.6)**	**(21.2)**	**16.5**	**82.1**	**(38.5)**	**(19.5)**	**24.1**
TOTAL	**642.3**	**(105.3)**	**(447.7)**	**136.0**	**592.4**	**(87.1)**	**(381.8)**	**165.0**

Community activities for Fresh Visions and Southern Housing include grant received from the Big Local Trust (Heart of Sidley) of £44,281 (2022: £21,558) and related expenditure of £40,796 (2022: £35,472); Children in Need grant of £51,131 (2022: £37,474) and related expenditure of £31,004 (2022: £37,474); Medway Council £55,000 (2022: NIL) and related expenditure of £55,000 (2022: NIL). Unspent grant is carried forward to spend in 2023/24.

3(a) Particulars of turnover, operating costs and operating surplus

Association

	2023				2022 Combined			
	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit) £m	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit)£m
SOCIAL HOUSING ACTIVITIES (NOTE 3B)	473.0	-	(387.4)	85.6	441.5	-	(352.7)	88.8
OTHER SOCIAL HOUSING ACTIVITIES								
First tranche sales	39.7	(33.4)	-	6.3	40.6	(35.9)	-	4.7
Supported housing	7.3	-	(9.1)	(1.8)	6.5	-	(6.1)	0.4
Services to Group companies	0.4	-	-	0.4	0.3	-	-	0.3
Gift aid	11.2	-	-	11.2	9.9	-	-	9.9
Other	1.5	-	(1.6)	(0.1)	1.6	-	(1.1)	0.5
Impairment (housing stock)	-	-	(20.3)	(20.3)	-	-	0.7	0.7
Impairment of investment	-	-	(0.3)	(0.3)	-	-	(1.4)	(1.4)
	60.1	**(33.4)**	**(31.3)**	**(4.6)**	**58.9**	**(35.9)**	**(7.9)**	**15.1**
SURPLUS ON ASSET DISPOSAL (NOTE 3C)	**-**	**-**	**-**	**43.8**	**-**	**-**	**-**	**40.0**
NON SOCIAL HOUSING ACTIVITIES								
Community activities	1.2	-	(3.3)	(2.1)	1.2	-	(3.1)	(1.9)
Market & sub-market renting	4.2	-	(1.5)	2.7	3.9	-	(0.5)	3.4
Student accommodation	9.9	-	(9.9)	-	8.7	-	(8.3)	0.4
Commercial renting	3.2	-	(3.1)	0.1	3.6	-	(2.0)	1.6
Market sales	9.5	(4.8)	-	4.7	39.2	(23.0)	-	16.2
Other	4.0	-	(2.5)	1.5	6.3	-	(4.9)	1.4
	32.0	**(4.8)**	**(20.3)**	**6.9**	**62.9**	**(23.0)**	**(18.8)**	**21.1**
TOTAL	**565.1**	**(38.2)**	**(439.0)**	**131.7**	**563.3**	**(58.9)**	**(379.4)**	**165.0**

3(b) Particulars of income and expenditure from social housing lettings

Group

	General needs housing £m	Supported housing and HOPs £m	Keyworkers £m	Other housing provision £m	Shared ownership £m	Temporary social housing £m	2023 Total £m	2022 Total combined £m
Rents receivable net of identifiable service charges	321.5	32.5	7.7	1.8	37.7	0.9	402.1	376.2
Service charges receivable	20.0	14.8	-	-	18.7	0.1	53.6	47.7
NET RENTAL INCOME	**341.5**	**47.3**	**7.7**	**1.8**	**56.4**	**1.0**	**455.7**	**423.9**
Amortised government grant	13.8	2.6	-	-	2.9	0.1	19.4	19.5
Other revenue income	3.7	0.2	0.8	0.5	0.4	0.4	6.0	5.4
TURNOVER FROM SOCIAL HOUSING LETTINGS	**359.0**	**50.1**	**8.5**	**2.3**	**59.7**	**1.5**	**481.1**	**448.8**
Expenditure on letting activities								
Management	83.1	11.2	3.9	0.4	13.2	1.0	112.8	98.0
Bad debts	2.5	0.5	-	-	-	-	3.0	0.4
Service charge costs	34.6	14.0	-	0.2	13.4	0.1	62.3	60.5
Routine maintenance	66.3	3.9	0.9	-	-	-	71.1	62.0
Planned maintenance	64.9	1.1	1.3	0.1	-	-	67.4	59.6
Major repairs	7.7	(0.1)	0.1	-	-	-	7.7	6.9
Depreciation of housing properties	56.6	6.8	0.8	-	0.1	0.1	64.4	68.0
Impairment of housing properties	2.3	-	-	-	-	-	2.3	-
Other costs	0.1	-	-	-	-	0.3	0.4	0.4
OPERATING COSTS ON SOCIAL HOUSING	**318.1**	**37.4**	**7.0**	**0.7**	**26.7**	**1.5**	**391.4**	**355.8**
OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS	**40.9**	**12.7**	**1.5**	**1.6**	**33.0**	**-**	**89.7**	**93.0**
Void losses	(4.3)	(1.3)	(0.1)	-	(0.1)	(0.1)	(5.9)	(5.1)

3(b) Particulars of income and expenditure from social housing lettings (continued)

Association

	General needs housing £m	Supported housing and HOPs £m	Keyworkers £m	Other housing provision £m	Shared ownership £m	Temporary social housing £m	2023 Total £m	2022 Total combined £m
Rents receivable net of identifiable service charges	316.7	32.2	7.7	1.8	35.4	0.9	394.7	370.2
Service charges receivable	19.7	14.6	-	-	17.8	0.1	52.2	46.3
NET RENTAL INCOME	**336.4**	**46.8**	**7.7**	**1.8**	**53.2**	**1.0**	**446.9**	**416.5**
Amortised government grant	13.9	2.6	-	-	2.6	0.1	19.2	19.2
Other revenue income	4.4	0.3	0.8	0.4	0.6	0.4	6.9	5.8
TURNOVER FROM SOCIAL HOUSING LETTINGS	**354.7**	**49.7**	**8.5**	**2.2**	**56.4**	**1.5**	**473.0**	**441.5**
Expenditure on letting activities								
Management	83.3	11.3	3.9	0.4	12.9	1.0	112.8	98.4
Bad debts	2.5	0.4	-	-	-	-	2.9	0.4
Service charge costs	33.9	13.8	-	0.2	13.0	0.1	61.0	58.8
Routine maintenance	65.8	3.8	1.0	-	-	-	70.6	61.3
Planned maintenance	64.5	1.1	1.3	0.1	-	-	67.0	59.6
Major repairs	7.6	(0.1)	0.1	-	-	-	7.6	6.9
Depreciation of housing properties	55.1	6.7	0.8	-	0.1	0.1	62.8	66.9
Impairment of housing properties	2.3	-	-	-	-	-	2.3	-
Other costs	0.1	-	-	-	-	0.3	0.4	0.4
OPERATING COSTS ON SOCIAL HOUSING	**315.1**	**37.0**	**7.1**	**0.7**	**26.0**	**1.5**	**387.4**	**352.7**
OPERATING SURPLUS ON SOCIAL HOUSING LETTINGS	**39.6**	**12.7**	**1.4**	**1.5**	**30.4**	**-**	**85.6**	**88.8**
Void losses	(4.1)	(1.3)	(0.1)	-	-	(0.1)	(5.6)	(4.9)

3(c) Fixed asset disposals

GROUP	Staircasing £m	Right to buy £m	Other properties £m	2023 Total £m	2022 Total combined £m
Disposal proceeds	**41.5**	**2.9**	**69.5**	**113.9**	**84.3**
Cost of disposals	(20.7)	(1.2)	(45.3)	(67.2)	(42.8)
Surplus on asset disposals	**20.8**	**1.7**	**24.2**	**46.7**	**41.5**

ASSOCIATION	Staircasing £m	Right to buy £m	Other properties £m	2023 Total £m	2022 Total combined £m
Disposal proceeds	**38.4**	**2.9**	**68.8**	**110.1**	**82.5**
Cost of disposals	(19.8)	(1.2)	(45.3)	(66.3)	(42.5)
Surplus on asset disposals	**18.6**	**1.7**	**23.5**	**43.8**	**40.0**

4 Units of housing stock
Group

SOCIAL HOUSING HOMES	1 April 2022 combined	Additions	Disposals	Other	31 March 2023
General needs rent	**45,013**	**920**	**(212)**	**1**	**45,722**
General needs affordable rent	5,339	471	(3)	(78)	5,729
Supported housing rent	1,459	-	-	42	1,501
Supported housing affordable rent	26	-	-	1	27
Housing for Older People rent	5,781	-	-	-	5,781
Housing for Older People affordable rent	103	-	-	(3)	100
Key workers	1,200	132	(123)	-	1,209
Low cost home ownership	8,182	629	-	(186)	8,625
Temporary & intermediate rent	1,807	138	(54)	(12)	1,879
Care homes	126	8	-	-	134
Total social housing homes owned and or managed	**69,036**	**2,298**	**(392)**	**(235)**	**70,707**
Total social housing homes owned but not managed	602	-	-	11	613
Total social housing homes managed but not owned	1,524	-	-	(848)	676
NON SOCIAL HOUSING					
Market rent	311	2	-	(3)	310
Student accommodation	1,835	-	-	(181)	1,654
Total non social housing homes owned and or managed	**2,146**	**2**	**-**	**(184)**	**1,964**
Total non social housing homes owned but not managed	180	-	-	(180)	-
Total owned and managed	**71,182**	**2,300**	**(392)**	**(419)**	**72,671**
Leaseholders	6,438	107	(85)	(371)	6,089
Total	**77,620**	**2,407**	**(477)**	**(790)**	**78,760**

We own an average 60% equity in shared ownership properties. Included in low cost homeownership of 8,625 are 155 homes where a less than 100% equity share has been disposed of but no rent is charged on the remaining portion. Other movements include transfers between tenures and stock swaps with other social housing providers.

