Annual Report and Financial Statements 2021/2022

Sanctuary Group

Year at a Glance
2021/2022 Highlights

Group revenue
£812.5m
(6.2% growth)

Operating surplus margin excluding asset and development sales
22.2%

New homes built
1,121

Employee engagement – Your Say engagement score
76%

Management cost per home
£411

Capacity – Cash, undrawn facilities and available security
£1,789m

Resident satisfaction - % of customers giving positive feedback
79%

Carbon emissions – Tonnes of CO_2e per employee
3.35

Credit ratings – Moody's
A2
Stable

Credit ratings – Standard & Poor's
A
Stable

Energy Performance Certificate ratings – Average rating
71

Compliance – Properties with valid gas safety certificate
99.7%

Housing regulator ratings Governance
G1

Housing regulator ratings Viability
V2

Care Quality Commission ratings – Sanctuary Care (Good or Outstanding)
90%

Care Quality Commission ratings – Sanctuary Supported Living (Good or Outstanding)
100%

Sanctuary uses certain alternative performance measures throughout this report which, in the opinion of the Directors, aid the understanding of business performance or provide comparison with our peer group. These measures are presented on a consistent basis over time to assist in comparison of performance and are defined and/or reconciled in Appendix 3 on page 194 and the Value for Money statement on page 68.

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Group Chair and Group Chief Executive's Statement

The last 12 months at Sanctuary have seen a period of growth and recovery, reflecting the momentum across the country as Covid restrictions eased. Our performance metrics are on an improving trend. Many of them are back to our pre-pandemic high levels.

At the beginning of 2021/2022 we were in the early stages of integrating Thistle Housing Association in Toryglen, Glasgow, following its successful transfer into Sanctuary. More than 92% of Thistle tenants supported the transfer in an independent ballot. We now deliver housing and services for more than 1,600 tenants and factored owners. Our focus over the last year has been to deliver our transfer promises and invest in the community, from resolving inherited issues for tenants to improving public spaces.

One of the highlights of 2021/2022 has been the increased visits of Board Members to our communities, schemes and homes across the country, made possible by improvement in the Covid position. Resident engagement is integral to everything we do. This year we will launch our new Resident Engagement Strategy, shaped directly by the voices and experiences of our residents and the communities in which we operate. This work will ensure residents remain at the heart of Sanctuary as we continue to evolve and grow.

Overall, our investment in improving our homes is back to pre-pandemic levels. In the coming year we will go further. Our new asset strategy, developed with our residents, means that we will be investing over £100 million in our homes in 2022/2023.

This record investment in our existing properties does not mean we will need to scale back our development programme – far from it. We remain committed to building new homes of all tenures. We have around 2,600 units currently on site. In September 2021 Homes England announced that Sanctuary is one of its 31 new strategic partners. Grant funding of £99.5 million through Homes England's Strategic Partnerships for Affordable Homes Programme will enable us to deliver 2,000 affordable new homes over the next five years.

Our care homes and supported living settings have continued to be resilient and flexible to ever-changing legislation and guidelines, proudly going above and beyond 'business as usual' expectations of providing good quality care and support to ensure our residents live fulfilled lives. Occupancy levels are ahead of forecast despite staffing challenges.

In our students operation, occupancy has bounced back towards pre-pandemic levels at 90%. There was further good news announced in February 2022 that Sanctuary Students will continue to manage the Treliske student accommodation in Truro for a further five years.

The last 12 months have also seen our approach to sustainability go from strength to strength. We published our first Environment and Climate Change Strategy. We also jointly launched the Greener Futures Partnership, a unique collaboration of five of the UK's largest not-for-profit social housing providers. Under the Partnership we have joined forces with other housing associations with the core objective of creating sustainable tenancies, homes and communities by pooling our combined resources and purchasing power. This puts us in a strong position to meet the raft of new climate change legislation to be implemented over the coming years. By way of example, in February 2022 Sanctuary secured £2.5 million of funding through the Government's Social Housing Decarbonisation Fund to retrofit 345 of our properties across Essex, Shropshire and Cheshire.

Our exposure to building safety issues is modest compared to other large housing providers, but this does not mean we take it any less seriously. We are committed to working with residents and other partners to make sure our homes are the safest they can be. Our continuing resident engagement pilots will shape how we communicate important building safety information to those living in the small number of high-rise blocks we own.

In the autumn we launched our People Strategy - an ambitious statement about the kind of organisation we want to be and how we will achieve it. At its heart is the continuing growth of an environment where our people and our organisation can thrive. It shows our ambition to continue to create a positive, inclusive culture and to be recognised as an employer of choice. Inclusion is an essential focus of our People Strategy and is an area where we have made significant strides; we recognise there is more work to do. We want everyone to feel included, regardless of any differences they may have.

Our strong balance sheet and liquidity, combined with our moderate exposure to building safety issues and development, means we are in a strong position to reduce the cost of living impact on our tenants as well as prioritise funding the improvement of our existing homes.

The turbulent macro-economic environment, with factors such as rising inflation, as well as the impact of the cost of living on our customers, will inevitably frame our future decisions. However, we will continue to focus on customer experience and responding proactively to the consumer legislation agenda in the housing sector.

Andrew Manning-Cox
Group Chair

Craig Moule
Group Chief Executive

27 June 2022

Our Strategic Context

As the country moves to a new norm and leaves Covid-19 behind, we too are making big steps forward. Not only are we returning to pre-pandemic levels of investment and performance, but we are also determined to push on even further and achieve more.

The last two years have demonstrated the critical role of not-for-profit housing associations and care providers such as Sanctuary, particularly during challenging times. As a result, both the provision of housing and social care have come under closer examination from key stakeholders to deliver secure, decent housing and high-quality care in the long-term.

Crucially, housing and care provision must also be affordable. An affordability crisis in both housing and care has long been a concern and the squeeze on household income from all angles looks set to further ensure this remains a key focus.

Sanctuary plays a key role in maintaining and enhancing the supply of high-quality and affordable housing and care across the country. As an accountable, socially-responsible and financially-secure organisation we will work with Government, local authorities, NHS commissioners and other charitable organisations to both invest in our existing communities as well as help meet growing demand.

Our Strategy

Our three-year Corporate Strategy was launched in 2020 and was reviewed in November 2021. It sets out four key priorities to deliver our mission to build affordable homes and sustainable communities where people choose to live:

- Engage with residents and stakeholders
- Invest in homes and communities
- Advance how we work
- Grow our contribution to society.

We use enablers of people, technology and innovation, and financial strength to achieve significant progress in our four strategic priorities, and provide an update on these enablers in this report.

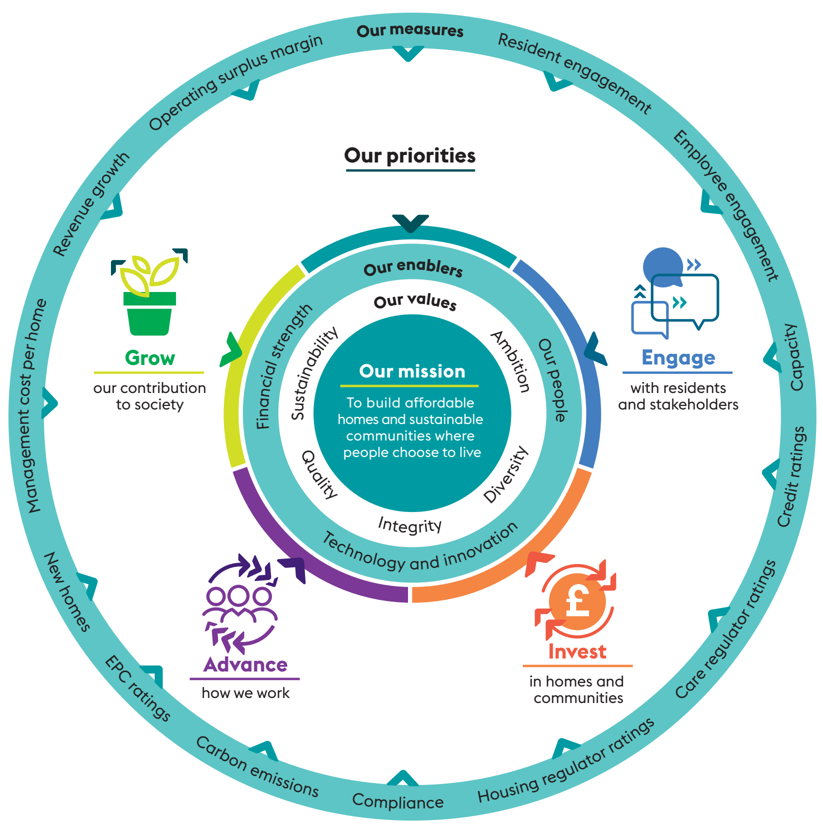
We are alive to the pressure the Government faces to ensure the provision of high-quality and affordable housing and care, and the changes this may herald, and we seek to be on the front foot to meet any new requirements.

On 17 November 2020 the Government published 'The charter for social housing residents: social housing white paper', which set out the standards that social tenants should expect from their landlords, as well as a new regulatory regime to hold landlords to account.

This paper clearly signalled the importance of accountability and resident engagement and although some of the key elements of the paper, including the consumer satisfaction metrics from the Regulator of Social Housing, have yet to be implemented, our current strategy places us in a strong position to adopt these measures.

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

Read our Corporate Strategy 2020-2023 at [https://www.sanctuary.co.uk/publications.](https://www.sanctuary.co.uk/publications)



Customer Experience

Customer experience is integral to everything we do at Sanctuary. One of the highlights of 2021/2022 has been the ability to restart visits to our communities, schemes and homes across the country. We are committed to being transparent and working together with our customers to design the services they receive and understand what is important to them.

Central to our strategic priority of customer experience is our National Resident Scrutiny Panel (NRSP), which enables residents to share their views and scrutinise our services. Members meet regularly with Sanctuary's senior leaders, reviewing our services, making sure the organisation is meeting targets and delivering for our residents, and holding us to account for the quality of our services.

The panel also plays an important role in developing and reviewing specific areas of service on a task and finish basis, carried out by groups of residents who are recruited to form 'Communities of Interest'. Communities of Interest commissioned by the NRSP include Estate Inspections, Homeownership Forum, Environment, and Family and Friends, where residents visit and review our supported housing schemes using a simple question to frame their visit – would I want my family or friends to live here?

The NRSP expanded this year by recruiting six new members, making the panel stronger and more diverse than ever. Alongside this, the NRSP has carried out a resident-led self-assessment against the Social Housing White Paper. The assessment saw residents interviewing Sanctuary's leaders around the organisation, challenging them on the way we operate our business and scrutinising our services. The result of the self-assessment was over 100 recommendations about how we should work differently to better serve our residents and communities. These recommendations now form an action plan which is being led by the NRSP, where residents will continue to scrutinise if we have acted on their feedback and hold us to account if we don't. We also launched a resident mentoring scheme during the last 12 months where NRSP members meet with Sanctuary's senior leaders to talk to them about living in our homes and services, so we can listen, learn and suggest ways to improve.

We have continued to invest in supporting our residents. Our Chartered Institute of Housing (CIH) accredited Residents' Academy allows residents to increase their knowledge of housing and how the scrutiny process works, strengthening their capacity to hold us to account as well as gaining a recognised qualification.

The work we do to our homes and acting on customer complaints is also an integral part of our work to improve customer experience. We have launched a programme to transform customer experience using data from our homes. Known as 'OneProperty', the programme will explore how we integrate our systems to give staff a single view of the buildings we own, making them easier to maintain and giving staff access to data so they are better informed and more likely to be able to fix issues first time. We have also worked closely with residents to improve our processes for managing customer complaints. We have established a community of interest for residents so we can learn from complaints, and over 150 residents shared their feedback with us through an online survey about experiences of making a complaint. The feedback and views expressed have helped us design a new approach to managing complaints, which will improve the experience for residents and give us the confidence we are doing things the right way.

In our care division we have expanded our Enquiry Hub team, which is allowing us to provide a better customer experience with more dedicated staff on hand to take calls from customers and answer questions from the start of their enquiry journey across England, with plans to expand into Scotland. We have also continued the roll-out of our bespoke electronic care planning app, kradle, in our care homes which gives staff more time to spend with residents enriching their lives.

This year we will further our focus on customer experience through the launch of our new Resident Engagement Strategy, shaped directly by the voices and experiences of our residents and the communities in which we operate. This work will ensure residents remain at the heart of everything we do at Sanctuary, helping to influence our decisions and holding us to account for the services we provide.

Case Study: Strength in Diversity with New Members of NRSP

Sanctuary strengthened its NRSP with the recruitment of six new members in January 2022.

The new members add a range of differing experiences and insights to make the panel more representative of Sanctuary's diverse customer base and demonstrate our commitment to 'inclusion for all' for resident engagement.

One of the new members who has been recruited to the panel is John. A former Technical and Site Manager, John moved into a Sanctuary Supported Living property when he found himself homeless after a sudden, and unexpected, change in his circumstances.

He said: "I had an average childhood and education but gained an apprenticeship and progressed to become a Technical and Site Manager. My work was varied and included hospitals, care homes and social housing. I lost my right arm in an accident which forced me to stop working and also affected my social life and sports. The significant impact on my lifestyle contributed to my long-term relationship breaking down and ultimately resulted in me becoming homeless.

"I first went to a halfway house before moving into Sanctuary's Supported Living Service. Once I got over the initial shock of the dramatic and sudden change to my life, I got to know people and began to enjoy a completely new social circle. When your life changes, you really appreciate the security of a warm and dry home with supportive staff on hand to offer help and guidance. I wish to help improve the service to every Sanctuary customer by using my education, work experience and the experiences of the physically disabled person that I am. This includes all of the work the NRSP and Sanctuary are doing to stay ahead of the game following the publication of the Social Housing White Paper. It's been great to see how all of Sanctuary's Directors embrace resident engagement. It's really refreshing to get straight answers to direct questions and not to be patronised."

Our People

Our people are Sanctuary's greatest asset. We employ a team of over 12,500 people in a range of roles across England and Scotland who are united by our mission – building affordable homes and sustainable communities where people choose to live.

This year we launched our People Strategy which shows our ambition as an organisation to create a positive, inclusive culture and to be recognised as an employer of choice. At the heart of the strategy is creating an environment where our people and organisation can thrive, and the strategy describes some of the actions we are taking to help create an inclusive culture through our behaviour and ways we work.

Working in conjunction with our equality, diversity and inclusion commitments, the strategy will drive our organisation forward and has four key priorities to measure our progress – Advance, Invest, Engage and Grow.

Wellbeing and connection are an integral part of our work to ensure an engaged, motivated and high performing workforce. Ensuring staff feel their wellbeing is supported helps them thrive in their roles.

We offer a reward and wellbeing package that provides choice and flexibility for employees to tailor their benefits to different stages of their careers and lives. To further support staff, we provide a range of opportunities throughout the year to enable them to engage with information about wellbeing, including supporting external awareness days and campaigns. We have over 850 mental health first aiders and around 80 Time to Change champions who focus on mental health.

In addition, all staff are entitled to two days paid leave every year to take part in volunteering and to make a real difference in the community. Placements offer great learning opportunities to our teams.

Open conversations are encouraged between staff at all levels across the organisation and we encourage a collaborative culture. We recognise transparent and two-way dialogue between decision makers and the people affected by those decisions is a vital part of running our organisation.

Our Staff Council is made up of colleagues who champion the voice of our people and engage with management on key issues. We hold regular meetings throughout the year, bringing representatives and management together to discuss business and employment issues, while our annual Staff Council Congress brings together representatives from across Sanctuary with the Executive team, operational leaders and members of our Senior HR team.

Members of our Executive team hold regular briefings, alongside question and answer sessions, with colleagues. They also take time to visit staff in communities across the country to seek their views on working for Sanctuary.

We continue to work towards our goal to be a diverse and inclusive organisation, launching our PRISM (LGBTQ+) and Race Equality employee networks alongside our Parents' Network.

We were delighted with the engagement of our third annual staff survey, Your Say. This year the survey was Group-wide and reached over 12,500 employees with the addition of frontline care staff, offering more employees the opportunity to provide their valued feedback. The overall engagement score was 76%, which is above the external benchmark. This was slightly down on the 80% score last year, but we are on an upward three-year trend, and participation was up by two percentage points to 50%. We were pleased to see staff saying their skills and talents fit well with their roles and they feel able to get their job done, with the question scoring 80%+ in every area, and a score of 78% for all four of inclusion, support, collaboration and empowerment, which are reflective of the qualities we want in our culture.

We will also be acting on feedback to make improvements to the way we work. Customer scored 67%, showing our people and our leaders share the same vision that we need a greater focus on customers, and listening, at 55%, shows we need to do more to make our people feel heard.

We are committed to investing in our people and use the Investors in People model throughout the organisation. All our operations are assessed against Generation 6 of the model, with Sanctuary Students achieving gold status in the last 12 months.

Through the Sanctuary Learning Academy, we invest in the development of our people so everyone can fulfil their potential, aiding the retention of high-performing employees and creating a future talent pipeline. During the year over 44,500 (2021: over 43,000) training courses or webinars facilitated by the Learning Academy or through local training events were completed by Sanctuary staff, over 158,500 (2021: over 175,000) e-learning modules were completed, and 234 (2021: 165) staff completed qualifications recognised by the Regulated Qualifications Framework.

We have also continued to support our apprentices with mobile working, so they have been able to continue their important education alongside their day-to-day roles. We are currently supporting 125 (2021: 142) apprentices. Our graduate scheme and talent management programmes allow us to continue to attract and develop future leaders.

Employees are supported through our performance management system, My Performance, and personal development plans. Our leaders also set the tone so they can support their teams to thrive. We use a range of development opportunities including 360 feedback, a bespoke Senior Development Programme, Insights Discovery, coaching and developmental workshops. Our culture of outcomes-based leadership enables engagement of teams by focusing on the results and the journey rather than the process.

Alongside this, our Staff Awards scheme allows us to celebrate the individual achievements of our people, where colleagues nominate staff who have gone the extra mile to deliver exceptional services.

Case Study: Sanctuary Care Kickstarts New Careers

Last year, Sanctuary Care offered work experience placements to 140 young people at risk of long-term unemployment, as part of the Government funded Kickstart scheme.

With under 25s among those most affected by unemployment, Kickstart enabled young people to make paths into the world of work.

Participants gained valuable work experience, developed transferable skills and improved their employability. They were offered CV writing support, interview coaching and training.

As a result of the scheme, 38 people have so far been offered employment with Sanctuary, including Luke Harrison.

Luke secured the role after thriving during a six-month placement at The Laurels Residential and Nursing Home in Spondon, Derby.

Having cared for his elderly grandparents, Luke was naturally drawn to a career in care. He loved the placement and impressed so much, he moved into a permanent position as a Care Assistant.

He said: “I really enjoy looking after the residents. Seeing smiles on their faces is really rewarding and it makes me feel very happy knowing I have helped them.”

Neil Quinn, Director of HR - Sanctuary Care, said:

“We are **extremely proud** to be able to play our part in **creating opportunities** which really can be **life-changing for young people**, bringing fresh skills and new ideas which will no doubt **enrich the lives of residents, staff and our organisation.”**

Stakeholders

As one of the largest providers of social housing and care in the country, we play a critical role in the delivery of key services, including to many vulnerable groups of people. With a strong national presence and local focus in our communities, thousands of people are affected by the housing, care and support services we provide.

It is therefore right that we operate under significant scrutiny from our stakeholders. We work closely with our stakeholders, including customers, local communities, employees, MPs, local authorities, central Government, commissioners of services, investors, funders and the media, actively engaging in open, honest and transparent relationships. Working in partnership with stakeholders is integral to managing effective relationships and ensuring they have confidence in our organisation so we can achieve our shared objectives.

We also work closely with our suppliers to maximise social value through our supply chains and build sustainable relationships. Procurement touches everything we do as an organisation and environmental performance of our suppliers is an integral part of the tendering process for our goods and services. The environmental credentials of the suppliers we use and the products we buy are important, but environmentally sustainable procurement is more than this. We therefore seek suppliers who can provide innovative solutions and share our green and ethical credentials. Our procurement processes allow us to identify and work with suppliers with shared values, who offer innovative ways to reduce our environmental impact and deliver positive environmental outcomes.

Case Study: Grimsbury Residents Help Shape Community's Future

More than 100 people of all ages gathered for half-term activities, food and fun in Grimsbury, Banbury.

Sanctuary and Cherwell District Council welcomed local residents to Burchester Place Community Hall for the New Year Wishes event.

Working with the Grimsbury Network, the event gave residents the chance to share their views on their community.

People's ideas were mapped out on the positive changes that could be made in the local community.

Charlie Heritage, Sanctuary's Neighbourhood Partnerships Manager, said: "It was wonderful to see so many people attending the event and listening to their feedback. The valuable insight we gained from people will help the Grimsbury Network make a real difference in the community this year and act on the ideas and suggestions from residents."

Our Homes

As one of the UK's leading providers of housing, care and commercial services, we continue to grow the number of homes we manage. The Group now manages over 105,000 homes throughout England and Scotland, including general rented, retirement living, supported housing, student and keyworker accommodation, and care homes.

We are committed to the development of new, high-quality housing of different tenures and continue to build new housing across a range of affordable rental and homeownership options. We also build properties for outright sale, which enables us to supplement the cost of building our affordable tenures. A detailed review of Sanctuary's development activity can be found on page 64.

As detailed in our Environment and Sustainability review on page 21, we continue to work towards decarbonisation of our homes and recognise the significant investment required to achieve this, not only through incorporating modern techniques and technologies into the design of our new build homes, but also through retrofit programmes for our existing homes.

Safety of Our Homes

Safety is our number one priority and we are committed to working with residents and other partners to make sure our homes are the safest they can be.

While we have a relatively small number of high-rise buildings, this is a key area of focus. We have a total of 57 buildings over 18 metres tall across England and Scotland; of these, 47 are in England and will be subject to the requirements of the Building Safety Act. Our building safety programme, led by Sanctuary's Head of Building Safety, will ensure we are well prepared for the Government's new building safety regime. We have signed up to the Building Safety Charter and are an active member of the National Housing Federation's Building Safety National Group.

The programme is analysing Government guidance, regulations and best practice, putting in place measures to minimise risks. It's focused on creating a 'golden thread' of fire and structural safety information for our buildings; engaging with residents; embedding a safety-focused culture; and ensuring people have the right skills and continuous development.

So far, as part of this programme, we have:

- Reviewed the fire safety measures in all our high-rise buildings and are in the process of reviewing all buildings over 11 metres in line with PAS9980 methodology;
- Updated fire risk assessments and reviewed our existing evacuation plans;
- Completed a programme to retrofit sprinklers in all high-rise social housing accommodation in England; and
- Carried out remedial work to the cladding on the higher risk buildings we own, with work now completed on all social housing properties we own that are at least 18 metres or over six storeys tall.

As part of our long-term business planning we have set aside the likely cost of funding the remediation of buildings over 11 metres in height in England over the next seven years.

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

We recognise the importance of communicating with our tenants about the safety of their homes and we have put in place additional mechanisms to engage and listen to residents. As part of our building safety programme we are trialling a range of different resident engagement models to understand the most effective ways to consult with residents about fire safety information.

We were an early adopter of the National Housing Federation's Together with Tenants plan. We are also fully embracing the Government's Social Housing White Paper and the metrics highlighted in the charter that keep residents informed about the place where they live.

Case Study: Building Safety

Alongside preparing for the Government's new building safety regime we have identified several best practice activities. One of these was the decision that all our high-rise buildings would have sprinklers, and upgrades to emergency lighting and fire alarm systems. As a result, work has been completed at 13 high-rise buildings.

Before works commenced, feasibility studies took place to capture any risks associated with the project and to remove barriers, such as site constraints and utility connections, commonly associated with retrofitting the safety systems.

Our operational teams were heavily involved in presenting the proposals to our residents, supported by literature, open days and 'show flats' in some locations. This led to high rates of uptake of the systems and was vital to the project's success.

Feedback from customers, fire services and internal teams has been positive.

Reinvestment in Our Homes

We continually reinvest in our existing asset base to make sure our homes offer a safe, comfortable and energy-efficient place for people to live. We maximise the use of our in-house maintenance and reinvestment services to deliver our reinvestment programme for our social housing properties, ensuring compliance with Decent Homes and Scottish Housing Quality standards. We also have an active investment programme for our care homes with our focus on enhancing resident areas, to ensure residents have contemporary, personalised facilities to meet all of their needs and interests, as well as supporting dignity and independence.

Our homes are regularly assessed to identify where there is need for upgrade and results of stock condition surveys are reported to management to be factored into business plans. Sanctuary allocates annual capital sums for reinvestment purposes, assessed in terms of operational need, financial viability and compliance requirements and these are subject to an appraisal to ensure Value for Money. Additional spend on existing assets has been approved to make sure funds are available for compliance/regulatory changes that may arise.

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

	Group	
	2022 £m	2021 £m
Responsive capital	19.2	14.9
Planned reinvestment	54.3	37.8
	73.5	52.7

Spend on responsive capital and planned reinvestment has increased significantly this year. The primary reason for this change is that access restrictions in the prior year, due to Covid-19, reduced our ability to carry out works.

Further details of specific activities within each operating division are included in the Business Reviews on pages 48 to 67.

Our investment in improving our homes is back to pre-pandemic levels and next year we will go further.

Capital reinvestment in our homes will be over **£100 million** in 2022/2023.

Property condition satisfaction metrics for England are shown below.

	Group	
	2022	2021
Resident satisfied that home is safe and secure	72.4%	79.9%
Resident satisfaction - maintenance services	95.5%	95.3%

In 2022/2023, we will be continuing to strengthen how we listen to customer views about Sanctuary and our services. This will include continuing to prepare for the introduction of new Tenant Satisfaction Measures by the Regulator of Social Housing from April 2023. We will be evolving how we survey our residents as well as definitions and reporting in line with the new requirements.

Homes in Management

Sanctuary has a range of property types and tenancies across the UK.

	Group		Association	
	2022	2021	2022	2021
Social housing accommodation:				
General needs housing	53,919	53,866	45,671	45,744
General needs housing affordable rent	6,176	5,808	3,149	3,150
Supported housing accommodation	4,456	4,476	3,523	3,521
Supported housing affordable rent	104	101	5	3
Housing for older people	10,686	10,689	10,321	10,337
Housing for older people affordable rent	559	557	110	110
Social care homes	235	203	201	187
Key worker (social lets)	509	509	509	509
Shared ownership	3,532	3,460	2,542	2,592
Home ownership	7,724	7,636	4,987	4,946
Social housing leased outside Group tenancy	302	302	185	203
	88,202	87,607	71,203	71,302
Non-social housing accommodation:				
Student and key worker (non-social lets)	10,695	10,970	6,946	6,964
Registered care homes	5,302	5,453	2,107	2,133
Commercial	205	204	151	149
Market rented accommodation	106	90	78	80
Other non-social rental accommodation	326	320	6	-
Non-social leased housing	310	212	62	62
Non-social housing leased outside Group agreements	363	363	363	363
	17,307	17,612	9,713	9,751
Total homes in management	105,509	105,219	80,916	81,053

The increase in the number of social housing properties is due to the development of new homes.

At 31 March 2022, the Group had 5,183 (2021: 5,130) homes in development, with 2,362 (2021: 2,855) on-site.

The Group owns 999 homes that are managed by third parties (2021: 991).

Environment and Sustainability

Over the last 12 months, a spotlight has been shone on climate change. After COP26 aimed to keep global temperature rises to 1.5C, fuel crises have intensified questions about energy security and fuel poverty. At every step along the way, be it in creating net zero-carbon economies or insulating to lower fuel bills, the housing sector's vital role in overcoming environmental issues has been recognised.

At Sanctuary we are passionate about playing our part. As a housing and care provider with over 105,000 homes, 250,000 customers, and over 12,500 employees, we cannot play down our extensive and complex impact on the environment. From the energy efficiency of buildings to the emissions from our fleet, or from the biodiversity of our new build sites to the sustainability of our supply chain: we must urgently tackle these impacts.

In 2021, our first Environment and Climate Change Strategy set out plans to reduce our organisational carbon footprint. One year on, we are thrilled to have achieved many of the initial actions put forward in the strategy, including procuring green electricity for all company buildings, piloting electric vehicles within our fleet, and scaling up retrofit investment in our properties. Our Environment and Climate Change Strategy 2022 will reflect on these achievements while advancing our ambitious trajectory towards decarbonisation.

To demonstrate both our determination and sincerity in tackling the climate crisis, we recently signed up to Race to Zero, the largest ever UN-backed campaign to achieve net zero-carbon emissions by 2050. When joining the campaign, we pledged to halve our operational carbon emissions by 2030 (based on our 2019/2020 baseline) and reach net zero-carbon before 2050. This means improving energy efficiency and switching to low-carbon heating systems in our corporate buildings, and reducing and electrifying travel. Our operational carbon emissions are explained further on the following page.

Our targets are however broader than this. We are on track to improve all homes to EPC band C by 2030, in line with the Government's Fuel Poverty Strategy. To accelerate progress, alongside our existing whole home retrofit programme, in January 2022 we secured £2.5 million from the Government's flagship Social Housing Decarbonisation Fund. Alongside our existing energy efficiency programme, this will be used to retrofit a further 350 of our homes during the coming financial year. For our new build properties, we are launching low-carbon schemes, in line with the Future Homes Standard, to ensure homes are built right first time without requiring future retrofitting.

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

Sanctuary Group	2022	2021	Baseline
UK energy use			
Electricity (kWh)	68,630,967	66,113,102	70,310,337
Gas (kWh)	155,946,039	154,653,856	158,557,248
Transport (kWh)	29,446,781	26,737,625	34,417,046
Associated greenhouse gas emissions (GHG)			
Electricity (Tonnes of CO2e)	6,201	15,413	19,497
Gas (Tonnes of CO2e)	28,563	28,436	29,151
Transport (Tonnes of CO2e)	7,371	6,508	8,930
Intensity ratios			
Tonnes of CO2e per home in management	0.40	0.48	0.56
Tonnes of CO2e per employee	3.35	3.64	4.17

Sanctuary Group Targets	2023
Tonnes of CO2e per home in management	0.38
Tonnes of CO2e per employee	3.19

Our baseline year is financial year 2019/2020, our first year of publishing carbon emissions for the Group. Data for this year was validated by the Carbon Trust.

Energy consumption relates to company buildings where Sanctuary pays the utility bills. This includes 98 care homes, 34 student accommodation complexes, and 29 offices, in addition to communal heat and power at housing schemes.

Transport energy consumption relates to 1,200 commercial vans, 332 company cars, 39 minibuses, 25 trailers, and 2 plant vehicles. We also include business mileage carried out by 850 staff in personal vehicles.

Greenhouse gas emissions were then calculated using the Department for Business, Energy, and Industrial Strategy's 2021 Conversion Factors. Since 1 October 2021, the Group has procured renewable electricity, resulting in electricity being certified as carbon-neutral and a conversion factor of zero being used for carbon calculations.

Our Carbon Footprint

The above emissions form our Operational Carbon Footprint. In line with the Greenhouse Gas Protocol, this includes all Scope 1 and Scope 2 carbon emissions, but also an aspect of Scope 3 emissions. Outside of SECR reporting, we also have an Extended Carbon Footprint, comprising all other Scope 3 categories, such as the emissions from our supply chain and our social-rented homes.

Total Group Carbon Footprint

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

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

We have created an Extended Carbon Footprint, comprising other Scope 3 categories which Sanctuary is responsible for, but cannot control, such as the emissions from the products and services we buy, from our customers living in their homes, from building homes, or from waste.

While only the Operational Carbon Footprint is required to be disclosed, the Extended Carbon Footprint enables us to fully evaluate how all decisions made at Sanctuary impact the environment.

Progress Towards Reducing Our Operational Carbon Footprint

With fewer Covid-19 restrictions affecting business activity across 2021/2022, as expected, we have consumed more energy than last year. This is because 'business as usual' practices have resumed, such as our Property Services operatives travelling more to repair homes. However, we have also established new, less carbon-intensive ways of working, such as video conferencing reducing travel. Our SECR calculation shows the changes in Sanctuary's 'business as usual' and reflects a true carbon saving compared with the 2019/2020 baseline.

The change to a green electricity contract is the biggest factor behind an overall net reduction in carbon this year. This contract ensures carbon-neutral consumption of electricity, by replacing every kilowatt hour that we take from the electricity grid with a renewably sourced kilowatt hour from either a solar farm, a hydroelectric plant, or a wind turbine. This has caused our emissions from electricity from 1 October 2021 to fall significantly, although we recognise that it is still important to continue to scrutinise and act on our consumption levels.

In 2021/2022, Sanctuary reduced total operational carbon emissions by 27% in comparison to baseline data. This resulted in a saving of 15,443 tonnes of CO2e.

These reductions form part of a long-term plan, mapped out by our Sustainability team, to achieve our targets of halving operational emissions by 2030 and becoming fully net zero before 2050. While our plans and goals are set out in further detail in Sanctuary's Environment Strategy, a snapshot of actions underway to reduce our Operational Carbon Footprint is below.

We are encouraging employees to consider the carbon costs of their own behaviours, with the goal of everybody driving energy reductions together. Almost 60 employees have attended Carbon Literacy sessions and over 125 employees pledged to make sustainable changes to their behaviour during our Sustainability Focus Fortnight.

We have created a Future of Heating Task Group to understand best practice for implementing non-fossil fuel heating technologies, as part of a drive to significantly reduce gas consumption.

We are launching an electric van pilot for commercial vans used in Property Services. We estimate that these vehicles make up 80% of the carbon emissions from our fleet.

We're launching in-depth energy efficiency reviews and surveys of key office and care home locations to understand what low-carbon performance looks like in large, commercial buildings.

We have introduced a range of mileage reduction initiatives, including setting up pop-up stores of equipment on estates where frequent repairs are expected and deploying a Van Stock App to reduce unnecessary travel to merchant sites, in addition to electrifying power tools wherever possible.

Our Extended Carbon Footprint

While our Operational Carbon Footprint is required to be disclosed, we believe in sharing all known, material emissions with our stakeholders, ensuring transparency and accountability. This includes sharing our Extended Carbon Footprint, made up of Scope 3 emissions sources. These are indirect emissions and our control over them is limited, but they are no less important to our decarbonisation journey.

Previously, we have known the extent of some emissions categories within Scope 3, such as business travel and the emissions coming from residents living in our homes. However, many other categories within Scope 3 have remained unknown, such as the emissions from our supply chain.

During 2022/2023, we are working with global sustainability consultancy, Corporate Citizenship, to measure all of Sanctuary's Scope 3 emissions for 2020/2021. Together, for the first time, we will calculate the emissions from our purchased goods and services, capital goods, use and end-of-life of sold goods, employee commuting, and waste. We will also reproduce calculations for the emissions from our homes and business travel.

Analysis is ongoing to finalise these calculations and will be shared in our updated Environment and Climate Change Strategy in summer 2022. While we await new carbon calculations, it's important to share what we already know, particularly about our homes.

Reducing these emissions is integral to ensuring our customers have warm, safe, high-performing and affordable homes. Improving the energy performance of our homes is key to removing energy efficiency as a driver for fuel poverty: it is important that we minimise the energy required for customers' homes to be warm. Progress on delivering this includes:

In 2021, working with the Carbon Trust, we estimated the emissions of the homes we provide to customers to be **226,474 tonnes of CO_2e**. Although we have less control over their operation, our homes are our largest source of emissions and need targeted action.

We have secured grants from a range of funding streams delivered by the Department for Business, Energy, and Industrial Strategy. This includes almost £2.5 million of funding from Wave 1 of the Social Housing Decarbonisation Fund. This funding has been received as part of three wider consortium bids with Cheshire West and Chester Council, Essex County Council, and Shropshire Council.

We are on track to improve all EPC band D, E, F or G homes up to EPC band C before 2030, except in a minority of instances where the works are refused by customers or achieving an EPC band C is not possible, with over 1,000 band F or G properties now improved to band C.

We have also secured Green Homes Grant Local Authority Delivery (LAD) funding with East Cambridgeshire Council and Leeds City Council: over 60 homes are receiving energy performance improvements.