4 Units of housing stock

Association

SOCIAL HOUSING HOMES	1 April 2022 combined	Additions	Disposals	Other	31 March 2023
General needs rent	**45,013**	**920**	**(212)**	**1**	**45,722**
General needs affordable rent	5,339	471	(3)	(78)	5,729
Supported housing rent	1,459	-	-	42	1,501
Supported housing affordable rent	26	-	-	1	27
Housing for Older People rent	5,781	-	-	-	5,781
Housing for Older People affordable rent	103	-	-	(3)	100
Key workers	1,200	132	(123)	-	1,209
Low cost home ownership	8,182	629	-	(186)	8,625
Temporary & intermediate rent	1,807	138	(54)	(12)	1,879
Care homes	126	8	-	-	134
Total social housing homes owned and or managed	**69,036**	**2,298**	**(392)**	**(235)**	**70,707**
Total social housing homes owned but not managed	602	-	-	11	613
Total social housing homes managed but not owned	1,933	-	-	1,294	3,227
NON SOCIAL HOUSING					
Market rent	311	2	-	(3)	310
Student accommodation	1,835	-	-	(181)	1,654
Total non social housing homes owned and or managed	**2,146**	**2**	**-**	**(184)**	**1,964**
Total non social housing homes managed but not owned	201	-	-	3	204
Total owned and managed	**71,182**	**2,300**	**(392)**	**(419)**	**72,671**
Leaseholders	5,996	-	-	(390)	5,606
Total	**77,178**	**2,300**	**(392)**	**(809)**	**78,277**

We own an average 60% equity in shared ownership properties. Included in low cost homeownership of 8,625 are 155 homes where a less than 100% equity share has been disposed of but no rent is charged on the remaining portion Other movements include transfers between tenures and stock swaps with other social housing providers.

5. Surplus for the year

	GROUP 2023 £m	GROUP 2022 combined £m	ASSOCIATION 2023 £m	ASSOCIATION 2022 combined £m
OPERATING SURPLUS IS STATED AFTER (CREDITING)/CHARGING				
Grant amortised	(19.4)	(18.3)	(19.3)	(18.3)
Depreciation – housing properties	61.2	64.5	60.4	63.5
Depreciation – other fixed assets	10.7	11.8	10.6	11.7
Impairment housing properties & stock	26.7	(0.7)	23.2	(0.7)
Accelerated depreciation	3.2	3.5	2.8	3.4
OPERATING LEASE CHARGES				
- Land & building	1.4	0.9	1.3	0.8
- Other	1.2	1.0	1.2	1.0
AUDITORS' REMUNERATION				
- in respect of audit services	0.8	0.5	0.7	0.4
- in respect of other non audit services	0.1	0.1	0.1	0.1
Defined benefit scheme current service cost (note 32)	1.5	1.9	1.5	1.9
Defined contribution scheme pension cost	7.2	6.5	7.1	6.5

6. Employees

	GROUP 2023 £m	GROUP 2022 combined £m	ASSOCIATION 2023 £m	ASSOCIATION 2022 combined £m
STAFF COSTS (INCLUDING DIRECTORS) CONSIST OF				
Wages & salaries	91.8	93.1	91.4	92.8
Social security costs	9.7	9.3	9.7	9.3
Pension costs	8.7	8.4	8.6	8.4
Redundancy costs	0.5	0.3	0.5	0.3
	110.7	**111.1**	**110.2**	**110.8**

More details on pension costs can be found in note 32.

The average number of employees (including directors) expressed as full time equivalents (calculated based on a standard working week of 35-36 hours) during the year was as follows.

	GROUP 2023 FTE	GROUP 2022 combined FTE	ASSOCIATION 2023 FTE	ASSOCIATION 2022 combined FTE
FTE ANALYSIS				
Administration	521	481	521	481
Development	130	129	130	129
Housing, DLO, Support and Care	1,841	1,736	1,841	1,736
	2,492	**2,346**	**2,492**	**2,346**

7. Directors' and senior executives' remuneration

The key management personnel are defined as the Chief Executive and the Executive Team of Southern Housing as it existed at 31 March 2023 disclosed on page 54.

THE EMOLUMENTS OF THE EXECUTIVE OFFICERS WERE	GROUP AND ASSOCIATION 2023 £m	GROUP AND ASSOCIATION 2022 combined £m
Executive directors' emoluments (excluding pension)	2.2	2.2
Pension contributions	0.2	0.2
Total compensation paid for loss of office to Directors and Senior Executives	0.5	0.1
Due to payments made for loss of office the Deputy Chief Executive was the highest paid director in 2022/23 and the Executive Director Development & Sales was the highest paid director in 2021/22		
Total remuneration paid to the highest paid directors (excluding pension contributions, including compensation for loss of office) for the year	0.4	0.2

The Group Chief Executive is a member of Southern Housing's defined contribution scheme which is managed by TPT Retirement Solutions. A contribution of £29.2k (2022: £25.6k) was made to this scheme on his behalf. There are no enhanced or special terms that apply to the Chief Executive's pension scheme arrangements.

The remuneration (including employer pension contributions) paid to staff (including Executive Team) earning over £60,000:

BAND	GROUP AND ASSOCIATION 2023 Employees	GROUP AND ASSOCIATION 2022 combined Employees
£60,000 - £70,000	127	104
£70,001 - £80,000	58	47
£80,001 - £90,000	37	31
£90,001 - £100,000	20	26
£100,001 - £110,000	16	12
£110,001 - £120,000	11	9
£120,001 - £130,000	13	12
£130,001 - £140,000	7	5
£140,001 - £150,000	4	5
£150,001 - £160,000	5	1
£160,001 - £170,000	2	2
£170,001 - £180,000	1	1
£180,001 - £190,000	1	1
£190,001 - £200,000	1	-
£200,001 - £210,000	-	1
£230,001 - £240,000	2	1*
£240,001 - £250,000	-	1
£250,001 - £260,000	1	1
£260,001 - £270,000	2	-
£270,001 - £280,000	-	1
£280,001 - £290,000	-	1
£300,000 - £310,000	1*	-
£310,001 - £320,000	1	-
£460,001 - £470,000	1*	-
TOTAL	**311**	**262**

*Includes payments for loss of office

8. Non-Executive Board and Committee members

	2023 Remuneration £	2023 Expenses £	2023 Total £	2022 Combined Total £
Sir Peter Dixon	29,521	-	29,521	26,974
Eugenie Turton	16,531	100	16,631	16,562
Howard Cresswell	16,000	-	16,000	14,933
Michelle Dovey	16,000	719	16,719	14,933
Nick Stephenson	1,278	-	1,278	11,641
Damien Régent	16,000	-	16,000	14,933
Andrew Burder	9,375	9	9,384	11,662
Nigel Tinker	12,000	1,154	13,154	14,933
Geanna Bray	15,125	265	15,390	15,036
Grace Alaneme	12,646	-	12,646	10,130
Kanye Kola	-	-	-	8,871
Charles Joseland	6,990	64	7,054	5,945
Candice McCausland	4,646	-	4,646	4,175
Carolyn Porretta	4,646	-	4,646	4,175
Kathryn Smith	4,646	-	4,646	4,175
Liz Curran	4,646	200	4,846	4,223
Malcolm Zack	3,375	-	3,375	4,175
Matthew Abbott	4,646	-	4,646	4,175
Maureen Nicholas	4,646	24	4,670	4,175
Billy Brown	4,646	587	5,233	1,636
Andrew Hill	-	-	-	3,738
Arthur Merchant	25,000	-	25,000	27,230
Carol Rosati	14,614	-	14,614	14,712
Janet Collier	13,786	-	13,786	12,435
Robert Clark	13,198	-	13,198	12,435
Abi Gray	12,000	-	12,000	12,435
David Lewis	12,000	-	12,000	12,435
Joanna Hawkes	12,000	-	12,000	12,435
Ian Wilson	10,900	-	10,900	6,028
Philip Blume	10,900	-	10,900	6,028
Daisy Donovan	7,587	-	7,587	4,407
Darrell Porter	5,063	-	5,063	3,000
Malcolm Groves	5,000	-	5,000	5,000
Julie Blair	4,500	-	4,500	4,500
Karen Moscrop	3,593	-	3,593	3,000
Sara Jane Ensor	3,593	-	3,593	3,000
Benjamin Carlton-Jones	3,000	-	3,000	3,000
Beverley Costain	3,000	-	3,000	-
Charles Pears	3,000	-	3,000	2,731
Claire Gemma Virginie	3,000	-	3,000	-
Deborah Mansfield	3,000	-	3,000	3,000
Justin Chittock	3,000	-	3,000	3,000
Sarah Chaudhry	3,000	-	3,000	3,000
Ahmereen Reza	-	-	-	1,000
Alan Head	-	-	-	2,250
Anil Majevadia	-	-	-	1,500
Anne Costain	-	-	-	3,000
Claire Virginie	-	-	-	3,000
David Brewer	-	-	-	1,000
Deborah Harris-Ugbomah	-	-	-	1,262
Diane Lennan	-	-	-	2,250
John Andrew	-	-	-	3,000
Lewis Doyle	-	-	-	250
Martin Potter	-	-	-	1,000
Mary Watkins	-	-	-	3,387
Nick Williams	-	-	-	1,500
Rob Webber	-	-	-	2,250
Simone Buckley	-	-	-	3,387
Steve Butler	-	-	-	2,250
	362,097	**3,122**	**365,219**	**387,297**

This table shows the salaries paid to non-Executive Board and Committee members and expenses incurred during the discharge of their duties during 2022/23.

The Fresh Visions People Limited Trustees are unpaid. The total payment to Board and Committee members in 2022/23 is less than 0.1% of our turnover. The amount paid to Board and Committee members is reviewed annually. Remuneration is based on sector benchmarking data for comparable sized associations.

9. Surplus on disposal of commercial properties and other fixed assets

	GROUP		ASSOCIATION	
	2023 £m	2022 combined £m	2023 £m	2022 combined £m
Disposal proceeds	-	1.0	-	1.0
Cost of disposals	-	(0.3)	-	(0.3)
	-	**0.7**	**-**	**0.7**

10. Interest receivable and income from investments

	GROUP		ASSOCIATION	
	2023 £m	2022 combined £m	2023 £m	2022 combined £m
Bank and deposit interest	2.2	0.2	1.7	0.1
Investment income	1.7	0.3	1.7	0.3
From subsidiary undertaking	-	-	18.4	9.0
	3.9	**0.5**	**21.8**	**9.4**

11. Interest and financing costs

Financial instruments and borrowings

Southern Housing has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to its financial instruments. Financial assets and financial liabilities are recognised when the organisation becomes a party to the contractual provisions of the instrument, and are offset only when the organisation currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. All borrowings have been assessed as meeting the basic definition in Section 11 and are therefore initially recognised at the transaction price, including transaction costs, and are subsequently measured at amortised cost. Interest expense is included in interest payable and similar charges. Loans and investments payable or receivable within one year are not discounted.