This year will see us boost our data modelling capability with the implementation of new software to map out decarbonisation pathways for all our domestic homes.

We continue to pilot innovative decarbonisation practices. Residents in the village of Swaffham Prior, Cambridgeshire, will have the opportunity to connect their homes to a net zero-emission district heat network.

Case Study: Colleagues Train to Tackle Climate Change

As part of Sanctuary's ongoing collaboration with the University of Worcester, we've teamed up with colleagues from the University and Platform Housing Group to pilot a cross-sector Carbon Literacy training programme, open to all staff from across all three organisations as well as Sanctuary residents who are part of our Environmental Community of Interest.

Carbon Literacy training supports learners in developing greater awareness of the carbon costs of daily activities. From this, it equips individuals with the ability and motivation to reduce emissions through individual and group action.

At Sanctuary, we're using the training to upskill and empower staff from all areas of the Group to generate their own role-specific ideas for improving the environmental performance of our operations.

The cross-sector nature of the programme is also giving staff from across all three organisations the opportunity to share valuable insights and experiences around climate action. This is encouraging meaningful external collaborations for climate action, while also providing networking opportunities to discuss sustainability challenges and successes.

So far, 58 employees at Sanctuary have participated in the training offer and, of these employees, 18 have taken the extra step of writing an action plan for which they have received certification from the Carbon Literacy Project. These colleagues are now delivering carbon emission reductions by implementing their action plans across the Group.

Megan Millard, PR Officer, completed the Carbon Literacy Training programme and is now regarded as Carbon Literate, having gained a certification from the Carbon Literacy Project. She said: "The best thing about the Carbon Literacy training was the way it was presented in a fun and engaging way, with tools to ensure everyone could relate to such a serious topic."

> "I am proud that I invested the time to deepen my understanding about the ways **I can personally make a positive contribution to mitigating climate change.** It has certainly made a difference to the way I think and act at both work and home."
>
> **Megan Millard**, PR Officer

Sustainable Communities

Our investment in communities supports our mission as a national housing provider to build affordable homes and sustainable communities where people choose to live.

We aspire for our investment to be community-led and sustainable, to build community capacity and not dependency. Our approach is based on the model of Asset Based Community Development (ABCD). This means we believe that everyone is an asset, with skills, aspirations and abilities and that by building relationships in communities, these become stronger and better connected.

We recognise that consistency, relationships and trust are integral parts of community development, and that all of these take time. Therefore, we aim to support people in the ways that they want to be supported, shaping projects with long-term and reliable support. This helps us to build connections and resilience to support our customers and their communities, build trust and foster meaningful relationships.

Local relationships and working collaboratively also help us to create cohesion and empowerment in our communities. Through working with trusted community partners, we further aim to harness the wealth of insight and learning we gain through the hundreds of initiatives we support each year to benefit our customers, community partners and our business.

Last year we directly invested £1.4 million in community initiatives, which attracted £2.7 million of additional resources including external grant funding and contributions by our supply chain partners. This supported 218 projects, with over 54,000 interactions with our customers and their communities.

Difference made

196
community groups supported

7,745
people supported to reduce isolation

485
people supported to live more independently

684
people gained work experience

21,894
people supported to improve mental wellbeing

707
people engaged in shaping local investment

447
people with increased confidence to manage their money

£902,228
personal debt reduced & £200,474 in increased personal savings

Case Study: Community Connectors, Scotland

Our community connectors in Scotland are central to our strategy of Asset Based Community Development (ABCD).

We employ four connectors in the region, whose roles are focused on supporting residents to identify and build on the skills and aspirations they have for their communities to help drive positive change.

Through their roles, our connectors take the time to embed themselves in their local communities, going out and meeting residents and talking to them about their interests and aspirations for their neighbourhoods. They will then connect residents together who have a shared interest, for example providing mental health support in the community.

Residents are then supported by the connectors to collectively look at their skills and how they can best combine and use their assets, which will help to create local social improvement in the community. By doing this, connectors are then able to form links between community groups and provide training, support or funding to project partners to amplify impact.

Anthony Morrow, Community Connector Manager, has been central to the work of the connectors in Scotland, recruiting and supporting them to work with residents.

He said: "The ABCD approach is about understanding what assets are in the community before investing and looking at creating long-term sustainable change, which will not only drive local improvements but help residents to further their skills and asset base."

Ethical Business

Building affordable homes and sustainable communities where people choose to live is Sanctuary's mission. As a not-for-profit provider of housing, care and support services, we are committed to conducting our business in an ethical and socially responsible manner. This means considering the social and environmental impacts of our decisions, and ensuring our operations are run efficiently.

Social housing and care is at the core of what we do. As a not-for-profit housing provider, the surpluses we generate are used to improve our homes and communities for the benefit of our customers.

We work in the heart of our communities to support residents to utilise their assets and develop their skills to bring positive change to their lives. Our approach is based on the model of Asset Based Community Development (ABCD), which focuses on individual residents and working with them to drive positive change. This allows us to build resilience and connections in our communities, working with our customers to improve their skills and maintain and grow relationships so they become better connected.

We are committed to conducting our business in an ethical and responsible manner. This means making decisions which take into account not only economic considerations but also social and environmental impacts. It also means running our operations efficiently and in an environmentally friendly manner, providing training and employment opportunities, and working with suppliers who can provide innovative solutions for our communities and the environment.

Slavery and Human Trafficking Statement

We are committed to achieving greater clarity and understanding of our supply chains in order to seek out and deal with any evidence of slavery and human trafficking. We recognise that no supply chain can be considered entirely free from the potential for slavery or human trafficking to occur and we are endeavouring to take further steps to understand high risk areas, communicate our approach and take positive action. Our full statement can be found on our website at **www.sanctuary.co.uk.**

Inclusion for All

We aim to be a diverse and inclusive organisation, where our people thrive and respond to the needs of our customers with fairness and empathy. Our Equality, Diversity and Inclusion Strategy, Inclusion for All, outlines our commitment to embedding an inclusive environment for colleagues and customers by 2024.

We have made great progress against the strategy in the last 12 months. Three new employee networks have been launched – The Parent Network, PRISM LGBTQ+ Network and Race Equality Network – led by staff with lived experience of diversity, and we have established a group of Equality, Diversity and Inclusion Leaders in each business operation. We have also launched a new diversity and inclusion e-learning training package to help educate staff, and have developed and are delivering a calendar of staff inclusion events and communications including Black History Month, International Day of Persons with Disabilities and International Women's Day. We will continue to hold ourselves accountable for the change we want to see in our business as part of our diversity and inclusion journey.

Technology and Innovation

Sanctuary's technology transformation continued apace during 2021/2022, with many staff benefitting from increased collaboration, efficiency and flexibility as a result of our work.

We have continued to equip staff with the technology and equipment to enable them to carry out their roles effectively and improve services to customers. This has included building 4,000 new laptops and 1,100 new Mini PCs, as well as installing 3,000 docking stations.

In Sanctuary Care, all employees are now equipped with digital identities as part of their roles, making it quicker and easier for colleagues to access information, collaborate and communicate.

The Technology team now provides user support for nearly 11,000 laptops, phones and PCs across the Group, a 63% increase from the year before, and has also trained more Modern Workplace Champions to ensure each team is making the most of new technology.

While there has been substantial investment in employee access to technology in recent years, this has not hampered our focus on customer facing technologies that will enhance customer experience. We continue to develop and create a number of apps for frontline workers to enable a service that brings us closer to residents and supports the 'Us to You' model.

In our care operation, we continue to explore innovation so that our staff's focus is on caring for and enriching the lives of our care home residents, rather than dealing with paperwork.

Our digital care planning app has replaced paper-based care plans in all 80 homes in England and will soon be rolled out in Scotland, enabling employees to spend 90 minutes more with residents per shift. We're also trialling GPS technology so that residents can enjoy greater independence with the knowledge their care home will always know where they are.

Our Technology specialists are modernising our infrastructure to ensure we can source meaningful data that will enable predictive analytics and support future decision making. Our investment in data analytics will give more colleagues access to the right information at the right time in the right place to do their jobs.

We continue to bolster our cyber security, not only by investing in firewalls and systems, but also by upskilling and educating our staff to create a strong frontline defence against cyberattacks, including the roll-out of new mandatory cyber security training to cover the latest tactics used by criminals.

Our work to modernise the organisation has also enabled us to generate money that we can invest back into our communities. All our obsolete IT equipment has been processed and refurbished to ensure that any data bearing items are wiped to an extremely secure standard. These refurbished items are sold and the proceeds are used to fund good causes, as part of our Sustainable Communities programme. Over the last year we've generated £25,000 by recycling old devices and anticipate a further £9,000 from equipment due to be processed.

Case Study: Top Award for Sanctuary's Technology Team

Sanctuary's Technology team picked up a top trophy at the SAP Customer Success Awards in November 2021.

The team won the Best Socially Sustainable Project category for its efforts helping to monitor the impact of Covid-19 across Sanctuary's care homes.

Kevin Heslop, Sanctuary's Chief Information Officer, and Adam Osorio, Group Head of Technology Strategy and Planning, attended the ceremony in London after being nominated by partners NTT.

NTT assisted with the rapid roll-out of SAP Data Warehouse Cloud and Analytics Cloud to help Sanctuary Care and Sanctuary Supported Living understand and monitor the impact of the virus across their care homes and do all they could to protect residents and colleagues.

Kevin said: "I'm delighted the team has been recognised with this award as it represents a number of our company values – quality, sustainability, ambition – as well as our social purpose, helping our communities."

Ben Foster, Account Manager at NTT, added that this was "undoubtedly one of the most important projects I have been involved with in my career".

Financial Strength

Our financial strength remains pivotal to us and underpins our ability to grow and be resilient to external events.

Sanctuary's financial and operational decisions are made in the context of the Group's defined risk appetite. Our risk appetite is the level of risk the Group is willing to accept to achieve its strategic objectives. The Group refers to a set of Group-level Risk Appetite Statements and supporting metrics that address key risk areas and specific business operations. Each Risk Appetite Statement provides guidance on the nature and extent of the risk the Group is prepared to accept and in what circumstances. We call our financial risk appetite metrics our Golden Rules. Monitoring our Golden Rules facilitates the maintenance of our financial strength, ensuring we have the resilience to withstand sharp shocks to the economy and continue to deliver our services and serve our communities. Our financial strength is assessed through continuous stress testing of our business plans against potential adverse events. Further details about the Group's risk appetite and management of risk are given on page 35.

Our financial strength is further underpinned by:

Scale and Diversity

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

Operating Performance

Sanctuary's financial strength is underpinned by its strong operating performance in each of its key divisions. Sanctuary's overall operating margin is comparable to its peers, despite its significant level of care and support activities. When comparing social housing margins alone, Sanctuary is amongst the highest in its peer group; further details are included in the Value for Money review on page 72.

The Group's operations are also highly cash generative, facilitating continued reinvestment in the existing business and enabling capacity for growth as well as mitigating the effects of economic or regulatory shocks.

Credit Worthiness and Capacity

Credit ratings of A Stable (Standard & Poor's) (2021: A+ Negative) and A2 Stable (Moody's) (2021: A2 Stable) establish Sanctuary as a sound investment grade business. These strong credit ratings, in conjunction with £1.8 billion of capacity (cash, undrawn facilities and available security) (2021: £1.4 billion) enable the Group to secure funding from banks and the capital markets at competitive rates.

Liquidity

Significant liquidity and facilities to draw upon ensure the Group is able to withstand any additional external challenges as well as take advantage of new opportunities. At 31 March 2022, the Group had cash balances of £102.1 million (2021: £494.7 million) and a further £433 million (2021: £365 million) of undrawn facilities. The reduction in cash relates to £300 million which was drawn from the Bank of England's Covid Corporate Financing Facility (CCFF) in the prior year, but repaid in May 2021.

Debt Management

We match the maturity of our debt to the period over which our assets generate their net income. Volatility in cash out flows including debt service payments is reduced through maintaining a high proportion of fixed rate debt; 94.6% (2021: 96.0%) at year end. We regularly monitor our refinancing exposure and ensure that there is not a concentration of refinancing risk. The Group also has a cross currency interest rate swap in place to hedge the risk of currency rate volatility in respect of US dollar denominated debt.

Risk Appetite, Principal Risks and Uncertainties

Risk Appetite

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

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

Golden Rule	Hurdle	Trigger Point	31 March 2022	31 March 2021
All outright sales revenue not to be greater than 30% of Group total sales revenue	30.0%	20.0%	6.8%	4.8%
Value of lending to Beech Grove Homes - the maximum amount we are prepared to lend into our development and construction business at any time	£350m	£300m	£143.1m	£79.1m
Existing cash and available facilities cover at least 18 months of future committed spending requirements	18 months	20 months	35 months	32 months
All income test funder covenants are exceeded and this continues to be the case for the life of the latest projections/business plan (statutory entity specific)	Pass	Covenant forecast within 10%	Tightest covenant is 159% against a covenant of 125%	Tightest interest cover is 153.0% against a covenant of 125.0%
All balance sheet funder covenants are met and this continues to be the case for the life of the latest projections/business plan (statutory entity specific)	Pass	£100m debt headroom	Tightest covenant has £205m of headroom	Tightest gearing covenant has headroom of £278m
Capacity in the form of cash, undrawn facilities and available unencumbered property security that could be used to raise financing exceeds £500 million	£500m	£600m	£1,789m	£1,442m
EBITDA MRI interest cover (Group level) - the amount we can cover our interest expense from our earnings after deducting capital reinvestment spend*	100.0%	110.0%	128.4%	134.2%
Operating margin (Group level)*	18.0%	20.0%	21.2%	21.5%
Standard & Poor's (S&P) and Moody's credit ratings are maintained above BBB and Baa2 respectively	S&P = BBB Moody's = Baa2	S&P = BBB+ Moody's = Baa1	S&P = A Moody's = A2	S&P = A+ (negative) Moody's = A2

*Alternative performance measures are defined and/or reconciled in Appendix 3 on page 194.

Principal Risks and Uncertainties

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

The Group's principal and highest rated risk relates to Government policy, legislation and regulation. Changes to relevant policy, legislation and regulation across our affordable housing and/or care and support businesses could have a far reaching impact on our operating model and the Group's financial performance and position. We regularly review the Government's proposals in respect of potential changes to policy, legislation and regulation to anticipate, adapt and mitigate any adverse effects of changes in the Government and political landscape.

Like many organisations, we have experienced difficulties in recruiting and retaining staff over the past 12 months and this is demonstrated in the upwards movement in our residual staffing risk score when compared to last year. The inflationary environment and scarcity of labour in certain areas represents a residual risk that is higher than our desired target risk. In response we are continually monitoring the relevant labour markets across our business to ensure we remain an employer of choice to both current and potential staff. Measures introduced during the year include additional pay rises for certain categories of our people, improved recruitment incentives and investment in greater wellbeing offerings.

Such measures are aimed at ensuring the highest standard of service delivery and achieving Value for Money.

The residual risk score for reputational and customer service risk has also increased since last year, reflecting increasing scrutiny on the sectors in which we operate from the national press, politicians and social media. We welcome the wider interest in the sector and believe that it will lead to beneficial change but recognise that the additional scrutiny increases the reputational risk to the Group.

During the year we added climate change as a stand-alone risk to the risk map. The impact of climate change on the Group is high and so too is the operational and financial effects of addressing the climate crisis particularly on delivering on our commitment to be net zero by 2050. We have established a route map to net zero by 2050 and initially focused on 'no regret' actions and decisions to enhance the sustainability of our Group. We continue to explore new ways of operating to ensure that we deliver on our commitment to net zero by 2050 while making sure that our investments in lowering our carbon footprint represent Value for Money.

We have also reduced the Covid-19 risk score in the year which recognises that restrictions, and their associated impact, have reduced but some of the longer-lasting effects of the pandemic still remain.

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

Keys:

Risk Assessments:

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

Risk Scores:

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

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

Contingent Risks | **Prime Risks**

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

Risks to Monitor | **Risks to Manage**

Low — **Likelihood** — *High*

Risk Description	Year-on-Year Change	Score
Gross		125
Net		64
Target		64
Government policy, legislation and regulation - Failure to comply with or react to regulations and Government announcements, for example around welfare reform and rent reduction and health and safety changes, leading to reputational damage and financial impacts such as cash flow deterioration.	No Change	

Risk Description	Year-on-Year Change	Score
Gross		75
Net		32
Target		32
Funding and financial viability - Gearing constraints can limit the Group's capacity for further borrowing. Downgrades to the sector's credit ratings may increase the cost of future borrowing. Failure to obtain funding could undermine the Group's long-term growth plans.	No Change	

Risk Description	Year-on-Year Change	Score
Gross		80
Net		48
Target		48
Sales risk - The proposed development programme increases the risk due to the level of new properties for sale either via shared ownership or outright sale.	No Change	

Risk Description	Year-on-Year Change	Score
Gross		125
Net		32
Target		32
Programme and service delivery risk - Planned expansion increases the risk of overstretching management and overloading current systems, including risk management systems, while capacity and material constraints could result in supply chain and service disruption. There could be a subsequent decrease in control or a significant unforeseen event due to a failure in risk management.	No Change	

Risk Description	Year-on-Year Change	Score
Gross		75
Net		32
Target		32
Reputational and customer service risk - By operating businesses that provide services to many residents and tenants, we run the risk of reputational damage that could lead to loss of business and, at its most extreme, viability concerns for particular business streams.	Increased	

Risk Description	Year-on-Year Change	Score
Gross		64
Net		27
Target		27
Asset maintenance and compliance risk - A failure to monitor and invest in a group or class of assets leads to a significant impairment due to inadequate returns, a decline in demand or obsolescence generating a material financial loss, impact of health and safety requirements, operational failures or degradation of competitive ability.	No Change	

Risk Description	Year-on-Year Change	Score
Gross		64
Net		32
Target		32
Pensions risk - The Group participates in a number of defined benefit pension schemes and there is a risk of increased funding requirements.	No Change	

Risk Description	Year-on-Year Change	Score
Gross		100
Net		48
Target		18
Staffing risk - A failure to recruit, train and retain a workforce with the appropriate knowledge, skills and experience at all levels leading to the Group failing to achieve its strategy or impacting on reputation. This risk includes wage costs inflation in an environment where costs are increasing.	Increased	

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

Risk Description	Year-on-Year Change	Score
Gross		64
Net		48
Target		48
Covid-19 - The outbreak of the coronavirus (Covid-19) and the associated measures to address its transmission could (a) severely impact the ability of the Group to provide frontline and back office services, (b) result in reduced income from all business streams and (c) limit our ability to access credit/capital markets.	Decreased	

NEW RISK

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

Chief Financial Officer's Review

Introduction

Group revenue has grown significantly to £812.5 million, an increase of £47.1 million (6.2%) from the prior year, reflecting revenue growth across all business areas. The Group's social housing business remained strong in the face of the pandemic and has benefitted from the development of new rental properties as well as from recent acquisitions. The Group's supported living business saw revenue increases of £0.6 million (0.6%), through continued focus on achieving growth, both organically and through acquisitions. The care business continued to see challenges to occupancy as a result of measures introduced to keep our residents safe, though we exited the year with a higher occupancy (83.7%) than we started it (80.6%), contributing to revenue growth of over 2%. In the Group's student business there was a marked increase in occupancy, which at 90% showed an improvement of 11 percentage points from the prior year. This increase was driven by renewed demand from international students, particularly in London, where restrictions had impacted travel in the prior year. Revenue from the sale of developed properties saw a strong recovery, with an increase of £18.4 million (49.7%) over the prior year as a result of increased sales volumes.

The Group operating surplus of £178.6 million is £8.5 million (5.0%) higher than the prior year (2021: £170.1 million), while the underlying operating surplus of £172.2 million*, adjusted to remove fixed asset sales surpluses (and restructuring costs in the comparative period), represents a £5.5 million (3.3%) increase from the prior year (2021: £166.7 million), reflecting growth in the business and recovery from the effects of the pandemic.

The overall increase in Group operating surplus has been driven by increased affordable housing income, increased occupancy in the student business flowing through to the bottom line, increased income combined with cost reductions in the care business, and an increase in development sales surpluses driven by strong demand; all partially offset by increased routine and planned maintenance spend.

The operating margin excluding development sales and asset sales surpluses is 22.2% compared to 22.1% for the prior year (including development sales 21.2% and 21.5% respectively). This demonstrates Sanctuary's ability to maintain a sustainable margin in a challenging environment. The individual operating margins of each division have improved, with the exception of affordable housing which was impacted by catch-up maintenance activities due to Covid-19.

Surplus before tax of £58.6 million is £11.7 million (24.9%) higher than the prior year (2021: £46.9 million), with underlying surplus for the year of £47.2 million*, which is £8.2 million (21.0%) higher than the prior year (2021: £39.0 million). These increases were driven by a combination of the improved operating results and a reduction in finance costs.

Strong and improving operational metrics continue to underpin our financial performance. Rent arrears remained stable and low at 3.21% (2021: 3.16%) and void losses only slightly increased to 1.9% (2021: 1.6%), with a significant improvement in the final quarter. Within the care business CQC scores improved to 90% (2020: 86%) and Sanctuary Supported Living CQC scores reached 100% (2021: 98%).

Cash generated from operating activities increased to £227.2 million (2021: £218.5 million), an £8.7 million (4.0%) increase, and EBITDA MRI interest cover remained high at 128.4%* (2021: 134.2%), which reflects that we have been able to enhance our reinvestment spend while maintaining solid cash interest cover performance. The continued strength of our liquidity is highlighted by our closing cash balance for the year of £102.1 million (2021: £494.7 million) and undrawn facilities of £433.0 million (2021: £365.0 million), which provides us with 35 months of committed financing versus committed expenditure. Our total capacity (cash, undrawn facilities and available security) has increased to £1.8 billion (2021: £1.4 billion), positioning the Group to grow.

These factors, combined with our investment grade credit ratings (A Stable (Standard & Poor's) and A2 Stable (Moody's)), place us in a good position to pursue our strategic objectives, while having the continued capability to withstand external economic factors, including inflationary pressures.

*Sanctuary uses certain alternative performance measures throughout this report which, in the opinion of the Directors, aid the understanding of business performance or provide comparison with our peer group. These measures are presented on a consistent basis over time to assist in comparison of performance and are defined and/or reconciled in Appendix 3 on page 194 and the Value for Money statement on page 68.

Five-Year Summary

Five-Year Summary	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Income Statement					
Revenue	812.5	765.4	763.0	735.4	708.1
Cost of sales and operating exp. (excl. restructuring)	(643.4)	(600.8)	(584.8)	(557.5)	(519.5)
Share of profit of joint ventures	3.1	2.1	4.4	3.1	0.5
Underlying operating surplus*	**172.2**	**166.7**	**182.6**	**181.0**	**189.1**
Restructuring costs	-	(1.8)	(2.6)	-	-
Other gains and losses	6.4	5.2	6.2	22.7	9.6
Operating surplus	**178.6**	**170.1**	**186.2**	**203.7**	**198.7**
Net gain from acquisitions	2.3	4.5	-	-	-
Fair value movement on derivatives	1.3	0.7	(0.1)	(0.1)	1.1
Net interest payable in respect of loans	(125.0)	(128.5)	(124.2)	(125.7)	(125.1)
Loan break costs	-	-	(8.6)	-	(1.3)
Gain on refinancing	2.7	-	-	-	-
Other finance costs	(1.3)	0.1	(0.9)	(1.0)	(2.6)
	58.6	**46.9**	**52.4**	**76.9**	**70.8**
Surplus for the year before tax	**58.6**	**46.9**	**52.4**	**76.9**	**70.8**
Adjustments for:					
Restructuring costs	-	1.8	2.6	-	-
Other gains and losses	(6.4)	(5.2)	(6.2)	(22.7)	(9.6)
Net gain from acquisitions	(2.3)	(4.5)	-	-	-
Loan break costs	-	-	8.6	-	1.3
Gain on refinancing	(2.7)	-	-	-	-
Underlying surplus for the year*	**47.2**	**39.0**	**57.4**	**54.2**	**62.5**
Statement of Financial Position					
Non-current assets	4,179.9	4,064.0	4,002.1	3,750.0	3,656.3
Current assets	410.1	753.1	457.5	337.8	286.4
	4,590.0	4,817.1	4,459.6	4,087.8	3,942.7
Current liabilities	303.5	585.7	239.3	254.1	295.0
Non-current liabilities	3,072.5	3,123.1	3,098.9	2,796.0	2,687.4
Reserves	1,214.0	1,108.3	1,121.4	1,037.7	960.3
	4,590.0	4,817.1	4,459.6	4,087.8	3,942.7
Statement of Cash Flows					
Operating surplus	178.6	170.1	186.2	203.7	198.7
Depreciation, amortisation and impairment	78.1	78.6	73.0	67.3	60.3
EBITDA	256.7	248.7	259.2	271.0	259.0
Working capital movements	(20.0)	(22.9)	(4.4)	(30.0)	(85.0)
Other adjustments	(9.5)	(7.3)	(10.6)	(25.8)	(10.1)
Cash generated from operating activities	227.2	218.5	244.2	215.2	163.9
Financing and returns on investments	(136.1)	(134.8)	(142.5)	(133.0)	(128.8)
Investing - capital expenditure and investment	(224.1)	(184.9)	(307.2)	(190.9)	(288.1)
Investing - capital grants and sales proceeds	43.7	65.8	59.0	85.0	55.7
Pension deficit payment	-	-	-	-	(40.0)
Net cash flow from financing activities	(303.3)	268.6	257.9	78.1	156.0
	(392.6)	233.2	111.4	54.4	(81.3)
Cash and cash equivalents at start of year	494.7	261.5	150.1	95.7	177.0
Cash and cash equivalents at end of year	102.1	494.7	261.5	150.1	95.7

*Sanctuary uses certain alternative performance measures throughout this report which, in the opinion of the Directors, aid the understanding of business performance or provide comparison with our peer group. These measures are presented on a consistent basis over time to assist in comparison of performance and are defined and/or reconciled in Appendix 3 on page 194 and the Value for Money statement on page 68. VFM Metrics defined by the Regulator of Social Housing (RSH) are highlighted grey in the following table.

Key Performance Indicators	2022	2021	2020	2019	2018
Satisfaction - monitoring quality of service delivery					
Care - resident satisfaction %	96	96	96	96	97
Housing residents providing positive feedback %	79	80	87	88	89
Satisfaction - maintenance %	96	95	94	93	94
Compliance - measurement against standards prescribed by regulating bodies					
Care Quality Commission rating % (Care)	90	86	84	81	82
Care Quality Commission rating % (SSL)	100	98	100	-	-
Care Inspectorate rating % (Scotland)**	50	75	88	73	82
Properties with valid gas safety certificate %	99.7	99.7	99.9	99.9	99.6
RSH governance	G1	G1	G1	G1	G1
RSH viability	V2	V2	V2	V1	V1
Operational - evaluation of operational efficiency and effectiveness					
Occupancy - Sanctuary Care % (average for the year)	82	83	92	90	95
Occupancy - Student % (year end)	90	79	94	95	97
Rent arrears %	3.21	3.16	3.60	3.80	4.31
Homes in management	105,509	105,219	102,686	101,218	101,114
Void loss %	1.9	1.6	1.1	1.1	1.4
Group procurement savings (aggregate) £m	23.2	22.9	21.5	20.8	19.0
RSH social housing cost per unit £*	4,687	4,218	4,499	4,584	4,208
Average weekly fee rates - Care £	874	840	807	761	751
Debt - ability to service debt and secure funding					
Interest cover (excluding loan break costs) - times*	2.08	1.95	2.09	2.15	2.09
RSH EBITDA MRI interest cover %*	128.4	134.2	119.3	121.3	128.4
Gearing %*	49.8	49.6	50.6	49.3	49.6
RSH gearing % *	52.0	51.9	53.1	51.9	52.2
Capacity £m	1,789.0	1,442.0	1,408.8	1,131.1	1,024.1
% of debt under fixed interest rates	94.6	96.0	82.7	87.0	92.3
Standard & Poor's credit rating	A	A+	A+	A+	A+
Moody's credit rating	A2	A2	A2	A2	A2
Profitability - measurement of financial performance					
Operating surplus margin % excluding development sales*	22.2	22.1	23.9	24.7	26.8
Underlying operating surplus margin %*	21.2	21.8	23.9	24.6	26.7
RSH operating surplus margin (social) %*	35.7	38.4	37.4	38.5	40.1
RSH operating surplus margin (overall) %*	20.8	21.3	23.0	24.2	26.7
Operating costs as % of revenue*	73.1	74.8	73.0	72.9	71.4
Underlying net margin %*	5.8	5.1	7.5	7.4	8.8
Total divisional EBITDA £m*	257.2	250.6	260.1	260.8	266.8
Total divisional EBITDA %*	31.7	32.7	34.1	35.5	37.7
Maintenance - investment in assets and how efficiently they are maintained					
Average repair cost per home £	1,353	1,186	1,257	1,262	1,254
Reinvestment spend per home £	792	609	782	827	675
RSH reinvestment %*	4.0	3.4	4.0	3.1	6.3
Average cost per responsive repair £	128	139	122	119	115
Asset efficiency - the returns generated from the Group's assets					
RSH Return on capital employed %*	2.8	2.7	3.1	3.5	3.5
Development - delivery of new properties					
Homes on-site and in development	5,183	5,130	5,642	6,002	6,019
RSH new supply delivered (social) %*	0.8	0.7	0.6	0.9	0.7
RSH new supply delivered (non-social) %*	0.1	0.3	0.1	0.1	0.1
Homes completed (excluding JVs and consortia)	768	620	604	941	773

**An industry-wide reduction in the Care Inspectorate rating has been seen due to implementation of their Covid-19 Inspection Framework. Further details can be found in the Care Divisional Review on page 56.

Treasury

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

Cash and Liquidity Management

The cash position of the Group remains strong, with sufficient cash in hand and facilities to fund operations and committed capital expenditure through the next financial year and well beyond.

The Group generated £227.2 million of cash from operating activities (2021: £218.5 million). At 31 March 2022, the Group had a cash balance of £102.1 million (2021: £494.7 million).

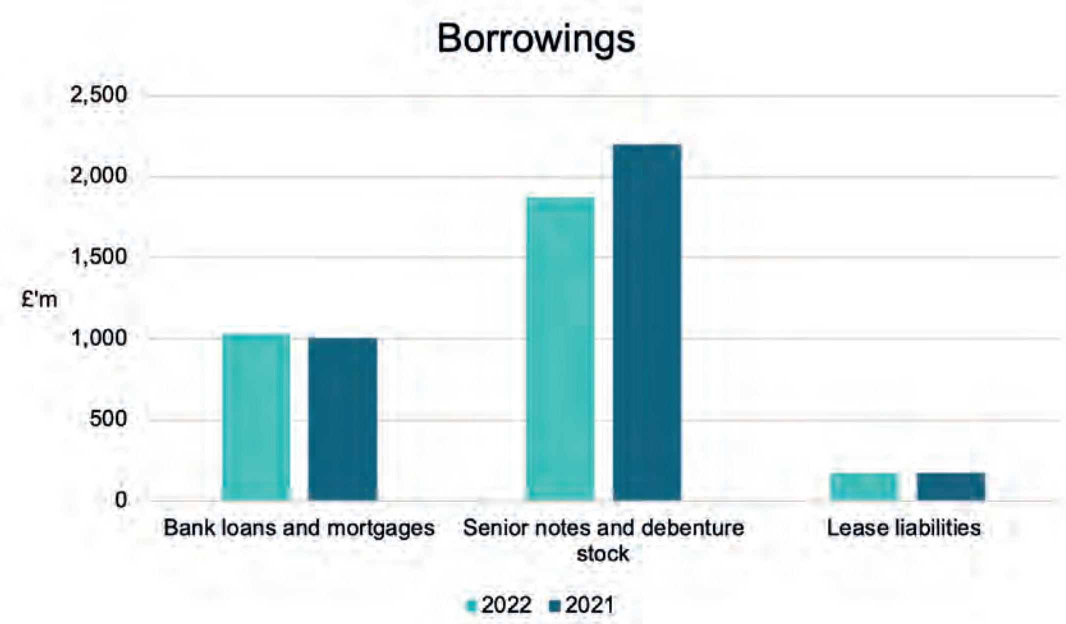
The Group manages liquidity by preparing and monitoring cash forecasts on a daily, weekly, monthly and longer-term basis to ensure that short and medium-term cash requirements are met. The forecasts are updated regularly to include sensitivity and scenario planning, ensuring that existing cash and available facilities cover at least 18 months of future committed spending requirements; at the reporting date it covered 35 months.

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

Debt Management

At 31 March 2022 the Group had total borrowings of £3,074.9 million (2021: £3,377.3 million), made up of bank loans, senior notes and debenture stock and lease liabilities.

Undrawn facilities at 31 March 2022 totalled £433 million (2021: £365 million).

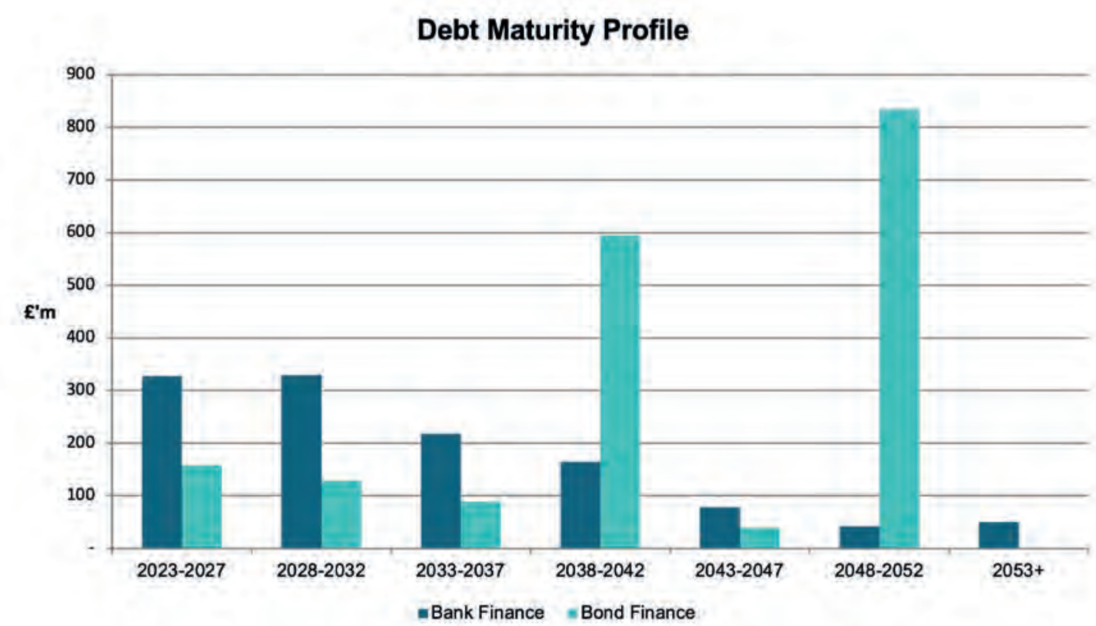


In the year to March 2022 the Group has raised £100 million of new facilities, comprising two £50 million revolving credit facilities. The Group also refinanced a historic funding arrangement, achieving a reduction in coupon interest payable, modernisation of the covenant structure and generation of additional capacity for the Group through release of surplus security.

The overall reduction in debt has been driven by a £300 million repayment of funds drawn from the Bank of England's Covid Corporate Financing Facility (CCFF) in the prior year.

The weighted average duration of drawn debt across the Group is 17.6 years (2021: 16.8 years). Our funding strategy is designed to monitor the debt maturity profile and thereby manage the refinancing risk across the Group, ensuring that there is not a concentration of refinancing risk in any 12-month period.

The Group is confident its financial strength will allow it to refinance existing loans and finance the current business plan commitments at competitive rates. The Group has limited refinancing risk of 15.8% (£486.4 million) of existing drawn loans in the next five years (2021: 22.5%, £759.4 million). The Group anticipates funding this through a mix of fixed and variable interest rate facilities, operating activities, cash generated from property sales and Government grants.



Covenant Compliance

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

Interest Rates

The Group operates an interest rate policy designed to reduce volatility in cash flow and debt service costs. Wherever possible, bank borrowing and long-term debt market facilities are structured to include interest payments on a fixed or hedged basis. The Group's policy is to ensure that a minimum of 75% of all debt is held on a fixed basis. At 31 March 2022, 94.6% of debt was fixed (2021: 96.0%) and 5.4% floating (2021: 4.0%).

Net finance costs on borrowings totalled £125.0 million (2021: £128.5 million); a decrease of £3.5 million.

The Group's cost of borrowing has increased slightly to 4.28% (2021: 3.91%), but interest cover has also increased to 2.08 (2021: 1.95). The EBITDA MRI interest cover was 128.4% (2021: 134.2%), which is well above the Golden Rule hurdle of 100%.

Sanctuary has one stand-alone interest rate swap, entered into as part of a legacy project finance arrangement, which swaps a variable interest rate to a fixed rate. At the reporting date, a £1.5 million liability (2021: liability of £2.8 million) was recognised in respect of this derivative financial instrument. The requirement to collateralise this derivative is limited to the assets already securitised under this ring-fenced arrangement.

At 31 March 2022, the Group had US dollar denominated debt with an aggregate value of $80 million (2021: $80 million). A cross currency interest rate swap is in place to hedge the risk of currency rate volatility in the future. This derivative is recognised at fair value on the Statement of Financial Position; an asset of £26.4 million at the reporting date (2021: asset of £20.6 million).

Property Securitisation

The Group primarily utilises its assets as security (collateral) for its debt obligations in line with individual borrowing agreements. Assets secured across a variety of these debt obligations support £2.7 billion (2021: £2.6 billion) of the Group's overall debt.

The Group's primary security pool contains 39,290 units (2021: 39,560 units) with an aggregate value of £2.9 billion (2021: £2.9 billion). The collateralised assets represent a broad geographical cross section of the Group's housing properties across all of its key geographical locations. This pool supports all the debt issued by Sanctuary Capital PLC via the debt capital markets, together with other bank funding put in place via Sanctuary Treasury Limited, including the Group's available Revolving Credit Facilities. The pool also comprises 863 unallocated units (2021: 841) with an aggregate value of £66.3 million (2021: £64.7 million).

For all other secured borrowings, the Group undertakes regular revaluations of the security and (where funding arrangements allow) excess security is released from charge adding to the Group's pool of unencumbered assets, for future use as security. The available security makes up a significant part of our £1.8 billion of capacity (2021: £1.4 billion) (also includes cash and undrawn facilities), against the Group's Golden Rule hurdle of £500 million.

Credit Risk Management

It is the Group's policy not to take or place funds with any financial institution that is not investment grade, requiring regular monitoring of credit ratings of all counterparties. Sanctuary continues to have strong investment grade credit ratings of A Stable (Standard & Poor's) and A2 Stable (Moody's).

Business Reviews
Affordable Housing - Divisional Review

Affordable Housing	2022	2021
Homes in management at the year end	81,784	81,109
Revenue (£m)	402.3	386.5
Divisional EBITDA (£m)*	202.6	209.9
Divisional EBITDA margin (%)*	50.4	54.3
Internal Maintenance team utilisation (%)	72.8	79.1
Social operating surplus (%) – VFM metric*	35.7	38.4
Capital investment (£m)	59.3	44.4

*The Group's operating segments are defined and reconciled in note 6 on page 139. Alternative performance measures are defined and/or reconciled in Appendix 3 on page 194.

Performance

The Sanctuary Affordable Housing division currently has 81,784 homes in management, including general needs properties, affordable housing and housing for older persons along with shared ownership and homeownership properties. We aim to provide good quality homes throughout England and Scotland with the objective being that our communities are a place our residents are proud to call home. The customer is at the heart of what we do and as a not-for-profit organisation any surpluses we make are reinvested back into our homes, services and communities.

Throughout this financial year we have continued to feel the longer-term effects of the pandemic and the impact this has had, and continues to have, on our customers, our staff and our supply chains.

We started the financial year with an accumulation of repairs and a larger number of empty void properties requiring repair. The ripples of the pandemic during the year continued to cause material and staffing shortages across our Property Services subdivision at a time when there is a highly competitive labour market, resulting in higher staff sickness rates along with higher vacancy rates. In turn this led to fewer repairs being completed by our in-house teams (72.8% in 2021/2022 versus 79.1% in 2020/2021) and a higher reliance on our contractor base; this is an area of focus for next year. Despite these challenges, our reinvestment programme is back on track and during the year we delivered upon the promises which were delayed during the pandemic.

Overall revenue has increased for existing homes which, together with additional revenue from new developments, has translated into improved income for the division with an increase of £15.8 million from the prior year. However, the catch up on repairs and void works which had accumulated as a result of the pandemic, alongside other inflationary pressures, has driven a higher cost base. This has consequently diluted Divisional EBITDA, which at £202.6 million is a £7.3 million (3.5%) reduction from the prior year. This has also translated to a lower Divisional EBITDA margin of 50.4% which is a reduction of 3.9 percentage points from the prior year. Despite these pressures, our large scale centralisation and standardisation of back office services means we continue to have one of the leading margins within the sector.

Despite the continued challenges, strong operational management has maintained low rent arrears at 3.21% compared with 3.16% in 2021. Vacant properties will continue to be a focus for next year; void loss has increased from 1.6% to 1.9% this year. However, following the full relaxation of Government Covid-19 restrictions, void performance significantly improved in the final quarter of the year, with vacant and available void properties across England ending the year in line with pre-pandemic levels.

Thistle Housing Association transferred to Sanctuary Scotland on 1 March 2021 and the past 13 months have seen a focus on a successful integration for the Toryglen area. This has been extremely positive from both an operational point of view and delivery of transfer expectations for residents.

An ongoing focus on delivering integration commitments will continue in the following years, building on the commitment at transfer to deliver over £11 million of improvements in total to the Toryglen area, of which £3.8 million have already been completed. We have also committed to improving rent affordability in the area by agreeing to only increase rents by RPI plus 0.5%, capped at a maximum of 3%.

Future Plans

Our National Resident Scrutiny Panel (NRSP) provides a vital link with the voice of our customers, placing their views at the heart of all that we do and reviews our performance, policies and engagement with public consultations. In 2021/2022 the panel helped us to shape our response to the Charter for Social Housing Residents: Social Housing White Paper, leading a detailed self-assessment and review process with our Executive Team and Board members. The NRSP will hold us to account against the comprehensive action plan we are now implementing. As part of this plan, over the next 12 months we will be reviewing how we collect and report on customer experience performance. This review will further strengthen our customer focus and support our adoption of the new Tenant Satisfaction Measures, currently being developed by the Regulator of Social Housing. These new measures are being introduced from April 2023.

In 2022/2023, working with the NRSP, we will be developing our new Resident Engagement Strategy. In recent months, over 3,000 residents and 350 staff have told us what they expect. Building upon our strong base of engagement, our new strategy will emphasise our commitment to great relationships with our residents and working together to improve services – both locally and at a national level. By listening to what's most important to our residents, we strive to provide the quality of services they deserve.

We aim to maximise the use of the in-house maintenance and reinvestment services to successfully deliver the seven-year reinvestment programme. There are seven areas of focus for the reinvestment programme:

- Energy efficiency - getting all our properties to EPC B and C by 2030;
- Investing in the basics - ensuring all our properties are watertight, safe and warm;
- Compliance with standards - Decent Homes and Scottish Housing Quality standard;
- Digitisation - fibre to the premises programme and proactively upgrading warden call systems;
- Building safety - compliance with new legislation;
- Reactive investment - meeting the needs of our tenants;
- Aesthetics - a programme of cyclical works including internal and external decoration, fencing and wall finishes.

Our "Us to You" model aims to bring a more personal service with more local presence for our customers. As part of this model, a review of Group office arrangements continues. As a result of the review, an office pilot was completed in the Midlands during 2021/2022 where we created several "community office hubs", which replaced a number of the larger, more traditional office facilities. This has provided more of a presence in the local community and driven Value for Money. Moving into 2022/2023 our aim is to continue with our "Us to You" model where we are planning to roll out further community hubs in place of regional Group offices.

In 2022/2023, we will be building on the success of the new Housing 360 service. We will be recruiting more people into the proactive, customer-focused team as we expand the Housing 360 service across the country. This will mean more locally based staff, working with residents in their communities. During the next 12 months we hope to visit 2,000 more homes, getting to know our residents, inspecting their homes, and providing support and advice where needed.

Case Study: Qualification Success for Residents

Three of our residents have successfully completed a qualification with the Chartered Institute of Housing.

Graham Jones, Bob Werrett and Dylan Asphar all achieved their Level 2 Award in Involvement in Housing and Communities - Resident Scrutiny.

The qualification, which is equivalent to a GCSE, gives residents an insight into how housing associations operate and how residents can hold us to account. It covers Housing Management Performance Information, Value for Money and Resident Scrutiny of a Landlord's Services.

Graham is the Chair of Sanctuary's National Resident Scrutiny Panel (NRSP) and Bob is Vice Chair. Dylan is a member of the panel as a representative of Sanctuary Supported Living.

The qualification is part of the Sanctuary Residents' Academy, which provides an opportunity for residents to increase their knowledge of how housing providers operate and how the resident scrutiny process works.

Craig Moule, Group Chief Executive, said: "I think it's fantastic that Graham, Bob and Dylan have completed this qualification as it demonstrates their passion for housing and support for their fellow residents.

"The NRSP plays a crucial role in making sure we effectively deliver our services and I hope even more residents will take up the opportunity to gain such a worthwhile qualification."

Business Reviews
Supported Living - Divisional Review

Supported Living	2022	2021
Homes in management at the year end	6,674	6,677
Revenue (£m)	102.2	101.6
Divisional EBITDA (£m)*	9.7	8.3
Divisional EBITDA margin (%)*	9.5	8.2
Capital investment (£m)	4.6	6.7
Care Quality Commission rating (%)	100	98

*The Group's operating segments are defined and reconciled in note 6 on page 139. Alternative performance measures are defined and/or reconciled in Appendix 3 on page 194.

Performance

Sanctuary Supported Living provides care, support, housing management and assistive technology solutions to vulnerable adults across 664 separate services in England. Client groups include: older people, people with disabilities, people with mental health issues, homeless people, and young people.

Despite the continued pressures and challenges presented by the pandemic, we have seen year-on-year growth in homes in management, revenue, EBITDA and EBITDA margin; margin has increased by 1.3 percentage points to 9.5% in 2021/2022. This has been achieved through organic growth, acquisition and the realisation of efficiencies through economies of scale and renegotiated fees.

Recovery following the pandemic continued throughout the year, with its aftermath still impacting on the delivery of services, through enforced absences and sickness. However, these pressures were in part mitigated by access to Government Infection Control monies to maintain the provision of personal protective equipment and ensure our services continued to have safe levels of staffing.

In addition, we continually review services to make sure we are meeting the housing and support needs within each community, which is reflected in the Care Quality Commission rating 100% of our services as 'Good' or 'Outstanding'. As a result we have won support contracts in several areas which have further contributed to our growth.

Capital investment in our stock has continued with £4.6 million spent during the year; there is a slight decrease from the prior year due to extensive remodelling carried out in the comparative period. Further reinvestment will continue to be an area of focus to ensure our services are fit for the communities they operate within.

Future Plans

Continued investment in the quality of our service remains at the forefront of our decision making. Our seven-year reinvestment plan continues to make sure we are investing in the right assets at the right time and maintaining high standard, sustainable homes and services which are fit for the future.

Further programmes of investment in technology, including telecare provision, have commenced and will be delivered in 2022/2023.

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

Our priority continues to be on achieving long-term sustainable contractual relationships which reflect the increasing inflationary pressures in order to maintain the high quality of our services.

In 2022/2023 our focus remains on our commitment to grow our contribution to society by continuing to expand our services across England, supporting more vulnerable customers and ensuring a sustainable, high-quality business where we provide people with a pathway to independence.

Case Study: Dame Kelly Holmes Trust Helps Young People Get Back On Track

Young people in Sanctuary Supported Living services have benefitted from a partnership with the Dame Kelly Holmes Trust.

The Get on Track for Wellbeing programme was developed in response to the Covid-19 pandemic, which particularly impacted young people. The programme aimed to support young people aged 16 to 25 in our services, tackling feelings of anxiety and isolation and improving their wellbeing, confidence and life skills, through sport and physical activity.

Young people worked with current and former athletes over a six-month period, taking part in tailored training, face-to-face mentoring, and support sessions. They were able to hear the athletes' own stories of high and low experiences and discuss their issues and concerns to help build better emotional health and connections.

The impact of the programme saw increased wellbeing scores in the young people, as well as an increased ability to remain calm in the face of pressure. Young people also improved their activeness through the programme, taking part in a range of activities including walking and digging, and built better connection with each other and their local communities through volunteering and fundraising.

One young person said: "The programme has been amazing as I've grown stronger and confident within myself again, and I want to get back out doing things I am passionate about."

Former boxer Hannah Beharry, who delivered some of the sessions, added: "At the start of the programme the young people's soft skills were limited. However, as the weeks carried on and they started to develop their own ideas, we saw a massive change in them. Each young person really stepped up, took on their own roles and connected with the other staff and clients."

"The programme has been **amazing** as I've **grown stronger** and confident within myself again, and I want to get back out **doing things I am passionate about."**

Business Reviews

Care - Divisional Review

Care	2022	2021
Number of bed spaces in management at the year end	5,069	5,201
Revenue (£m)	193.0	188.7
Divisional EBITDA (£m)*	15.2	10.1
Divisional EBITDA margin (%)*	7.9	5.4
Care Quality Commission rating (England) %	90	86
Care Inspectorate rating (Scotland) %	50	75
Average weekly rates (£)	874	840
Occupancy (%) – average for year	82.2	82.6
Occupancy (%) – at year end	83.7	80.6
Capital investment (£m)	14.5	10.7

*The Group's operating segments are defined and reconciled in note 6 on page 139. Alternative performance measures are defined and/or reconciled in Appendix 3 on page 194.

Performance

At Sanctuary Care we have been delivering care to older people for more than 20 years and currently manage 98 care homes across England and Scotland, a supported living care service and a mental health hospital, providing services to both the private and public pay markets, with private pay contributing £71 million towards total revenues. We are enormously proud of what our teams have achieved during another year of Covid-19, having worked tirelessly to continue to keep everyone safe, while enriching the lives of our residents, their families, our staff and the communities in which we operate.

We have maintained strong quality ratings in England, with 90% of our homes being rated as 'Good' or 'Outstanding' by the Care Quality Commission, despite the challenging operating environment. This performance puts our average quality score significantly ahead of the industry average for the sector of 79%.

A reduction in the Care Inspectorate measure, which rates the Group's Scottish care homes, has been seen in 2022. This is due to the Care Inspectorate's implementation of its Covid-19 Inspection Framework in April 2020. A more stringent focus on premises and the impact environment has on infection control measures resulted in 'Adequate' or lower inspections for aged stock, and in particular the Lorimer acquisition homes. Reinvestment activity was also delayed by the Covid-19 pandemic but upon homes reopening has been restarted, with significant investment in Scotland during 2021/2022 and more works in the pipeline for 2022/2023. This impact has been seen across the sector, with only 60% of CI inspections of Standard 7 achieving 'Good' or higher.

2021/2022 saw the continued significant impact of the pandemic on the care sector, affecting occupancy and income streams, operating costs, the availability of staff and the roll-out of planned new technologies. During this time, we have continued to see our operational teams rise to the challenges presented and showcase a commitment to residents, their tenacity and ability to innovate to deliver a quality service.

Recovery of occupancy continued to be hampered during 2021/2022 due to Covid-19. While thankfully the tragedy of lives lost in the first wave has not been repeated across the sector, the continuous closure and reopening of homes to admissions and visitors has made occupancy recovery difficult. During the course of 2021/2022, Sanctuary Care has seen its in-year average occupancy drop by a net 0.4 percentage points. However, the March 2022 closing occupancy position was 3.1 percentage points ahead of closing occupancy at the end of the prior year, and continues to be above industry averages. The occupancy growth in the final quarter of 2021/2022 gives us renewed optimism that the sector is now on a trajectory of recovery expected to take a further 12 months to deliver.

Year-on-year revenue growth has been achieved, mainly through the inflationary uplift to weekly fee rates, as occupancy recovery has been slower than anticipated. The impact of this on EBITDA and margin delivery has been offset by the receipt of Government funding and several successful initiatives to drive down controllable costs, with 2021/2022 delivering EBITDA of £15.2 million, an increase of £5.1 million on the prior year.

During 2021/2022 Sanctuary Care accessed an element of Government grant funding provided to the whole older persons care sector. This funding, distributed by local authorities, addressed specific identified industry challenges and pandemic-related cost pressures. It supplemented the previous year's funding rounds and included 'rapid testing' and several rounds of 'infection control' funding. These funds, as well as supporting Sanctuary Care to continue to pay staff at full pay for all periods of self-isolation, have allowed us to provide many homes with 'pods' within the home grounds, allowing families to meet with loved ones as safely as possible during the pandemic.

The 2021/2022 year also presented a significant challenge with regards to staff recruitment and retention. This is as a direct result of Brexit, the mandatory vaccination requirement in England, an increase in home-based work opportunities across other sectors and a boom in competitive employment and salary prospects in the hospitality industry. These factors significantly increased the number of vacancies across the care sector and made a highly competitive market for quality staff across providers.

Supported in part by Government grant funding, Sanctuary Care increased its paybook for frontline staff in January 2022 (followed by a further uplift in April 2022) and has invested in environmental enhancements to staff areas in many of our homes to support staff wellbeing and make sure we continue to attract the right staff into our teams.

Over the last year, we have been delighted to support 140 young people at risk of long-term unemployment with work experience placements as part of the Government-funded Kickstart scheme, with the result that many of the young people are either in the process of, or have been successful in, gaining permanent positions within our care homes and head office teams. We are also delighted to once again be in a position to welcome volunteers back into our care homes following a pause in the programme due to the pandemic.

Throughout this period we have been enormously proud of our teams for supporting us to keep residents and colleagues safe, both by taking the opportunity to be vaccinated and filling our homes with their boundless energy and enthusiasm.

During the last year, we have also been excited to commission an external research company to spend time with our residents and establish what an enriched life truly means for them. The outputs of this exercise are now being used to make sure that the foundations of our service delivery do indeed deliver on our objective to genuinely enrich the lives of those who choose to live with us.

Future Plans

We are excited to continue to drive forward with our Enriching Lives Project over the coming financial year and provide exceptional quality care delivered by a committed, passionate, and highly skilled team.

Over the next 12 months there will be a big focus on the steady recovery of our occupancy levels and we are pleased that plans for growth which were delayed by the pandemic, both to increase our portfolio with new acquisitions and opportunities for new development, are now firmly back on track.

We are facing ongoing recruitment challenges head on with pay increases for frontline staff in April 2022, investment in advertising and recruitment campaigns and incentives such as our Refer a Friend scheme and welcome payments, as well as enhanced training and career progression opportunities.

We are continuing to invest in nursing, with our successful overseas nurse recruitment programme and the launch of a new nurse development programme in 2022/2023 to support ongoing clinical development and the progression of our nursing staff. This is running alongside our established team leader, deputy and home manager development programmes, to support our care staff with high potential to further progress their careers.

The wellbeing of staff is essential to our future and they will have ongoing access to a host of resources to support their mental and physical wellbeing, as well as that of their loved ones. This includes webinars on mental health, resilience, nutrition, sleep management and mindfulness, free meals and a new Reward and Wellbeing Booklet packed with advice and support they can access. In addition, there is significant investment into new and improved staffing areas, following feedback from our wellbeing surveys.

We will continue with our plans to roll-out new technologies, unafraid to be at the forefront of new sector technologies and innovative ways of working, to make sure that our staff are given the best tools to deliver exceptional quality care to enrich the lives of our residents.

The social care sector will undoubtedly experience many challenges over the coming year, however Sanctuary Care is well placed to face these head on, to continue to grow and, most importantly, continue enriching lives.

Case Study: Edna Graduates as Nursing Associate

Apprentice Edna Ankrah has graduated through Sanctuary Care's Nursing Associate Apprenticeship Programme.

Edna successfully completed her Nursing Associate Foundation Degree programme at the University of Greenwich while gaining valuable work experience at Sanctuary Care's Riverlee Residential and Nursing Home in Greenwich.

Sanctuary's two-year Nursing Associate programme gives staff in our homes the opportunity to gain nationally recognised qualifications which enhance their careers, while continuing to work in our homes, gaining experience shadowing our highly skilled nurses and developing their skills to deliver safe and effective care to our residents.

Edna joins other colleagues who have graduated through the programme.

She said: "I believed in myself, and I had a lot of support from Sanctuary Care's Learning and Development team, Riverlee and the University."

"I was determined to do this – I knew from the word go this was for me and I'm very, very proud of myself."

Business Reviews
Student and Market Rented - Divisional Review

Student and Market Rent	2022	2021
Homes in management at the year end	11,982	12,232
Revenue (£m)	57.4	49.8
Divisional EBITDA (£m)*	27.3	21.5
Divisional EBITDA margin (%)*	47.6	43.2
Occupancy – Student (%)	90	79
Capital investment (£m)	3.4	3.2

*The Group's operating segments are defined and reconciled in note 6 on page 139. Alternative performance measures are defined and/or reconciled in Appendix 3 on page 194.

Performance

Sanctuary Students is a leading operator of purpose-built student, keyworker and commercial accommodation. The division primarily focuses on providing high-quality accommodation located close to university campuses, transport links and local amenities and provides a home for over 12,000 customers in 39 properties across 14 of the UK's top university cities. Sanctuary Students works in partnership with higher education providers as well as letting directly to students and keyworkers.

While Sanctuary's students division continued to feel the impact of Covid-19 and the subsequent additional challenges within the financial year, the portfolio has remained resilient and occupancy levels have improved on the previous year, resulting in additional revenue. Careful cost controls in the year have further improved EDITDA and EBITDA margin performance. The student business is a high margin portfolio, as seen by the 47.6% achieved this year, an improvement of 4.4 percentage points from the previous year.

This year saw the return of face-to-face teaching at universities and students overwhelmingly continued to see the appeal of university and wanted to return to campus. The UK became an attractive choice as travel corridors and quarantine requirements became flexible enough to encourage students to the UK's higher education institutions. Other countries popular with international students, including the USA and Australia, continued with Covid-19 restrictions, driving more students to study in the UK.

At a portfolio level Sanctuary Students achieved an occupancy of 90%, an improvement of 11 percentage points on the previous year. The improvement on occupancy numbers was primarily due to an increase from international student numbers, predominantly from China, India and from emerging markets such as Nigeria and Pakistan.

Demand from international students, especially across Sanctuary's London properties, rebounded with over 99% of all accommodation in London occupied for the start of the new academic year, an improvement of 24 percentage points from the previous year, highlighting the demand from international students.

More than 38% of A-level students in England were awarded A or A* grades, compared to 25% in the preceding year, resulting in some universities overrecruiting. This had a slight detriment on occupancy levels at a regional level, predominantly in Preston, where we saw a reduction in student numbers.

Brexit implied a decrease in students from the European Union due to mobility and funding, with the Universities and Colleges Application Service reporting a near 40% fall in applications. However, this did not have an adverse impact on Sanctuary's student numbers as the business maintained a 5% cohort of students from the European Union.

Throughout the year, priorities continued to be the health, safety and welfare of our residents and employees while delivering services for our residents. We introduced enhanced Covid-19 measures to support both staff and students and worked with our university partners to provide increased communications and safety information, physical social distancing, and early arrivals facilities.

Despite the challenges, we recognise the resilience and flexibility of our staff to respond under difficult circumstances, and we learnt a lot. With the ongoing contribution and dedication of our staff, we were thrilled to achieve Investors In People gold accreditation. Only 17% of organisations achieve gold, meaning every single person involved is doing their best to make work better.

As widely publicised, materials, supply chain constraints and availability of external contractors meant our capital works programme was measured to mitigate risk threats. However, our commitment to creating communities "where people choose to live" is unwavering. Across the portfolio, upgrades of all our fibre and hardware to deliver gigabit broadband services for our students have been undertaken to provide even better student experiences.

Future Plans

The underlying potential demand is projected to remain strong due to the demographic growth in the number of 18-year-olds over the next 10 years, increasing participation rates, and the UK being the second most popular destination for international students. We anticipate increased student numbers across our portfolio, however we continue to recognise the occupancy challenges for sites on a regional basis, especially for sites housing students from lower ranked universities.

In England, tuition fees have been frozen for the fifth year in a row up to and including the academic year 2024 to 2025, meaning there could be significant opportunities for us to support universities' accommodation strategies.

The longer-term outlook remains positive, and while the pandemic challenges have lessened, new inflationary pressures along with new building safety requirements may impact financial performance. We remain in a stronger position, with improved occupancy levels and appropriate cost control measures, to deliver our financial objectives.

Looking ahead for 2023, the current projection is an increase of around 30,000 applications across all domiciles, driven by both the further uplift in the UK 18-year-old demographic and continued increase in those applying from overseas, from outside the European Union.

With a strong culture in delivering and operating a digital booking platform, we are investing in our existing operating platform to improve our customers' mobile experience and interactions. Leveraging not just a new website and improved back-office functionality, Microsoft's power platform is being utilised to also deliver a 100% digital experience for our staff, freeing them up to focus on what's important.

As part of the wider Group, Sanctuary Students is committed to ensuring that each of our properties reaches an EPC of at least C by 2030 and strives to reach net zero accommodation by 2050, both of which are important to making sure that our accommodation is energy efficient and affordable for our student residents.

Case Study: A Home for International Students

At Sanctuary Students, everyone is welcome, and the most important thing for us is providing safe, secure accommodation where our customers can thrive and call home. We're proud to welcome everyone into our accommodation, and we embrace diversity in all the communities we serve, inclusive of race, religion, sexual orientation, gender and disability. We are committed to helping our customers be at their best.

Sanctuary Students provides a home to postgraduate and undergraduate students from over 130 countries across the globe. A dedicated Equality, Diversity and Inclusion programme of activities has been successfully implemented across the operation throughout 2021/2022 to ensure we are delivering the best possible experience for international customers. By focusing on the international demographic, we can make sure our staff and customers are equipped to understand, celebrate and raise awareness of the various cultures we represent in our diverse customer base.

Through user generated content, engaging peer-to-peer communication has been developed using the presence of our international students to inspire and educate on the international student experience and has identified how Sanctuary can meet the needs of all students within its diverse population.

To further strengthen staff development and understanding of international students, specialist training has been developed to provide a bespoke online training package for Cultural Competence. Every member of staff across the operation will undertake the training to support our customers when they stay in our accommodation and help to strengthen the skills, knowledge and mindset needed to work effectively across cultures.

Business Reviews
Development - Divisional Review

Development Sales	2022	2021
Revenue (£m)	55.4	37.0
Cost of sales (£m)	(47.8)	(30.0)
Divisional EBITDA (£m)*	7.6	7.0
Gross margin (%)*	13.7	18.9
Homes completed in the year**	768	620
Housing sales***	238	185
Homes on-site and in development at the year end	5,183	5,130
Funding for development		
Expenditure contracted (£m)	218.0	365.2
Authorised expenditure not contracted (£m)	498.4	258.1
Total (£m)	716.4	623.3

*The Group's operating segments are defined and reconciled in note 6 on page 139. Alternative performance measures are defined and/or reconciled in Appendix 3 on page 194.

Excluding joint ventures and consortia * Includes First Tranche sales

Performance

As the team responsible for all new build programmes, Development has a crucial role in furthering Sanctuary's mission of building affordable homes and sustainable communities where people choose to live. We provide more than just buildings by creating modern, flexible homes and building strong communities. We do this both through our own in-house construction team and through working with trusted contractor partners.

The wide geographical spread of Sanctuary's development pipeline, across both England and Scotland, combined with the wide range of products, from urban apartments to larger houses in suburban and semi-rural locations, means that Sanctuary is not significantly exposed to any particular market or region.

Over the financial year, we completed 768 new homes, of which over 500 were for social or affordable rent and over 150 for affordable home ownership, with the remainder for open market sale. This was 148 more than the previous year and, with our programme forecast to increase in size year-on-year, this is helping to further strengthen our relationships with key partners such as Homes England and the Scottish Government. In recognition of our strong performance, in September 2021 we were selected to be a Strategic Partner to Homes England under the 2021-2026 Affordable Homes Programme and we will deliver over 2,000 new affordable homes across England over the life of the programme.

We have identified a number of key strategic areas where we will focus our future development activity in order to deliver the most efficient operations while continuing to meet the highest needs for new housing.

Overall, performance against our sales strategy remains strong. Revenue increased by £18.4 million because of an increase in homes for sale and we achieved a margin of 13.7% on sales, which was a reduction on the previous year, due to the different mix of properties that were sold, but was in line with expectations. In total we helped 238 customers to purchase new homes, of which 144 were shared ownership properties, five were discount market and 89 outright sale properties. We also saw the successful sale launch of large sites such as Millbrook Square in Barnet, London, and the Orchards in Drakes Broughton, Worcestershire, which will enable the continued growth of the sales programme in the 2022/2023 financial year.

As expected with the increasing size of the programme, the year-end stock position saw a slight increase year-on-year from £9.6 million (50 units) to £16.8 million (53 units); of the 53 units in stock, 34 are reserved or exchanged.

Moreover, we entered financial year 2022/2023 in a strong position with 27% forward sold, meaning that 27% of plots forecast to sell within the next year have already been reserved or exchanged.

The total value of the sales inventory under construction at the end of the financial year was £183.1 million across 1,728 units, an increase from the previous year's figure of £153.7 million and 1,504 units.

This year has also seen us continue to be a leader in Modern Methods of Construction. Our Green Vale site at Evesham, Worcestershire, comprising 76 fully modular homes for rent, shared ownership and open market sale, started on-site and will be fully completed in 2023. The homes are being factory-built in Yorkshire and transported to site to be craned into place. This method provides benefits in time, quality and sustainability.

This ongoing success has been achieved despite it being a turbulent year for the construction industry as the ongoing effects of the pandemic, coupled with the impact of the end of the Brexit transition period, have led to shortages of both labour and materials. This has driven high build price inflation and pressures on construction programmes. The effect of this has been mitigated to date through the fixed price contracts we have with our contractor partners but will be felt more in current and future years as new contracts are negotiated.

Competition within the land market also intensified, making it more difficult and more expensive to acquire new sites. Meanwhile, the impact of future changes to building regulations, in relation to both fire safety and limiting and mitigating the effects of climate change, have had to be carefully considered and incorporated into financial appraisals and performance specifications to futureproof the development programme.

Future Plans

We will continue to deliver on Sanctuary's commitment to build 15,000 new homes between 2020 and 2028.

Several sites that will contribute to the 2021-2026 Affordable Homes Programme, including mixed tenure sites that will deliver open market homes alongside affordable homes, have already been secured. Progress has also been made in delivering on Sanctuary's commitment to develop new supported housing and care homes, with sites being identified and negotiations reaching an advanced stage.

Our Scottish development programme will also continue apace, with over 500 new homes being started in the 2021/2022 financial year. This includes phase two of the flagship Victoria Hospital site in Glasgow, which will deliver over 200 new homes for sale from 2023 onwards.

Development will also continue to invest in Sanctuary's existing assets. The first phase of construction will start at the Barne Barton regeneration in Plymouth and scoping exercises are being carried out on future regeneration schemes.

Across our development programme, we will continue to improve the sustainability standards of our new homes by refining our standard house types and enhancing the requirements in our performance specification. This will enable us to achieve a minimum EPC rating of B on all new homes, reduce our carbon emissions and increase biodiversity across our estates.

Case Study: Delivering New Homes in Worcestershire

The Orchards in Drakes Broughton is a £25 million development that will provide 110 new homes, with property sizes ranging from one-bedroom to five-bedroom and including apartments, bungalows and houses. Situated on the outskirts of Pershore, the Orchards is truly mixed tenure, with homes for rental, discounted sale, shared ownership and open market sale.

The scheme is being constructed by Sanctuary's own in-house Construction team using modern timber frame technology. A show home and sales office are open and available for viewings and the first new homes were handed over for rent and sale in December 2021. More properties are scheduled to be completed and handed over regularly throughout 2022 and 2023.

Value for Money

With inflation at its highest level for decades, the need to deliver Value for Money is greater than ever and it continues to be fundamental to our mission of building affordable homes and sustainable communities. It is also central to our Corporate Strategy's priorities to **engage, invest, advance,** and **grow**, and builds on our values of ambition, diversity, integrity, quality, and sustainability.

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

Our Value for Money Principles

Our Value for Money principles are:

Economy	Achieving the best value from our inputs, that is, when items were purchased did we get them for the best possible value?
Efficiency	Maximising the outputs for a given level of inputs, that is, how good are we at creating the output?
Effectiveness	Ensuring the outputs deliver the desired outcome, that is, was what we delivered at the correct standard and did it achieve the desired outcome?
Equity	Ensuring the distribution of resources is equitable, that is, are our services equally available to, and did they reach, all the people that they are intended for?

Monitoring Our Performance

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

We analyse our performance in four areas: resources, structures and processes, customers, and assets, measuring performance over time and in comparison to other organisations. Benchmarking with other organisations provides a useful guide to our own performance and our peer group includes organisations either of a similar size or with activities of a similar nature to our own. However, none of these organisations have a similar-sized care or student portfolio, making meaningful comparisons difficult. Because information for 2021/2022 is not available at the time of preparing the annual reports, benchmarking information is presented for 2020/2021. For divisional benchmarking, relevant peer groups include large care providers and student accommodation providers.

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

Value for Money and Our Corporate Strategy

Value for Money plays a key role in Sanctuary's delivery of its strategic objectives; Engage, Invest, Advance, and Grow. Examples of how we embed Value for Money in our objectives are:

Engage

Engage residents
In the summer of 2022 we will be launching our new Resident Engagement Strategy, 'A conversation with Sanctuary', which was scheduled for 2021 but paused due to the pandemic. This will help us ensure that our residents are treated equitably and that our stock improvement programmes are effective.

Engage stakeholders
We work closely with our stakeholders, including MPs, local authorities, central Government and investors, to achieve shared goals and these goals are delivered under our Value for Money framework.

Invest

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

Invest in safety
While not required under legislation or economical to do so, we have installed sprinklers in a number of properties where they will deliver the most benefit, reflecting the fact that resident safety is our number one priority.

Invest in frontline employees
We aim to deliver a genuinely local and equitable service and to achieve this we are investing in our frontline Housing teams and have put in place our dedicated Housing 360 team, who work proactively with our residents to resolve any concerns.

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

Invest in regeneration
The regeneration of Barne Barton in Plymouth demonstrates our desire to effectively recreate a sustainable and equitable community and improve lives for residents.

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

Advance

Advance decarbonisation
With more than 100,000 homes in the UK, the biggest impact we have on the environment is through the energy efficiency of our buildings. We are reducing fuel poverty and carbon emissions through an effective investment programme in our homes, including upgrading heating systems, increasing insulation and replacing windows and doors.

Advance accessibility
We are developing further tools to make it easier for customers to access our services online, including a customer portal. A portal will enable faster resolution of simple queries, offer further choice for residents about how they interact with us and will allow us to serve our customers more effectively and efficiently.

Advance care technology
We have invested in a mobile care planning application and an electronic medication management system for efficient medical delivery to our residents.

Grow

Growing our homes
We are continuing to develop essential social housing, building high quality but economical homes where they are needed most and creating equitable communities.

Growing our supported housing
We want everyone to have the opportunity to live independently and therefore we are continuing to grow our supported housing, which we believe is critical in an equitable society. The majority of our support is provided to residents who live in our own buildings, creating more efficient services.

Growing our care
Our not-for-profit provision of care allows us to provide high quality rated services at an economical cost for residents.