Derivative instruments and hedge accounting

The group holds floating rate loans which expose the group to interest rate risk. To mitigate against this risk the group uses interest rate swaps. These instruments are measured at fair value at each reporting date. They are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Movements in fair value are recognised in the statement of comprehensive income. The derivatives are accounted for in accordance with FRS 102 – Section 12 at fair value through profit or loss.

Where an interest rate swap that converts variable rate debt into fixed rate debt qualifies for hedge accounting, it is accounted for as a cash flow hedge. The cumulative change in the fair value of the interest rate swap is recognised in other comprehensive income up to the amount of the cumulative fair value movement on the variable rate debt that is attributable to the variable interest rate risk. Any excess fair value gains or losses on the interest rate swap not recognised in other comprehensive income are recognised in profit or loss. The gains and losses recognised in other comprehensive income are recorded as a separate component of equity (the cash flow hedge reserve).

Net cash settlements on the interest rate swap are recognised in profit or loss in the period(s) when the net cash settlements accrue. The cash flow hedge reserve is reclassified to profit or loss when the variable rate interest is recognied in profit or loss.

The Group has applied the December 2019 Amendments to FRS 102: Interest rate benchmark reform. The amendments provide relief in applying the requirements of hedge accounting to certain hedges, including allowing the Group to assume that interest rate benchmarks on which hedged cash flows are based (e.g. LIBOR) will not be altered as a result of interest rate benchmark reform. Consequently, hedging relationships that may have otherwise been impacted by interest rate benchmark reform have remained in place and no additional ineffective portion of the hedge has been recognised.

Hedge accounting is discontinued when a floating to fixed interest rate swap expires, is sold, terminated or exercised, or when the conditions for hedge accounting are no longer met or the Society documents its election to discontinue hedge accounting. Any fair value gains or losses accumulated in the cash flow hedge reserve are reclassified to profit or loss, either when the variable interest rate expense is recognised in profit or loss, or immediately on discontinuation of hedge accounting if future variable interest rate cash flows are no longer expected to occur.

Finance costs

Finance costs are charged to income and expenditure over the term of the debt. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Deferred financing costs

Deferred financing costs represent the costs incurred in securing new borrowing facilities. They are deducted from the value of the housing loans and bond and amortised over the life of the housing loans or bond to which they relate using the effective interest rate method. The deferred financing cost includes the discount and premium on the bond issue. The carrying amount of the housing loans or bond will be increased by the finance cost for each reporting period and reduced by repayments made in respect of the loan or bond in that period.

Capitalised interest

Interest payable on loans is recognised on a payable basis as it falls due together with amortisation charges. Interest is capitalised on properties under construction on a proportion of the borrowings of the Group and Association as a whole, using the weighted average interest rate for borrowing. The Group's weighted average interest rate for borrowing is 3.77% per annum (2022: 3.67% per annum).

	GROUP		ASSOCIATION	
	2023 £m	2022 combined £m	2023 £m	2022 combined £m
Bank loans	103.2	74.3	102.9	74.5
Swap payments	1.7	18.2	2.0	17.9
Recycled Capital Grant Fund	1.0	0.1	1.0	0.1
Other interest & financing costs	16.0	16.9	18.9	18.5
Net interest on pension funds	0.4	1.0	0.4	1.0
	122.3	**110.5**	**125.2**	**112.0**
INTEREST CAPITALISED ON CONSTRUCTION OF HOUSING PROPERTIES	(22.3)	(20.6)	(15.1)	(13.3)
	100.0	**89.9**	**110.1**	**98.7**
OTHER FINANCING COSTS THROUGH INCOME AND EXPENDITURE				
Gain / (loss) on swap derivative instruments	**35.2**	**(55.0)**	**34.3**	**(56.2)**
OTHER FINANCING COSTS THROUGH OTHER COMPREHENSIVE INCOME				
Gain on hedged derivative instrument	**-**	**2.0**	**(0.9)**	**-**

12. Taxation

No taxation is payable on the charitable surpluses of the Association, Southern Housing. The Association may be required to pay tax on trading income derived from non-charitable activities. Taxation is chargeable on the surpluses of subsidiary entities which includes Crystal Palace Housing Association Limited, Optivo Finance plc, Optivo Development Services Limited, Lamborn Estates Limited, Optivo Homes Ltd, Southern Home Ownership Limited, Rosemary Simmons Memorial Housing Association Limited trading as Crown Simmons Housing, Southern Space Limited, Southern Development Services Limited, Spruce Homes Limited and Southern Housing Construction Limited. Surpluses either in whole or in part are transferred to the parent by a qualifying charitable donation which then reduces the taxation charge accordingly. The tax impact of qualifying charitable donation is accounted for when it is probable that the qualifying charitable donation will be made.

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

Deferred taxation

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

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

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

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

Deferred tax mainly arises from timing differences relating to revaluation of investment properties in entities that are subject to tax.

Value Added Tax

The group charges Value Added Tax (VAT) on some of its income and can recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the statement of comprehensive income.

Factors that may affect future tax charges

The standard rate of corporation tax in the UK remained at 19% in 2023. From 1 April 2023 the corporation tax rate will increase to 25% on profits over £250k and 19% on profits under £50k with marginal relief applied for profits between the two limits.

	GROUP		ASSOCIATION	
	2023 £m	2022 combined £m	2023 £m	2022 combined £m
CURRENT TAX				
Current tax on income for the period	0.7	1.2	0.3	1.1
Total current tax	**0.7**	**1.2**	**0.3**	**1.1**
Deferred tax expense	(0.6)	(0.1)	(0.3)	-
	0.1	**1.1**	**-**	**1.1**

	GROUP		ASSOCIATION	
	2023 £m	2022 combined £m	2023 £m	2022 combined £m
CURRENT TAX RECONCILIATION				
Surplus on ordinary activities before taxation	90.9	140.4	77.9	139.9
Less surplus from charitable activities	(76.1)	(116.8)	(76.1)	(110.9)
Taxable surplus on ordinary activities before tax	**14.8**	**23.6**	**1.8**	**29.0**
Corporation tax charged at 19% (2022: 19%)	2.8	4.5	(0.3)	5.5
EFFECTS OF				
Charitable surpluses not taxed	-	-	-	(4.4)
Non taxable income	-	0.9	-	-
Qualifying charitable donations	(2.5)	(4.4)	-	-
Share of taxable profits in Triathlon Homes LLP	0.4	-	-	-
Deferred tax	**(0.6)**	**0.1**	**(0.3)**	**-**
Total tax charge	**0.1**	**1.1**	**-**	**1.1**

13. Tangible fixed assets – housing properties

Housing properties constructed or acquired (including land) on the open market are stated at cost less depreciation and impairment (where applicable).

The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for incremental staff costs and other costs of managing the development. Directly attributable costs of acquisition include capitalised interest calculated on a proportional basis using finance costs on borrowing drawn to finance the relevant construction or acquisition. Where housing properties are in the course of construction, finance costs are only capitalised where construction is on-going and has not been interrupted or terminated.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the statement of comprehensive income.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in the first tranche, are included in property, plant and equipment and held at cost less any impairment. They are transferred to completed properties when ready for letting. Expenditure on schemes, which are subsequently aborted, is written off in the period in which it is recognised the scheme will not be developed to completion. The portion of shared ownership property retained or expected to be retained is not depreciated on account of the high residual value.

Gains and losses on disposals of housing properties are determined by comparing the proceeds with the carrying amount and incidental costs of sales and recognised within gain/loss on disposal of fixed assets, which is included in the operating surplus for the year in the statement of comprehensive income.

Impairment

The housing property portfolio for the Group is assessed for indicators of impairment at each balance sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. An options appraisal is carried out to determine the option which produces the highest net realisable value. Valuations on rental return or potential sale proceeds are obtained and used to inform the options. The recoverable amount is taken to be the higher of the fair value less costs to sell or the value in use of an asset or cash generating unit. The assessment of value in use may involve considerations of the service potential of the assets or cash generating units concerned or the present value of future cash flows to be derived appropriately adjusted to account for any restrictions on their use. Where value in use - service potential (VIU-SP) is to be determined, the calculation of depreciated replacement cost compares a rebuild cost (using floor space, an average build cost per square metre and an average grant per unit) with expectations of price for an asset with equivalent service potential on the open market. The lower of the replacement costs is then adjusted as if that cost had been depreciated for the life of the asset.

The Group defines cash generating units as follows:

- Individual historical completed homes / stock transfer properties assessed on the basis of geography and property size
- Already impaired properties assessed at individual scheme level.

Where the recoverable amount of an asset or cash generating unit is lower than its carrying value an impairment is recorded through a charge to the statement of comprehensive income.

In 2022/23 assets impaired include:

- Land purchased ahead of a scheme being identified or planning permission granted, but where the land value has fallen since it was acquired. The value has been assessed based on the anticipated level of affordable housing for which planning permission will be given
- Shared ownership schemes where the first tranche has not yet been sold but where the cost of sale is now higher than the sales income we anticipate receiving.

Depreciation of housing properties

Housing land and property is split between land, structure and other major components that are expected to require replacement over time. Land is not depreciated on account of its indefinite useful economic life. Assets in the course of construction are not depreciated until they are completed and ready for use to ensure they are only depreciated in periods in which economic benefits are expected to be consumed. The cost of housing property and components are depreciated over the useful economic lives of the assets on the following basis:

COMPONENT	Years
Structure	85-125
Lifts	25-30
Kitchens	20-25
Bathrooms	20-30
Solar panels	20
External storage	10
External staircase	60
Aerials /CCTV	10
Flooring	15
Windows	25-30
Roofs	20-80
Fire alarms	15-20
Doors	15-30
Boilers & heating	15-25
Emergency lighting	15-20
Electrical wiring	5-30
Warden call / door entry	15

Leasehold properties are depreciated over the length of the lease except where the expected useful economic life of properties is shorter than the lease, the lease and building elements are depreciated separately over their expected useful economic lives.

Allocation of costs for mixed tenure and shared ownership developments

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure, costs are allocated on a floor area or unit basis depending on what is appropriate for each scheme.

Development overhead costs are capitalised to the extent they are directly attributable to bringing schemes into working condition for their intended use. Such expenditure consists of in-house development, architect and surveyor costs (including the cost of our own employees), and a proportion of the cost of staff in other departments who work on development activities.

Donated land and other assets

Land and other assets donated by local authorities and other government sources are added to cost at the fair value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between fair value and consideration paid is treated as a non-monetary grant and recognised in the balance sheet as a liability. Where the donation is from a non-public source the value of the donation is included as income.