Understanding Our Performance

Sanctuary Group's key performance indicator results for 2022 and 2021 are colour-coded as follows:

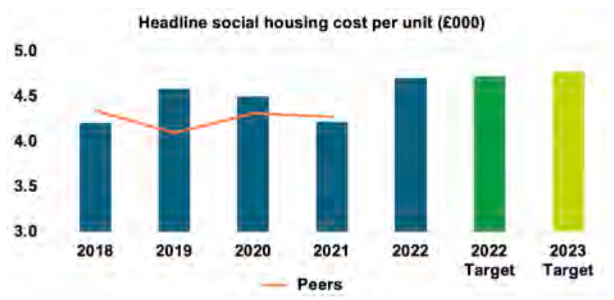
- Exceeded target (2022)/outperformed peer group (2021)
- Within 10% of target (2022)/within 10% of peer group (2021)
- More than 10% short of target (2022)/more than 10% short of peer group (2021)

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

Resources

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

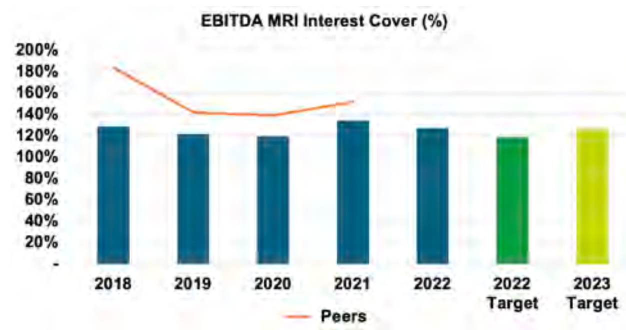
Value for Money Key Performance Indictors: Resources



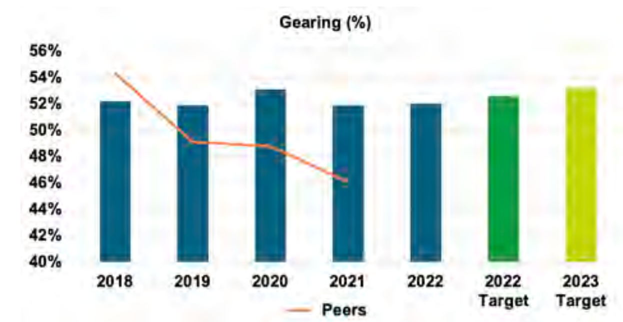
Headline social housing cost per unit was £4,687 for 2022, in line with our target. Higher levels of maintenance and reinvestment costs due to the catch up of works postponed during the pandemic drove the year-on-year increase of £469 compared to 2021, while our cost per unit of £4,218 in 2021 was in line with our peer group, despite our greater proportion of supported living services which have a relatively high cost base. The target for 2023 of £4,776 per unit assumes that greater planned reinvestment costs are offset by lower reactive maintenance demand.

The catch up of maintenance costs in 2022 also resulted in our operating margin (social housing lettings) of 35.7% being 2.3% below the target of 38.0%. Our target of 37.1% for 2023 reflects more stable maintenance demand and the 4.1% rent increase. Our operating margin (social housing lettings) in 2021 was well above our peers, demonstrating our ability to deliver efficient housing services.

Our overall operating margin reflects the inclusion of labour intensive activities such as care that generate lower margins. The 2022 margin was 20.8%, slightly below target due largely to the additional maintenance costs in Housing. The target for 2023 is 20.3% which is the result of greater housing for sale income that dilutes the overall margin; all other business streams are expected to improve their margins in 2023. Our margin in 2021 was broadly in line with our peers, despite our relatively high proportion of activities such as care.



EBITDA MRI interest cover in 2022 of 128.4% was 9.7% higher than target due largely to lower interest costs. The target for 2023 is 126% as greater reinvestment spend is partially offset by additional efficiencies. Our interest cover is typically lower than our peers and is a reflection of several factors, most notably our extensive history of development and the associated costs of financing those programmes, together with our decision to maintain a relatively high level of fixed debt, reducing volatility in our cash flow and debt servicing requirements.



Gearing is 52.0% which is 0.6% lower than target, reflecting lower than expected development expenditure as sites continued to experience delays arising from supply chain disruption and labour shortages.

The target for 2023 is 53.2% due to increased development and reinvestment spend.

	Sanctuary Group 2022 Actual	Sanctuary Group 2022 Target	Sanctuary Group 2021 Actual	Peer Group Average 2021 Actual	Sanctuary Group 2023 Target
Headline social housing cost per unit (£)*	4,687	4,725	4,218	4,272	4,776
Operating margin – social housing lettings (%)*	35.7	38.0	38.4	25.2	37.1
Operating margin – overall (%)*	20.8	21.0	21.3	22.1	20.3
EBITDA MRI interest cover (%)*	128.4	118.7	134.2	151.7	126.0
Gearing (%)*	52.0	52.6	51.9	46.1	53.2
Void loss (%)	1.9	1.4	1.6	1.7	1.5
Average cost per responsive repair (£)	128	122	139	n/a	124
Chief Executive pay per unit (£)	3.18	3.18	2.97	4.91	3.27
Proportion of fixed rate debt (%)	94.6	n/a	96	79.8	n/a
Interest cover (Sanctuary metric)**	2.08	2.03	1.95	2.30	2.13
Cost of borrowing (%)	4.28	n/a	3.91	3.81	n/a

*RSH metric

**Excludes loan break costs. Alternative performance measures are defined and/or reconciled in Appendix 3 on page 194.

Void Loss

Void loss was greater than target due to the long-term effects of the pandemic which have impacted our ability to turn around empty properties. However, the last quarter of the year showed an improvement and the 2023 target reflects that we expect this to continue.

Average Cost Per Responsive Repair

The average cost of a responsive repair was higher than target as we have had to utilise more third party contractors than expected due to difficulties in recruiting our own maintenance staff. However, the average cost has still reduced from the prior year when lockdown restrictions led to inefficient working conditions. We expect the average cost to fall in 2023 as we increase the level of jobs we perform ourselves.

Chief Executive Pay Per Unit

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

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

Interest cover can be calculated in many different ways and our preferred method is consistent with our lenders‘ calculations and makes no adjustment for capitalised major repairs. As noted under EBITDA MRI interest cover, our interest cover is typically lower than our peer group due to several factors, including our decision to continue to hold relatively high levels of fixed debt (94.6% at March 2022) compared to our peers (79.8% at March 2021).

Our interest cover during the year was in line with expectations and is forecast to improve in 2023 as we make efficiencies and continue to recover from the impacts of the pandemic. On the face of it our cost of borrowing has increased during the year, however 2021’s metric was artificially deflated as we temporarily borrowed £300 million of short-term debt from the Covid Corporate Financing Facility which was repaid in May 2021.

Key Resources Achievements in 2021/2022:

- We have saved approximately £6.9 million of utilities costs against the market thanks to proactive procurement, while we also moved to fully renewable electricity during the year.
- We launched the full in-house sales service at The Orchards, Drakes Broughton, which itself is being delivered by our in-house Construction team. Selling the properties ourselves rather than using a third-party estate agent saves approximately £250,000.
- We have centralised legal services and increased our internal resource which has reduced the use of external lawyers and consequently managed spend more effectively. We estimate this will reduce average annual legal spend by approximately £1.5 million.
- Following the acquisition of two supported housing businesses in 2020 and 2021, we have realised efficiencies through economies of scale and secured additional funding for underutilised assets.

Key Resources Areas of Focus in 2022/2023:

- With continued uncertainty in gas and electricity markets, we expect to save approximately £11.4 million in 2022/2023 due to our policy of hedging against short-term fluctuations.
- We will reduce our number of void properties, which were impacted by the pandemic and have not yet fully returned to pre-pandemic levels.
- We will continue to raise competitively priced funding to deliver our objectives, maintaining an efficient balance between short and long-term, variable and fixed funding.

Structures and Processes

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

Value for Money Key Performance Indicators: Structures and Processes

	Sanctuary Group 2022 Actual	Sanctuary Group 2022 Target	Sanctuary Group 2021 Actual	Peer Group Average 2021 Actual	Sanctuary Group 2023 Target
Rent arrears (%)	3.2	n/a	3.2	3.8	n/a
Number of statutory entities (excluding joint ventures)	36	n/a	56	n/a	n/a
Employee survey engagement score (%)	76	n/a	80	n/a	n/a
Internal maintenance service utilisation (%)	72.8	84.0	79.1	n/a	80.0

Rent Arrears

Our rent arrears are in line with the prior year despite the harsh external economic environment, demonstrating our effective income collection processes.

Statutory Entities

The number of statutory entities in the Group has fallen over the year due to the rationalisation of former Embrace Care entities which are no longer required. We endeavour to keep the number of active entities to a minimum in order to reduce the administrative burden, though acquisitions often bring in several entities at a time.

Employee Engagement Score

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

Internal Maintenance Service Utilisation

Like many in the sector we have struggled to recruit maintenance staff over the past year and this has impacted the level of jobs performed by our internal teams. We are utilising targeted recruitment and greater training to grow our teams and we expect this to improve utilisation in 2023. Jobs performed by our teams are far more efficient than using third party contractors and also deliver better quality service.

Key Structures and Processes Achievements in 2021/2022:

- We have started trials of pop up stores for Property Services, which are containers in convenient locations that are open 24 hours a day and stock the most commonly used materials. This is expected to reduce the level of time and costs incurred by travelling to merchants’ stores and, if successful, will be rolled out nationally.
- We have standardised and simplified the components used for certain repairs, saving £600,000 through supplier negotiations.
- We have implemented Docusign across the business, reducing administration costs for tenancy agreements, legal documents and contracts.
- The Corporate Shared Service Centre has implemented cash allocation automation software which enables remittances to be read and data extracted automatically, reducing the need for manual intervention.

Key Structures and Processes Areas of Focus in 2022/2023:

- We will increase the share of repairs delivered through our internal maintenance service. Like many in the sector, we have found the recruitment of skilled tradespeople challenging and are therefore training greater numbers of staff and increasing recruitment drives to grow our internal workforce.
- We will implement the OneProperty programme to support efficiencies and service improvement through technology resources and streamlined processes.
- We will reduce our number of statutory entities by rationalising dormant entities that are no longer required, including entities that were acquired as part of the Lorimer care home transaction.

Customers

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

Value for Money Key Performance Indictors: Customers

	Sanctuary Group 2022 Actual	Sanctuary Group 2022 Target	Sanctuary Group 2021 Actual	Peer Group Average 2021 Actual	Sanctuary Group 2023 Target
Resident satisfaction – overall (%)	78.9	80	79.8	n/a	80
Sanctuary Care CQC rating (% good or better)	90	100	86	n/a	100
Sanctuary Supported CQC rating (% good or better)	100	100	98	n/a	100
Care Inspectorate Scotland rating (% good or better)	50	100	75	n/a	100

Resident Satisfaction

Our residents' overall satisfaction has fallen during the year and reversing this decline is our key priority for the forthcoming year. Through 'A Conversation with Sanctuary' and a move to a more localised service model we will engage with our residents to fully understand how we can provide excellent customer service while also providing the highest Value for Money.

CQC/Care Inspectorate Ratings

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

The Care Inspectorate measure, which rates the Group's Scottish care homes, has fallen in 2022 due to its implementation of a Covid-19 Inspection Framework in April 2020. A more stringent focus on premises and the impact that environment has on infection control measures, resulted in 'Adequate' or lower inspections for aged stock and in particular our Lorimer acquisition homes. Reinvestment activity was also delayed by Covid-19 but significant investment has been made since the homes reopened and more works are planned for 2022/2023. The decline has been seen across the sector, with only 60% of CI inspections of Standard 7 achieving 'Good' or higher.

Key Customers Achievements in 2021/2022:

- In the Midlands we piloted a move away from larger traditional offices to more local office hubs situated in our communities, so that we are closer to our residents while offering a more flexible working environment for our colleagues.
- We have made excellent progress on the commitments that we made to the tenants of Thistle Housing Association following their transfer on 1 March 2021, including the removal of asbestos and the remediation of a major works programme that had previously been mis-managed.
- We have restructured our Housing teams to ensure that we are fully responsive to the risk of damp and mould in our homes, providing effective action to any resident concerns.
- We have delivered a new website which provides succinct, easy to use resources for our tenants.

Key Customers Areas of Focus in 2022/2023:

- Through 'A Conversation with Sanctuary', we will engage with our residents to understand how we can deliver our stock investment programme as effectively and equitably as possible.
- We will continue our move to a more localised customer service model, bringing the benefit of our Us to You strategy to all our social housing customers and also delivering financial savings.
- We will deliver service improvements in the lettings process and focus on tenancy sustainment.

For our student accommodation we will improve our customer experience by developing a mobile-first website with an enhanced self-service platform, driving down administrative costs.

Assets

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

Value for Money Key Performance Indicators: Assets

Reinvestment was 4.0% for 2022 as development sites continued to experience delays arising from supply chain disruption and labour shortages. This was 2.2% lower than the target of 6.2% which assumed a return to normal development and maintenance delivery. The target for 2023 is 5.2% as we embark on delivering our Homes England strategic partnership commitment of 2,000 homes.

ROCE was 2.8% for 2022, in line with the target. A significant factor is the inclusion of gains and losses on disposal of fixed asset properties which causes fluctuations, particularly in our peers who tend to dispose of higher levels of stock. The target for 2023 is 3.0%, with the increase driven by operating efficiencies.

Both supply metrics were impacted by the supply chain disruption and labour shortages which also impacted the reinvestment metric. New supply (social) was 0.8% for 2022, 0.5% lower than target. The target in 2023 increases to 1.4% as the delayed sites complete. New supply (non-social) was 0.1% for 2022, 0.2% lower than target. The target for 2023 is also 0.3%.

	Sanctuary Group 2022 Actual	Sanctuary Group 2022 Target	Sanctuary Group 2021 Actual	Peer Group Average 2021 Actual	Sanctuary Group 2023 Target
Reinvestment (%)*	4.0	6.2	3.4	4.2	5.2
Return on Capital Employed (%)*	2.8	2.8	2.7	3.4	3.0
New supply delivered – social (%)*	0.8	1.3	0.7	1.0	1.4
New supply delivered – non-social (%)*	0.1	0.3	0.3	0.4	0.3
Number of new homes completed including through joint ventures and consortia	1,121	1,644	834	n/a	1,500
Number of new homes sold	238	356	185	n/a	532

*RSH metrics

Alternative performance measures are defined and/or reconciled in Appendix 3 on page 194.

New Homes Delivered and New Homes Sold

Sales of newly built homes, both outright sale and shared ownership, generated £55 million of income, with a gross margin of 13.7%, compared to £37 million in 2021 which generated a margin of 18.9%. The number of homes sold in 2022 was a record for us but was still below target as scheme completions were delayed due to the growing cost pressures in the construction industry. As with our reinvestment and new supply metrics, the completions and sales targets for 2023 reflect the completion of delayed sites and the expectation that supply chains ease.

Key Assets Achievements in 2021/2022:

- We became a strategic partner with Homes England, allowing us to continue to deliver much needed grant funded social housing. We have committed to develop 2,000 units, half for rent and half for low cost home ownership. While the development of social housing is not financially beneficial, with the rental income insufficient to cover the cost of debt, utilising grant minimises those losses and is therefore the most efficient method of delivering new homes.
- In addition to becoming a strategic partner, during the year we delivered 1,121 homes, 353 through joint ventures and consortia, including 666 economical affordable housing properties. While this is lower than expected due to the lingering effects of the pandemic, we remain fully committed to delivering affordable housing and communities in which people choose to live.
- We have improved 875 properties up to EPC Band C. This work is essential in ensuring that our residents continue to live in properties that provide safe and warm environments.

Key Assets Areas of Focus in 2022/2023:

- We will continue to identify and acquire the sites required to deliver our Homes England strategic partnership commitment of 2,000 homes. We have already identified approximately 50% of the commitment.
- We will complete the 110 homes at The Orchards, Drakes Broughton which are being developed by our in-house Construction team, our largest ever in-house output. Managing the construction in-house provides greater cost control, thereby increasing Value for Money.
- We will continue to enhance the energy efficiency of our homes, with 1,500 additional properties expected to meet EPC Band C in the year.
- We will continue our Asset Optimisation programme, identifying assets which could be utilised in more efficient or effective ways.
- We will start the first phase of construction at our Barne Barton estate in Plymouth and the Paisley West End scheme in Glasgow, which are expected to see the combined delivery of 284 homes.
- Following a Value for Money review of our offices, we will redevelop our West Bromwich office into much needed social housing.

Governance

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

The Role of the Group Board

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

We are committed to having an effective board comprising members with diverse backgrounds, including in terms of gender and ethnicity, and attributes with a range of skills, competencies, experience and knowledge to lead and control the organisation. Out of the 11 current Group Board members, seven are male and four are female, and two Group Board members represent ethnic minorities.

In March 2022 Group Board members Alok Bhalla, Ian Chisholm, James Thallon, Ros Kerslake and Chair Andrew Manning-Cox visited Green Vale, Evesham, Sanctuary's first fully modular development of two, three and four-bedroom homes, and The Orchards, our brand new collection of homes in Drakes Broughton, Worcestershire.

The Group Board (as at 27 June 2022)

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

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

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

Craig Moule BSc (Hons)
Group Chief Executive

Craig Moule has been with Sanctuary for over 30 years, having joined the organisation in 1989 from Coopers & Lybrand. Craig was appointed Group Chief Executive on 1 January 2019.

Prior to this he was the Group's Chief Financial Officer. While holding this position, Craig oversaw Sanctuary being the first housing association to implement a SAP enterprise solution and the formation of our Corporate Shared Service Centre. Craig is an ex-officio member of the Group Board.

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

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

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

Arvinda Gohil OBE, BA (Hons)
Group Board Member

Arvinda Gohil is Chief Executive of Central YMCA, the first ever YMCA set up in 1844. Central YMCA provides programmes and support across England in education, training, health, and wellbeing. She was previously Chief Executive of Community Links, a social action and advocacy charity based in East London. She has worked in the not-for-profit and charitable sector all of her working life, including as Chief Executive of Emmaus UK. Prior to this, she ran her own consultancy for five years, specialising in governance, leadership, and equalities.

Previous roles include Membership Services Director at the National Housing Federation; Assistant Director for Regulation at the Housing Corporation; and Chief Executive of two Black-led housing associations - Unity where she was a founder, and Inquilab. Her career started in housing and her first role was running a women's refuge specifically to support Black and Asian women. Arvinda has also worked in South Africa where she assisted in developing a social housing model.

As an experienced non-executive, Arvinda is currently Chair of The Peel, a charity that has been building a connected community in Clerkenwell since 1898. She is also a non-executive director of the Conduit, where she chairs the Impact Committee.

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

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

As part of his GP role James is an Honorary Senior Lecturer at the University of East Anglia, teaching clinical skills to second year medical students. He also advises general practices in difficulty.

James's involvement with Sanctuary followed a long association with Crossways Community, a charity providing long-term therapeutic residential accommodation for people with significant mental health issues in Tunbridge Wells and for which he was the Chair of Trustees. James is Chair of the Sanctuary Care Board and Chair of the Sanctuary Home Care Committee of Management.

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

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

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

Alok Bhalla BA (Hons) Economics, MBA
Chair of Remuneration Committee

Alok Bhalla had a long and successful career in the private sector with over 30 years of diverse experience in senior roles at financial institutions including Citibank, Credit Suisse and Deutsche Bank across multiple locations in India, Hong Kong and the United Kingdom. Over his career, he developed significant expertise across a number of asset classes including equities, debt, commodities, foreign exchange, rates and hybrids and has worked extremely closely with a range of clients, personally leading a number of landmark transactions in the Americas, Europe, Africa and Asia. Alok has held pivotal roles in leading and building businesses and teams, structuring and executing complex transactions, managing risk, and optimising balance sheet and capital.

Alok spends his time helping Private Equity owned entities and Private Equity/Venture Capital Funds raise structured debt from public and private markets. He also serves as a director, investor and adviser to a number of start-up companies whose founders he mentors.

Ros Kerslake CBE
Group Board Member

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

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

Alan West
Group Board Member

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

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

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

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

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

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

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

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

Board membership, as at the signing date, is summarised as follows:

Membership details	Group Board	Group Audit and Risk Committee	Group Housing Committee	Nominations Committee	Remuneration Committee	Succession Planning Committee**	Covid-19 Finance Scrutiny Committee***
Andrew Manning-Cox*	Chair (7/7)	-	-	Chair	-	Chair	Chair (2/2)
Craig Moule	✓ (7/7)	-	-	Lead Officer	Lead Officer (2/2)	Lead Officer	Lead Officer (2/2)
Trudi Elliott	Vice Chair (7/7)	-	Chair (4/4)	✓	-	✓	-
Arvinda Gohil	✓ (6/7)	-	✓ (4/4)	✓	-	✓	-
James Thallon	✓ (6/7)	-	-	✓	✓ (2/2)	✓	-
Ian Chisholm	✓ (7/7)	Chair (4/4)	-	✓	-	✓	-
Alok Bhalla	✓ (7/7)	-	-	✓	Chair (2/2)	✓	-
Ros Kerslake	✓ (3/3)	✓ (1/2)	-	✓	✓ (1/1)	✓	-
Alan West	✓ (3/3)	✓ (2/2)	-	✓	-	✓	-
Ed Lunt	✓ (6/7)	Lead Officer (4/4)	-	-	-	-	✓ (2/2)
Nicole Seymour	✓ (6/7)	-	-	-	-	-	-

*As Group Chair, Andrew Manning-Cox is an ex-officio member of all committees of the Group Board.

**The Succession Planning Committee is currently dormant.

***The Covid-19 Finance Scrutiny Committee was dissolved in September 2021.

Member attendance at committee meetings is also included in the table above. This is shown as (number of meetings attended in year/ number of meetings held in year). No meetings of the Nominations Committee took place during the year.

Code of Governance

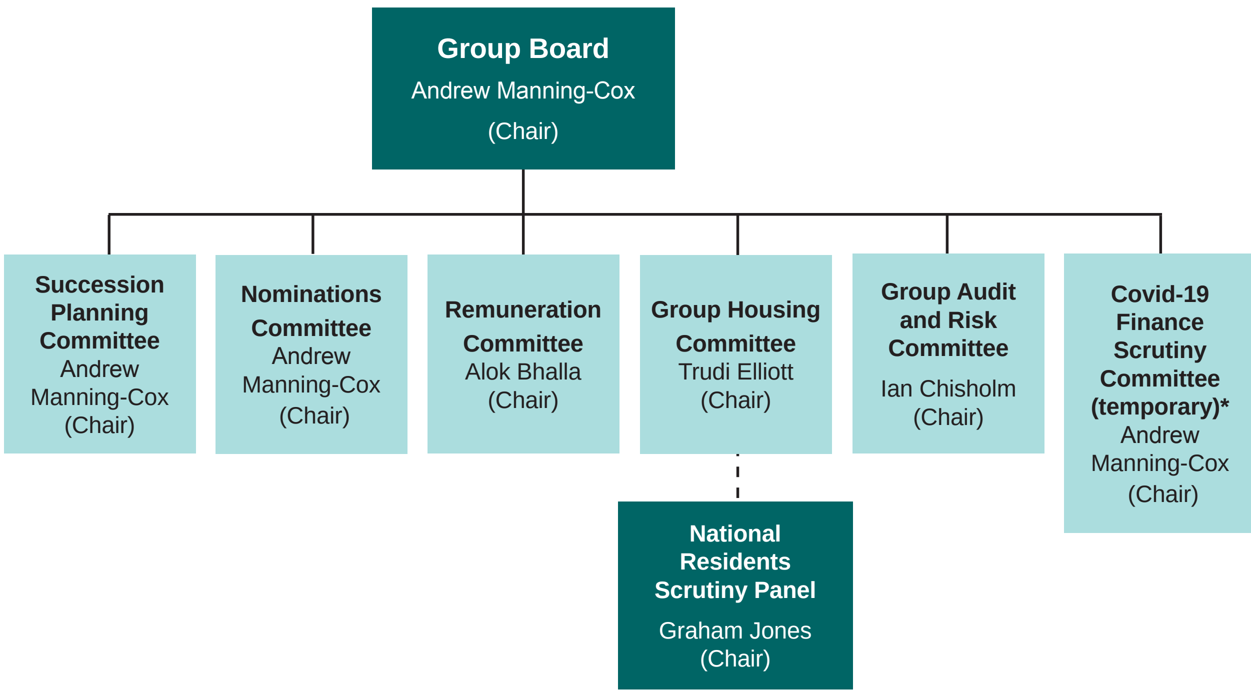
The Group Board considers that the Group and its Registered Provider subsidiaries comply with the provisions of the National Housing Federation's Code of Governance 2020.

Subsidiary Boards

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

Committees of the Group Board

Sanctuary has the following committee structure in place.



*The Covid-19 Finance Scrutiny Committee was dissolved in September 2021.

Group Audit and Risk Committee

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

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

Effectiveness – The Group Audit and Risk Committee:

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

Accountability – The Group Audit and Risk Committee:

a) Reviews and considers whether the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable before it is presented to the Group Board, focusing on:
- Accounting policies;
- Compliance with accounting standards;
- Findings of the external auditors, including significant audit adjustments; and
- Statements concerning internal controls and risk management.

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

Internal Audit – The Group Audit and Risk Committee:

a) Reviews the long-term plan and strategic focus for internal audit, approves the annual audit plan, and monitors results as presented in internal audit's annual report.
b) Reviews, considers and advises upon reports made by the internal audit services, as to the financial affairs of the Association and the functioning, maintenance and development of its financial control systems.
c) Advises the Group Board on the organisation and resourcing of the internal audit service.

External Audit – The Group Audit and Risk Committee:

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

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

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

Internal and External Audit

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

Group Housing Committee

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

Membership of the Group Housing Committee is determined by the Group Board and at least one third of the membership of the Committee comprises existing residents of the Association.

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

a) Reviews and approves housing-related policies, including social policy, ensuring they comply with current legislation, and meet or exceed standards as laid down by the Regulator of Social Housing (or its successors) or the Scottish Housing Regulator (or its successors) (together, the 'Regulators');
b) Makes recommendations to the Group Board or Executive Committee (as appropriate) on investment, covering reinvestment and capital programmes of work;
c) Sets and monitors service standards to ensure all services are delivered efficiently, offering Value for Money for residents and other stakeholders;
d) Oversees processes that ensure all activity is compliant with the regulatory requirements of the Regulators;
e) Ensures adequate and purposeful co-regulation and resident scrutiny arrangements are in place and working effectively;
f) Ensures that diversity and inclusion strategies and plans are delivered;
g) Makes sure the Local Offers and the Annual Reports to Residents are produced in a manner that ensures compliance with the Regulator's regulatory framework, and reflect the wishes of the Association's residents; and
h) Reviews consultation documents to be submitted by the Association to third parties.

Succession Planning Committee*

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

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

The Succession Planning Committee:

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

*The Succession Planning Committee is currently dormant.

Nominations Committee

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

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

The Nominations Committee:

a) Considers the suitability of candidates put forward by the Group Board for election to the Group Board by the shareholding membership; and
b) Provides feedback to the Group Board on its nominees, being mindful of any regulatory requirements and the need to ensure that the governing body has a wide range of skills, experience, and sufficient diversity to be able to maintain effective control of the organisation.

Remuneration Committee

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

The Remuneration Committee:

a) Determines and agrees with the Group Board the framework for the remuneration of Sanctuary Group Executive Directors;
b) Sets remuneration for the Group Executive Directors;
c) Determines targets for performance-related pay schemes operated by the Association in respect of each Group Executive Director;
d) Determines the policy and scope of pension arrangements for each Group Executive Director;
e) Determines, within the terms of the agreed framework, the total individual remuneration package of each Group Executive Director including, where appropriate, bonuses and incentive payments;
f) Monitors the structure and level of remuneration for senior management where senior management is defined as being those reporting directly to the Group Chief Executive;

g) Ensures that in relation to the Group Executive Directors and senior management, contractual terms on termination and any payments made, are fair to the individual and the Association, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
h) Considers employment conditions elsewhere in the Group and across the sector when determining annual salary increases for Executive Directors' pay;
i) Is aware of, and advises on, any major changes in employee benefit structures throughout the Group;
j) Agrees the policy for authorising claims for expenses from the Group Chief Executive;
k) Has exclusive responsibility for establishing the selection criteria, the selection and appointment of, and the setting of the Terms of Reference for, any remuneration consultants who advise the Committee;
l) Makes a statement in the Annual Report about its activities; the membership of the Committee, number of Committee meetings and attendance over the course of the year;
m) Conducts an annual review, or as and when needed, of the Terms of Reference to reflect any changes in regulatory requirements;
n) Gives due regard to the contents of associated guidance issued by the Regulators and the National Housing Federation and ensures that the provisions regarding disclosure of remuneration, including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the UK Corporate Governance Code (each as may be subsequently amended), are fulfilled. Where the Remuneration Committee decides not to comply with the requirements of the Combined Code it will explain the rationale for its decision; and
o) Reviews the Non-Executive Director remuneration annually and recommends to the Group Board, taking external advice where appropriate.

Covid-19 Finance Scrutiny Committee

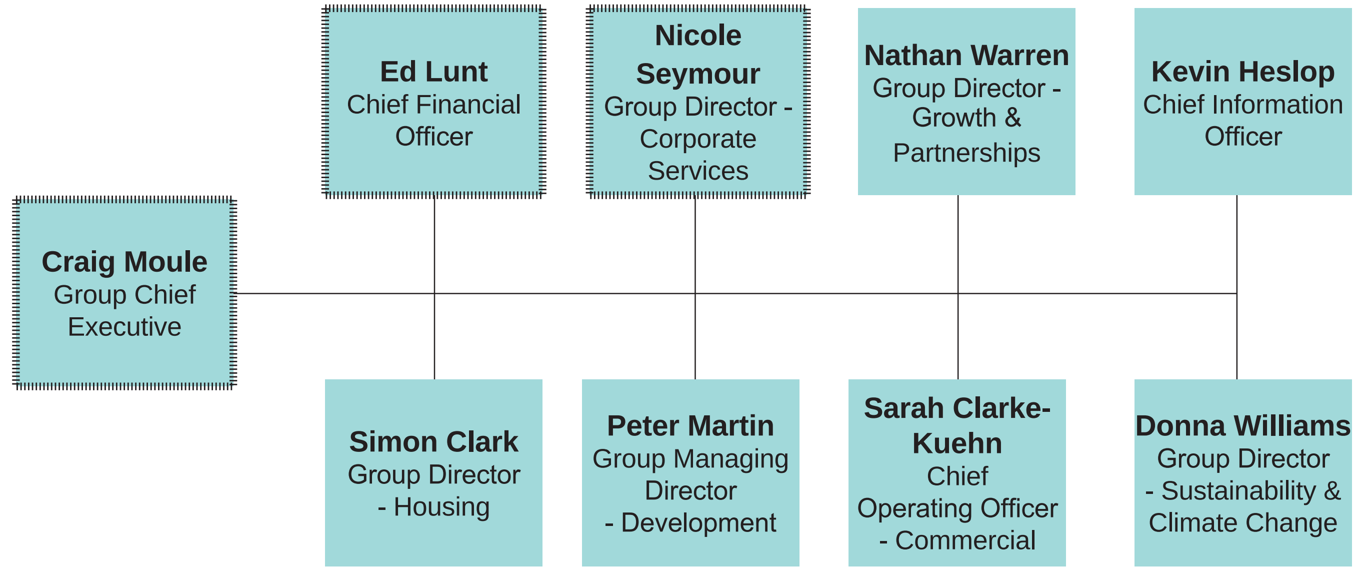
The Covid-19 Finance Scrutiny Committee was intended to be a temporary committee of the Group Board, established in response to the Covid-19 pandemic. The principal role of the committee was to provide financial oversight and scrutiny of Sanctuary on behalf of the Group Board.

The Covid-19 Finance Scrutiny Committee:

a) Monitored Sanctuary's cash flow and budget;
b) Scrutinised Sanctuary's financial performance; and
c) Reported and made recommendations to the Group Board.

The Covid-19 Finance Scrutiny Committee was dissolved in September 2021.

Executive Management



Executive Directors of Group Board

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

Simon Clark will be leaving Sanctuary at the end of June 2022. During his time at Sanctuary, Simon has played a fundamental part in supporting Sanctuary's strategic growth and the delivery of our mission and values. This has included leading the integration of organisations such as Rochford, Cosmopolitan, and Thistle, as well as developing our Customer Service Centre and embedding our approach to resident involvement and co-regulation. Thanks go to Simon for his commitment to resident engagement and customer service, which have been essential in placing the voice of our residents at the heart of Sanctuary's decision making.

Following a successful recruitment process, **Lizzie Hieron** will take up the post of Group Director - Housing and Property Services from 1 July 2022.

Lizzie's career history is heavily customer service focused, having worked in the energy sector and more recently as Chief Operating Officer for Midcounties Co-operative. She has a passion for affordable housing, working as a non-executive director for a smaller association, alongside her Chief Operating Officer role.

Group Executives (as at 27 June 2022)

Craig Moule BSc (Hons)
Group Chief Executive

Craig Moule has been with Sanctuary for over 30 years, having joined the organisation in 1989 from Coopers & Lybrand. Craig was appointed Group Chief Executive on 1 January 2019.

Prior to this he was the Group's Chief Financial Officer. While holding this position, Craig oversaw Sanctuary being the first housing association to implement a SAP enterprise solution and the formation of our Corporate Shared Service Centre. Craig is an ex-officio member of the Group Board.

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

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

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

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

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

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

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

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

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

Kevin Heslop BA (Hons)
Chief Information Officer

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

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

Simon Clark BA (Hons)
Group Director - Housing

Simon Clark is Group Director - Housing, with responsibility for Sanctuary's housing operations across England and Scotland.

With over 35 years' experience in social housing, Simon began his career with Sanctuary in 2007 as Managing Director of Rochford Housing Association, before taking on a wider Group role. In his current position, he is responsible for driving improvements in service delivery resulting in increased productivity, more effective working and improved customer experience.

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

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

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

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

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

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

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

As Group Director - Sustainability and Climate Change, Donna Williams is responsible for leading Sanctuary's transition to net zero carbon by 2050 as well as the strategy for delivering social impact across the organisation.

Donna initially joined Sanctuary through its successful graduate programme and since then has undertaken a number of communications roles including Director - Sales and Marketing before becoming Director of Sustainability and Climate Change. Donna is a Chartered Marketer with the Chartered Institute of Marketing and is currently completing an MBA with the University of Warwick, specialising in sustainability.

Internal Controls

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

The Group Board has established key procedures to provide internal control and there are clear lines of responsibility for the creation and maintenance of the procedures through the Executive Committee of Sanctuary.

These controls are designed to give reasonable assurance with respect to:

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

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

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

On behalf of the Group Board, the Group Audit and Risk Committee has reviewed the effectiveness of the systems of internal control in existence in the Group for the year ended 31 March 2022 and is not aware of any material changes at the date of signing the Financial Statements.

Going Concern

The Group Board's assessment of the Group and the Association's ability to continue as a going concern is based on consideration of cash flow forecasts for a period of at least 12 months from the date of approval of these Financial Statements, which show that the Group and Association will have sufficient funds to continue to meet liabilities as they fall due. In order to demonstrate the Group's financial resilience, a number of plausible downside scenarios have been modelled, which individually and in combination show that there is sufficient headroom for liquidity purposes and no breaches of covenants. Scenarios include: a prolonged period of high inflation, a rent freeze in England, deterioration in income collection, an increase in voids, a reduction in student and care occupancy, lower development sales and greater maintenance demand. Further details are given in note 1 to the Financial Statements on page 113.

Having assessed the principal risks as set out on pages 38 to 39, the previously mentioned sensitivities and other matters discussed in connection with the Viability Statement opposite, the Group Board considers that the Group and the Association have adequate resources to remain in operation for the foreseeable future, have sufficient cash to meet their needs for the foreseeable future and will continue to meet all borrowing covenants. The Group Board has therefore continued to adopt the going concern basis in preparing the Financial Statements.

Viability Statement

During the year the Group Board has assessed the viability of the Group in line with the business plan. This assessment has been made through the business planning process which takes account of both the Group's current position and its principal risks, which are detailed on pages 38 to 39.

The Group Board has determined that the period to 31 March 2025 is an appropriate period over which to provide its Viability Statement. While the Group Board believes that Sanctuary will be viable over a much longer period, this period has been chosen as it has a much greater degree of certainty.

The business planning process includes the Group's most recent targets, operational plans and a review of external factors. The operational plans provide long-term direction and are reviewed on at least an annual basis. The base strategy is tested through rigorous sensitivity analysis and stress testing using a series of robust downside financial scenarios which result in a financial impact. The testing also identifies the principal risks that may adversely impact the Group which include operational, political, business, liquidity, market and credit risk. The results of the testing ensure potential mitigating actions are appropriately developed.

Due to the inherent uncertainty involved in all business planning, it is not possible for the review to consider every risk that the Group may face. However, the Group Board considers that the stress testing performed includes all major risks and therefore provides strong assurance of the Group's financial viability. These risks include the expected impact of welfare reform on our tenants, further reductions in social rents, higher inflation and interest rates, the cost of achieving net zero and the impact of Covid-19.

Also key is the maintenance of a Group-wide assets and liabilities register and risk management processes that flow through to all of the Group's subsidiaries and operations. External assurance of the Group's viability is demonstrated by the Group's credit ratings (Moody's: A2 Stable and Standard & Poor's: A Stable), while the Group has strong liquidity in place and is able to refinance any debt due over the period.

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

The Group Board can also confirm that it has complied with the Governance and Financial Viability Standard set out by the RSH. During the year, the RSH gave Sanctuary Group ratings for Governance and Viability of G1 and V2 respectively (2021: G1 and V2).

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

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

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

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

In preparing these Financial Statements, the Group Board is required to:

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

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

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

Disclosure of Information to Auditor

In the case of each of the persons who are members of the Group Board at the date when this report was approved:

- So far as each of the members of the Group Board is aware, there is no relevant audit information of which the Group and Association's auditor is unaware; and
- Each of the members of the Group Board has taken all the steps that they ought to have taken as a Member of the Group Board to make themselves aware of any relevant audit information and to establish that the Group and Association's auditor is aware of that information.

Independent Auditor

KPMG LLP were reappointed for the 2022 year end after a tender exercise for external audit services was conducted. KPMG LLP has indicated its willingness to continue in office and a resolution concerning the appointment of the auditor for the 2023 year end will be proposed at the next Annual General Meeting.

By order of the Group Board.

Nicole Seymour
Secretary
27 June 2022
Registered office: Sanctuary House, Chamber Court, Castle Street, Worcester, WR1 3ZQ

Independent Auditor's Report
to Sanctuary Housing Association

KPMG

1. Our Opinion is Unmodified

We have audited the Financial Statements of Sanctuary Housing Association ('the Association') for the year ended 31 March 2022 which comprise the Group and Association Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and the related notes, including the accounting policies in note 1, and appendices 1, 2 and 3.

In Our Opinion:

- The Financial Statements give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2022 and of the Group's and Association's income and expenditure for the year then ended;
- The Group Financial Statements have been properly prepared in accordance with UK-adopted international accounting standards;
- The Association Financial Statements have been properly prepared in accordance with UK-adopted international accounting standards;
- The Group and Association Financial Statements comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- The Group and Association Financial Statements have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis For Opinion

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

We were first appointed as auditor by the Directors on 28 November 2014. The period of total uninterrupted engagement is for the eight financial years ended 31 March 2022. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group Financial Statements as a whole		£8.1m (2021: £7.5m) 1.0% (2021: 1%) Group of revenue
Coverage		94% (2021: 91%) of Group revenue
Key audit matters		**vs 2021**
Recurring risks	Care property impairment	◂ ▸
	Post-retirement benefits obligation	◂ ▸

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

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

	The Risk	Our Response
Care Property Impairment (Group asset value 2021: £291.2 million; 2020: £299.5 million; Impairment charge 2021: £2.7 million; 2020: £nil; Association asset value 2021: £108.7 million; 2020: £121.6 million; Impairment charge 2021: £nil; 2020: £nil) Refer to pages 115 and 123 (accounting policy) and page 148 (financial disclosures).	**Subjective Estimate:** The Group and Association holds care property at depreciated cost under IAS 16. In line with IAS 16 and IAS 36, the Group undertakes an annual review to identify any indication of impairment. Where such an indication exists, the carrying value of the property is compared to an estimate of the value in use of that property or the fair value less costs of disposal. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. Auditor judgement is required to assess whether the Directors' overall estimate, taking into account key occupancy level assumptions, falls within an acceptable range. The effect of these matters is that, as part of our risk assessment, we determined that care property impairment has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Financial Statements as a whole. The Financial Statements (note 12) disclose the range of reasonable outcomes for those properties where a trigger was identified.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: **Sector knowledge:** Assessing, through inquiry of operational finance personnel, inspection of year end financial information and assessment of external evidence, whether any trigger events have arisen which would indicate a possible impairment based on our knowledge of current market conditions. Our sector knowledge response included reviewing the impact of the recovery from Covid-19, and increased cost of living pressures on management's judgements. **Benchmarking assumptions:** Comparing the growth rate applied by the Group to externally derived data and assessing it with reference to historical growth rates achieved. **Benchmarking assumptions:** Challenging the key inputs used in the calculation of the discount rates used by the Group, including comparisons with external data sources and comparator Group data. **Historical comparisons:** Evaluating the Group's forecasting accuracy by comparing prior year forecast cash flows to those cash flows currently being achieved. **Assessing forecasts:** Challenging finance and operational personnel where forecast cash flows are significantly higher than current levels or do not reflect known or probable changes in the business environment. **Sensitivity analysis:** Performing our own sensitivity analysis on the assumptions noted above. **Assessing transparency:** Assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflect the risks inherent in the valuation. **Our Results** We found the carrying amount of care property to be acceptable (2021: acceptable).

	The Risk	Our Response
Post-Retirement Benefits Obligation (Group 2022: £477.3 million; 2021: £517.8 million; Association 2022: £446.7 million; 2021: £485.0 million) Refer to pages 115 and 130 (accounting policy) and pages 172 to 178 (financial disclosures).	**Subjective Estimate:** The valuation of the post-retirement benefits obligation involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Group and Association's pension liability could have a significant effect on the financial position of the Group and Association. Auditor judgement is required to assess whether the Directors' overall estimate, taking into account key discount rate assumptions, key inflation rate assumptions and key mortality rate assumptions, falls within an acceptable range. The effect of these matters is that, as part of our risk assessment, we determined that post-retirement benefits obligation has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Financial Statements as a whole. The Financial Statements (note 28) disclose the range estimated by the Group.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: **Benchmarking assumptions:** Challenging, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data. **Assessing transparency:** Considering the adequacy of the Group's disclosures in respect of the sensitivity of the post-retirement benefit obligations to these assumptions. **Our Results** We found the estimate of the post-retirement benefits obligation to be acceptable (2021: acceptable).

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

Materiality for the Group Financial Statements as a whole was set at £8.1 million (2021: £7.5 million), determined with reference to a benchmark of total Group revenue (of which it represents 1% (2021: 1%)). We consider revenue to be more appropriate than a profit-based benchmark as the Group is a not-for-profit organisation, therefore the focus is on revenue and any surplus generated is variable, with any surpluses reinvested in the Group.

Materiality for the Association's Financial Statements as a whole was set at £4.5 million (2021: £4.4 million), determined with reference to a benchmark of Association total revenue, of which it represents 1% (2021: 1%).

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

Performance materiality was set at 75% (2021: 75%) of materiality for the Financial Statements as a whole, which equates to £6.1 million (2021: £5.6 million) for the Group and £3.4 million (2021: £3.3 million) for the Association. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Group Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £0.40 million (2021: £0.38 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

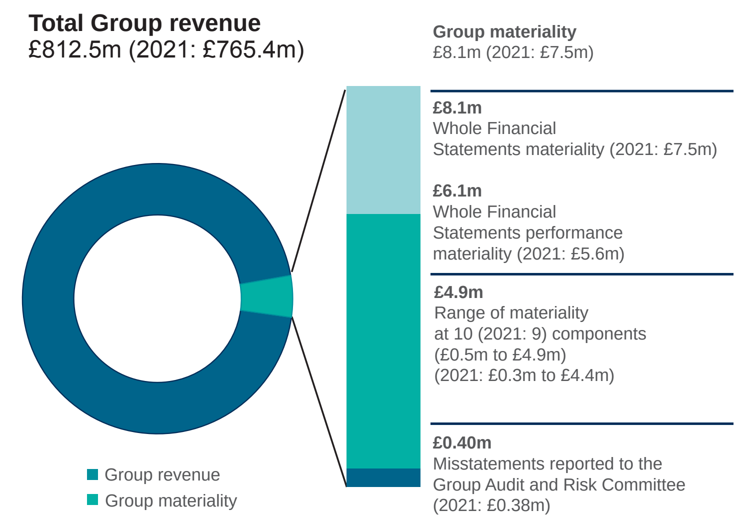
Of the Group's 35 (2021: 56) reporting components, we subjected 10 (2021: 9) to full scope audits for Group purposes.

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

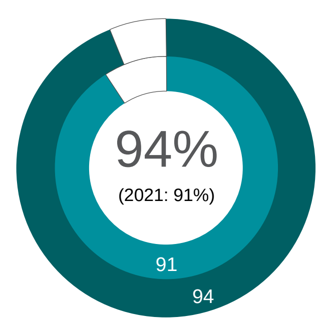
The remaining 6% (2021: 9%) of total Group revenue, 2% (2021: 4%) of total Group assets is represented by 25 (2021: 47) reporting components, none of which individually represented more than 1% (2021: 1%) of total Group revenue or total Group assets. For the residual components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

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

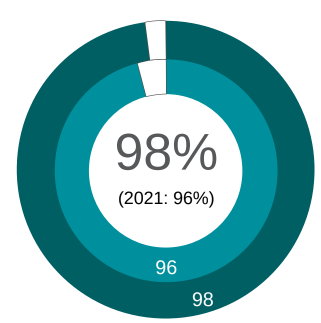
The Group team approved the component materialities, which ranged from £0.5 million to £4.9 million (2021: £0.3 million to £4.4 million), having regard to the mix of size and risk profile of the Group across the components.



Total Group revenue



Total Group assets



Key

- Full scope for Group audit purposes 2022
- Full scope for Group audit purposes 2021
- Residual components

4. Going Concern

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

We used our knowledge of the Group, its industry, and the general economic environment to identify the inherent risks to its business model and analysed how those risks might affect the Group's and Association's financial resources or ability to continue operations over the going concern period. The risks that we considered most likely to adversely affect the Group's and Association's available financial resources and/or metrics relevant to debt covenants over this period were the impact of the recovery from Covid-19, and increased cost of living pressures on the economy and trading for the Group and Association.

We considered whether these risks could plausibly affect the liquidity or covenant compliance in the going concern period by comparing severe, but plausible downside scenarios that could arise from these risks individually and collectively against the level of available financial resources and covenants indicated by the Group's financial forecasts.

We assessed the completeness of the going concern disclosure.

Our Conclusions Based on This Work:

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

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

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

Identifying and Responding to Risks of Material Misstatement Due to Fraud

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

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

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

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

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

We did not identify any additional fraud risks. We performed procedures including:

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

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

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

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

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the Financial Statements varies considerably.

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

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

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

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

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

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

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

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

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

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

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

We have nothing to report in these respects.

8. Respective Responsibilities

Directors' Responsibilities

As explained more fully in their statement set out on page 98, the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities

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

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

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

This report is made solely to the Association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Froom
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

28 June 2022

Statement of Comprehensive Income for the Year Ended 31 March 2022

	Notes	Group 2022 £m	Group 2021 £m	Association 2022 £m	Association 2021 £m
INCOME STATEMENT					
Continuing operations					
Revenue	2	812.5	765.4	454.8	437.0
Cost of sales	4	(49.8)	(30.0)	(2.4)	(1.2)
Operating expenditure	4	(593.6)	(572.6)	(344.3)	(327.2)
Other gains and losses	7	6.4	5.2	4.2	4.3
Other income	3	-	-	7.5	5.5
Share of profit of joint ventures	32	3.1	2.1	-	-
Operating surplus		**178.6**	**170.1**	**119.8**	**118.4**
Net gain from acquisitions	33	2.3	4.5	-	-
Finance income	9a	2.2	2.9	6.1	6.4
Finance costs	9b	(124.5)	(130.6)	(87.4)	(91.0)
Surplus before tax		**58.6**	**46.9**	**38.5**	**33.8**
Taxation	10	(0.3)	(0.2)	-	-
Surplus for the year from continuing operations		**58.3**	**46.7**	**38.5**	**33.8**
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to income or expense:					
Remeasurement of defined benefit pension scheme liability	27,28	44.3	(45.0)	41.7	(46.8)
Equity investments at fair value through other comprehensive income – net change in value	14,27	(0.1)	(0.1)	(0.1)	(0.1)
Items that may be reclassified subsequently to income or expense:					
Cash flow hedges – changes in fair value	27	3.1	(13.0)	3.1	(13.0)
Cost of hedging reserve – changes in fair value	27	0.1	(1.7)	0.1	(1.7)
Other comprehensive income for the year		**47.4**	**(59.8)**	**44.8**	**(61.6)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**105.7**	**(13.1)**	**83.3**	**(27.8)**

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

The notes and appendices on pages 112 to 198 form part of these Financial Statements.

Statement of Financial Position as at 31 March 2022

	Notes	Group 31 March 2022 £m	Group 31 March 2021 £m	Association 31 March 2022 £m	Association 31 March 2021 £m
ASSETS					
Non-current assets:					
Intangible assets	11	51.6	57.7	45.6	51.7
Property, plant and equipment	12	3,794.6	3,664.5	2,548.9	2,537.3
Investment property	13	248.0	247.7	155.2	151.2
Deferred tax assets	24	4.7	4.9	-	-
Derivative financial assets	15	26.4	20.6	26.4	20.6
Investments in subsidiaries	32	-	-	87.7	87.7
Equity accounted investments	32	2.9	2.2	-	-
Other investments	14	17.9	24.4	17.7	24.3
Trade and other receivables	16,17	33.8	42.0	49.5	137.5
		4,179.9	4,064.0	2,931.0	3,010.3
Current assets:					
Trade and other receivables	16,17	96.9	91.9	191.5	107.2
Inventory	18	201.1	164.7	0.1	0.6
Assets classified as held for sale	19	10.0	1.8	10.0	0.2
Cash and cash equivalents	30	102.1	494.7	10.4	5.1
		410.1	753.1	212.0	113.1
TOTAL ASSETS		**4,590.0**	**4,817.1**	**3,143.0**	**3,123.4**
LIABILITIES					
Current liabilities:					
Trade and other payables	20	216.2	195.1	116.2	90.9
Contract liabilities	2	44.0	43.5	24.1	23.1
Current tax liabilities	10	-	-	-	-
Loans and borrowings	21,22	34.4	336.2	25.2	29.1
Provisions	25	8.9	10.9	1.9	4.6
		303.5	585.7	167.4	147.7
Non-current liabilities:					
Trade and other payables	20	3.3	4.4	2.6	3.8
Loans and borrowings	21,22	3,040.5	3,041.1	1,703.0	1,740.5
Deferred tax liabilities	24	0.5	0.6	-	-
Derivative financial liabilities	15	1.5	2.8	-	-
Retirement benefit obligations	28	21.6	69.1	23.9	68.6
Provisions	25	5.1	5.1	-	-
		3,072.5	3,123.1	1,729.5	1,812.9
TOTAL LIABILITIES		**3,376.0**	**3,708.8**	**1,896.9**	**1,960.6**
EQUITY					
Equity attributable to owners of the parent:					
Ordinary shares	26	-	-	-	-
Cash flow hedge reserve	27	7.8	4.7	7.7	4.6
Cost of hedging reserve	27	(0.6)	(0.7)	(0.6)	(0.7)
Revaluation reserve	27	-	(0.1)	-	(0.1)
Restricted reserves	27	4.8	4.8	4.6	4.6
Retained earnings	27	1,202.0	1,099.6	1,234.4	1,154.4
TOTAL EQUITY		**1,214.0**	**1,108.3**	**1,246.1**	**1,162.8**
TOTAL EQUITY AND LIABILITIES		**4,590.0**	**4,817.1**	**3,143.0**	**3,123.4**

The notes and appendices on pages 112 to 198 form part of these Financial Statements.

The Financial Statements were authorised and approved by the Board on 27 June 2022 and signed on its behalf by:

Andrew Manning-Cox
Group Chair

Ed Lunt
Group Board Member, Chief Financial Officer

Nicole Seymour
Group Board Member, Secretary

Statement of Changes in Equity for the Year Ended 31 March 2022

Group	Share capital	Revenue reserve	Restricted reserves	Revaluation reserve	Cash flow hedge reserve	Cost of hedging reserve	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2020	-	1,100.4	2.2	0.1	17.7	1.0	1,121.4
Surplus for the year	-	46.7	-	-	-	-	46.7
Other comprehensive income	-	(45.0)	-	(0.1)	(13.0)	(1.7)	(59.8)
Total comprehensive income	**-**	**1.7**	**-**	**(0.1)**	**(13.0)**	**(1.7)**	**(13.1)**
Transfer of VRTB proceeds	-	(2.6)	2.6	-	-	-	-
Transfer of gain on disposal of equity investments	-	0.1	-	(0.1)	-	-	-
Total transfers	**-**	**(2.5)**	**2.6**	**(0.1)**	**-**	**-**	**-**
At 31 March 2021	**-**	**1,099.6**	**4.8**	**(0.1)**	**4.7**	**(0.7)**	**1,108.3**
At 1 April 2021	-	1,099.6	4.8	(0.1)	4.7	(0.7)	1,108.3
Surplus for the year	-	58.3	-	-	-	-	58.3
Other comprehensive income	-	44.3	-	(0.1)	3.1	0.1	47.4
Total comprehensive income	**-**	**102.6**	**-**	**(0.1)**	**3.1**	**0.1**	**105.7**
Transfer of VRTB proceeds	-	-	-	-	-	-	-
Transfer of loss on disposal of equity investments	-	(0.2)	-	0.2	-	-	-
Total transfers	**-**	**(0.2)**	**-**	**0.2**	**-**	**-**	**-**
At 31 March 2022	**-**	**1,202.0**	**4.8**	**-**	**7.8**	**(0.6)**	**1,214.0**

Association	Share capital	Revenue reserve	Restricted reserves	Revaluation reserve	Cash flow hedge reserve	Cost of hedging reserve	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2020	-	1,169.7	2.2	0.1	17.6	1.0	1,190.6
Surplus for the year	-	33.8	-	-	-	-	33.8
Other comprehensive income	-	(46.8)	-	(0.1)	(13.0)	(1.7)	(61.6)
Total comprehensive income	**-**	**(13.0)**	**-**	**(0.1)**	**(13.0)**	**(1.7)**	**(27.8)**
Transfer of VRTB proceeds	-	(2.4)	2.4	-	-	-	-
Transfer of gain on disposal of equity investments	-	0.1	-	(0.1)	-	-	-
Total transfers	**-**	**(2.3)**	**2.4**	**(0.1)**	**-**	**-**	**-**
At 31 March 2021	**-**	**1,154.4**	**4.6**	**(0.1)**	**4.6**	**(0.7)**	**1,162.8**
At 1 April 2021	-	1,154.4	4.6	(0.1)	4.6	(0.7)	1,162.8
Surplus for the year	-	38.5	-	-	-	-	38.5
Other comprehensive income	-	41.7	-	(0.1)	3.1	0.1	44.8
Total comprehensive income	**-**	**80.2**	**-**	**(0.1)**	**3.1**	**0.1**	**83.3**
Transfer of VRTB proceeds	-	-	-	-	-	-	-
Transfer of loss on disposal of equity investments	-	(0.2)	-	0.2	-	-	-
Total transfers	**-**	**(0.2)**	**-**	**0.2**	**-**	**-**	**-**
At 31 March 2022	**-**	**1,234.4**	**4.6**	**-**	**7.7**	**(0.6)**	**1,246.1**

The notes and appendices on pages 112 to 198 form part of these Financial Statements.

Statement of Cash Flows for the Year Ended 31 March 2022

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
CASH FLOWS FROM OPERATING ACTIVITIES				
Surplus for the year	58.3	46.7	38.5	33.8
Adjustments for:				
Depreciation, amortisation and impairment	78.1	78.6	58.6	57.7
Surplus on sale of property, plant and equipment	(6.4)	(5.0)	(4.2)	(4.1)
Surplus on sale of investments	-	(0.2)	-	(0.2)
Share of profits in joint venture	(3.1)	(2.1)	-	-
Net gain from acquisitions	(2.3)	(4.5)	-	-
Net finance costs	122.3	127.7	81.3	84.6
Tax expense	0.3	0.2	-	-
	188.9	194.7	135.7	138.0
Cash generated before working capital movements	247.2	241.4	174.2	171.8
Changes in:				
Trade and other receivables	0.1	(3.2)	(4.5)	16.3
Trade and other payables	26.2	31.1	13.5	16.0
Inventories	(36.4)	(52.4)	0.9	18.2
Retirement benefit obligations and provisions	(9.9)	1.6	(7.0)	0.4
	(20.0)	(22.9)	2.9	50.9
Cash generated from operating activities	227.2	218.5	177.1	222.7
Interest paid	(136.3)	(135.7)	(82.9)	(85.9)
Tax paid	-	(0.3)	-	-
Net cash inflow from operating activities	**90.9**	**82.5**	**94.2**	**136.8**
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	0.2	0.9	0.1	0.7
Proceeds from sale of property, plant and equipment	18.8	11.6	11.9	9.5
Proceeds from sale of investments	5.9	0.8	5.9	0.8
Acquisition and construction of property, plant and equipment, investment property and software	(234.5)	(185.5)	(73.3)	(72.4)
Acquisition of subsidiaries and other business combinations, net of cash acquired (note 33)	-	(6.4)	-	-
Acquisition of other investments	(0.4)	(0.8)	(0.4)	(0.9)
Capital grants received	19.0	53.4	-	-
Dividends received from joint ventures	2.4	4.3	-	-
Loans to joint ventures	8.4	3.8	8.4	3.8
Loans to other Group entities	-	-	3.0	(20.7)
Net cash outflow from investing activities	**(180.2)**	**(117.9)**	**(44.4)**	**(79.2)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loans and borrowings	32.5	642.7	17.0	87.2
Repayment of borrowings	(335.8)	(374.1)	(61.5)	(141.6)
Net cash flow from financing activities	**(303.3)**	**268.6**	**(44.5)**	**(54.4)**
Net increase/(decrease) in cash and cash equivalents	**(392.6)**	**233.2**	**5.3**	**3.2**
Cash and cash equivalents 1 April 2021	494.7	261.5	5.1	1.9
Cash and cash equivalents 31 March 2022	**102.1**	**494.7**	**10.4**	**5.1**

An analysis of changes in liabilities from financing activities is shown in note 30.

The notes and appendices on pages 112 to 198 form part of these Financial Statements.

Notes to the Financial Statements

1. Principal Accounting Policies

General Information

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

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

Basis of Accounting

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

Alternative Performance Measures

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

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

APMs are used for the following reasons:

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

In determining whether a non-recurring event should be adjusted for, the Group considers whether these items are significant either because of their size or their nature. An item will be considered for adjustment if it meets one of the following criteria:

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

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

Going Concern

The Group's operations, together with the factors likely to affect its future performance and financial position, are set out in the Strategic Report on pages 6 to 79.

The Group manages its exposure to risk, and this activity is reviewed and scrutinised by the Group Audit and Risk Committee. Details of the Group's Golden Rules and principal risks are discussed on pages 35 to 39.

Information about the Group's approach to treasury management can be found in the Chief Financial Officer's Review on pages 40 to 46, as well as within note 23 to the Financial Statements (Financial Instruments and Risk Management).

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

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

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

Significant liquidity and facilities to draw upon ensure the Group is able to withstand any additional external challenges that arise. At 31 March 2022, the Group had cash balances of £102.1 million and a further £433 million of undrawn facilities; the Group's total capacity stood at £1.8 billion (cash, undrawn facilities and available security).

Borrowing covenants are constantly monitored as part of the Group's Golden Rules, to ensure that they will continue to be met based on latest projections (page 35).

Having assessed the principal risks as set out on pages 35 to 39, the other matters discussed in connection with the viability statement on page 97 and the severe but plausible downside sensitivities, the Group Board considers that the Group and the Association have adequate resources to remain in operation for the foreseeable future, have sufficient cash to meet their needs for the foreseeable and will continue to meet all borrowing covenants. The Group Board has therefore continued to adopt the going concern basis in preparing the Financial Statements.

IFRSs Not Yet Applied

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

- Amendments resulting from Annual Improvements 2018-2020 Cycle (annual periods beginning on or after 1 January 2022).
- Onerous Contracts – Cost of Fulfilling a Contract, amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (annual periods beginning on or after 1 January 2022).
- Amendments to IAS 1 Presentation of Financial Statements (annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (annual periods beginning on or after 1 January 2023).

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

Critical Accounting Judgements

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

Classification of Property

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

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

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

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

Critical Accounting Estimates and Assumptions

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

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

Retirement Benefit Obligation Valuations

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

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

The Group is exposed to risks through its defined benefit schemes if actual experience differs to the assumptions used and through volatility in the plan assets. Details of the assumptions used, and associated sensitivities, are included in note 28.

Impairment of Care Home Property Assets

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

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

Further details of the general principles of impairment testing are included later within note 1. Details of the specific assumptions used, and associated sensitivities, are included in note 12.

Other Accounting Judgements, Estimates and Assumptions

Provisions and Contingent Liabilities

A provision is recognised when the Group has a measurable present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions, by their nature, have a degree of uncertainty over the timing or amount of the future expenditure required in settlement. Management determines the level of an obligation by considering the range of possible outcomes and estimating the probable financial effect of settlement using judgement based on past experience and, where applicable, information provided by independent experts. Details of the provisions held within the Group are included in note 25.

Contingent liabilities are possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Group's control, or present obligations that are not recognised because it is not probable that a settlement will be required or the value of such a payment cannot be reliably estimated. The Group does not recognise contingent liabilities but discloses them in note 35.

Inventory Carrying Value

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

Specific procedures for assessing development projects include:

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

Details of the year end review are included in note 18.

Fair Value of Acquired Assets and Liabilities Assumed in Business Combinations

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

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

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

Expected Credit Losses on Trade Receivables

Under IFRS 9, as long as there is no significant financing component, loss allowances for trade receivables are always measured at an amount equal to lifetime Expected Credit Losses (ECLs). Lifetime ECLs are a probability-weighted estimate of credit losses that result from all possible default events over the expected life of a financial instrument (see note 23). Due to the diverse activities of the Group a range of different methodologies are used to derive ECLs for the different operational areas, taking into account factors such as service type, customer type, customer status, age of debt, level of debt and legal status. Outcomes have been assessed by using both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment.

Revenue

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

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

Fair Value Measurement

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

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

- Investment property – disclosure only (note 13)
- Equity investments at FVOCI – listed investments (notes 14 and 23)
- Derivative financial instruments (notes 15 and 23).

Basis of Consolidation

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

Subsidiaries

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

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

Joint Arrangements

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

Application of the Equity Method to Joint Ventures

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

Transactions Eliminated on Consolidation

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

Goodwill Arising on Business Combinations

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

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

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

Investments Treated as Non-Current Assets

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

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

Revenue

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

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

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

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

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

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

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

Non-Capital Grants

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

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

Intangible Assets – Software

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

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

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

Property, Plant and Equipment and Depreciation

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

Land and Buildings

Land and buildings consists of housing properties for social rent (including care homes) and shared ownership properties. The provision of social housing is akin to supplying a service and therefore property held for the primary purpose of providing social benefits should be excluded from the scope of investment property and accounted for as PPE. Housing properties are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of such properties includes the following:

a) Cost of acquiring land and buildings;
b) Construction costs including internal equipment and fitting;
c) Directly attributable development administration costs;
d) Cost of capital employed during the development period;
e) Expenditure incurred in respect of improvements and extensions to existing properties; and
f) Construction costs incurred but not yet certified at the reporting date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic or social benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Expenditure on housing properties which is capable of generating increased future rents, extends their useful life, or significantly reduces future maintenance costs, is capitalised. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial year in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Structure	40 to 125 years
Doors and door entry systems	10 to 40 years
Bathrooms	15 to 40 years
External works	20 to 25 years
Heating systems	15 to 40 years
Kitchens	30 years
Lifts	10 years
Green technologies	25 years
Roof coverings	50 years
Windows	40 years
Electrical wiring	30 years

The acquisition and disposal of properties is accounted for on the date when completion takes place.

Offices, Plant and Equipment

Assets are stated at cost (this includes the original purchase price of the asset and the costs attributable to bringing the asset into its working condition for its intended use) less accumulated depreciation, which is charged on a straight-line basis to write off assets over their expected economic useful lives as follows:

Freehold land and buildings (offices) and improvements	10 to 40 years
Leasehold land and buildings (offices)	Over the period of the lease
Furniture and equipment	4 to 10 years
Motor vehicles	4 to 7 years
Computer equipment (excluding software)	4 to 10 years

Investment Property

Investment property is property which is held either to earn rental income or for capital appreciation or for both. The Group classifies its commercial property and its property held for student lettings as investment property. The Group has chosen to apply the cost model to all of its investment property; it is therefore stated at cost less accumulated depreciation.

Depreciation on investment property is charged on a straight-line basis to write off assets over its expected economic useful lives as follows:

Student property (right-of-use assets)	Over the period of the lease
Other investment property	As per PPE

Shared Ownership Property

Under shared ownership arrangements, the Group disposes of a long lease to the occupier; the initial lease premium paid for the first tranche is typically for between 25% and 75% of the value. The occupier has the right to purchase further proportions. A shared ownership property comprises two assets: that to be disposed of in the first tranche, which is recorded as inventory within current assets; and that retained by the Group, which is recorded as a non-current asset (PPE) in the same manner as general needs housing properties. Proceeds of sale for first tranches are accounted for as revenue in the Income Statement, with apportioned cost being shown as cost of sales within operating results. Subsequent tranches sold (staircasing) are reflected as surpluses or deficits on sale of housing properties, shown within other gains and losses on the Income Statement.

Capitalised Borrowing Costs and Capitalised Staff Costs

Interest on the Group's and Association's borrowings is capitalised when directly attributable to the construction of an asset that necessarily takes a substantial amount of time to get ready for its intended use or sale. For the Group, qualifying assets are properties under construction for sale or rental. The interest is either on borrowings specifically financing a scheme (after deduction of interest on Social Housing Grant (SHG) received in advance) or the weighted average borrowing rate across net borrowings deemed to be financing a scheme. Where a scheme has SHG in excess of costs, interest receivable is accrued against the balance.

Labour costs of the Group's and Association's own employees that are incurred in relation to the development of properties, whether for sale or rental, are also capitalised.

Social Housing Grant (SHG) and Other Public Grant

Where developments have been financed wholly or partly by SHG and/or other public grant, the amount of grant received is offset against the cost of developments on the face of the Statement of Financial Position. In instances where grant for the development programme exceeds development costs, an amount equal to the excess is held in payables. Where grants are receivable for the development programme in arrears the amounts are accrued within receivables. Where grants are repayable and the associated asset is sold, the grant is held within the recycled capital grant fund (RCGF) within payables until it is recycled or repaid to the issuer.

Where acquired entities have grant, the gross book value has been uplifted by the grant amount to show both the cost and grant element within the Group Statement of Financial Position.

Recycled Capital Grant Fund

In certain circumstances the Group and Association are permitted to retain the SHG relating to properties sold and to apply this to further property development within a certain time frame. If this time frame is exceeded the grant may be repayable. In these circumstances it is included within the RCGF within payables.

Impairment

Financial Assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Group recognises loss allowances for Expected Credit Losses (ECLs) on:

- Financial assets measured at amortised cost

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (that is the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. Twelve-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Loss allowances for trade receivables are measured at an amount equal to lifetime ECLs. Other loss allowances are measured at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date.
- Other debt securities and bank balances for which credit risk (that is the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, that is based on the Group's historical experience and informed credit assessment and includes forward-looking information.

The Group considers a debt security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'. The Group considers this to be 'Baa3' or higher as per the rating agency Moody's.

Non-Financial Assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit (CGU) exceeds its estimated recoverable amount. Impairment losses are recognised in the Income Statement. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects a market participant rate and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit'). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to CGUs.

Impairment Testing – Property

When an impairment indicator is identified, an impairment review is performed at an individual CGU level and carrying value is compared to recoverable amount, which is defined as the higher of:

- Fair value less selling costs, or
- Value in use.

Should the carrying value of the CGU exceed the higher of these measures, it is impaired to this value, with the movement going through the Income Statement.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

A valuation technique that may be used to determine fair value is the cost approach, which reflects the amount that would be required currently to replace the service capacity of the asset (current replacement cost). For social housing properties this is depreciated replacement cost (DRC) of the property. To determine the DRC, the Group uses information on current and recently completed developments in order to establish a build cost relevant to the property being tested, based on size, location, and other factors.

Value in Use (VIU) is the present value of the future cash flows expected to be derived from the CGU, established by estimating future cash inflows and outflows from the use of the asset and applying an appropriate discount rate to those cash flows.

Impairment Testing – Goodwill and Other Intangible Assets

The Group tests goodwill and other intangible assets annually for impairment or more frequently if there are indications that items might be impaired. The carrying value of the relevant CGU is compared to the recoverable amount to ascertain if impairment is required. Recoverable amounts for CGUs are based on the higher of value in use and fair value less costs of disposal. VIU is determined by calculating the present value of future cash flows of the CGU, using discount rates that reflect the time value of money and risks specific to the CGU.

Inventories

Inventories are stated at the lower of cost and net realisable value and comprise properties held for sale and consumables used by the Group's maintenance operation. Properties held for sale include properties held for outright sale and proportions of shared ownership properties allocated as first tranche sales; costs include direct materials, direct labour and other direct costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less any anticipated selling costs. Maintenance consumables are valued on a first in, first out basis.

Assets Classified as Held for Sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use, it is available for immediate sale and sale is highly probable within one year. On initial classification as held for sale, assets are measured at the lower of previous carrying amount and fair value less costs to sell with any adjustments taken to the Income Statement.

Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identical asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- The contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - The Group has the right to operate the asset; or
  - The Group designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocated the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

As a Lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the initial rate implicit in the lease. The Group uses a single discount rate for each portfolio of leases with reasonably similar characteristics.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the Statement of Financial Position.

Short-Term Leases and Leases of Low-Value Assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term and low value assets. The Group recognises the lease payments associated with the leases as an expense on a straight-line basis over the lease term.

As a Lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains a lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of revenue.

The accounting policies applicable to the Group as a lessor in the comparative period were not different from IFRS 16. However, when the Group was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

Financial Instruments

Recognition and Initial Measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and Subsequent Measurement

a) Financial Assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or FVPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business Model Assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level, because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The funding needs of the Group
- How the performance of the assets is evaluated and reported to the Group’s management
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed
- The contractual cash flows
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Assessment of Contractual Cash Flows that are Solely Payments of Principal and Interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (for example liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- Contingent events that would change the amount or timing of cash flows
- Terms that may adjust the contractual coupon rate, including variable-rate features
- Prepayment and extension features
- Terms that limit the Group's claim to cash flows from specified assets (for example non-recourse features).

b) Financial Liabilities

Financial liabilities are classified as measured at amortised cost or FVPL. A financial liability is classified as at FVPL if it is held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

a) Financial Assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its Statement of Financial Position but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

b) Financial Liabilities

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Derivative Financial Instruments and Hedge Accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments which hedge the variability in cash flows arising from changes in foreign exchange rates relating to foreign currency borrowings.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash Flow Hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in Other Comprehensive Income (OCI) and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The Group designates only the change in fair value of the spot element of the forward exchange contract as the hedging instrument in cash flow hedging relationships. The effective portion of changes in fair value of hedging instruments is accumulated in a cash flow hedge reserve as a separate component of equity.