Stock swaps

Housing properties acquired from other social landlords in exchange for non-monetary assets, or a combination of monetary and non-monetary assets, are measured at fair value. Grant associated with the transfers is recorded as a contingent liability.

Shared ownership properties and staircasing

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

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

The Group maintains shared ownership properties to a sound state of repair where it has the responsibility to do so. Maintenance of other shared ownership properties is the responsibility of the shared owner. Any impairment in the value of such properties is charged to the statement of comprehensive income.

GROUP	Housing properties held for letting £m	Housing properties for letting under construction £m	Completed shared ownership properties under construction £m	Shared ownership properties under construction £m	Total housing properties £m
COST					
At 1 April 2022 combined	4,794.0	422.4	824.4	251.0	6,291.8
Additions during year	0.3	187.1	0.4	81.3	269.1
Replaced components	58.1	-	-	-	58.1
Provision release	(3.6)	-	-	-	(3.6)
Properties acquired	92.6	-	3.1	-	95.7
Transfer (to) / from investment property (note 15)	(2.8)	2.5	(0.3)	4.4	3.8
Transfer from / (to) current assets	0.1	(4.0)	2.3	(5.1)	(6.7)
Tenure change	16.1	(3.9)	(17.4)	3.9	(1.3)
Transfer on completion	188.7	(188.7)	124.1	(124.1)	-
Disposals - property	(49.2)	-	(41.8)	-	(91.0)
Disposals - components	(21.6)	-	-	-	(21.6)
At 31 March 2023	**5,072.7**	**415.4**	**894.8**	**211.4**	**6,594.3**
DEPRECIATION					
At 1 April 2022 combined	728.3	-	28.4	-	756.7
Depreciation charge for the year	61.2	-	-	-	61.2
Disposals during year	(6.6)	-	(0.7)	-	(7.3)
Component disposals during year	(19.2)	-	-	-	(19.2)
At 31 March 2023	**763.7**	**-**	**27.7**	**-**	**791.4**
IMPAIRMENT					
At 1 April 2022 combined	-	-	-	-	-
Impairment charge for the year	2.3	18.3	-	4.5	25.1
At 31 March 2023	**2.3**	**18.3**	**-**	**4.5**	**25.1**
NET BOOK VALUE					
At 31 March 2023	**4,306.7**	**397.1**	**867.1**	**206.9**	**5,777.8**
At 31 March 2022 combined	4,065.7	422.4	796.0	251.0	5,535.1

The cost of land included in the above not subject to depreciation is £1,925 million (2022: £1,838 million). Additions to housing properties in the course of construction during the year included capitalised interest of £22.3 million (2022: £20.6 million) at an average interest rate during the year of in the region of 3.77% (2022: 3.67%).

The total expenditure on works to existing and acquired properties during the year was £133.2 million (2022: £171 million), of which £58.1 million was capitalised as component replacements, the remainder was expensed.

Tenure changes between housing properties and shared ownership relate to Homeflex stock movement following the sale of the first tranche.

ASSOCIATION	Housing properties held for letting £m	Housing properties for letting under construction £m	Completed shared ownership properties under construction £m	Shared ownership properties under construction £m	Total housing properties £m
COST					
At 1 April 2022 combined	4,710.1	387.7	769.6	159.2	6,026.6
Additions during year	0.2	146.4	0.4	57.8	204.8
Replaced components	57.6	-	-	-	57.6
Provision release	(3.6)	-	-	-	(3.6)
Properties acquired	101.4	-	15.4	-	116.8
Transfer (to) / from investment property (note 15)	(2.8)	2.5	0.3	4.4	4.4
Transfer from / (to) current assets	0.1	-	2.3	(4.9)	(2.5)
Tenure change	16.1	(3.9)	(17.4)	3.9	(1.3)
Transfer on completion	165.3	(165.3)	67.4	(67.4)	-
Disposals - property	(49.3)	-	(40.8)	-	(90.1)
Disposals - components	(21.6)	-	-	-	(21.6)
At 31 March 2023	**4,973.5**	**367.4**	**797.2**	**153.0**	**6,291.1**
DEPRECIATION					
At 1 April 2022 combined	726.5	-	27.0	-	753.5
Depreciation charge for the year	60.4	-	-	-	60.4
Disposals during year	(6.6)	-	(0.6)	-	(7.2)
Component disposals during year	(19.7)	-	-	-	(19.7)
At 31 March 2023	**760.6**	**-**	**26.4**	**-**	**787.0**
IMPAIRMENT					
At 1 April 2022 combined	-	-	-	-	-
Impairment charge for the year	2.3	17.5	-	2.8	22.6
At 31 March 2023	**2.3**	**17.5**	**-**	**2.8**	**22.6**
NET BOOK VALUE					
At 31 March 2023	**4,210.6**	**349.9**	**770.8**	**150.2**	**5,481.5**
At 31 March 2022 combined	3,983.6	387.7	742.6	159.2	5,273.1

The cost of land included in the above which is not subject to depreciation is £1,906 million (2022: £1,816 million). Additions to housing properties in the course of construction during the year included capitalised interest of £15.1 million (2022: £13.1 million) at an average interest rate during the year of in the region of 3.77% (2022: 3.67%).

The total expenditure on works to existing properties during the year was £132.2 million (2022: £171 million), of which £57.6 million was capitalised as component replacements.

Tenure changes between housing properties and shared ownership relate to Homeflex stock movement following the sale of the first tranche.

14. Tangible fixed assets – other fixed assets

Other tangible fixed assets, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised and reflected in the statement of comprehensive income. Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation of other tangible fixed assets

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

The estimated useful lives range as follows:

OTHER FIXED ASSETS	Years
Freehold offices	50-100
Furniture & office equipment	5-15
Computer hardware	3-4
Computer software	3-4
Motor vehicles	4
Office improvements	10
Leasehold properties	Over term of lease

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "surplus on disposal of fixed assets" in the statement of comprehensive income.

GROUP	Land and building £m	Furniture and office equipment £m	Computer equipment and software £m	Motor vehicles £m	Total £m
COST					
At 1 April 2022 combined	46.9	59.4	40.1	0.5	146.9
Additions during year	0.4	15.9	5.3	-	21.6
Provision release	-	(3.3)	-	-	(3.3)
Component write off	-	-	(5.2)	-	(5.2)
At 31 March 2023	**47.3**	**72.0**	**40.2**	**0.5**	**160.0**
DEPRECIATION					
At 1 April 2022 combined	15.0	28.7	25.3	0.2	69.2
Charge for the year	2.4	2.3	5.9	0.1	10.7
Component write off	-	-	(0.3)	-	(0.3)
At 31 March 2023	**17.4**	**31.0**	**30.9**	**0.3**	**79.6**
NET BOOK VALUE					
At 31 March 2023	**29.9**	**41.0**	**9.3**	**0.2**	**80.4**
At 31 March 2022 combined	31.9	30.7	14.8	0.3	77.7

The net book value of freehold land and buildings included in the above is £26.3 million (2022: £26.5 million). The net book value of leasehold buildings included in the above is £3.4 million (2022: £3.7 million).

ASSOCIATION	Land and building £m	Furniture and office equipment £m	Computer equipment and software £m	Motor vehicles £m	Total £m
COST					
At 1 April 2022 combined	46.8	58.8	40.1	0.5	146.2
Additions during year	0.4	15.3	5.3	-	21.0
Provision release	-	(3.3)	-	-	(3.3)
Component write off	-	-	(5.2)	-	(5.2)
At 31 March 2023	**47.2**	**70.8**	**40.2**	**0.5**	**158.7**
DEPRECIATION					
At 1 April 2022 combined	15.0	28.5	25.3	0.2	69.0
Charge for the year	2.4	2.2	5.9	0.1	10.6
Component write off	-	-	(0.3)	-	(0.3)
At 31 March 2023	**17.4**	**30.7**	**30.9**	**0.3**	**79.3**
NET BOOK VALUE					
At 31 March 2023	**29.8**	**40.1**	**9.3**	**0.2**	**79.4**
At 31 March 2022 combined	31.8	30.3	14.8	0.3	77.2

The net book value of freehold land and buildings included in the above is £26.3 million (2022: £26.5 million). The net book value of leasehold buildings included in the above is £3.4 million (2022: £3.7 million).

15. Investment properties

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business but held for investment potential or capital appreciation. Investment properties are measured at cost on acquisition or initial recognition and subsequently at fair value at the year end, with changes in fair value recognised in the statement of comprehensive income. Fair value is determined annually by appropriately qualified external valuers and derived from current market rents and investment property yields for comparable properties, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided on investment properties.

The Group's investment properties are valued annually on 31 March at fair value. The Group engaged Jones Lang LaSalle Limited, Resolution Property Surveyors and Copping Joyce for the latest fair value valuation. They are independent, professionally qualified valuers and valuation is undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. Changes in fair value are recognised in the statement of comprehensive income. Investment properties make up less than 5% of our asset portfolio. We update the investment property valuations annually.

Rental deductions for void losses were reflected as bottom line deductions from fair value rather than being reflected via the cashflow calculation.

Valuers benchmarked 2023/24 rents with competing schemes. Assumptions reflects the market approach a potential purchaser would take, as at the valuation date. Discount rates in valuing our student properties range from 7.15% to 16%. Valuation of our Eastbourne site, where we are expecting an early termination of the lease is based on receiving the option price. The cash flows generated incorporate growth assumptions in respect of income and expenditure elements based upon deviations from the RPI target rate of inflation (2.5%) plus additional real growth (0.5%).

A rent capitalisation methodology was adopted coupled with an assessment of what an owner-occupier might pay with reference to respective rental and capital value markets. Where appropriate, for offices with obvious permitted development credentials, a high level residual appraisal was undertaken to underpin the valuation.

The surplus on revaluation of investment property arising of £0.1 million (2022 £8 million) has been included in the statement of comprehensive income for the year.

	GROUP		ASSOCIATION	
	2023 £m	2022 combined £m	2023 £m	2022 combined £m
At 1 April	311.5	293.9	242.8	245.5
Additions	15.3	13.5	1.1	1.0
Transferred (to) / from fixed assets (Note 13)	(3.8)	5.3	(4.4)	(3.6)
Transfer to / (from) stock	2.3	(1.7)	2.3	-
Disposals	-	(7.5)	-	(7.5)
Revaluation in year	0.1	8.0	0.2	7.4
At 31 March	**325.4**	**311.5**	**242.0**	**242.8**

16. Investments

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual entity's financial statements.

Associates and joint venture

An entity is treated as an associated undertaking where Southern Housing or the relevant subsidiary exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

An entity is treated as a joint venture where the group is party to a contractual agreement with one or more parties from outside the group to undertake an economic activity that is subject to joint control.

In the consolidated accounts, interests in joint ventures are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit or loss, other comprehensive income and equity of the joint venture. The consolidated statement of comprehensive income includes the group's share of the operating results, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the group. Any share of losses are only recognised to the extent that they do not reduce the investment balance below zero as the group has no obligations to make payments on behalf of the joint venture, and any share of subsequent profits shall be accounted for once the unrecognised profits are equal to the unrecognised losses. In the consolidated balance sheet, the interests in joint ventures are shown as the group's share of the identifiable net assets, including any unamortised premium paid on acquisition. Any unrealised profits and losses from transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the joint venture.

Vistry Linden Limited

GROUP	2023 £m	2022 combined £m
At 1 April	2.2	7.1
Distribution received	(2.8)	(0.6)
Loan repayments	-	(6.4)
Cumulative share of joint venture profit	0.7	2.1
At 31 March	**0.1**	**2.2**

In December 2018 Optivo Homes Limited, a subsidiary of Southern Housing, entered into an agreement with Galliford Try Homes Limited (now Vistry Linden Limited) to become a member of Linden (Rainham) LLP. Each party holds a 50% interest in the LLP and 50% of the voting rights. Linden (Rainham) LLP´s principal activity is the development of new homes.

Southern Housing holds:

A 50% partnership capital in Affinity Housing Services (Reading), a joint venture with Abri Group, which is accounted for as a jointly controlled operation. The joint venture has a 33% holding in Affinity (Reading) Holdings Limited, which holds 100% of the share capital of Affinity (Reading) Limited, the operator of a PFI contract to supply refurbishment, management and maintenance services to part of Reading Borough Council's housing portfolio.

A 33.33% direct holding in Affinity (Reading) Holdings Limited, which together with the indirect holding described above, gives a total interest of 50%. The indirect interest is accounted for through the accounting of Affinity Housing Services (Reading). The direct interest is accounted for as a jointly controlled entity. In the Association it is held at cost less impairment and in the Group it is held using the equity method of accounting.

Southern Space Limited holds a one-third interest in Triathlon Homes LLP, a joint venture with First Base 4 Stratford LLP and East Place Limited. The principal activity of Triathlon Homes LLP is the management of the social housing within East Village, Stratford. Following the final handover of all units by the developer to Triathlon Homes LLP, all units are used for social housing in a variety of tenures. Triathlon Homes LLP is accounted for as a jointly controlled entity and has net negative reserves due to a negative cash flow hedge reserve. The Group has no contractual liability for the resultant losses.

Affinity & Triathlon

	GROUP		ASSOCIATION	
	2023 £m	2022 combined £m	2023 £m	2022 combined £m
At 1 April	3.0	3.9	3.6	3.5
Additional loan	-	0.1	-	0.1
Cumulative share of joint venture profit/(loss)	3.9	(1.0)	-	-
At 31 March	**6.9**	**3.0**	**3.6**	**3.6**

Investment in Social HomeBuy

The Group retains a stake in homes purchased through the HomeBuy and Starter Homes Initiative schemes which are regarded as public benefit entity concessionary loans. They are held in the statement of financial position, recorded at transaction value, being the share of value of the property at the date of acquisition, as opposed to being held at the fair value of the loans which FRS 102 would otherwise require, which is not materially different.

The loan is repayable on the sale of the underlying property with any proportionate excess achieved on the sale value over the loan value being reported through the statement of comprehensive income.

Investments in HomeBuy and Starter Home Initiatives are funded through social housing grant. The Association funds 6% of the stake in Starter Home Initiatives, with the remainder being funded through social housing grant. No interest is payable. The security is a charge on the property and repayment is due upon the sale of the property. There are no concessionary loans committed but not taken up at year end.

	GROUP		ASSOCIATION	
	2023 £m	2022 combined £m	2023 £m	2022 combined £m
Investment in subsidiary	-	-	3.5	3.5
Investment in Social HomeBuy	6.9	7.0	6.9	7.0
At 31 March	**6.9**	**7.0**	**10.4**	**10.5**

Unlisted investment

The unlisted investments comprised interest bearing cash deposits placed as a guarantee for loans from The Housing Finance Corporation Limited ('THFC'). These were held at cost, adjusted for any increases in amounts deposited or withdrawn and impairment. The deposits were held as interest cover with differing maturity and interest rates in line with the loan facility agreements. Interest receivable is accounted for on an accruals basis. The endowment is held by Fellowship Houses Trust at fair value. In 2022-23 the investment is reclassified as a long term debtor.

	GROUP		ASSOCIATION	
	2023 £m	2022 combined £m	2023 £m	2022 combined £m
Fair value of endowment	**-**	**8.1**	**-**	**7.9**

Derivatives

The group holds floating rate loans which expose the group to interest rate risk. To mitigate against this risk the group uses interest rate swaps. These instruments are measured at fair value at each reporting date. They are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Movements in fair value are recognised in the statement of comprehensive income. The derivatives are accounted for in accordance with FRS 102 – Section 12 at fair value through profit or loss.

	GROUP		ASSOCIATION	
	2023 £m	2022 combined £m	2023 £m	2022 combined £m
MARK TO MARKET DERIVATIVES				
Asset	21.0	-	21.3	1.2
Liability	(7.2)	(21.4)	(7.2)	(21.4)
At 31 March	**13.8**	**(21.4)**	**14.1**	**(20.2)**

17. Properties held for sale

Stock represents work in progress, completed properties developed for outright sale and shared ownership properties. For shared ownership properties the value held as stock is the estimated proportion of cost to be sold as a first tranche. Stock is stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales proceeds after allowing for all further costs to completion and selling costs.

	GROUP		ASSOCIATION	
	2023 £m	2022 combined £m	2023 £m	2022 combined £m
Completed	34.7	49.8	11.4	21.9
Under construction	140.5	164.3	47.2	50.1
	175.2	**214.1**	**58.6**	**72.0**

18. Trade and other debtors

Debtors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the statement of comprehensive income in other operating expenses.

	GROUP		ASSOCIATION	
GROUP	2023 £m	2022 combined £m	2023 £m	2022 combined £m
DUE WITHIN ONE YEAR				
Rental and service charge arrears	26.5	30.2	25.8	29.8
Provision for doubtful debts	(7.8)	(6.4)	(7.8)	(6.4)
	18.7	**23.8**	**18.0**	**23.4**
Social housing grant receivable	0.5	6.2	0.5	6.2
Trade debtors	24.4	5.8	8.6	6.1
Other debtors	5.7	13.3	4.6	7.0
Amounts owed by subsidiary undertakings	-	-	300.5	290.7
Prepayments and accrued income	21.3	13.3	21.2	13.2
VAT	6.3	1.1	1.3	-
	76.9	**63.5**	**354.7**	**346.6**
DUE AFTER MORE THAN ONE YEAR				
Leaseback schemes	1.7	1.9	1.7	1.9
Service charge debtor	11.8	9.4	11.8	9.4
Liquidity fund*	12.2	3.4	12.0	3.4
Amounts owed by subsidiary undertakings	-	-	60.2	62.9
	25.7	**14.7**	**85.7**	**77.6**
TOTAL DEBTORS	**102. 6**	**78.2**	**440.4**	**424.2**

***In accordance with our borrowing agreements we maintain a Liquidity Reserve Fund with the lender. The Reserve Fund is equal to not less that twelve months' interest.**

19. Short term investments

There were no deposits not accessible within 3 months (2022: £Nil).

20. Cash and cash equivalents

	GROUP		ASSOCIATION	
	2023 £m	2022 combined £m	2023 £m	2022 combined £m
Cash and cash equivalents	**146.1**	**187.7**	**127.3**	**159.3**

Total Group cash and short term investment balances of £146.1 million (2022: £187.7 million) include £28.7 million (2022: £24.3 million) held in separate accounts for 'ring-fenced' sinking funds on behalf of leaseholders,£5.4 million held for South East Consortium (2022: £3.6 million) and restricted cash £16.2 million (2022: £4.5 million) which is mainly collateral for our Pensions.

21. Creditors: amounts falling due within one year

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

	GROUP		ASSOCIATION	
	2023 £m	2022 combined £m	2023 £m	2022 combined £m
Loans and borrowings (note 25)	67.4	46.7	67.4	46.7
Social housing grant (note 23)	13.3	14.0	13.2	14.0
Interest payable	10.9	7.2	10.2	6.5
Taxation and social security	7.9	5.0	3.7	4.2
Rent & service charge in advance	41.2	39.0	39.6	37.6
Accruals and deferred income	161.9	148.1	139.4	132.3
Amounts due to subsidiary undertakings	-	-	4.8	3.2
Other creditors	2.0	7.2	2.0	7.4
Recycled capital grant fund (note 24)	14.5	21.5	14.3	21.3
	319.1	**288.7**	**294.6**	**273.2**

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

	GROUP		ASSOCIATION	
	2023 £m	2022 combined £m	2023 £m	2022 combined £m
Loans and borrowings (note 25)	2,842.1	2,729.6	2,852.8	2,732.1
Social housing grant (note 23)	1,696.5	1,697.0	1,647.5	1,671.4
Derivative financial instruments	7.2	21.4	7.2	21.4
Lease Premium Grant Subsidy	0.2	0.4	0.2	0.4
Service charge creditor	2.0	2.0	2.0	2.0
Recycled capital grant fund (note 24)	28.5	15.9	27.7	15.5
Other creditors	20.4	5.1	20.4	4.4
	4,596.9	**4,471.4**	**4,557.8**	**4,447.2**

23. Social Housing Grant

The Group receives financial assistance from Homes England and the GLA. These government grants are accounted for as deferred income in the statement of financial position and are amortised annually to the statement of comprehensive income based on the life of the building structure, which is between 85 -125 years.