The forward points are accounted for as a cost of hedging; they are recognised in OCI and accumulated in a cost of hedging reserve as a separate component within equity.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued the amount that has been accumulated in the hedging reserve remains in equity until it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

Financing Costs

Costs which are incurred directly in connection with the raising of private finance are deducted from the liability and amortised over the term of the loan on a consistent periodic rate of charge. Premiums or discounts on financial instruments are amortised using the effective interest rate basis or a straight-line basis where it can be demonstrated that there is no material difference between the two methods.

Leasehold Service Charge Sinking Funds

The Group and Association are required to set aside sums for future maintenance of certain properties subject to leasehold arrangements. These sums are held in a separate bank account to which interest is added. Amounts accumulated in the fund are included within trade and other receivables and within trade and other payables. Unutilised contributions to sinking funds and over recovery of service costs repayable to tenants/leaseholders are shown in liabilities (including any interest). Where there has been an under recovery of variable service charges, the balance is included within receivables to the extent it is recoverable.

Retirement Benefits

The Group's and Association's pension arrangements comprise various defined benefit and defined contribution schemes. Where the underlying assets and liabilities of the defined benefit schemes can be separately identified the Group recognises in full the schemes' surpluses or deficits on the Statement of Financial Position. Actuarial gains and losses for these schemes are included within other comprehensive income. Current and past service costs, curtailments and settlements are recognised within operating surplus. Interest on net pension liabilities is recognised as a finance expense. Key assumptions used in determining the valuation of defined benefit schemes are given within critical accounting estimates and assumptions.

For defined benefit pension schemes where a debt has been, or is soon to be, crystallised, the Group and Association recognise the full liability on the Statement of Financial Position based upon a cessation valuation.

For defined contribution arrangements, the cost charged to the Statement of Comprehensive Income represents the Group's contributions to those schemes in the financial year in which they fall due.

2. Revenue

Nature of Goods and Services and Revenue Recognition

The following is a description of the principal activities from which the Group derives its revenue.

Product/ Service	Nature, timing of satisfaction of performance obligations and significant payment terms
Social housing lettings income	Social housing lettings income relates to rent and service charges received from social housing tenancies, which may be classified as: general needs, sheltered housing, extra care, shared ownership (all affordable housing division), supported housing (supported living division) or key worker accommodation (student division). Revenue is recognised over time based on rental periods, in accordance with tenancy agreements. Where periodic timing differences arise between billing and rental periods, then revenue is accrued or deferred accordingly. Some older tenancy agreements include rent-free periods each year, in these cases income is accrued or deferred in order to recognise the rent-free periods on a straight-line basis over 52 weeks. Tenants generally pay weekly or monthly in advance.
Domiciliary	Home care services are provided to certain tenants of extra care schemes. Revenue is recognised based on care hours delivered. Clients are generally billed either weekly, fortnightly, four-weekly or monthly, in arrears, depending on the terms of the individual contract.
Supported registered services	Supported registered services (CQC registered services) encapsulate both residential and non-residential care and support. Residential care and support services are provided to individuals who are in care homes for reasons other than being an older person, for instance due to physical or mental disabilities. Revenue is recognised based on number of bed days occupied in the period. Billing is predominantly done on a four-week cycle, which may be in advance or arrears. Non-residential care and support services are generally supported living services where income is separately recognised for rent and service charges (social housing lettings income); support income may be received for support hours delivered, dependent upon the client needs and the agreements with the local authority and/or the client.

Product/ service	Nature, timing of satisfaction of performance obligations and significant payment terms
Supporting People income	Supporting People income is a specific form of revenue received from local authorities to provide housing-related support services to vulnerable individuals. This includes people with disabilities, people with mental health issues, young people, homeless people or people at risk of domestic violence. Revenue is recognised based either on support hours delivered in a period (spot contracts) or at a fixed amount each period (block contracts), depending on the specific agreement. Billing is predominantly done on a four-week cycle.
Care homes	Residential and nursing homes for older people are managed within the care division. Revenue relates to provision of residential/nursing care, with contracts in place with local authorities, the NHS and private self-funders. Revenue is recognised based on the number of bed days occupied (or available for occupation in the case of block contracts) in the period. Billing is generally monthly or four-weekly in advance.
Student lets	Student lettings income is received through direct lets or via nominations agreements with universities. Revenue is recognised in accordance with the rental contract periods and is generally billed termly in advance.
Facilities management	The Group provides facilities management services for several student and non-student sites. Performance is by virtue of managing the sites, with all that this entails, and so revenue is recognised equally throughout the year based on the contracted annual fees; this is generally billed quarterly.
Property sales – outright sales	Property held for sale in the ordinary course of business or in the process of construction or development for such a sale is treated as inventory as per IAS 2; sales of these properties are treated as revenue under IFRS which is consistent with the approach of the housing SORP. Revenue is recognised on the date of legal completion of the sale to the new owner of the property when consideration is also received.
Property sales – initial sales	Initial sales are governed by a shared ownership arrangement, where the Group will retain a percentage of the ownership of the property with the new shared owner having the remaining share. The Group recognises sales of shared ownership properties as those where the initial tranche of equity has been sold; this is treated as revenue under IFRS which is consistent with the approach of the housing SORP. Revenue is recognised on the date of legal completion of the sale of the acquired proportion when consideration is also received.

Disaggregation of Revenue

In the following tables, revenue is disaggregated by major products and services using the same headings as the note prepared to meet the requirements of the Accounting Direction for private registered providers of Social Housing 2022 (Appendices 1 and 2) and reconciled to the Group's operating segments (note 6).

Year ended 31 March 2022 - Group	Affordable housing	Supported living	Care	Student & market rented	Development property sales	All other segments	Total
	£m	£m	£m	£m	£m	£m	£m
Revenue recognised over time							
Income from social housing lettings	389.4	49.9	-	4.3	-	-	443.6
Home ownership and managed properties	6.6	1.2	-	-	-	-	7.8
Supported registered services	-	11.7	-	-	-	-	11.7
Supporting People contract income	0.1	29.1	-	-	-	-	29.2
Other social housing income	0.2	4.9	-	0.1	-	-	5.2
Student lettings, facilities management and commercial	2.2	-	-	53.0	-	-	55.2
Care homes	-	-	193.0	-	-	-	193.0
External maintenance services	3.2	-	-	-	-	-	3.2
Domiciliary	-	5.4	-	-	-	-	5.4
Non-social housing development contracts	-	-	-	-	-	0.1	0.1
Other development income	-	-	-	-	-	0.1	0.1
Other non-social housing income	0.6	-	-	-	-	0.6	1.2
Total revenue over time	**402.3**	**102.2**	**193.0**	**57.4**	**-**	**0.8**	**755.7**
Revenue at a point in time							
Shared ownership first tranche sales	-	-	-	-	17.7	1.4	19.1
Non-social housing property sales	-	-	-	-	37.7	-	37.7
Total revenue at a point in time	**-**	**-**	**-**	**-**	**55.4**	**1.4**	**56.8**
Total revenue from external customers	**402.3**	**102.2**	**193.0**	**57.4**	**55.4**	**2.2**	**812.5**
Less lease income	-	(5.1)	-	(6.4)	-	-	(11.5)
Revenue from contracts with customers	**402.3**	**97.1**	**193.0**	**51.0**	**55.4**	**2.2**	**801.0**

Year ended 31 March 2021 - Group	Affordable housing	Supported living	Care	Student & market rented	Development property sales	All other segments	Total
	£m	£m	£m	£m	£m	£m	£m
Revenue recognised over time							
Income from social housing lettings	373.6	47.6	-	4.1	-	-	**425.3**
Home ownership and managed properties	6.6	1.2	-	-	-	-	**7.8**
Supported registered services	-	12.2	-	-	-	-	**12.2**
Supporting People contract income	0.1	29.2	-	-	-	-	**29.3**
Other social housing income	0.3	5.4	-	0.1	-	-	**5.8**
Student lettings, facilities management and commercial	2.1	-	-	45.6	-	0.3	**48.0**
Care homes	-	-	188.7	-	-	-	**188.7**
External maintenance services	3.2	-	-	-	-	-	**3.2**
Domiciliary	-	6.0	-	-	-	-	**6.0**
Other development income	-	-	-	-	-	0.1	**0.1**
Other non-social housing income	0.6	-	-	-	-	1.4	**2.0**
Total revenue over time	**386.5**	**101.6**	**188.7**	**49.8**	**-**	**1.8**	**728.4**
Revenue at a point in time							
Shared ownership first tranche sales	-	-	-	-	14.6	-	**14.6**
Non-social housing property sales	-	-	-	-	22.4	-	**22.4**
Total revenue at a point in time	**-**	**-**	**-**	**-**	**37.0**	**-**	**37.0**
Total revenue from external customers	**386.5**	**101.6**	**188.7**	**49.8**	**37.0**	**1.8**	**765.4**
Less lease income	-	(4.7)	-	(7.1)	-	-	(11.8)
Revenue from contracts with customers	**386.5**	**96.9**	**188.7**	**42.7**	**37.0**	**1.8**	**753.6**

Year ended 31 March 2022 - Association	Affordable housing	Supported living	Care	Student & market rented	Development property sales	All other segments	Total
	£m	£m	£m	£m	£m	£m	£m
Revenue recognised over time							
Income from social housing lettings	321.9	37.4	-	4.3	-	-	**363.6**
Home ownership and managed properties	6.2	0.6	-	-	-	-	**6.8**
Supporting People contract income	0.1	14.5	-	-	-	-	**14.6**
Other social housing income	0.1	6.3	-	0.1	-	-	**6.5**
Student lettings, facilities management and commercial	-	-	-	32.2	-	-	**32.2**
Non-social housing development contracts	-	-	-	-	-	0.1	**0.1**
Other development income	-	-	-	-	-	0.1	**0.1**
Management charges (intra-Group)	-	-	-	-	-	21.4	**21.4**
Other non-social housing income	-	-	-	-	-	7.3	**7.3**
Total revenue over time	**328.3**	**58.8**	**-**	**36.6**	**-**	**28.9**	**452.6**
Revenue at a point in time							
Shared ownership first tranche sales	-	-	-	-	-	1.4	**1.4**
Non-social housing property sales	-	-	-	-	0.8	-	**0.8**
Total revenue at a point in time	**-**	-	-	-	**0.8**	1.4	**2.2**
Total revenue from external customers	**328.3**	**58.8**	**-**	**36.6**	**0.8**	**30.3**	**454.8**
Less lease income	-	(4.4)	-	(2.9)	-	-	(7.3)
Revenue from contracts with customers	**328.3**	**54.4**	**-**	**33.7**	**0.8**	**30.3**	**447.5**

Year ended 31 March 2021 - Association	Affordable housing	Supported living	Care	Student & market rented	Development property sales	All other segments	Total
	£m	£m	£m	£m	£m	£m	£m
Revenue recognised over time							
Income from social housing lettings	314.4	35.7	-	4.1	-	-	**354.2**
Home ownership and managed properties	6.0	0.6	-	-	-	-	**6.6**
Supporting People contract income	-	15.1	-	-	-	-	**15.1**
Other social housing income	0.1	6.0	-	0.1	-	-	**6.2**
Student lettings, facilities management and commercial	-	-	-	28.4	-	0.3	**28.7**
Non-social housing development contracts	-	-	-	-	-	-	**-**
Other development income	-	-	-	-	-	0.1	**0.1**
Management charges (intra-Group)	-	-	-	-	-	17.1	**17.1**
Other non-social housing income	-	-	-	-	-	7.6	**7.6**
Total revenue over time	**320.5**	**57.4**	**-**	**32.6**	**-**	**25.1**	**435.6**
Revenue at a point in time							
Shared ownership first tranche sales	-	-	-	-	0.1	-	**0.1**
Non-social housing property sales	-	-	-	-	1.3	-	**1.3**
Total revenue at a point in time	**-**	**-**	**-**	**-**	**1.4**	**-**	**1.4**
Total revenue from external customers	**320.5**	**57.4**	**-**	**32.6**	**1.4**	**25.1**	**437.0**
Less lease income	-	(4.5)	-	(4.0)	-	-	(8.5)
Revenue from contracts with customers	**320.5**	**52.9**	**-**	**28.6**	**1.4**	**25.1**	**428.5**

Contract Balances

The following table provides information about receivables and contract liabilities from contracts with customers.

	Group		Association	
	2022	2021	2022	2021
	£m	£m	£m	£m
Contract receivables (included in trade and other receivables)				
Tenant rental receivables (note 16)	13.0	11.2	10.0	8.5
Other trade receivables (note 16)	19.1	21.5	4.4	4.5
Accrued income (note 16)	14.0	15.2	2.5	3.7
	46.1	47.9	16.9	16.7
Contract liabilities				
Payments received in advance	(25.6)	(30.2)	(15.8)	(17.8)
Deferred income	(18.4)	(13.3)	(8.3)	(5.3)
	(44.0)	**(43.5)**	**(24.1)**	**(23.1)**

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about remaining performance obligations that have original expected durations of one year or less.

3. Other Income

	Group		Association	
	2022	2021	2022	2021
	£m	£m	£m	£m
Gift aid	-	-	7.5	5.5
	-	**-**	**7.5**	**5.5**

4. Surplus for the Year

Cost of sales relates to the cost of properties sold in the ordinary course of business. Expenditure relating to the provision of services, which forms the majority of the Group's activities, is shown within operating expenditure.

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
The surplus is arrived at after charging/(crediting):				
Cost of sales				
Cost of inventories recognised as an expense	49.8	30.0	2.4	1.2
Operating expenditure				
Rented and sheltered bad debts (note 23)	3.8	3.5	2.9	2.7
Other bad debts (note 23)	1.2	3.0	0.6	1.4
Amortisation of intangible assets (software) (note 11)	10.9	10.1	10.9	10.1
Depreciation of property, plant and equipment (note 12)	61.9	61.5	46.4	47.1
Impairment of property, plant and equipment (note 12)	1.1	2.7	(0.7)	-
Depreciation of investment property (note 13)	4.2	2.2	2.0	0.5
Impairment of investment property (note 13)	-	1.1	-	-
Impairment of assets classified as held for sale (note 19)	-	1.0	-	-
Non-capital grants offset against operating expenditure	11.7	14.5	0.1	2.5
Other gains and losses				
Surplus on sale of property, plant and equipment (note 7)	6.4	5.0	4.2	4.1
Surplus on sale of investments (note 7)	-	0.2	-	0.2

5. Auditor's Remuneration

Auditor's remuneration (excluding VAT) for audit and non-audit services comprises:

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
Fees payable to the Association's auditor and its associates for the audit of these Financial Statements	0.5	0.4	0.4	0.4
Fees payable to the Association's auditors for other services to the Group:				
The audit of the Association's subsidiaries	0.2	0.2	-	-
Total audit fees	**0.7**	**0.6**	**0.4**	**0.4**
Other assurance services	0.2	0.2	0.2	0.2
Total non-audit fees	**0.2**	**0.2**	**0.2**	**0.2**
Total audit and non-audit fees	**0.9**	**0.8**	**0.6**	**0.6**

The above shows fees paid to the Group's external statutory auditor.

Amounts receivable by the Association's auditor and its associates in respect of the audit of Financial Statements of associated pension schemes totals £13,000 (2021: £11,000).

Other assurance services relate to regulatory reviews and the audit of service charge accounts and during year ended 31 March 2021, assurance services related to a bond issue.

6. Operating Segments

The Group's reportable segments are based on its operational divisions which offer distinguishable services, are managed separately and are regularly assessed by the chief operating decision maker, identified as the Executive Committee, comprising the Group Chief Executive, the Chief Financial Officer and the Group Director – Corporate Services.

Operating division results include items directly attributable to the segment, together with apportioned centralised costs. Central costs are allocated based on a number of factors including headcounts, desk spaces, asset values and turnover within each of the respective operations.

Information relating to each reportable segment is set out below:

2022	Affordable housing	Supported living	Care	Student & market rented	Development sales	All other segments*	Intra-Group eliminations	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	402.3	102.2	193.0	57.4	55.4	2.2	-	812.5
Internal maintenance income	133.6	-	-	-	-	-	(133.6)	-
Internal maintenance costs	(133.6)	-	-	-	-	-	133.6	-
Cost of sales	-	-	-	-	(47.8)	(2.0)	-	(49.8)
Operating costs	(199.7)	(92.5)	(177.8)	(30.1)	-	(5.4)	-	(505.5)
Divisional EBITDA**	**202.6**	**9.7**	**15.2**	**27.3**	**7.6**	**(5.2)**	**-**	**257.2**
Depreciation	(42.0)	(8.3)	(10.5)	(6.6)	-	(1.3)	-	(68.7)
Impairment	-	-	(1.1)	-	-	-	-	(1.1)
Reportable segment surplus	**160.6**	**1.4**	**3.6**	**20.7**	**7.6**	**(6.5)**	**-**	**187.4**
Corporate central overheads***								(18.3)
Share of profits of joint ventures								3.1
Underlying Group operating surplus								**172.2**
Other gains and losses (note 7)								6.4
Total Group operating surplus								**178.6**

2021	Affordable housing	Supported living	Care	Student & market rented	Development sales	All other segments*	Intra-Group eliminations	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	386.5	101.6	188.7	49.8	37.0	1.8	-	765.4
Internal maintenance income	124.4	-	-	-	-	-	(124.4)	-
Internal maintenance costs	(124.4)	-	-	-	-	-	124.4	-
Cost of sales	-	-	-	-	(30.0)	-	-	(30.0)
Operating costs	(176.6)	(93.3)	(178.6)	(28.3)	-	(8.0)	-	(484.8)
Divisional EBITDA**	**209.9**	**8.3**	**10.1**	**21.5**	**7.0**	**(6.2)**	**-**	**250.6**
Depreciation	(40.7)	(7.0)	(10.0)	(6.4)	-	(1.3)	-	(65.4)
Impairment	-	-	(3.7)	(1.1)	-	-	-	(4.8)
Reportable segment surplus	**169.2**	**1.3**	**(3.6)**	**14.0**	**7.0**	**(7.5)**	**-**	**180.4**
Corporate central overheads***								(15.8)
Share of profits of joint ventures								2.1
Underlying Group operating surplus								**166.7**
Restructuring costs								(1.8)
Other gains and losses (note 7)								5.2
Total Group operating surplus								**170.1**

Divisional EBITDA %	Affordable housing	Supported living	Care	Student & market rented	Development sales	Total
2022	50.4%	9.5%	7.9%	47.6%	13.7%	31.7%
2021	54.3%	8.2%	5.4%	43.2%	18.9%	32.7%

*Other segments comprises sundry external income and associated costs and development administration costs.

**Divisional EBITDA is defined as segment surplus with office and equipment depreciation and software amortisation costs removed. Other gains and losses have not been attributed across divisions. Further information explaining alternative performance measures is included in Appendix 3.

***Included within corporate central overheads is depreciation of £8.3 million (2021: £8.4 million).

Details of the Group's operating divisions are included in the Business Reviews on pages 48 to 67.

7. Other Gains and Losses

Group

2022	Right to buy/ acquire	Subsequent staircasing	Disposal of surplus properties	Other fixed assets	Fixed asset investments	Total 2022
	£m	£m	£m	£m	£m	£m
Proceeds	5.4	10.3	2.2	0.9	5.9	24.7
Cost of disposals	(4.6)	(4.8)	(2.7)	(0.3)	(5.9)	(18.3)
	0.8	5.5	(0.5)	0.6	-	6.4

2021	Right to buy/ acquire	Subsequent staircasing	Disposal of surplus properties	Other fixed assets	Fixed asset investments	Total 2021
	£m	£m	£m	£m	£m	£m
Proceeds	4.2	5.6	1.1	0.7	0.8	**12.4**
Cost of disposals	(3.2)	(2.6)	(0.5)	(0.3)	(0.6)	**(7.2)**
	1.0	3.0	0.6	0.4	0.2	**5.2**

Association

2022	Right to buy/ acquire	Subsequent staircasing	Disposal of surplus properties	Other fixed assets	Fixed asset investments	Total 2022
	£m	£m	£m	£m	£m	£m
Proceeds	5.4	4.8	0.7	1.4	5.9	18.2
Cost of disposals	(4.6)	(1.9)	(0.8)	(0.8)	(5.9)	(14.0)
	0.8	2.9	(0.1)	0.6	-	4.2

2021	Right to buy/ acquire	Subsequent staircasing	Disposal of surplus properties	Other fixed assets	Fixed asset investments	Total 2021
	£m	£m	£m	£m	£m	£m
Proceeds	4.2	3.6	1.0	0.7	0.8	**10.3**
Cost of disposals	(3.2)	(1.3)	(0.5)	(0.4)	(0.6)	**(6.0)**
	1.0	2.3	0.5	0.3	0.2	**4.3**

Cost of disposals includes the carrying amount of assets prior to disposal and other related disposal costs.

Subsequent staircasing relates to shared ownership properties, where the tenant owners have purchased an additional stake in the property from the Group or Association. This is treated as a gain or loss on asset disposal based on guidance from the SORP that does not conflict with IFRS.

8. Key Management Remuneration and Employee Information

Key Management Personnel

Members of the Board of Directors and Executive Committee are deemed to be key management personnel.

Emoluments of the Group Board for the financial year was as follows:

	2022	2021
	£'000	£'000
Salary and benefits in kind – Executive Board Directors	774	730
Pension contributions and payments in lieu of pension contributions – Executive Board Directors	74	70
	848	800
Salary – Non-Executive Board Directors	203	190
Benefits in kind – Non-Executive Board Directors	-	-
	1,051	**990**

The emoluments (excluding pension contributions and analogous payments) of the Group Board Directors and Executive Committee were:

		Salary	Benefits excluding pension contributions and payments in lieu of pension contributions	Total	Pension contributions and payments in lieu of pension contributions
		£'000	£'000	£'000	£'000
Executive Board Members at 31 March 2022 and those served during the year					
Craig Moule	Group Chief Executive	335	17	**352**	50
Ed Lunt	Chief Financial Officer	240	14	**254**	12
Nicole Seymour	Group Director – Corporate Services	155	13	**168**	12

		Salary	Other benefits	Total
		£'000	£'000	£'000
Non-Executive Board Members				
Andrew Manning-Cox	Group Chair	45	-	**45**
Trudi Elliott	Vice Chair	25	-	**25**
Elwyn Roberts (resigned 21 September 2021)	Non-Executive Board Director	12	-	**12**
Denise Plumpton (resigned 21 September 2021)	Non-Executive Board Director	10	-	**10**
James Thallon	Non-Executive Board Director	25	-	**25**
Arvinda Gohil	Non-Executive Board Director	20	-	**20**
Alok Bhalla	Non-Executive Board Director	21	-	**21**
Ian Chisholm	Non-Executive Board Director	23	-	**23**
Ros Kerslake (appointed 21 September 2021)	Non-Executive Board Director	10	-	**10**
Alan West (appointed 21 September 2021)	Non-Executive Board Director	12	-	**12**
Other members of the Executive				
Operating division Directors		1,003	78	**1,081**

The emoluments of the highest paid Executive Group Board Director (excluding payments in lieu of pension contributions) were £352,000 (2021: £328,000).

Key Management Personnel – Expenses

In addition to the emoluments detailed on page 141, key management personnel were reimbursed for expenses necessarily incurred in the conduct of their duties amounting to £7,700 (2021: £7,680).

Employee Information

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
Employee (including Directors) costs charged during the year amounted to:				
Wages and salaries	285.9	293.5	92.2	94.9
Social security costs	25.2	25.1	9.0	8.9
Other pension costs	10.3	11.6	5.1	5.3
	321.4	**330.2**	**106.3**	**109.1**

	Group		Association	
	2022 Number	2021 Number	2022 Number	2021 Number
The average monthly number of persons (including Directors) employed during the year expressed in full-time equivalents was:				
Site-based staff	7,107	7,437	769	789
Office-based staff	2,788	2,862	2,062	2,125
	9,895	**10,299**	**2,831**	**2,914**

Full-time equivalents have been calculated based on hours worked compared to the standard level of working hours per week for an equivalent employee in the same business area.

Loans totalling £13,436 (2021: £15,653) have been made to employees for tools and travel season tickets. All loans are interest bearing at a commercial rate with terms varying between one and five years.

Senior Pay Banding

In the year, the following number of staff within the social housing part of the business, expressed in full-time equivalents, were paid remuneration (including pensions) of over £60,000:

	2022 Number	2021 Number
£60,000-£69,999	98	98
£70,000-£79,999	50	50
£80,000-£89,999	40	38
£90,000-£99,999	18	22
£100,000-£109,999	9	8
£110,000-£119,999	7	6
£120,000-£129,999	4	5
£130,000-£139,999	3	2
£140,000-£149,999	5	4
£170,000-£179,999	1	2
£180,000-£189,999	1	-
£200,000-£209,999	1	1
£210,000-£219,999	-	1
£220,000-£229,999	-	2
£230,000-£239,999	3	-
£240,000-£249,999	-	2
£260,000-£269,999	1	-
£370,000-£379,999	-	1
£400,000-£409,999	1	-
	242	**242**

9. Finance Income and Costs

a) Finance Income

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
Interest received and receivable from:				
Short-term cash deposits	1.1	1.5	1.1	1.3
Listed investments	0.2	0.5	0.2	0.5
Other interest	0.9	0.9	4.8	4.6
	2.2	**2.9**	**6.1**	**6.4**

b) Finance Costs

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
Bank loans, overdrafts and other loans:				
Repayable within five years by instalments	17.8	16.1	14.8	12.0
Repayable wholly or partly in more than five years	109.8	113.4	71.0	76.3
Interest in respect of right-of-use assets	9.7	9.7	3.1	3.2
Less: amounts transferred to housing properties in the course of construction within PPE and inventory	(10.1)	(7.8)	(0.1)	(0.4)
	127.2	131.4	88.8	91.1
Fair value gain on derivative financial instruments	(1.3)	(0.7)	-	-
Finance costs/(income) of defined benefit pension schemes	1.3	(0.1)	1.3	(0.1)
Gain on refinancing	(2.7)	-	(2.7)	-
	124.5	**130.6**	**87.4**	**91.0**

Included within bank loans, overdrafts and other loans repayable wholly or partly in more than five years is £1.5 million (2021: £1.4 million) in respect of premium and discount amortisation for the Group and £1.1 million (2021: £1.1 million) for the Association.

10. Taxation on Surplus on Ordinary Activities

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
Corporation tax:				
Current year	0.1	-	-	-
Adjustments in respect of prior year	0.1	-	-	-
Current tax charge	0.2	-	-	-
Deferred tax charges:				
Temporary timing differences	0.1	0.2	-	-
	0.1	0.2	-	-
Total tax charge	**0.3**	**0.2**	**-**	**-**

A significant proportion of the Group's activities occurs in Group entities recognised by Her Majesty's Revenue and Customs as exempt charities for tax purposes and are therefore not liable to corporation tax on surpluses.

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

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
Surplus before tax	58.6	46.9	38.5	33.8
	58.6	46.9	38.5	33.8
Surplus before tax multiplied by the main rate of corporation tax in the UK of 19% (2021: 19%)	11.2	8.9	7.4	6.4
Effects of:				
Activities which are exempt from taxation	(11.1)	(8.9)	(7.4)	(6.4)
Adjustments in respect of prior year	0.1	-	-	-
Temporary timing differences	0.1	0.2	-	-
Total tax charge	**0.3**	**0.2**	**-**	**-**

Factors affecting future tax charge:

The Finance Act 2021 was substantively enacted on 24 May 2021, following enactment, the rate of corporation tax will remain at 19% for 2022/2023 but will increase to a main rate of 25% for profits over £250,000 from April 2023.

11. Intangible Assets

Group	Goodwill	Software (external)	Software (internal)	Total
	£m	£m	£m	£m
Cost				
At 1 April 2020	5.9	96.0	6.7	108.6
Additions	-	4.7	0.7	5.4
Transfer from property, plant and equipment	-	0.4	-	0.4
At 31 March 2021	5.9	101.1	7.4	114.4
At 1 April 2021	5.9	101.1	7.4	114.4
Additions	-	5.0	-	5.0
Transfer to property, plant and equipment	-	(0.2)	-	(0.2)
Disposals	-	(0.3)	-	(0.3)
At 31 March 2022	5.9	105.6	7.4	118.9
Amortisation and impairment				
At 1 April 2020	-	46.5	0.1	46.6
Amortisation for the year	-	10.1	-	10.1
At 31 March 2021	-	56.6	0.1	56.7
At 1 April 2021	-	56.6	0.1	56.7
Amortisation for the year	-	10.9	-	10.9
Disposals	-	(0.3)	-	(0.3)
At 31 March 2022	-	67.2	0.1	67.3
Net book amount at 31 March 2022	**5.9**	**38.4**	**7.3**	**51.6**
Net book amount at 31 March 2021	5.9	44.5	7.3	57.7
Net book amount at 1 April 2020	5.9	49.5	6.6	62.0

Association	Goodwill	Software (external)	Software (internal)	Total
	£m	£m	£m	£m
Cost				
At 1 April 2020	-	95.9	6.7	102.6
Additions	-	4.7	0.7	5.4
Transfer from property, plant and equipment	-	0.4	-	0.4
At 31 March 2021	-	101.0	7.4	108.4
At 1 April 2021	-	101.0	7.4	108.4
Additions	-	5.0	-	5.0
Transfer to property, plant and equipment	-	(0.2)	-	(0.2)
Disposals	-	(0.3)	-	(0.3)
At 31 March 2022	-	105.5	7.4	112.9
Amortisation and impairment				
At 1 April 2020	-	46.5	0.1	46.6
Amortisation for the year	-	10.1	-	10.1
At 31 March 2021	-	56.6	0.1	56.7
At 1 April 2021	-	56.6	0.1	56.7
Amortisation for the year	-	10.9	-	10.9
Disposals	-	(0.3)	-	(0.3)
At 31 March 2022	-	67.2	0.1	67.3
Net book amount at 31 March 2022	**-**	**38.3**	**7.3**	**45.6**
Net book amount at 31 March 2021	-	44.4	7.3	51.7
Net book amount at 1 April 2020	-	49.4	6.6	56.0

In accordance with the policies set out in note 1, goodwill was tested for impairment at the year end. No impairment was found or recorded in respect of goodwill.

12. Property, Plant and Equipment

Group	Land and buildings	Land and buildings shared ownership	Plant and equipment	Offices	Under construction	Shared ownership under construction	Total
Cost	£m	£m	£m	£m	£m	£m	£m
Balance at 1 April 2020	5,341.7	147.8	118.4	73.4	170.3	40.4	5,892.0
Acquisitions	39.1	-	-	0.7	-	-	39.8
Additions	60.3	-	14.7	-	110.5	15.8	201.3
Transfer to completed land and buildings	66.2	17.0	-	-	(66.2)	(17.0)	-
Transfer between PPE categories	14.5	2.6	(0.6)	(11.2)	(5.1)	(0.2)	-
Transfer (to)/from investment property	(3.8)	-	0.3	-	-	-	(3.5)
Transfer to intangible assets	-	-	(0.4)	-	-	-	(0.4)
Transfer from/(to) inventory	0.8	-	-	-	(8.9)	(9.0)	(17.1)
Transfer to assets held for sale	(2.6)	-	-	-	-	-	(2.6)
Other transfers	-	-	-	-	(1.6)	(0.7)	(2.3)
Reclassification between grant, depreciation and cost	20.2	-	-	-	1.1	-	21.3
Disposals	(12.5)	(2.6)	(3.8)	-	-	-	(18.9)
Balance at 31 March/1 April 2021	5,523.9	164.8	128.6	62.9	200.1	29.3	6,109.6
Additions	83.1	0.2	13.8	-	118.3	19.6	235.0
Acquisitions	4.7	-	-	-	-	-	4.7
Transfer to completed land and buildings	86.1	17.7	-	-	(86.1)	(17.7)	-
Transfer between PPE categories	(4.7)	4.8	-	-	(0.1)	-	-
Transfer to investment property	(5.9)	-	-	-	-	-	(5.9)
Transfer from intangible assets	-	-	0.2	-	-	-	0.2
Transfer from/(to) inventory	0.1	-	-	-	1.7	(1.0)	0.8
Transfer to assets held for sale	(8.6)	-	-	-	(1.6)	-	(10.2)
Other transfers	(1.2)	-	-	-	1.4	-	0.2
Disposals	(9.1)	(5.0)	(3.4)	-	-	-	(17.5)
Balance at 31 March 2022	5,668.4	182.5	139.2	62.9	233.7	30.2	6,316.9
Depreciation and impairment							
Balance at 1 April 2020	343.6	3.0	63.2	23.4	-	-	433.2
Depreciation charge for the year	45.0	0.6	14.2	1.7	-	-	61.5
Impairment	2.7	-	-	-	-	-	2.7
Transfer between PPE categories	2.0	0.2	0.1	(2.3)	-	-	-
Transfer from investment property	(19.2)	-	(0.1)	-	-	-	(19.3)
Reclassification between grant, depreciation and cost	(1.4)	-	-	-	-	-	(1.4)
Disposals	(10.1)	(0.1)	(3.8)	-	-	-	(14.0)
Balance at 31 March/1 April 2021	362.6	3.7	73.6	22.8	-	-	462.7
Depreciation charge for the year	45.5	-	14.8	1.6	-	-	61.9
Impairment	1.1	-	-	-	-	-	1.1
Transfer between PPE categories	(0.5)	(0.4)	0.9	-	-	-	-
Transfer to investment property	(3.1)	-	-	-	-	-	(3.1)
Disposals	(5.9)	(0.1)	(3.7)	-	-	-	(9.7)
Balance at 31 March 2022	399.7	3.2	85.6	24.4	-	-	512.9
Social Housing Grant							
Balance at 1 April 2020	1,308.9	38.2	-	-	21.9	5.1	1,374.1
Acquisitions	8.4	-	-	-	-	-	8.4
Additions	-	-	-	-	13.7	-	13.7
Transfer to completed land and buildings	11.1	-	-	-	(11.1)	-	-
Transfer between PPE categories	(3.5)	3.3	-	-	0.2	-	-
Transfer from investment property	1.2	-	-	-	-	-	1.2
Reclassification between grant, depreciation and cost	22.0	-	-	-	1.1	-	23.1
Disposals	(1.2)	-	-	-	-	-	(1.2)
Balance at 31 March/1 April 2021	1,346.9	41.5	-	-	25.8	5.1	1,419.3
Additions	0.2	0.1	-	-	5.7	-	6.0
Transfer to completed land and buildings	13.3	4.6	-	-	(17.9)	-	-
Transfer between PPE categories	(1.4)	1.7	-	-	(0.3)	-	-
Reclassification between grant, depreciation and cost	1.7	-	-	-	0.4	-	2.1
Disposals	(1.6)	(0.2)	-	-	-	-	(1.8)
Balance at 31 March 2022	1,359.1	47.7	-	-	13.7	5.1	1,425.6
Other grant							
Balance at 1 April 2020	465.6	4.0	-	-	56.1	-	525.7
Acquisitions	5.0	-	-	-	-	-	5.0
Additions	0.5	-	-	-	35.0	-	35.5
Transfer to completed land and buildings	15.5	-	-	-	(15.5)	-	-
Transfer between PPE categories	1.8	-	-	-	(1.8)	-	-
Transfer from investment property	1.5	-	-	-	-	-	1.5
Other transfers	-	-	-	-	(4.2)	-	(4.2)
Reclassification between grant, depreciation and cost	(0.4)	-	-	-	-	-	(0.4)
Balance at 31 March/1 April 2021	489.5	4.0	-	-	69.6	-	563.1
Additions	0.1	0.1	-	-	27.2	-	27.4
Transfer to completed land and buildings	15.8	-	-	-	(15.8)	-	-
Other transfers	(4.4)	-	-	-	-	-	(4.4)
Reclassification between grant, depreciation and cost	(1.7)	-	-	-	(0.4)	-	(2.1)
Disposals	(0.2)	-	-	-	-	-	(0.2)
Balance at 31 March 2022	499.1	4.1	-	-	80.6	-	583.8
Net book value							
31 March 2022	**3,410.5**	**127.5**	**53.6**	**38.5**	**139.4**	**25.1**	**3,794.6**
31 March 2021	3,324.9	115.6	55.0	40.1	104.7	24.2	3,664.5
1 April 2020	3,223.6	102.6	55.2	50.0	92.3	35.3	3,559.0

Included in the amounts disclosed above is care property with a carrying value of £291.3 million (2021: £291.2 million).