	GROUP		ASSOCIATION	
	2023 £m	2022 combined £m	2023 £m	2022 combined £m
TOTAL SOCIAL HOUSING GRANT RECEIVED OR RECEIVABLE				
Capital grant - housing properties	1,709.8	1,711.0	1,660.7	1,685.4
Recycled capital grant fund (note 24)	43.0	37.4	42.0	36.8
Cumulative amount amortised	370.3	360.6	365.6	355.9
	2,123.1	**2,109.0**	**2,068.3**	**2,078.1**
At 1 April combined	1,711.0	1,696.5	1,685.4	1,678.7
Grants received during the year	47.0	39.5	36.4	31.5
Grant Recycled	2.7	8.7	-	8.7
Grant repaid	-	(7.9)	-	(7.9)
Intra Group transfers	-	-	(10.7)	-
Disposals	(31.5)	(7.5)	(31.1)	(7.3)
Grants amortised during the year	(19.4)	(18.3)	(19.3)	(18.3)
At 31 March	**1,709.8**	**1,711.0**	**1,660.7**	**1,685.4**
Cumulative amount amortised	**370.3**	**360.6**	**365.6**	**355.9**

24. Recycled Capital Grant Fund (RCGF)

On the occurrence of certain relevant events, primarily the sale of dwellings, the Regulator of Social Housing (RSH) can direct the Association to recycle or repay capital grants. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, grant will be repayable to the RSH with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated cannot be used within one year is held in the balance sheet under "creditors due after more than one year". The remainder is held under "creditors due within one year".

GROUP	2023 Homes England £m	2023 GLA £m	2022 Homes England £m	2022 GLA £m
Balance at 1 April combined	14.1	23.3	19.5	17.9
Grants recycled	2.0	5.3	2.9	5.9
Transfers	-	-	-	(0.5)
Interest accrued	0.4	0.6	0.1	-
New development and repairs to existing properties	(1.0)	(1.7)	(8.4)	-
At 31 March	**15.5**	**27.5**	**14.1**	**23.3**
AMOUNT DUE FOR REPAYMENT TO HOMES ENGLAND/GLA				
Within one year	0.2	14.3	8.4	13.1
Within 2 to 3 years	15.3	13.2	5.7	10.2
	15.5	**27.5**	**14.1**	**23.3**

ASSOCIATION	2023 Homes England £m	2023 GLA £m	2022 Homes England £m	2022 GLA £m
At 1 April combined	14.0	22.8	19.5	17.5
Grants recycled	2.0	4.7	2.8	5.7
Transfers	-	0.2	-	(0.5)
Transferred from other Group members	-	-	-	0.1
Interest accrued	0.4	0.6	0.1	-
New development and repairs to existing properties	(1.0)	(1.7)	(8.4)	-
At 31 March	**15.4**	**26.6**	**14.0**	**22.8**
AMOUNT DUE FOR REPAYMENT TO HOMES ENGLAND/GLA				
Within one year	0.2	14.1	8.4	12.9
Within 2 to 3 years	15.2	12.5	5.6	9.9
	15.4	**26.6**	**14.0**	**22.8**

25. Loans and borrowings

	GROUP		ASSOCIATION	
	2023 £m	2022 combined £m	2023 £m	2022 combined £m
HOUSING LOANS REPAYABLE				
Loans and debentures	1,343.9	1,294.6	1,343.6	1,294.3
Bond	1,506.5	1,425.0	675.0	675.0
Total housing loans	**2,850.4**	**2,719.6**	**2,018.6**	**1,969.3**
Inter-company loan	-	-	916.5	827.2
Other loan/ bond costs	77.4	74.9	(1.9)	(4.4)
Deferred financing & set-up costs	(18.3)	(18.2)	(13.0)	(13.3)
Net borrowings	**2,909.5**	**2,776.3**	**2,920.2**	**2,778.8**

	GROUP		ASSOCIATION	
	2023 £m	2022 £m	2023 £m	2022 £m
HOUSING LOANS REPAYABLE				
Within one year	67.4	46.7	67.4	46.7
One to two years	36.8	209.3	36.8	209.3
Two to five years	447.3	237.2	447.3	237.2
More than five years	2,298.9	2,226.4	1,467.1	1,476.1
Net borrowings	**2,850.4**	**2,719.6**	**2,018.6**	**1,969.3**

At 31 March 2023 the Group's facilities were as below. Post year end we completed securing the £125.0 million of facilities unavailable to draw, making them available. During the year our drawn facilities increased by £143.6 million.

GROUP	2023 £m	2022 combined £m
TOTAL FACILITIES	4,214.1	3,885.2
of which own name bonds	1,506.5	1,425.0
of which banks and other lenders	2,707.6	2,460.2
TOTAL FACILITIES	4,214.1	3,885.2
of which drawn	2,850.4	2,719.6
of which available to draw	1,238.7	1,053.9
of which unavailable to draw	125.0	111.7
Retained bonds	118.5	100.0

GROUP	2023 £m	2022 combined £m
DRAWN FACILITIES	2,850.4	2,719.6
of which fixed rate	2,475.7	2,364.9
of which floating rate	364.7	349.7
of which index linked	10.0	5.0

The loans bear interest at fixed rates ranging from 0.6% to 11.5% or at variable rates calculated at a margin above SONIA, the Bank of England Base Rate, or the Retail Prices Index. We measure interest rate sensitivity with Macaulay Duration, which was 9.6 years.

The Group has interest rate swap agreements in place to mitigate the risk of interest rate increases in its floating rate debt. We had vanilla swaps of £74.6 million nominal value (2022: £74.6 million), amortising swaps of £160.0 million notional value (2022: £160.0 million), as well as forward starting swaps of £30.0 million nominal value (2022: £30.0 million).

The mark to market of the swaps is £13.8 million (2022: liability £(21.4) million). Our swaps have a maturity range of 2024-2038 and a pay fixed rate range of 1.69% to 5.10%. The average rate, weighted by notional value of swaps active at year end, was 2.74% (2022: 2.74%). There were no swap transactions during the current year.

BOND MATURITY	October 2035	October 2036	February 2039	March 2043	February 2044	October 2047	March 2048
Coupon	2.86%	2.38%	4.50%	5.25%	5.36%	3.50%	3.28%
Issue size (£m)	350	300	75	300	50	300	250
Remaining retained (£m)	69	50	-	-	-	-	-
Valuation date	May 2022	Mar 2022	Mar 2022	Sep 2022	Mar 2022	Mar 2022	Jul 2022
Valuation before asset cover (£m)	474	269	89	450	60	356	329
Valuation after asset cover (£m)	418	263	79	395	53	316	288
Company issuing*	OFP	SH	SH	OFP	SH	SH	OFP

*SH is Southern Housing and OFP is Optivo Finance PLC

At 31 March 2023 we had £1,625 million bonds in issue (2022: £1,525 million). Of this £118.5 million were retained (2022: £100 million). This includes £50 million in retained bonds on our 2036 issue, with no change during the year. In June 2022 we tapped our 2035 bond to issue a further £100.0 million in retained bonds. In July 2022 we sold our £50.0 million retained 2043 bonds. In August 2022 we sold £31.5 million retained 2035 bonds.

At 31 March 2023, 45,712 (2022: 31,700) homes are charged as security to lenders valued at £5.8 billion (2022: £3.71 billion) (based on a mix of existing use value – social housing (EUV-SH) and market values subject to tenancies (MV-T)). Homes are charged to derivative counterparties to meet our mark to market exposure to the extent that this exceeds a threshold agreed between the counterparties.

The Board recognises a key risk faced by the Group relating to the ability of the Association to repay loans as they fall due. The Association is exposed to fluctuations in interest rates. The key risks and mitigation strategies are:

- The Group uses derivatives to manage interest rate risk
- The Group undertakes regular revaluation of the property portfolio, ensuring the asset cover required to secure borrowings is maintained. The majority of borrowing is secured against the market value of properties subject to tenancies
- The Group regularly monitors actual and projected compliance with financial covenants, and uses sensitivity analysis to ensure price, liquidity, credit and interest rate risk will not affect the ability of the Group to repay debt to the lender as it falls due or that mitigating actions are taken where appropriate.

26. Provisions

A provision is only recognised for specific and quantifiable liabilities that exist at the balance sheet date as a result of a past event and only where it is probable that we will be required to transfer economic benefits in settlement of the obligation.

Where provisions are made they are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date. Where the effect of the time value of money is material the amount expected to be required to settle the obligation is recognised at the present value using a discount rate. The unwinding of the discount is recognised as a finance cost in income and expenditure in the period it arises. Southern Housing reviews at each reporting date the identified risks it is aware of to ensure the value of provisions made is appropriate.

Provisions are not made for works which are considered to be part of the ordinary course of business and that form part of an ongoing maintenance and major works programme. Where settlement is not probable and / or cannot be reliably estimated a contingent liability is recognised.

The Group has recognised provisions for hand back liabilities. In the prior year we had £7.2 million provisions held for fire safety work which has now been released as part of policy alignment.

	GROUP		ASSOCIATION	
	2023 £m	2022 combined £m	2023 £m	2022 combined £m
Balance at 1 April	8.8	8.2	8.2	7.4
Provision (reversed)/recognised	(7.2)	0.6	(6.6)	0.8
Balance at 31 March	**1.6**	**8.8**	**1.6**	**8.2**

27. Contingent liabilities

A contingent liability is disclosed for a possible obligation for which it is not yet confirmed that an obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

A contingent liability exists on grant repayment which is dependent on the disposal of the related property. The timing of any future disposal is uncertain. No provision has therefore been recognised in these financial statements in relation to any potential repayment of grant that may arise in the event of a disposal. The Group holds £159.2 million of grant (2022: £98.3 million) relating to stock swaps which would be repayable to the grant provider in the event that this stock is disposed.

A contingent liability exists on OPT pension liabilities due to changes made to scheme benefits, court clarification is outstanding. We estimate the additional liability to be £3 million, 4% of scheme liabilities.

28. Non-equity share capital

Every member of the Association holds one share of £1. These shares carry no dividend rights and, on cessation of membership of the Association, are cancelled and the amount paid becomes the property of the Association. Each member has the right to vote at members' meetings.

ASSOCIATION	2023 £m	2022 combined £m
At 1 April	58	59
Issued in year	-	5
Cancelled in year	(27)	(6)
At 31 March	**31**	**58**

29. Capital commitments

The amount contracted for at 31 March 2023 will be funded from grants approved by Homes England / GLA 6% (2022: 7%) or will be financed from property sales 45% (2022: 38%) and private loans / cash generated from the business 49% (2022: 55%). Under regulations approved by Board, expenditure to certain levels may be authorised by appropriate officers, and such authorised expenditure is included below.