Association	Land and buildings	Land and buildings shared ownership	Plant and equipment	Offices	Under construction	Shared ownership under construction	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
Balance at 1 April 2020	4,015.9	84.3	105.9	60.2	6.3	1.0	4,273.6
Additions	44.9	-	12.9	-	3.0	0.1	60.9
Transfer to completed land and buildings	0.7	-	-	-	(0.7)	-	-
Transfer to investment property	1.5	-	-	-	-	-	1.5
Transfer from/(to) inventory	0.7	-	-	-	5.0	-	5.7
Transfer to intangible assets	-	-	(0.4)	-	-	-	(0.4)
Transfer between PPE categories	(0.2)	0.2	-	-	0.1	(0.1)	-
Intra-Group transfers	-	-	0.1	0.5	(4.0)	(0.7)	(4.1)
Disposals	(11.4)	(1.3)	(4.1)	-	-	-	(16.8)
Balance at 31 March/1 April 2021	4,052.1	83.2	114.4	60.7	9.7	0.3	4,320.4
Additions	64.2	-	11.6	-	1.1	-	76.9
Transfer to completed land and buildings	1.1	-	-	-	(1.1)	-	-
Transfer to investment property	(5.9)	-	-	-	-	-	(5.9)
Transfer to assets held for sale	(8.3)	-	-	-	(1.7)	-	(10.0)
Transfer from intangible assets	-	-	0.2	-	-	-	0.2
Transfer between PPE categories	(3.0)	3.0	-	-	-	-	-
Other transfers	(1.5)	-	-	-	-	-	(1.5)
Intra-Group transfers	-	-	-	(0.5)	1.8	-	1.3
Disposals	(8.5)	(1.8)	(3.2)	-	-	(0.2)	(13.7)
Balance at 31 March 2022	4,090.2	84.4	123.0	60.2	9.8	0.1	4,367.7
Depreciation and impairment							
Balance at 1 April 2020	265.0	2.4	58.2	17.9	-	-	343.5
Depreciation charge for the year	32.5	0.3	12.6	1.7	-	-	47.1
Intra-Group transfers	(0.4)	-	-	0.2	-	-	(0.2)
Disposals	(8.7)	(0.1)	(3.7)	-	-	-	(12.5)
Balance at 31 March/1 April 2021	288.4	2.6	67.1	19.8	-	-	377.9
Depreciation charge for the year	31.9	0.3	12.6	1.6	-	-	46.4
Impairment reversal	(0.7)	-	-	-	-	-	(0.7)
Transfer between PPE categories	(0.5)	(0.4)	0.9	-	-	-	-
Intra-Group transfers	-	-	-	(0.2)	-	-	(0.2)
Disposals	(5.0)	(0.1)	(3.1)	-	-	-	(8.2)
Balance at 31 March 2022	314.1	2.4	77.5	21.2	-	-	415.2
Social Housing Grant							
Balance at 1 April 2020	1,207.8	31.6	-	-	0.3	-	1,239.7
Additions	-	-	-	-	0.9	-	0.9
Transfer to completed land and buildings	0.9	-	-	-	-	-	0.9
Disposals	(1.0)	-	-	-	-	-	(1.0)
Balance at 31 March/1 April 2021	1,207.7	31.6	-	-	1.2	-	1,240.5
Additions	0.2	0.1	-	-	-	-	0.3
Transfer to be completed	0.3	-	-	-	(0.3)	-	-
Transfer between PPE categories	1.5	(1.5)	-	-	-	-	-
Other transfers	-	-	-	-	(0.3)	-	(0.3)
Reclassification between grant, depreciation and cost	1.2	-	-	-	-	-	1.2
Disposals	(1.5)	-	-	-	-	-	(1.5)
Balance at 31 March 2022	1,209.4	30.2	-	-	0.6	-	1,240.2
Other grant							
Balance at 1 April 2020	159.6	3.3	-	-	-	-	162.9
Additions	0.5	-	-	-	-	-	0.5
Transfer from investment property	1.3	-	-	-	-	-	1.3
Balance at 31 March/1 April 2021	161.4	3.3	-	-	-	-	164.7
Additions	-	-	-	-	-	-	-
Transfer between PPE categories	0.1	(0.1)	-	-	-	-	-
Reclassification between grant, depreciation and cost	(1.2)	-	-	-	-	-	(1.2)
Disposals	(0.2)	0.1	-	-	-	-	(0.1)
Balance at 31 March 2022	160.1	3.3	-	-	-	-	163.4
Net book value							
31 March 2022	**2,406.6**	**48.5**	**45.5**	**39.0**	**9.2**	**0.1**	**2,548.9**
31 March 2021	2,394.6	45.7	47.3	40.9	8.5	0.3	2,537.3
1 April 2020	2,383.5	47.0	47.7	42.3	6.0	1.0	2,527.5

Included in the amounts disclosed above is care property with a carrying value of £107.9 million (2021: £108.7 million).

Annual Impairment Review

The Group annually reviews properties for indicators of potential impairment. Assets that reveal indicators are then subjected to further impairment tests using the methods described in note 1 and below. The Group has determined that for the purposes of impairment testing, each property, together with associated operating assets, is a cash-generating unit.

Social housing assets are considered to have indicators of impairment when they have been vacant for a period of ninety days or longer. In the current and prior year, the carrying value of social housing properties identified with indicators of potential impairment was not material to the Group or Association and so further impairment tests were not deemed necessary.

Care homes are assessed for indicators of impairment based on a balanced scorecard that encapsulates measurement of regulatory ratings, occupancy, fee types and other metrics that relate to quality or operational performance. For the year ended 31 March 2022, 23 (2021: 21) care homes were identified as having indicators of potential impairment and so further tests were carried out for these assets.

Impairment is recognised when the carrying amount exceeds the recoverable amount. Recoverable amounts are the higher of fair value less costs of disposal, and value-in-use.

For care homes, where there was an indicator of impairment, value-in-use was calculated from cash flow projections based on detailed five-year forecasts; the forecasts were then extrapolated to perpetuity using long-term growth rates of 1.9% (2021: 2%). Management used a discount rate of 7.0% (2021: 6.6%) which reflects a market participant rate and the risks specific to the assets. Fair value was determined with the assistance of independent, professional valuers, where appropriate; valuations were calculated using sustainable EBITDARM and an EBITDARM multiple as referenced on page 115.

Following these reviews, an impairment of £2.6 million was recognised for care homes within the Group, no impairment was recognised for the Association (2021: £2.7 million was recognised for care homes within the Group, no impairment was recognised for the Association). This impairment charge was partially offset by impairment reversals, relating to three properties, totalling £1.5 million, of which £0.7 million, one property, related to the Association. The net impairment charge recognised in the Income Statement was therefore £1.1 million for the Group, with a credit of £0.7 million recognised in the Association.

Value-in-use calculations require a number of assumptions to be made. The impact of no growth during the short term is an increase in impairment of £8.9 million. The impact of reasonably possible changes to occupancy levels is set out below for the care homes where detailed testing was carried out due to indicators of impairment. The impact of reasonably possible changes to other primary assumptions does not have a material effect on the levels of indicated impairment.

Change in estimate	(Increase)/decrease in impairment risk
	£m
Occupancy % – increase of 2 percentage points	0.7
Occupancy % – decrease of 10 percentage points	(28.6)

To mitigate risk of impairment the Group continually reinvests in its assets. Where instances of under-performance or under-utilisation are evident, focused initiatives are employed to improve operational effectiveness and increase occupancy levels.

Assets Pledged as Security

Property with a pre-grant carrying amount of £3,234.6 million (2021: £3,321.2 million) in the Group and £2,397.4 million (2021: £2,469.3 million) in the Association has been pledged to secure borrowings.

13. Investment Property

	Group	Association
	£m	£m
Cost		
Balance at 1 April 2020	336.7	176.6
Additions	3.8	2.2
Transfer from/(to) property, plant and equipment	3.5	(1.5)
Balance at 31 March/1 April 2021	344.0	177.3
Additions	1.8	-
Transfer from property, plant and equipment	5.9	5.9
Disposals	(5.2)	-
Balance at 31 March 2022	346.5	183.2
Depreciation and impairment		
Balance at 1 April 2020	64.9	17.3
Depreciation charge for the year	2.2	0.5
Impairment	1.1	-
Transfer from property, plant and equipment	19.3	-
Balance at 31 March/1 April 2021	87.5	17.8
Depreciation charge for the year	4.2	2.0
Transfer from property, plant and equipment	3.1	-
Disposals	(5.2)	(0.1)
Balance at 31 March 2022	89.6	19.7
Social Housing Grant		
Balance at 1 April 2020	6.3	6.0
Transfer to property, plant and equipment	(1.2)	(0.9)
Balance at 31 March/1 April 2021	5.1	5.1
Balance at 31 March 2022	5.1	5.1
Other grant		
Balance at 1 April 2020	5.2	4.5
Transfer to property, plant and equipment	(1.5)	(1.3)
Balance at 31 March/1 April 2021	3.7	3.2
Additions	0.1	-
Balance at 31 March 2022	3.8	3.2
Net book value		
31 March 2022	**248.0**	**155.2**
31 March 2021	247.7	151.2
1 April 2020	260.3	148.8

Included in the amounts disclosed above is student property with a carrying value of £222.0 million for the Group (2021: £227.1 million) and £129.6 million for the Association (2021: £132.3 million).

Annual Impairment Review

The Group annually reviews investment properties for indicators of potential impairment. Assets that reveal indicators are then subjected to further review. The Group has determined that for the purposes of impairment testing, each property, together with associated operating assets and any asset-specific provisions, is a cash-generating unit.

Commercial property is considered to have indicators of impairment if it is vacant or if there has been a significant decline in market value. For the year ended 31 March 2022 no commercial property was identified as having indicators of potential impairment (2021: none).

Student accommodation is considered to have indicators of impairment when there are low levels of occupancy or where there has been a decline in occupancy during the year. For the year ended 31 March 2022 8 (2021: 20) student properties were identified as having indicators of potential impairment.

Impairment is recognised when the carrying amount exceeds the recoverable amount. Recoverable amounts are the higher of fair value less costs of disposal, and value in use.

Where there was an indicator of impairment, value in use was calculated from cash flow projections based on detailed three-year forecasts; the forecasts were then extrapolated using long-term growth rates of 1.9% (2021: 2.0%) Management used region specific discount rates ranging between 6.5% and 9.5% (2021: 6.0% and 9.0%) which reflects a market participant rate and the risks specific to the assets. Fair value was determined with the assistance of independent, professional valuers where appropriate.

No impairment was recognised for student accommodation within the Group during the year (2021: £1.1 million) as a result of these reviews; no impairment was recognised in the Association (2021: £nil). No impairment was recognised in the Group or Association in relation to commercial property (2021: £nil).

Value-in-use calculations require a number of assumptions to be made. The impact of reasonably possible changes to these primary assumptions does not have a material effect on the levels of indicated impairment.

To mitigate risk of impairment the Group continually reinvests in its assets. Where instances of under-performance or under-utilisation are evident, focused initiatives are employed to improve operational effectiveness and increase occupancy levels.

Fair Value of Investment Property

The estimated fair value of the investment property is £524.8 million (2021: £437.2 million) for the Group and £375.4 million (2021: £294.9 million) for the Association. Of this fair value, £28.3 million (2021: £376.3 million) for the Group and £26.8 million (2021: £294.9 million) for the Association has been determined by Directors' valuations.

Restrictions

At 31 March 2022, there were no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal for the Group or Association (2021: none).

Assets Pledged as Security

Investment property with a pre-grant carrying amount of £42.2 million (2021: £43.0 million) in the Group and £20.4 million (2021: £20.6 million) in the Association has been pledged to secure borrowings.

Items Recognised in the Statement of Comprehensive Income

Rental income from investment property during the year amounted to £40.5 million (2021: £31.4 million) for the Group and £20.2 million (2021: £17.3 million) for the Association.

The majority of the rental income detailed above relates to student property which is let on a short-term basis.

Details of future minimum lease payments receivable in respect of non-cancellable operating leases are shown in note 22.

Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the year amounted to £37.1 million (2021: £29.2 million) for the Group and £15.4 million (2021: £15.7 million) for the Association.

Direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the year amounted to £nil (2021: £nil) for both the Group and Association.

14. Other Investments

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
FVOCI – equity investment				
Listed investments	5.2	10.8	5.0	10.7
	5.2	10.8	5.0	10.7
Carried at amortised cost				
Unlisted investments	12.7	13.6	12.7	13.6
Homebuy				
- Investment	1.5	1.5	-	-
- Grant	(1.5)	(1.5)	-	-
	12.7	13.6	12.7	13.6
Total other investments	**17.9**	**24.4**	**17.7**	**24.3**

The Directors believe that the carrying value of other investments is supported by their underlying net assets. The historical cost of the Group's listed investments is £5.2 million (2021: £10.9 million). The historical cost of the Association's listed investments is £5.0 million (2021: £10.5 million). These investments comprise gilt edged stock and other corporate issue bonds, which are held in accordance with the terms of certain Group facilities. Where required under documentation the security trustee has a charge over these investments, totalling £3.2 million (2021: £8.8 million).

The unlisted investments represent cash reserves held as security against borrowings either as required under the terms of the loan agreements or as substitutes for charges on stock. These reserves cannot be utilised for any purpose other than servicing the associated debt.

Reconciliation of Movement in Listed Investments

	Group	Association
	£m	£m
As at 1 April 2020	10.7	10.5
Additions	0.8	0.9
Disposal	(0.6)	(0.6)
Revaluations	(0.1)	(0.1)
As at 31 March 2021	10.8	10.7
As at 1 April 2021	10.8	10.7
Additions	0.4	0.3
Disposal	(5.9)	(5.9)
Revaluations	(0.1)	(0.1)
As at 31 March 2022	**5.2**	**5.0**

See note 23 for further details.

15. Derivative Financial Instruments

Fair value of derivative assets	Group and Association	
	2022	2021
	£m	£m
US Private Placement foreign exchange swap	26.4	20.6
	26.4	**20.6**

The derivative financial instrument represents the fair value of the currency related swap in place to hedge the foreign currency risk arising from interest and principal payments. It relates to $80 million 5.83% senior notes issued in April 2007 and due in 2037 (US private placement). The derivative financial instrument in relation to the $20 million 5.42% senior notes matured in April 2017.

Fair value of derivative liabilities	Group		Association	
	2022	2021	2022	2021
	£m	£m	£m	£m
Interest rate swap	(1.5)	(2.8)	-	-
	(1.5)	**(2.8)**	**-**	**-**

The derivative financial instrument represents the fair value of an interest rate swap drawn under a facility agreement dated September 2002; this was put in place to hedge the interest rate risk arising from a variable rate loan.

Further details of derivative financial instruments are provided in note 23.

16. Trade and Other Receivables

	Group		Association	
	2022	2021	2022	2021
	£m	£m	£m	£m
Current:				
Tenant rental receivables (note 23d)	13.0	11.2	10.0	8.5
Other trade receivables (note 23d)	19.1	21.5	4.4	4.5
Amounts due from subsidiary undertakings	-	-	139.2	59.2
Prepayments	19.4	18.9	14.1	12.4
Accrued income	14.0	15.2	2.5	3.7
Amounts due under lease receivable (note 17)	0.8	0.9	-	-
Other receivables	30.6	24.2	21.3	18.9
	96.9	91.9	191.5	107.2
Non-current:				
Amounts due under lease receivable (note 17)	10.5	11.4	-	-
Amounts due from subsidiary undertakings	-	-	26.2	106.9
Amounts due from joint venture	23.3	30.6	23.3	30.6
	33.8	42.0	49.5	137.5
Total trade and other receivables	**130.7**	**133.9**	**241.0**	**244.7**

Tenant rental receivables are stated net of expected credit loss allowance of £5.8 million for the Group (2021: £4.8 million) and £4.7 million for the Association (2021: £3.9 million). Further information on rental receivables is contained in note 23d.

Other trade receivables are stated net of expected credit loss allowance of £6.1 million for the Group (2021: £7.9 million) and £2.6 million for the Association (2021: £2.9 million). Further information on other trade receivables is contained in note 23d.

17. Lease Receivable

	Group		Association	
	2022	2021	2022	2021
	£m	£m	£m	£m
Land and buildings:				
Under one year	0.8	0.9	-	-
In the second to fifth year inclusive	1.3	1.7	-	-
In more than five years	9.2	9.7	-	-
	11.3	**12.3**	**-**	**-**

The amounts receivable in respect of leases relate to an agreement between ASK (Greenwich) Limited and the Royal Borough of Greenwich. The amounts to be received are based upon repayment schedules agreed by the relevant parties. All amounts are expected to be received over the next 13 years.

18. Inventory

	Group		Association	
	2022	2021	2022	2021
	£m	£m	£m	£m
Materials and consumables	1.2	1.4	-	-
Properties held for sale – completed	16.8	9.6	-	0.4
Properties held for sale – under construction	183.1	153.7	0.1	0.2
Total inventory	**201.1**	**164.7**	**0.1**	**0.6**

	Group	Association
	£m	£m
Properties held for sale as at 1 April 2021	163.3	0.6
Additions	87.2	1.9
Transfer from/(to) property, plant and equipment	(0.8)	-
Transfer to subsidiaries	-	-
Disposals – property sales	(49.8)	(2.4)
Properties held for sale as at 31 March 2022	**199.9**	**0.1**

Within the Group and Association, no inventories have been written off or written down to net realisable value during the year (2021: none).

Included within properties held for sale for the Group are £2.3 million (2021: £3.6 million) completed shared ownership properties and £21.5 million (2021: £20.8 million) shared ownership properties under construction.

Included within properties held for sale for the Association are £nil (2021: £nil) completed shared ownership properties and £0.1 million (2021: £0.2 million) shared ownership properties under construction.

A detailed year end review of all development projects was carried out to assess the carrying value of property inventories and identify if there were any instances where this was in excess of net realisable value. As a result of this exercise no impairment has been recognised.

19. Assets Classified as Held for Sale

	Group	Association
	£m	£m
At 1 April 2021	1.8	0.2
Transfer from property, plant and equipment	10.2	10.0
Disposals	(2.0)	(0.2)
At 31 March 2022	**10.0**	**10.0**

20. Trade and Other Payables

	Group		Association	
	2022	2021	2022	2021
	£m	£m	£m	£m
Current:				
Trade payables	27.9	23.0	14.5	7.8
Amounts owed to subsidiary undertakings	-	-	15.0	14.5
Other taxation and social security payable	1.3	5.3	4.9	3.0
Other payables	16.7	15.0	2.4	2.9
Accruals	137.7	123.3	48.0	35.1
Future maintenance on home ownership schemes	23.9	23.1	23.1	22.4
Recycled capital grant fund (a)	8.7	5.4	8.3	5.2
	216.2	195.1	116.2	90.9
Non-current:				
Recycled capital grant fund (a)	2.7	4.2	2.1	3.8
Other payables	0.6	0.2	0.5	-
	3.3	4.4	2.6	3.8
Total Trade and Other Payables	**219.5**	**199.5**	**118.8**	**94.7**

All social housing and other capital grants are potentially repayable to the issuing body. The potential liability is recognised through the balances held as the recycled capital grant fund.

(a) Recycled Capital Grant Fund

	Group	Association
	£m	£m
Recycled capital grant fund at 1 April 2021	9.6	9.0
Grants recycled	2.0	1.6
New build	(0.1)	-
Transfers to other Private Registered Providers	(0.1)	(0.1)
Transfers from other Private Registered Providers	0.1	-
Repayment of grants	(0.1)	(0.1)
Recycled capital grant fund at 31 March 2022	**11.4**	**10.4**

21. Loans and Borrowings

	Group		Association	
	2022	2021	2022	2021
	£m	£m	£m	£m
Current:				
Senior notes and debenture stock	4.4	316.0	4.4	16.0
Bank loans and overdrafts	26.3	16.4	11.6	4.1
Net lease liability (note 22)	3.7	3.8	1.3	1.6
Amounts owed to Group companies	-	-	7.9	7.4
	34.4	336.2	25.2	29.1
Non-current:				
Senior notes and debenture stock	1,877.5	1,881.9	565.0	568.2
Bank loans and mortgages	994.6	989.2	348.2	361.0
Net lease liability (note 22)	168.4	170.0	44.6	45.3
Amounts owed to Group companies	-	-	745.2	766.0
	3,040.5	3,041.1	1,703.0	1,740.5
Total loans and borrowings	**3,074.9**	**3,377.3**	**1,728.2**	**1,769.6**

On 26 May 2021, the Group repaid £300 million of short-term debt obtained in the form of commercial papers through the Covid Corporate Financing Facility (CCFF).
Based on the lender's earliest repayment date, borrowings fall due as follows:

Group	Leases	Other borrowings	Total
	£m	£m	£m
Due within one year	3.7	30.7	34.4
Due in more than one year but less than two years	3.6	187.6	191.2
Due in more than two years but less than five years	11.2	249.8	261.0
Due in more than five years	153.6	2,434.7	2,588.3
	172.1	**2,902.8**	**3,074.9**

Association	Leases	Other borrowings	Total
	£m	£m	£m
Due within one year	1.3	23.9	25.2
Due in more than one year but less than two years	1.2	118.8	120.0
Due in more than two years but less than five years	3.2	219.9	223.1
Due in more than five years	40.2	1,319.7	1,359.9
	45.9	**1,682.3**	**1,728.2**

The Group recorded security on loans with charges on property totalling £2,665.0 million (2021: £2,661.3 million) at the reporting date. It also recorded security for the one year's interest payments and final principal instalment in the form of debt service reserves for loans totalling £127.9 million (2021: £195.6 million). Borrowings are stated net of £15.9 million set up costs (2021: £15.9 million). Further details on interest rates are contained in note 23a.

The Association recorded security on loans with charges on property totalling £1,348.8 million (2021: £1,383.0 million) at the reporting date. It also recorded security for the one year's interest payments and final principal instalment in the form of debt service reserves for loans totalling £127.9 million (2021: £195.6 million). Borrowings are stated net of £11.1 million set up costs (2021: £11.1 million).

22. Leases

Lessee Arrangements

The Group leases a significant number of residential and commercial properties. Typical residential leases most commonly run from periods of between 100 and 999 years. Commercial leases typically run on shorter leases up to 99 years in duration. Leases will be typically appraised prior to expiry of the initial term of the contract or at the next break opportunity. A decision to either terminate or renew the lease will be undertaken. Leases that pass the initial term without a decision will continue in a holdover period until resolved.

Right-of-Use Assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see note 12).

Right-of-Use Assets Included Within Property, Plant and Equipment

Group	Land and buildings	Offices	Total
	£m	£m	£m
Cost			
Balance as at 1 April 2021	28.1	5.8	33.9
Additions	1.6	-	1.6
Balance as at 31 March 2022	29.7	5.8	35.5
Depreciation and impairment			
Balance as at 1 April 2021	3.1	1.0	4.1
Depreciation charge for the year	1.9	0.2	2.1
Balance as at 31 March 2022	5.0	1.2	6.2
Net Book Value			
31 March 2022	**24.7**	**4.6**	**29.3**
31 March 2021	25.0	4.8	29.8

Association	Land and buildings	Offices	Total
	£m	£m	£m
Cost			
Balance as at 1 April 2021	28.6	5.8	34.4
Additions to right-of-use assets	0.8	-	0.8
Balance as at 31 March 2022	29.4	5.8	35.2
Depreciation and impairment			
Balance as at 1 April 2021	2.8	1.0	3.8
Depreciation charge for the year	1.6	0.2	1.8
Balance as at 31 March 2022	4.4	1.2	5.6
Net Book Value			
31 March 2022	**25.0**	**4.6**	**29.6**
31 March 2021	25.8	4.8	30.6

Amounts Recognised in the Statement of Comprehensive Income

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
Interest on lease liabilities	9.7	9.7	3.1	3.2
Depreciation charge for right-of-use assets	2.1	2.1	1.8	1.8
	11.8	**11.8**	**4.9**	**5.0**

Amounts Recognised in the Statement of Cash Flows

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
Total cash outflow for leases	13.4	13.2	4.3	4.7
	13.4	**13.2**	**4.3**	**4.7**

Rent Reviews

Around 40% of the Group's leases have rent reviews within their terms. These reviews rely on information such as inflation indexes and market rates at the time of the review. These future increases (and occasional decreases) in rents payable will not be recognised in the right-of-use assets and lease liabilities until they become effective.

Lease Liabilities

Undiscounted lease payments to be made under lease arrangements fall due as shown below.

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
Land and buildings:				
Under one year	13.0	12.9	4.2	4.5
In the second to fifth year inclusive	51.3	50.4	15.4	15.4
In more than five years	318.6	329.6	104.8	108.2
Total gross payments	382.9	392.9	124.4	128.1
Financing costs	(210.8)	(219.1)	(78.5)	(81.2)
Net lease liability	**172.1**	**173.8**	**45.9**	**46.9**

The present value of amounts payable under leases is as follows:

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
Land and buildings:				
Under one year	3.7	3.8	1.3	1.6
In the second to fifth year inclusive	14.8	13.8	4.4	4.2
In more than five years	153.6	156.2	40.2	41.1
	172.1	**173.8**	**45.9**	**46.9**

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent payments.

Lessor Arrangements

It has been determined that contracts of residential occupation, which include social housing tenancies and student licences, do not meet the definition of a lease under IFRS 16. These arrangements are treated as revenue contracts under IFRS 15. A small proportion of the Group's income is derived from commercial arrangements that do meet the definition of a lease under IFRS 16 and these are discussed further below.

The Group undertakes an assessment of the financial and operational viability of any potential lessee for a new lease and as such will determine the most appropriate lease terms to put in place. Negotiation of these lease terms will consider the most appropriate terms to ensure they are not unduly onerous or prohibitive and ensure any value continues to be realised or enhanced from the property.

There are no variable lease payments that do not depend on an index or a rate.

The Group has operating leases in both its Supported Living and Student and Market Rented divisions. During the year ended 31 March 2022, income from operating leases was £11.5 million for the Group (2021: £11.8 million) and £7.3 million for the Association (2021: £8.5 million).

Amounts receivable under operating leases are due as follows:

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
Under one year	4.7	7.9	4.5	4.6
Between one and two years	4.4	4.7	4.3	4.5
Between two and three years	3.9	4.4	3.7	4.3
Between three and five years	7.5	7.6	7.3	7.3
In more than five years	43.4	47.2	41.1	44.8
	63.9	71.8	60.9	65.5

23. Financial Instruments and Risk Management

Financial Risk Management Objectives and Policies

The Group's treasury function is responsible for the management of funds and control of the associated risks. Other financial risks, for example tenant rental arrears, are the responsibility of other teams within the Group's finance function. Treasury and finance activities are governed in accordance with the Board approved policy and the management of associated risks is reviewed and approved by the Group Audit and Risk Committee. There is further explanation of the Group's approach to risk management in the Strategic Report.

Where financial instruments are measured in the Statement of Financial Position at fair value, disclosure of fair value measurements by level is required, in accordance with the following fair value measurement hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group's financial instruments include:

Financial Assets

Financial assets at amortised cost	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
Unlisted investments (note 14)	12.7	13.6	12.7	13.6
Rental receivables (note 16)	13.0	11.2	10.0	8.5
Other trade receivables (note 16)	19.1	21.5	4.4	4.5
Other receivables (note 16)	30.6	24.2	21.3	18.9
Amounts due from subsidiary undertakings (note 16)	-	-	165.4	166.1
Amounts due from joint venture (note 16)	23.3	30.6	23.3	30.6
Lease receivable (note 17)	11.3	12.3	-	-
Cash and cash equivalents	102.1	494.7	10.4	5.1
	212.1	608.1	247.5	247.3

The Group's investments in the Statement of Financial Position were £17.9 million at 31 March 2022 (2021: £24.4 million). Of this value, £5.2 million (2021: £10.8 million) was classed as FVOCI and £12.7 million (2021: £13.6 million) was classed as held at amortised cost. The Association's investments in the Statement of Financial Position were £17.7 million at 31 March 2022 (2021: £24.3 million). Of this value, £5.0 million (2021: £10.7 million) was classed as FVOCI and £12.7 million (2021: £13.6 million) was classed as held at amortised cost.

Of the above balance held at amortised cost, rental receivables, finance lease receivables, amounts due from subsidiary undertakings, amounts due from joint venture and other receivables totalling £97.3 million (2021: £99.8 million) for the Group and £224.4 million (2021: £228.6 million) for the Association derive from current and non-current trade and other receivables balances on the Statement of Financial Position.

Trade and other receivables totalled £130.7 million at 31 March 2022 (2021: £133.9 million) for the Group and £241.0 million at 31 March 2022 (2021: £244.7 million) for the Association. Prepayments and accrued income balances of £33.4 million (2021: £34.1 million) for the Group and £16.6 million (2021: £16.1 million) for the Association are not considered to fall within the definition of a financial asset.

Financial assets at FVOCI	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
Listed investments (note 14)	5.2	10.8	5.0	10.7

All significant inputs required to value investments held at FVOCI are observable and, as such, the Group has classified them as Level 1.

Financial Liabilities

As at 31 March 2022, the Group's and Association's financial liability balances were as follows:

Financial liabilities at amortised cost – current	Group		Association	
	2022	2021	2022	2021
	£m	£m	£m	£m
Debt finance excluding set up costs	32.4	334.0	25.0	28.5
Trade payables (note 20)	27.9	23.0	14.5	7.8
Net lease liability (note 22)	3.7	3.8	1.3	1.6
Amounts due to subsidiary undertakings (note 20)	-	-	15.0	14.5
Other payables (note 20)	41.9	43.4	30.4	28.3
	105.9	404.2	86.2	80.7

Other payables include other tax and social security, other payables, future maintenance on home ownership schemes and Social Housing Grant and other grants in advance. Current trade and other payables as disclosed in the Statement of Financial Position totalled £216.2 million (2021: £195.1 million) for the Group and £116.2 million (2021: £90.9 million) for the Association. The difference between the Statement of Financial Position and the amounts disclosed above is £146.4 million (2021: £128.7 million) for the Group and £56.3 million (2021: £40.3 million) for the Association and relates to balances that are not considered to fall within the definition of a financial liability. Debt finance consists of loans and borrowings and is presented above before deduction of set up costs.

Financial liabilities at amortised cost – non-current	Group		Association	
	2022	2021	2022	2021
	£m	£m	£m	£m
Debt finance excluding set up costs	2,886.3	2,885.4	1,668.4	1,705.3
Net lease liability (note 22)	168.4	170.0	44.6	45.3
Other payables (note 20)	0.6	0.2	0.5	-
	3,055.3	3,055.6	1,713.5	1,750.6

Non-current trade and other payables as disclosed in the Statement of Financial Position totalled £3.3 million (2021: £4.4 million) for the Group and £2.6 million (2021: £3.8 million) for the Association. Of these amounts, £0.6 million (2021: £0.2 million) in the Group is considered to fall within the definition of a financial liability while £0.5 million (2021: £nil) is considered to fall within this definition in the Association.

Total current and non-current other financial liabilities at 31 March 2022 were £3,161.2 million (2021: £3,459.8 million) for the Group and £1,799.7 million (2021: £1,831.3 million) for the Association. All significant inputs required to value the above instruments are observable and, as such, the Group has classified them as Level 2.

Financial liabilities at FVPL	Group		Association	
	2022	2021	2022	2021
	£m	£m	£m	£m
Derivative financial instruments – interest rate swap (note 15)	1.5	2.8	-	-
	1.5	2.8	-	-

The derivative financial instrument relating to an interest rate swap valued at FVPL was entered into by the Group under a facility agreement dated September 2002. Fair value movements totalling £1.3 million (2021: (£0.7) million movement) for the Group and £nil (2021: £nil) for the Association are shown as a credit to the Income Statement (note 9).

The purpose of the derivative financial instrument is to hedge the interest rate risk associated with the variability of cash flows on variable rate loans.

All significant inputs required to value the above interest rate swap are observable and, as such, the Group has classified them as Level 2.

Valuation

Balances are valued in accordance with note 1 Principal Accounting Policies – Financial Instruments. Fair value equates to book value except in the following cases:

Derivative financial instruments are measured at fair value.

The fair value of the cross currency derivative financial instruments is arrived at by discounting future cash flows associated with each swap and comparing, for each swap, the cumulative total discounted sterling future cash flows with the total discounted dollar future cash flows translated at the year end exchange rate. The swap rate data used for discounting the flows is provided to the Group by external advisers.

The fair value of the interest rate swap is arrived at by discounting the fixed leg and variable leg cash flows using interpolated yield curves provided to the Group by external advisers.

Listed investments are measured at fair value. The fair value equates to the market value of these listed investments at the reporting date.

Senior notes and debenture stock, bank loans and mortgages, and net lease liabilities are measured at book value. However, fair value can be calculated and these are disclosed in note 23a. The variance between the fair value and the book value of the Group and Association's long-term borrowings is driven by the discount rates and weighted average life of the fixed rate financial liabilities, which is 17.6 years (2021: 16.8 years) for the Group and 15.2 years (2021: 16.2 years) for the Association.

Loans denominated in foreign currency are translated at year end exchange rates.

Analysis of Risks

a) Interest Rate Risk and Exposure

Interest rate risk is defined as the risk that interest rates may change in the future materially affecting the Group's liabilities and cash flows. The interest rate exposure of the Group and Association net debt at 31 March 2022 after hedging instruments was:

	Group		Association	
	£m	%	£m	%
Fixed rate financial liabilities	2,908.9	94.6	1,681.7	97.3
Floating rate financial liabilities	166.0	5.4	46.5	2.7
	3,074.9	100.0	1,728.2	100.0

The cost of borrowing of the Group fixed rate financial liabilities is 4.44% (2021: 4.05%) and for the Association 4.84% (2021: 4.80%). The cost of borrowing of the Group's total financial liabilities is 4.28% (2021: 3.91%) and for the Association 4.91% (2021: 4.90%). The weighted average life of fixed rate financial liabilities for the Group is 17.6 years (2021: 16.8 years) and for the Association is 15.2 years (2021: 16.2 years). The Group operates an interest rate policy designed to minimise interest cost and reduce volatility in cash flow and debt service costs. Group borrowings currently comprise 94.6% fixed rate debt (2021: 96.0%) and 5.4% floating rate debt (2021: 4.0%). Association borrowings comprise 97.3% fixed rate debt (2021: 97.8%) and 2.7% floating rate debt (2021: 2.2%).

The Group's cash flow interest rate risk relates to:

- Variable rate financial instruments which are subject to rate changes – a 10% increase in interest costs would result in an additional charge to the Statement of Comprehensive Income of £0.3 million (2021: £0.1 million).
- Fixed rate financial instruments where benefits of interest rate reductions are lost – a 0.25% rate reduction would result in a lost benefit of £7.2 million (2021: £8.0 million).

A comparison of the book value to fair value of the Group's and Association's long-term borrowings at 31 March 2022 is set out below.

	Group		Association	
	2022 Book value £m	2022 Fair value £m	2022 Book value £m	2022 Fair value £m
Senior notes and debenture stock (note 21)	1,881.9	2,200.4	569.4	628.9
Bank loans and mortgages (note 21)	1,020.9	1,094.2	359.8	443.1
Net lease liability (notes 21, 22)	172.1	172.1	45.9	45.9
Amounts owed to Group companies (note 21)	-	-	753.1	907.0
	3,074.9	3,466.7	1,728.2	2,024.9

The following methods and assumptions have been applied in determining the value of the financial instruments in the table above.

(i) The book value of loans with a maturity of less than one year is assumed to equate to their carrying value. They have therefore not been included in the above table.
(ii) The fair value of loans greater than one year is established by utilising discounted cash flow valuation models or listed market prices where available.
(iii) The fair value of balances shown above at a variable rate of interest is assumed to approximate to their book value.