	GROUP		ASSOCIATION	
	2023 £m	2022 combined £m	2023 £m	2022 combined £m
EXPENDITURE ON DEVELOPMENTS				
Capital expenditure contracted for but not provided for in the financial statement	665.1	629.5	223.3	461.9
Capital expenditure which has been authorised by the Board but not yet contracted for	116.1	690.2	17.1	519.5

At the year end commitments of £9.4m have been approved for fire safety remediation works to be completed on leasehold homes to be spent during 2023/24.

30. Commitments under operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases. Rentals paid under operating leases are charged to the statement of comprehensive income on the accruals basis. Where assets are financed by leasing agreements that give rights approximating to ownership they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments (or if lower the fair value of leased asset) and is depreciated in accordance with the Group's normal policy for that class of assets. The corresponding liability to the lessor is included in the Balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Annual rentals on operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

At 31 March 2023 the Group and Association had total commitments under non-cancellable operating leases as follows:

	GROUP		ASSOCIATION	
	2023 £m	2022 combined £m	2023 £m	2022 combined £m
LAND AND BUILDINGS				
Amounts payable within one year	1.2	1.5	1.1	1.4
Two to five years	3.3	4.4	3.3	4.3
Over five years	4.5	5.2	4.5	5.2
	9.0	**11.1**	**8.9**	**10.9**
OTHER				
Amounts payable within one year	0.8	0.7	0.8	0.7
Two to five years	1.3	1.0	1.3	1.0
	2.1	**1.7**	**2.1**	**1.7**
Total	**11.1**	**12.8**	**11.0**	**12.6**

Operating leases with tenants

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

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

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

GROUP	2023 £m	2022 combined £m
MINIMUM AMOUNTS DUE WITHIN		
One year	2.2	1.9
Two to five years	6.4	5.6
Over five years	4.0	1.0
Total	**12.6**	**8.5**

Sales and leaseback schemes

The Group has a leasehold interest in properties which have been subsequently leased back to the respective freeholders for the purpose of providing housing accommodation. The remaining life is six years. The Group's net investment in these properties is disclosed in the Balance Sheet under "debtors". The balance of the Group's investment in these properties is written down as lease payments are received.

31. Related party disclosures

The ultimate controlling party of the Group is Southern Housing, a registered social housing provider. There is no ultimate controlling party of Southern Housing. Southern Housing considers the key management personnel to be the Board and Executive Team. The only transaction between Southern Housing and the key management personnel is remuneration which is set out in notes 7 and 8.

Southern Housing participates in six defined benefit pension schemes. The transactions with these pension schemes are set out in note 32.

The following managed undertakings are subsidiaries by virtue of the ability of the Association to control the composition of their Board or by holding the majority of shares. The Association owns 100% of the shares of each of the undertakings listed. In accordance with financial reporting standards, the results of the undertakings are incorporated in the consolidated accounts. Where indicated, subsidiaries are Registered Providers of Social Housing (RPSH).

Name of undertaking	Country of registration	Principal activity
Amicus Group Ltd	UK RPSH	Registered social housing provider
Optivo Finance Plc	UK PLC	Bond issuing vehicle
Avenue Lettings & Management Ltd	UK	Dormant
Crystal Palace Housing Association Ltd	UK RPSH	Registered social housing provider
Eason Gruaz Homes	UK Charity	Social housing provider
The Fresh Visions People Ltd	UK Charity	Charity supporting vulnerable adults and children
Charity of Julia Spicer for Almshouse	UK RPSH	Registered social housing provider
Lamborn Estates Ltd	UK	Property development
Middlesex First Ltd	UK	Manages student accommodation
Optivo Development Services Ltd	UK	Property development
Optivo Homes Ltd	UK	Holding company
Optivo Enterprise Ltd	UK	Dormant
Southern Housing Group Limited	UK RPSH	Registered social housing provider
Southern Home Ownership Limited	UK RPSH	Registered social housing provider
Southern Space Limited	UK	Vehicle for the one-third share in Triathlon Homes LLP
Southern Development Services Limited	UK	Property development
Spruce Homes Limited	UK	Provision of housing for private rent
Southern Housing Construction Limited	UK	Property development
Rosemary Simmons Memorial Housing Association Limited trading as Crown Simmons Housing	UK RPSH	Registered social housing provider
The Fellowship Houses Trust	UK RPSH	Registered social housing provider
Hewitt Homes	UK RPSH	Registered social housing provider
Samuel Lewis Foundation	UK Charity	Provision of housing
Affinity Housing Services (Reading)	UK	50% Joint venture with Abri Group
Affinity (Reading) Holdings Limited	UK	33% share directly and 16.67% via Affinity Housing Services (Reading). Joint venture with Yarlington Housing Group
Triathlon Homes LLP	UK	33% partnership via Southern Space Limited. Joint venture entity with First Base 4 Stratford LLP and East Place Limited

Investments

	2023 £m	2022 combined £m
AMOUNTS OWED BY RELATED PARTIES AT YEAR END		
Joint venture with Linden Homes	0.1	2.2
Loan due from Affinity Reading (Holdings) Limited	2.3	2.3
Debtors due from Triathlon Homes LLP	3.7	-

Linden (Rainham) LLP

Optivo Homes Limited, a subsidiary of the Group, is a member of Linden (Rainham) LLP, a 50:50 joint venture established with Galliford Try Homes Limited (now Vistry Linden Ltd) to develop a scheme. The Group received £2.1 million (2022: £4.9 million) from the joint venture in the year and made no contributions (2022: £0.6 million).

Ink Development Company Limited

The Association is a member of Ink Development Company Limited, a vehicle set up with West Kent Housing Association to jointly acquire sites and develop schemes. The following transactions took place during the year:

	2023 £m	2022 combined £m
Net sales and purchase of goods and services	2.9	8.0
Debtors due to Ink Development Company Limited	1.0	1.7
Creditor due from Ink Development Company Limited	0.9	1.0
Administration fees	0.1	0.2

Management services

The Association provides central management services to its subsidiaries. The quantum of the 2022/23 charges applied for these services to each subsidiary is as follows:

	2023 £m	2022 combined £m
Optivo Development Services Ltd	2.6	2.2
Lamborn Estates Ltd	0.1	0.1
Crystal Palace Housing Association Ltd	0.2	0.2
Spruce Homes Limited	0.2	0.2
Total	**3.1**	**2.7**

The Association transacted with the following entities which are not themselves registered providers:

Name of undertaking	Name of the transaction	2023 £m	2022 combined £m
Optivo Finance Plc	Inter-company loan to Southern Housing		
	bond issue	(81.5)	(200.0)
	concessionary loan	(2.0)	(63.9)
Optivo Development Services Ltd	Development cash flow	(86.4)	(122.6)
Lamborn Estates Ltd	Inter-company loan to Lamborn	17.0	(0.1)
Southern Housing Construction Limited and Spruce Homes Limited	Administration support costs and rental income	3.7	0.6
Triathlon Homes LLP	Provision of administrative services	2.5	2.2

Interest on the Optivo Finance plc loan is £33.6 million (2022: £24.6 million) and is charged at the same equivalent rate of the external loans with no mark up by Optivo Finance plc.

Interest on the Lamborn Estates Ltd loan is charged at SONIA plus 5%. Interest charged in the year was £2.5 million (2022: £2.3 million).

Samuel Lewis Foundation

The Samuel Lewis Foundation is a separate charity with Southern Housing as its trustee. Permanent endowment funds comprise the following resources which have been made available and which the trustees are legally required to retain or invest for specific charitable purposes. As these are permanent funds the trustees have no power to convert them into income and apply them as such. The fund balances include funds transferred from The Women's Housing Trust. These balances are included in the parent association, Southern Housing. This disclosure is given for reporting purposes to the Charity Commission. Expenditure on letting activities comprises certain specific identifiable costs and overheads which have been apportioned on a consistent basis to the endowed properties. Dalmeny Avenue was regenerated in 2018 with all sales proceeds being ring fenced for the specific charitable purposes of the Samuel Lewis Foundation.

	Date of acquisition	Original cost £m	Number of units
Liverpool Road	1910	0.3	247
Jubilee Cottages	1935	0.7	28
Palliser Road	1927	1.0	57
Beech House	1936	0.7	16

Fund balances are represented by:

	2023 £m	2022 combined £m
Property, plant & equipment	17.1	13.6
Stock	1.2	-
Cash	15.3	15.3
Investments	-	6.9
Total assets less current liabilities	**33.6**	**35.8**
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Social housing and other grants	(6.4)	(7.7)
Total net assets	**27.2**	**28.1**
NET INCOME FROM PERMANENT ENDOWED ASSETS		
Income from lettings	1.9	1.8
Less expenditure on letting activities	(0.2)	(0.1)
Surplus on letting activities	**1.7**	**1.7**

32. Pension commitments

The Group operates six funded schemes and two defined contribution schemes which are used for auto enrolment.

Defined contribution scheme

Employees have the option to join one of Southern Housing's defined contribution schemes, to which the Group makes a contribution of up to 10% of pensionable salary. Contributions are charged to operating surplus in the year in which they become payable.

Funding schemes

Southern Housing (and/or Optivo and Southern Housing Group Limited) participated in six defined benefit schemes for its employees during the year. These were the Optivo DB Pension Scheme (OPS), Horizon Housing Group Pension Scheme (HHGPS), Southern Housing Group Pension Plan (SHGPP) and three Local Government Pension Schemes: East Sussex County Council Pension Fund (ESCC), Kent County Council Pension Fund (KCC) and the Isle of Wight Pension Fund (IOW). The assets of the schemes are held separately from those of the Group and are managed by trustees. The contributions are determined on the basis of triennial valuations using the projected unit method. These schemes are all closed to new members. The latest triennial valuations were carried out as at 31 March 2020, 31 March 2021 and 31 March 2022 for the three Local Government Pension Schemes respectively.

There are commercial charges over properties to secure the liabilities on SHGPP and HHGPS. The respective properties are valued at approximately £35 million.

We have been notified by the Trustee of the OPS that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of the OPS liabilities, but until Court directions are received, it is not possible to calculate the impact of this issue with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

The Group participated in the London Borough of Barnet Local Government Pension Scheme (LBB) until 30 November 2022. Participation ceased on 30 November 2022 and the amount due on exit from the scheme will be settled in due course. The following disclosures include settlement for LBB based on cessation calculations provided by the scheme actuary.

Under defined benefit accounting Scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the Statement of Financial Position. The current service cost and costs from settlements and curtailments are charged to operating surplus. Past service costs are recognised in the current reporting period and are charged to operating surplus. Interest is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income.

The following disclosures are the aggregate for OPS, HHGPS, SHGPP, KCC, ESCC, IOW and LBB. To the extent that the disclosure for any individual scheme show a surplus it has been treated as irrecoverable in line with the interpretation of scheme rules, an asset ceiling of £18.6 million is applied. As at the current year end the total irrecoverable surplus is attributable to the HHGPS, SHGPP, KCC, ESCC and IOW.

	2023 £m	2022 combined £m
FUNDING POSITION AT 31 MARCH		
Share of assets	244.4	307.4
Estimated liabilities	(241.8)	(330.2)
Net surplus / (deficit)	**2.6**	**(22.8)**
Unrecognised surplus (asset ceiling)	(18.6)	(1.5)
Net deficit	**(16.0)**	**(24.3)**
AMOUNTS CHARGED TO OPERATING SURPLUS FOR YEAR TO 31 MARCH		
Current service cost	1.5	1.9
Administration expenses	0.5	0.3
Settlement	(0.2)	-
Past service costs	0.3	-
Total operating charge	**2.1**	**2.1**

	2023 £m	2022 combined £m
AMOUNTS CHARGED TO INTEREST AND FINANCING COST FOR YEAR TO 31 MARCH		
Net interest cost on assets and liabilities	0.5	1.0
Net interest cost	**0.5**	**1.0**
AMOUNT RECOGNISED IN STATEMENT OF COMPREHENSIVE INCOME FOR YEAR TO 31 MARCH		
Actual return less expected return on assets	(74.4)	8.3
Experience loss	(16.2)	(1.2)
Change in financial and demographic assumptions	105.4	16.7
Change in unrecognised surplus	(17.1)	(1.5)
Total actuarial gain or (loss)	**(2.3)**	**22.3**
ANALYSIS OF MOVEMENT IN SURPLUS IN YEAR TO 31 MARCH		
Deficit at beginning of the year	(22.8)	(55.0)
Total contributions	13.3	11.6
Current service cost	(1.5)	(1.9)
Past service costs	(0.4)	-
Settlement	0.2	-
Other finance costs	(0.5)	(1.0)
Administration expense	(0.5)	(0.3)
Actuarial gain	14.8	23.8
Deficit in the scheme at the end of the year	**2.6**	**(22.8)**
Unrecognised surplus	(18.6)	(1.5)
Net deficit	**(16.0)**	**(24.3)**
ANALYSIS OF MOVEMENT OF UNRECOGNISED SURPLUS IN YEAR TO 31 MARCH		
Unrecognised surplus at beginning of the year	1.5	-
Change in unrecognised surplus (excluding interest)	17.1	1.5
Unrecognised surplus at end of the year	**18.6**	**1.5**

	2023 £m	2022 combined £m
RECONCILIATION OF OPENING AND CLOSING BALANCES OF FAIR VALUE OF ASSETS AS AT 31 MARCH		
Opening fair value of assets	307.4	290.0
Expected return on assets	8.4	6.0
Actuarial (losses)/gains on assets	(73.7)	8.3
Other losses	(0.7)	-
Contributions by the employer	13.3	11.6
Contributions by the participants	0.3	0.4
Administration expense	(0.4)	(0.3)
Settlement	(0.6)	-
Net benefits paid out	(9.6)	(8.6)
Closing fair value of assets	**244.4**	**307.4**
RECONCILIATION OF OPENING AND CLOSING BALANCES OF THE PRESENT VALUE OF SCHEME LIABILITIES AS AT 31 MARCH		
Opening present value of liabilities	330.3	345.0
Service costs	1.5	1.9
Change in assumptions	(105.3)	(16.7)
Interest costs	8.9	7.1
Contributions by participants	0.3	0.4
Actuarial gains on liabilities	16.2	1.2
Net benefits paid out	(9.6)	(8.6)
Settlement	(0.8)	-
Past service costs	0.3	-
Closing present value of liabilities	**241.8**	**330.3**

Split of plan assets

The major categories of plan assets as a percentage of total plan assets were as follows:

	2023	2022 combined
NON LOCAL GOVERNMENT PENSION SCHEMES		
Equities	0% - 1%	0% - 18%
Bonds	55% - 95%	44% - 92%
Property	0% - 7%	0% - 5%
Absolute return funds	0% - 2%	0% - 5%
Cash	3% - 4%	2% - 3%
Other	0% - 34%	0% - 32%
LOCAL GOVERNMENT PENSION SCHEMES		
Equities	64% - 71%	64% - 74%
Bonds	12% - 14%	14% - 27%
Property	10% - 16%	4% - 12%
Absolute return funds	0% - 7%	0% - 7%
Cash	1% - 2%	2% - 3%
Other	0% - 3%	0% - 0%

Mortality

Life expectancy is based on the mortality assumptions for the underlying scheme funding valuations.

Based on these assumptions, the average future life expectancies from retirement age are summarised below:

	2023	2022 combined
Current male pensioners	20.9 - 22.3 years	20.9 - 22.0 years
Current female pensioners	23.4 - 24.6 years	23.3 - 24.4 years
Future male pensioners	22.1 - 23.4 years	22.0 - 23.6 years
Future female pensioners	24.8 - 25.6 years	24.8 - 26.1 years

Financial assumptions

The main financial assumptions at 31 March each year were as follows:

	2023	2022 combined
Rate of general long term increase in salaries	3.0% -4.1%	3.5% - 4.7%
Rate of increase in pension payment	2.0% - 3.1%	3.2% - 3.8%
Discount rate	4.6% - 4.7%	2.6% - 2.8%
Inflation assumption (CPI)	3.0% - 3.1%	3.2% - 3.5%

33. Merger Accounting

In accordance with our accounting policy, these financial statements have been prepared under merger accounting principles. As the Board consider that all criteria were met, merger accounting was required to be applied in the preparation of these financial statements. As the entity has been formed from the legal amalgamation of the historical constituent entities, merger accounting has also been applied in the preparation of the parent only financial statements.

Analysis of comprehensive income 2022/23

ASSOCIATION	Pre merger to 15 December 2022		Post merger from 16 December 2022*	Total 2023
	Optivo £m	SHG £m	Southern Housing £m	2023 £m
Operating surplus	**77.6**	**38.1**	**16.0**	**131.7**
Interest receivable	3.6	10.4	7.8	21.8
Interest and financing costs	(38.0)	(34.7)	(37.4)	(110.1)
Movement in fair value of investment property	-	-	0.2	0.2
Movement in fair value of financial instruments	18.8	-	15.5	34.3
Surplus for the year	**62.0**	**13.8**	**2.1**	**77.9**
Actuarial gain in respect of pension schemes	-	-	(2.3)	(2.3)
Total comprehensive income for the year	**62.0**	**13.8**	**(0.2)**	**75.6**

At 16 December 2022 Optivo had net assets of £908 million and Southern Housing Group (SHG) had net assets of £661 million.

An accumulated depreciation adjustment of £6.9 million in the prior year was required to align accounting policies. In 2021/22 note 3b £0.7 million of impairment was classed as Social Housing Letting. To align the two legacy organisations policies, impairment for 2021/22 has been restated from social housing activities to other social housing activities. The unlisted investment of £8.1 million was reclassified from unlisted investments to long term debtors as disclosed in note 16.

ASSOCIATION	Optivo £m	SHG £m	Southern Housing £m
Reserves at 1 April 2022	864.4	647.6	1,512.0
Accounting policy alignment	-	6.9	6.9
Combined opening reserves			**1,518.9**

*** The results for the period post merger include the cost of merger (£5 million) and impairment provisions (£27 million).**

Analysis of comprehensive income 2021/22

ASSOCIATION	Optivo 2022 £m	SHG 2022 £m	Total 2022 £m
Turnover	**332.8**	**230.5**	**563.3**
Cost of sales	(29.2)	(29.7)	(58.9)
Operating expenditure	(231.0)	(148.4)	(379.4)
Surplus on disposal of housing property	26.4	13.6	40.0
Operating surplus	**99.0**	**66.0**	**165.0**
Surplus on other sales	0.7	-	0.7
Interest receivable	3.4	6.0	9.4
Interest and financing costs	(53.1)	(45.6)	(98.7)
Movement in fair value of investment property	4.7	2.7	7.4
Movement in fair value of financial instruments	56.2	-	56.2
Surplus for the year	**110.9**	**29.1**	**140.0**
Taxation	-	(1.1)	(1.1)
Actuarial gain in respect of pension schemes	10.6	11.7	22.3
Total comprehensive income for the year	**121.5**	**39.7**	**161.2**

34. Post balance sheet events

On 29 June 2023 Southern Housing sold £30 million of its 2036 retained bonds, leaving £20 million of the £300 million 2036 sustainability linked bond unsold. This is in addition to £68.5 million of the 2035 retained bond.

On 12 July 2023 Southern Housing bought back and cancelled our 2044 bonds (SH) and entered into a forward sale agreement to sell £50 million of the 2043 bonds (OFP) in September 2023.

Southern Housing Board Members, Executive Officers and Advisors

Board

Sir Peter Dixon
Chair

Janet Collier
Vice Chair

Carol Rosati
Chair of People Committee

Eugenie Turton CB
Chair of Residents' Services Committee

Grace Alaneme

Geanna Bray
Vice-Chair of Residents' Services Committee

Phil Blume

Ian Wilson

Daisy Armstrong

(William) Howard Cresswell
Chair of Integration & Transformation Committee
Chair of Pensions Group

Michelle Dovey
Chair of Treasury Committee

Paul Hackett CBE
Chief Executive

Damien Régent
Chair of Audit & Risk Committee

Robert Clark
Chair of Development Committee

Executive Team

Paul Hackett CBE
Group Chief Executive

Sarah Smith
Chief Financial Officer

Jane Porter
Chief Operating Officer

Jenny Poore
Executive Director People & Culture

Yvette Carter
Executive Director Contract Services

Richard White
Executive Director Development

Tom Paul
Executive Director Strategy & Change

Secretary and registered office

Puneet Rajput
Fleet House
Farringdon
London
EC1M 5LA

Advisors to the Southern Housing Board

Statutory Auditors
BDO LLP
2 City Place
Beehive Ring Road
Gatwick RH6 0PA

Principal Bankers
Barclays Bank Plc
1 Churchill Place
Canary Wharf
London
E14 5HP

National Westminster Bank Plc
2 Staceys Street
Maidstone
Kent
ME14 1ST

Principal Solicitors
Trowers & Hamlins
3 Bunhill Row
London
EC1Y 8YZ

Devonshires
30 Finsbury Circus
London
EC2M 7DT

SOUTHERN
HOUSING