For the balances at 31 March 2022, the range of discount rates used was 2.39% to 3.17% (2021: 0.86% to 1.96%).

The fair values of the swaps at the year end would decrease by the following amounts, if an increase of 1% occurred:

Group	Liability £m	Statement of Comprehensive Income £m
In sterling swap rates only	(0.6)	0.6

Interest rate risk applies to debt finance.

Management considers the sensitivity analysis in relation to the remaining interest rate swaps not included above to be not material.

b) Currency Rate Risk and Exposure

Currency rate risk is the risk that foreign currency arrangements that the Group has entered into will be adversely affected by exchange rate movements. Hedging is defined as the practice of offsetting such risks and the organisation applies such practices. The hedge put in place by the organisation removes completely the currency risk, as explained below.

In 2007 the Group borrowed $80 million through an issue of senior notes at an interest rate of 5.83% repayable in 2037. The foreign currency funds have been swapped through derivative financial instruments with the counterparty of the arrangement described above.

The amounts at the reporting date relating to items designated as hedged items were as follows.

	Carrying value of hedging instrument £m	Line item in the Statement of Financial Position where the hedging instrument is located	Change in value of the hedging instrument recognised in OCI £m	Costs of hedging recognised in OCI £m
Foreign currency risk	26.4	Derivative financial assets	(3.1)	(0.1)

The fair values of the swaps and loans at the year end, if an increase in interest rates of 1% occurred, are:

Group	Asset £m	Income Statement £m	Cash flow hedge reserve £m
In both dollar and sterling swap rates	(2.6)	-	(2.6)
In sterling swap rates only	6.7	-	6.7
In dollar swap rate only	(9.2)	-	(9.2)
In the year end exchange rate	(0.9)	-	(0.9)
In the year end exchange rate and in the dollar and sterling swap rates	(3.5)	-	(3.5)

Association	Asset £m	Income Statement £m	Cash flow hedge reserve £m
In both dollar and sterling swap rates	(2.6)	-	(2.6)
In sterling swap rates only	6.7	-	6.7
In dollar swap rate only	(9.2)	-	(9.2)
In the year end exchange rate	(0.9)	-	(0.9)
In the year end exchange rate and in the dollar and sterling swap rates	(3.5)	-	(3.5)

Currency rate risk applies to the derivative financial instruments balance and underlying loans denominated in dollars.

c) Liquidity Risk

Liquidity risk is the risk that the Group will fail to be able to access liquid funds, either through:

- Lack of available facilities; or
- Lack of secured, but available, facilities; or
- Lack of identification of need to draw on available facilities.

The treasury function ensures the above risks are managed by preparing cash forecasts on a daily and longer-term basis to ensure that short and longer-term requirements are known. The forecasts are cautious in the approach and are constantly updated to allow for sensitivity in assumptions. These are reported to the Group Chief Financial Officer on a fortnightly basis. The forecasts identify when drawdowns on existing facilities are required and when existing facilities expire. Further facilities are negotiated and secured well in advance of them being needed for drawdown.

The treasury function also manages a database of the Group's stock in order to identify unencumbered stock for security of new facilities. A programme of valuations is maintained to ensure that optimum value is gained from the Group's secured properties. These systems ensure that facilities are available to the Group which are secured and available to draw on as required.

The Group's liquidity policy is to maintain sufficient liquid resources to cover cash flow requirements and fluctuations in funding to enable the Group to meet its financial obligations.

The Group has not defaulted on any of its loan arrangements in the year.

Liquidity risk applies to cash and all payables balances.

Contractual Cash Flows for All Financial Liabilities

The following is an analysis of the anticipated contractual cash flows including interest and finance charges payable for the Group and Association's financial liabilities on an undiscounted basis. For the purpose of this table, debt is defined as bank loans, mortgages, deferred finance, bonds and debenture stock. Interest is calculated based on debt held at 31 March.

At 31 March 2022 – Group	Debt	Interest on debt	Lease liabilities	Other liabilities not in net debt	Interest on hedge accounted derivatives	Total
	£m	£m	£m	£m	£m	£m
Due less than one year	(30.9)	(127.2)	(13.0)	(69.8)	(2.8)	(243.7)
Between one and two years	(187.5)	(120.0)	(12.8)	(0.6)	(2.7)	(323.6)
Between two and three years	(85.0)	(120.3)	(12.9)	-	(2.7)	(220.9)
Between three and four years	(100.8)	(115.4)	(12.8)	-	(2.7)	(231.7)
Between four and five years	(62.3)	(111.3)	(12.8)	-	(2.6)	(189.0)
Greater than five years	(2,395.6)	(1,453.2)	(318.6)	-	(24.7)	(4,192.1)
Gross contractual cash flows	**(2,862.1)**	**(2,047.4)**	**(382.9)**	**(70.4)**	**(38.2)**	**(5,401.0)**

At 31 March 2021 – Group	Debt	Interest on debt	Lease liabilities	Other liabilities not in net debt	Interest on hedge accounted derivatives	Total
	£m	£m	£m	£m	£m	£m
Due less than one year	(333.3)	(129.8)	(12.9)	(66.4)	(2.8)	(545.2)
Between one and two years	(31.8)	(127.7)	(12.6)	(0.2)	(2.8)	(175.1)
Between two and three years	(188.1)	(120.0)	(12.6)	-	(2.7)	(323.4)
Between three and four years	(85.8)	(120.4)	(12.6)	-	(2.7)	(221.5)
Between four and five years	(101.7)	(115.5)	(12.6)	-	(2.7)	(232.5)
Greater than five years	(2,421.8)	(1,539.0)	(329.6)	-	(27.3)	(4,317.7)
Gross contractual cash flows	**(3,162.5)**	**(2,152.4)**	**(392.9)**	**(66.6)**	**(41.0)**	**(5,815.4)**

At 31 March 2022 – Association	Debt	Interest on debt	Lease liabilities	Other liabilities not in net debt	Interest on hedge accounted derivatives	Total
	£m	£m	£m	£m	£m	£m
Due less than one year	(23.9)	(86.3)	(4.2)	(59.9)	(2.3)	(176.6)
Between one and two years	(118.6)	(80.3)	(4.0)	(0.5)	(2.3)	(205.7)
Between two and three years	(78.0)	(79.6)	(3.9)	-	(2.3)	(163.8)
Between three and four years	(89.7)	(75.8)	(3.8)	-	(2.3)	(171.6)
Between four and five years	(50.8)	(71.9)	(3.7)	-	(2.3)	(128.7)
Greater than five years	(1,289.2)	(804.9)	(104.8)	-	(23.8)	(2,222.7)
Gross contractual cash flows	**(1,650.2)**	**(1,198.8)**	**(124.4)**	**(60.4)**	**(35.3)**	**(3,069.1)**

At 31 March 2021 – Association	Debt	Interest on debt	Lease liabilities	Other liabilities not in net debt	Interest on hedge accounted derivatives	Total
	£m	£m	£m	£m	£m	£m
Due less than one year	(27.5)	(89.5)	(4.5)	(50.6)	(2.3)	(174.4)
Between one and two years	(25.5)	(87.7)	(4.1)	-	(2.3)	(119.6)
Between two and three years	(120.3)	(81.7)	(3.8)	-	(2.3)	(208.1)
Between three and four years	(79.8)	(80.8)	(3.8)	-	(2.3)	(166.7)
Between four and five years	(91.7)	(76.9)	(3.7)	-	(2.3)	(174.6)
Greater than five years	(1,344.9)	(892.1)	(108.2)	-	(26.1)	(2,371.3)
Gross contractual cash flows	**(1,689.7)**	**(1,308.7)**	**(128.1)**	**(50.6)**	**(37.6)**	**(3,214.7)**

d) Credit Risk

Credit risk applies to all debtor balances and to debt finance. The risk falls into two categories: financial and operational.

Financial

It is the Group's policy not to take or place funds with any financial institution which is not accepted as a counterparty in the Group's Financial Regulations. Such counterparties are approved by the Board but only on the achievement of the desired credit agency rating. The maximum exposure with a single funder is £332.0 million as at 31 March 2022 (2021: £335.0 million).

The Group manages credit risk by carrying out monthly credit checks on all counterparties from which the Group either sources funds or places deposits, also allowing the Group to assess whether there has been a significant increase in credit risk at the reporting date. The financial credit risk is mitigated to some extent by the existence of borrowing facilities with such counterparties.

Twelve-month probabilities of default (PD) are based on historical credit loss data supplied by the rating agency Moody's. Assets measured at amortised cost or FVOCI were subject to a 12-month ECL allowance, none of these assets were credit impaired. Largely due to the low credit risk of the financial assets held, there has been no expected credit loss recognised at 31 March 2022 because the amounts are not material.

Operational

The majority of the operational debt at any given time relates to tenants and non-tenants of the Group. These debts are reported to management on a weekly basis and recovery of debts is coordinated through subsidiary and regional management teams. Performance of debt recovery is reviewed monthly by the Executive Committee.

Tenant Rental Receivable Arrears

Gross tenant rental arrears due as at 31 March 2022 totalled £18.8 million (2021: £16.0 million) for the Group and £14.7 million (2021: £12.4 million) for the Association. Most of this balance was past due as the majority of tenancy agreements state that the rent is due in advance. The age of these arrears was as follows:

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
Less than 30 days	12.1	7.9	9.0	6.1
30 to 60 days	0.4	2.3	0.7	1.7
60 to 90 days	1.6	1.6	1.2	1.3
More than 90 days	4.7	4.2	3.8	3.3
Balance as at 31 March	**18.8**	**16.0**	**14.7**	**12.4**

In the Group there is an expected credit loss allowance against £5.8 million (2021: £4.8 million) of this balance leaving a net rental arrears balance of £13.0 million (2021: £11.2 million) (see note 16). In the Association there is an expected credit loss allowance against £4.7 million (2021: £3.9 million) of this balance leaving a net rental arrears balance of £10.0 million (2021: £8.5 million) (see note 16).

Tenant Rental Receivable Arrears Expected Credit Loss

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
Balance as at 1 April	4.8	3.5	3.9	3.0
Provided in the year	4.4	4.5	3.6	3.6
Released in the year	(0.6)	(1.0)	(0.7)	(0.9)
Amounts written off	(2.8)	(2.2)	(2.1)	(1.8)
Balance as at 31 March	**5.8**	**4.8**	**4.7**	**3.9**

Under IFRS 9, loss allowances for trade receivables are measured at an amount equal to lifetime Expected Credit Losses (ECLs). Lifetime ECLs are a probability-weighted estimate of credit losses that result from all possible default events over the expected life of a financial instrument.

Other Trade Receivables

Gross other trade receivables balances as at 31 March 2022 totalled £25.2 million (2021: £29.4 million) for the Group and £7.0 million (2021: £7.4 million) for the Association. The age of gross other trade receivables balances was as follows:

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
Less than 30 days	14.8	19.5	0.8	1.2
30 to 60 days	3.4	1.3	1.6	0.5
60 to 90 days	0.9	1.3	0.2	0.6
More than 90 days	6.1	7.3	4.4	5.1
Balance as at 31 March	**25.2**	**29.4**	**7.0**	**7.4**

In the Group there is an expected credit loss allowance against £6.1 million (2021: £7.9 million) of this balance leaving a net other trade receivables balance of £19.1 million (2021: £21.5 million) (see note 16). In the Association there is an expected credit loss allowance against £2.6 million (2021: £2.9 million) of this balance leaving a net other trade receivables balance of £4.4 million (2021: £4.5 million) (see note 16).

Other Trade Receivables Expected Credit Loss

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
Balance as at 1 April	7.9	5.4	2.9	1.6
Provided in the year	2.7	5.0	1.2	1.7
Released in the year	(1.5)	(2.0)	(0.6)	(0.3)
Amounts written off	(3.0)	(0.5)	(0.9)	(0.1)
Balance as at 31 March	**6.1**	**7.9**	**2.6**	**2.9**

The Group provides for specific categories of sundry receivable balances and specific sundry receivable balances where the likelihood of settlement in full or in part is unlikely.

Summary of Credit Risk

The maximum credit risk at 31 March 2022 and 2021 was as follows:

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
Investments (note 14)	17.9	24.4	17.7	24.3
Derivative financial instruments (note 15)	26.4	20.6	26.4	20.6
Receivables	97.3	99.8	224.4	228.6
Cash and cash equivalents	102.1	494.7	10.4	5.1
	243.7	**639.5**	**278.9**	**278.6**

e) Concentration Risk

Concentration risk is defined as the risk associated with a reliance on transactions that carry a similar risk profile. Management determines concentrations of risk through its standard risk management procedures, as detailed in the Strategic Report.

Management considers the Group's main concentration of risk to be within rent and service charge arrears. The shared characteristic of this concentration is the social demographic of the client base that can be linked to lower credit quality. However, the arrears are from a number of types of tenancy:

- Rental
- Sheltered housing
- Supported housing
- Care homes
- Students
- Commercial tenants
- Shared ownership
- Home ownership.

A reduced level of risk is associated with shared ownership and home ownership residents.

The maximum exposure to this risk is equal to the tenant rental arrears balance (net of expected credit loss) at 31 March 2022, £13.0 million (2021: £11.2 million) for the Group and £10.0 million (2021: £8.5 million) for the Association.

Information on the Group's spread of lenders is explained in note 23d.

f) Market Rate Risk

Market risk applies to listed investments. Listed investments are exposed to fluctuations in market values that are outside the Group's control. Listed investments at 31 March 2022 totalled £5.2 million (2021: £10.8 million) in the Group and £5.0 million (2021: £10.7 million) in the Association. The Group mitigates this risk by carrying out credit checks on all counterparties and investing only in those counterparties that achieve the desired credit agency rating. This is also explained in note 23d.

g) Collateral Pledged

The Group holds debt servicing reserves if, and as, required by the various lenders. These are disclosed and described in note 14.

h) Collateral Held

The Group does not hold any significant collateral.

i) Capital

The Group considers its capital balances to be share capital (note 26) and reserves (note 27). The revaluation reserve balance is entirely governed by market rates for listed investments. The revenue reserve is formed of Group surpluses and deficits from each year since the Group's formation and it also contains gains on business combinations that have arisen following the acquisition of subsidiaries. Acquisitions of social housing businesses that are in substance the gift of one business to another are treated as non-exchange transactions. The fair value of the gift of the recognised assets and liabilities is treated as a gain or loss in the Statement of Comprehensive Income.

None of these capital balances has a significant degree of active management, other than in the case of current year Income Statement movement that contributes to revenue reserves. There are restrictions on the Group in the use of £0.2 million (2021: £0.2 million) in relation to Carr-Gomm which was acquired by the Group in 2010 and then transferred its engagements to the Association on 31 March 2011, and £4.6 million (2021: £4.6 million) relating to Voluntary Right to Buy scheme surpluses (see note 27 regarding restricted reserves).

24. Deferred Tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Deferred Tax Assets

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
As at 1 April	4.9	5.1	-	-
Temporary timing differences	(0.2)	(0.2)	-	-
As at 31 March	**4.7**	**4.9**	**-**	**-**
Comprising:				
Trading losses carried forward	4.4	4.4	-	-
Interest rate swap derivative	0.3	0.5	-	-
	4.7	**4.9**	**-**	**-**

The interest rate swap derivative is held in ASK (Greenwich) Limited. Trading losses are carried across a number of Group subsidiaries.

Deferred Tax Liabilities

A deferred tax liability exists within ASK (Greenwich) Limited, a 100% owned subsidiary of the Association.

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
As at 1 April	0.6	0.6	-	-
Credit to Income Statement	(0.1)	-	-	-
As at 31 March	**0.5**	**0.6**	**-**	**-**

This balance relates to timing differences on taxation of a unitary charge. Unitary charge refers to amounts due from the Royal Borough of Greenwich under the terms of a project agreement.

25. Provisions for Liabilities and Charges

Group	Onerous contracts £m	Property related £m	Employee related £m	Other provisions £m	Total £m
At 1 April 2021	5.3	2.8	1.0	6.9	16.0
Provided in the year	-	2.2	-	1.9	4.1
Utilised during the year	(0.7)	-	-	(0.6)	(1.3)
Released during the year	(0.4)	-	(1.0)	(3.4)	(4.8)
At 31 March 2022	**4.2**	**5.0**	**-**	**4.8**	**14.0**
Ageing of provisions – expected utilisation					
At 31 March 2022					
Under one year	0.2	3.9	-	4.8	8.9
Over one year	4.0	1.1	-	-	5.1
At 31 March 2021					
Under one year	1.2	1.8	1.0	6.9	10.9
Over one year	4.1	1.0	-	-	5.1

Association	Onerous contracts £m	Property related £m	Employee related £m	Other provisions £m	Total £m
At 1 April 2021	-	-	1.0	3.6	4.6
Provided in the year	-	-	-	1.1	1.1
Utilised during the year	-	-	-	(0.6)	(0.6)
Released during the year	-	-	(1.0)	(2.2)	(3.2)
At 31 March 2022	**-**	**-**	**-**	**1.9**	**1.9**
Ageing of provisions – expected utilisation					
At 31 March 2022					
Under one year	-	-	-	1.9	1.9
Over one year	-	-	-	-	-
At 31 March 2021					
Under one year	-	-	1.0	3.6	4.6
Over one year	-	-	-	-	-

Onerous Contract Provisions

Provisions have been made for onerous lease contracts on leased buildings and other onerous contracts. The provisions are being unwound over the remaining term of the contracts, the last of which will be fully utilised by 31 March 2047.

Property Related Provisions

Property provisions relate to the running and maintenance of buildings owned and leased; they have not been discounted because the difference between the balances above and discounted equivalents are not material.

Other Provisions

Provisions have been made for potential legal or contractual costs that will not be covered by the Group's insurance policies.

26. Share Capital

Each member holds one share of £1 in the Association	Group and Association 2022 £	2021 £
Allotted, issued and fully paid:		
At 1 April	31	29
Issued during the year	2	3
Redeemed during the year	(3)	(1)
At 31 March	**30**	**31**

Each share carries voting rights but not rights to dividends, distributions on winding up or rights of redemption. Share issues and redemptions are as a result of changes to the membership of the Association.

27. Reserves

Group	Revenue reserve	Restricted reserves	Revaluation reserve	Cash flow hedge reserve	Cost of hedging reserve	Total
	£m	£m	£m	£m	£m	£m
At 1 April 2020	1,100.4	2.2	0.1	17.7	1.0	1,121.4
Surplus for the year	46.7	-	-	-	-	46.7
Actuarial loss on pension schemes	(45.0)	-	-	-	-	(45.0)
Revaluation of listed investments	-	-	(0.1)	-	-	(0.1)
Gain/(loss) on hedge instrument	-	-	-	(13.0)	(1.7)	(14.7)
Transfer of VRTB proceeds	(2.6)	2.6	-	-	-	-
Transfer of gain on disposal of equity investments	0.1	-	(0.1)	-	-	-
At 31 March 2021	1,099.6	4.8	(0.1)	4.7	(0.7)	1,108.3
At 1 April 2021	1,099.6	4.8	(0.1)	4.7	(0.7)	1,108.3
Surplus for the year	58.3	-	-	-	-	58.3
Actuarial gain on pension scheme	44.3	-	-	-	-	44.3
Revaluation of listed investments	-	-	-	-	-	-
Gain/(loss) on financial assets	-	-	(0.1)	-	-	(0.1)
Gain/(loss) on hedge instrument	-	-	-	3.1	0.1	3.2
Transfer of loss on disposal of equity investments	(0.2)	-	0.2	-	-	-
At 31 March 2022	**1,202.0**	**4.8**	**-**	**7.8**	**(0.6)**	**1,214.0**

Association	Revenue reserve	Restricted reserves	Revaluation reserve	Cash flow hedge reserve	Cost of hedging reserve	Total
	£m	£m	£m	£m	£m	£m
At 1 April 2020	1,169.7	2.2	0.1	17.6	1.0	1,190.6
Surplus for the year	33.8	-	-	-	-	33.8
Actuarial loss on pension schemes	(46.8)	-	-	-	-	(46.8)
Revaluation of listed investments	-	-	(0.1)	-	-	(0.1)
Gain/(loss) on hedge instrument	-	-	-	(13.0)	(1.7)	(14.7)
Transfer of VRTB proceeds	(2.4)	2.4	-	-	-	-
Transfer of gain on disposal of equity investments	0.1	-	(0.1)	-	-	-
At 31 March 2021	1,154.4	4.6	(0.1)	4.6	(0.7)	1,162.8
At 1 April 2021	1,154.4	4.6	(0.1)	4.6	(0.7)	1,162.8
Surplus for the year	38.5	-	-	-	-	38.5
Actuarial gain on pension schemes	41.7	-	-	-	-	41.7
Revaluation of listed investments	-	-	-	-	-	-
Gain/(loss) on financial assets	-	-	(0.1)	-	-	(0.1)
Gain/(loss) on hedge instrument	-	-	-	3.1	0.1	3.2
Transfer of VRTB proceeds	-	-	-	-	-	-
Transfer of loss on disposal of equity investments	(0.2)	-	0.2	-	-	-
At 31 March 2022	**1,234.4**	**4.6**	**-**	**7.7**	**(0.6)**	**1,246.1**

Restricted Reserves

Within both the Group and the Association, £0.2 million (2021: £0.2 million) of the reserves acquired with Carr-Gomm remain restricted in application.

At the year ending March 2022, £4.6 million of revenue reserves (2021: £4.6 million) in the Group and £4.4 million in the Association (2021: £4.4 million) has been restricted relating to surpluses made on asset sales as part of the Voluntary Right to Buy scheme. Funds are made up of the receipts from the discounted sale, plus compensation for the discount given. These funds are restricted in use and must be spent on new supply social housing properties on a one-for-one replacement basis.

Revaluation Reserve

The revaluation reserve comprises cumulative net changes in fair value of equity securities designated at fair value through other comprehensive income (FVOCI).

Cash Flow Hedge Reserve

The cash flow hedge reserve comprises the effective portion of cumulative net changes in the fair value of hedging instruments used in cash flow hedges.

Cost of Hedging Reserve

The cost of hedging reserve reflects gains or losses on the portion excluded from the designated hedging instrument that relates to the forward element of forward contracts. It is initially recognised in OCI and accounted for similarly to gains or losses in the cash flow hedge reserve.

28. Retirement Benefits

During the year ended 31 March 2022, the Group participated in 15 (2021: 16) funded defined benefit pension schemes. All schemes' assets are held in separate funds administered by the trustees of each scheme.

Local Government Pension Schemes

Where the underlying assets and liabilities of the defined benefit schemes can be separately identified the Group recognises in full the schemes' surpluses or deficits on the Statement of Financial Position. Where it is not possible to separately identify the share of the underlying assets and liabilities of a defined benefit scheme, an amount is charged to the Statement of Comprehensive Income that represents the contributions payable in the year.

The Association and its subsidiaries are admitted bodies into the below local Government pension schemes, participation in which is accounted for on a defined benefit pension scheme basis:

Scheme name	Group admitted body	Employer contributions	Range of member contributions	Liability recognised
Cambridgeshire County Council Pension Fund	Sanctuary Housing Association	46.3%	5.5% to 9.9%	Yes
London Borough of Greenwich Pension Fund	Sanctuary Housing Association	18.5%	5.5% to 9.9%	Yes
Oxfordshire County Council Pension Fund	Sanctuary Housing Association	37.3%	5.5% to 9.9%	Yes
Essex County Council Pension Fund	Sanctuary Housing Association	24.3%	5.5% to 9.9%	Yes
Devon County Council Pension Fund	Sanctuary Housing Association	25.3%	5.5% to 9.9%	Yes
Strathclyde Pension Fund	Sanctuary Scotland Housing Association	22.5%	5.5% to 11.2%	Yes
Warwickshire County Council Pension Fund	Sanctuary Care Property (1) Limited	45.3%	5.5% to 9.9%	Yes
North East Scotland Pension Fund	Sanctuary Scotland Housing Association	23.7%	5.5% to 11.5%	Yes
Cheshire County Council Pension Fund	Sanctuary Housing Association	23.0% to 34.0%	5.5% to 9.9%	Yes

Participation in the following local Government pension schemes is accounted for on a defined contribution pension scheme basis:

Scheme name	Group admitted body	Employer contributions	Range of member contributions	Liability recognised
North Yorkshire County Council Pension Fund	Sanctuary Housing Association	7.0%	5.5% to 9.9%	Contributions only
Shropshire County Council Pension Fund	Sanctuary Housing Association	19.2%	5.5% to 9.9%	Contributions only
Merseyside Pension Fund	Sanctuary Housing Association	20.8%	5.5% to 9.9%	Contributions only

The contribution rates above are applicable to both 2022 and 2021 for all local Government schemes.

Scottish Housing Associations' Pension Scheme

Following the Acquisition of Thistle Housing Association on 1 March 2021, the Association's subsidiary, Sanctuary Scotland Housing Association Limited, became an admitted body of the Scottish Housing Associations' Pension Scheme (SHAPS). Participation in this scheme is accounted for on a defined benefit pension scheme basis:

Scheme name	Group admitted body	Employer contributions	Range of member contributions	Liability recognised
Scottish Housing Associations' Pension Scheme (SHAPS)	Sanctuary Scotland Housing Association Limited	7.7% to 13.3%	7.7% to 13.2%	Yes

Sanctuary Housing Association Final Salary Pension Scheme and Sanctuary North West Housing Association Pension Scheme

The Group participates in two further defined benefit pension schemes; the Sanctuary Housing Association Final Salary Pension Scheme (SHAFSPS) and the Sanctuary North West Housing Association Pension Scheme (SNWHAPS). Both schemes are closed to future accrual and, as such, there are no ongoing employee contributions. The Group makes monthly contributions to these schemes to ensure statutory funding objectives are met.

IAS 19 Employee Benefits

The financial assumptions used to calculate scheme liabilities under IAS 19 Employee Benefits in respect of defined benefit schemes are as follows:

	2022	2021
All schemes	%	%
Inflation	3.65	3.30
Rate of increase in salaries for next two years	3.25	2.90
Rate of increase in salaries thereafter	3.25	2.90
Rate of increase for pensions in payment	3.25	2.90
Rate of increase for deferred pensions	3.65	3.30
Discount rate	2.70	2.00

On 25 November 2020, HM Treasury and the UK Statistics Authority released their joint response to the consultation on reform to retail price index (RPI) methodology. This confirmed that RPI will be aligned with CPIH (consumer price index including owner occupiers' housing costs) from February 2030. To reflect this, the Group has changed the approach to setting the CPI inflation assumption, resulting in a 1.0% per annum deduction to RPI inflation for the period up to 2030 and 0.0% per annum for the period from 2030. This leads to a single equivalent average deduction of 0.4% per annum from the RPI inflation assumption to derive the CPI inflation assumption. Changes in the approach to the setting of RPI and CPI assumptions are reported as a change in financial assumptions in the following tables.

The assumptions for mortality rates are based on 109% of the Continuous Mortality Investigation of the Institute and Faculty of Actuaries (CMI) S3PA tables (2021: (CMI S3PA tables) with future improvements based on the CMI 2021 model (2021: CMI 2020 model) with a long-term improvement of 1.25% per annum for both males and females. Based on these assumptions, the average future life expectancies at age 65 are:

	Males	Females
Current pensioners	21.4 years	23.9 years
Future pensioners	22.7 years	25.3 years

Changes in mortality assumptions are reported as changes in demographic assumptions in the following tables.

The fair value of assets in the scheme, split between quoted and unquoted investments, is as follows:

Group

	2022	2022	2022	2022	2021	2021	2021	2021
	£m Quoted	£m Unquoted	£m Total	%	£m Quoted	£m Unquoted	£m Total	%
Equities	76.0	42.7	118.7	25.0	84.0	10.8	94.8	21.0
Bonds	202.7	13.4	216.1	45.6	209.3	9.3	218.6	48.4
Property	29.8	12.1	41.9	8.8	24.5	7.4	31.9	7.1
Other	82.3	15.4	97.7	20.6	87.4	18.5	105.9	23.5
Total value of assets	**390.8**	**83.6**	**474.4**	**100.0**	**405.2**	**46.0**	**451.2**	**100.0**

Association

	2022	2022	2022	2022	2021	2021	2021	2021
	£m Quoted	£m Unquoted	£m Total	%	£m Quoted	£m Unquoted	£m Total	%
Equities	60.7	34.9	95.6	21.8	69.0	4.0	73.0	17.5
Bonds	199.6	12.4	212.0	48.4	206.7	8.0	214.7	51.5
Property	28.4	10.7	39.1	8.9	23.4	6.0	29.4	7.1
Other	78.6	12.9	91.5	20.9	83.3	16.2	99.5	23.9
Total value of assets	**367.3**	**70.9**	**438.2**	**100.0**	**382.4**	**34.2**	**416.6**	**100.0**

Reconciliation of the effect of the asset ceiling:

	Group 2022 £m	Group 2021 £m	Association 2022 £m	Association 2021 £m
Net asset ceiling at 1 April	(2.0)	(19.4)	(0.2)	(18.0)
Derestriction of Strathclyde Pension Fund surplus	-	0.5	-	-
Restriction of Warwickshire County Council Pension Fund surplus	(1.2)	(0.9)	-	-
(Restriction)/derestriction of the Sanctuary Housing Association Final Salary Scheme surplus	(14.2)	15.7	(14.2)	15.7
Derestriction of the Cheshire Pension Fund surplus	-	2.2	-	2.2
Restriction of the Essex Pension Fund surplus	(0.6)	(0.1)	(0.6)	(0.1)
Restriction of the Oxfordshire County Council Pension Fund surplus	(0.3)	-	(0.3)	-
Net asset ceiling at 31 March	**(18.3)**	**(2.0)**	**(15.3)**	**(0.2)**

Scheme assets/(liabilities) are reflected in the Statement of Financial Position:

	Group 2022 £m	Group 2021 £m	Association 2022 £m	Association 2021 £m
Present value of employer assets	474.4	451.2	438.2	416.6
Present value of funded liabilities	(477.3)	(517.6)	(446.7)	(484.8)
Net funding in funded plans	(2.9)	(66.4)	(8.5)	(68.2)
Present value of unfunded liabilities	-	(0.2)	-	(0.2)
Pension asset/(liability) before restrictions	(2.9)	(66.6)	(8.5)	(68.4)
Effect of net asset ceiling	(18.3)	(2.0)	(15.3)	(0.2)
Recognition of minimum funding requirements	(0.4)	(0.5)	(0.1)	-
Net pension liability	**(21.6)**	**(69.1)**	**(23.9)**	**(68.6)**

An analysis of the expense reflected in the Statement of Comprehensive Income:

	Group 2022 £m	Group 2021 £m	Association 2022 £m	Association 2021 £m
Amount charged to operating surplus:				
Current service cost	(2.4)	(1.7)	(2.2)	(1.5)
Past service cost	(0.1)	-	-	-
Expenses	(0.4)	(0.4)	(0.4)	(0.4)
Total charged to operating surplus	(2.9)	(2.1)	(2.6)	(1.9)
Amount charged to finance cost:				
Interest income on plan assets	9.0	9.4	8.3	8.9
Interest cost on defined benefit obligations	(10.3)	(9.3)	(9.6)	(8.8)
Total amount (charged)/credited to finance cost	(1.3)	0.1	(1.3)	0.1
Total amount charged to the Income Statement	**(4.2)**	**(2.0)**	**(3.9)**	**(1.8)**
Amounts recognised in other comprehensive income:				
Remeasurement gains and losses:				
Return on plan assets excluding interest	19.1	38.5	17.9	34.7
Experience (losses)/gains	(5.8)	3.8	(5.7)	3.2
Other remeasurement gains	0.3	2.4	-	-
Changes in financial assumptions	41.3	(118.7)	39.5	(112.5)
Changes in demographic assumptions	5.6	3.0	5.2	2.3
Effect of movement in net asset ceiling	(16.3)	17.4	(15.1)	17.8
Movement in IFRIC 14 minimum funding obligation	0.1	8.6	(0.1)	7.7
Total remeasurement gains/(losses)	44.3	(45.0)	41.7	(46.8)
	-		-	
Total amounts recognised in other comprehensive income	**44.3**	**(45.0)**	**41.7**	**(46.8)**

Reconciliation of the opening and closing balances of the present value of scheme liabilities:

	Group 2022 £m	Group 2021 £m	Association 2022 £m	Association 2021 £m
Opening defined benefit obligation	517.8	402.7	485.0	378.5
Acquisitions (note 33)	-	3.7	-	-
Revised opening defined benefit obligation	517.8	406.4	485.0	378.5
Current service cost	2.4	1.7	2.2	1.5
Past service cost	0.1	-	-	-
Interest cost	10.3	9.3	9.6	8.8
Contributions by employees	0.4	0.3	0.3	0.3
Experience gains	5.7	(3.6)	5.7	(3.2)
Changes in financial assumptions	(41.3)	118.7	(39.5)	112.5
Changes in demographic assumptions	(5.6)	(3.0)	(5.2)	(2.3)
Net benefits paid (including expenses)	(12.5)	(12.0)	(11.4)	(11.1)
Closing defined benefit obligation	**477.3**	**517.8**	**446.7**	**485.0**

During the year ended March 2022, the Trustee of the Sanctuary Housing Association Final Salary Pension Scheme conducted a review of the application of historic changes to scheme member benefits. The review found that, in some cases, changes to benefits provided by the scheme may have been implemented at a time or in a way that may not be in accordance with scheme rules. In response to the review, the Trustee will be seeking direction from the courts, on behalf of scheme employers, on how to interpret these rules. Should the courts direct that some changes were made in a way not permitted by the scheme rules, this could give rise to an increase in member benefits and an additional liability for the Group. While the likelihood, timing and amount of this additional liability is uncertain, the scheme's actuaries have estimated that any potential additional obligation in respect of this scheme could be material to the Group. Due to the uncertainty surrounding this review, the pension obligations stated in the Financial Statements do not reflect any additional liability that may arise from this review, which is not expected to complete until the final quarter of 2024.

Reconciliation of opening and closing balances of the fair value of the scheme assets:

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
Opening fair value of the scheme assets	451.2	405.3	416.6	380.4
Acquisitions (note 33)	-	3.3	-	-
Revised opening fair value of the scheme assets	451.2	408.6	416.6	380.4
Expenses	(0.4)	(0.4)	(0.4)	(0.4)
Effect of settlements	-	-	-	-
Interest income on plan assets	9.0	9.4	8.3	8.9
Return on plan assets excluding interest	19.1	38.5	17.9	34.7
Other remeasurement gains	0.3	2.4	-	-
Contributions by employer	7.4	4.2	6.9	3.8
Contributions by employees	0.4	0.3	0.3	0.3
Experience (losses)/gains	(0.1)	0.2	-	-
Net benefits paid (including expenses)	(12.5)	(12.0)	(11.4)	(11.1)
Closing fair value of the scheme assets	**474.4**	**451.2**	**438.2**	**416.6**

The total and cumulative remeasurements recognised in other comprehensive income:

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
Net actuarial remeasurements recognised in year	60.5	(71.0)	56.9	(72.3)
Net cumulative actuarial remeasurements	(22.4)	(82.9)	(23.2)	(80.1)

Remeasurement gains and losses are broken down as follows:

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
Return on plan assets excluding interest	19.1	38.5	17.9	34.7
Experience (loss)/gains	(5.8)	3.8	(5.7)	3.2
Other remeasurement gains	0.3	2.4	-	-
Changes in financial assumptions	41.3	(118.7)	39.5	(112.5)
Changes in demographic assumptions	5.6	3.0	5.2	2.3
Total remeasurement gains/(losses)	**60.5**	**(71.0)**	**56.9**	**(72.3)**

History of consolidated defined benefit schemes in Statements of Financial Position, before recognition of the net asset ceiling or IFRIC 14 minimum funding obligations:

	Group				
	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Defined benefit obligations	(477.3)	(517.8)	(402.7)	(445.3)	(433.1)
Scheme assets	474.4	451.2	405.3	404.7	390.9
(Deficit)/surplus	**(2.9)**	**(66.6)**	**2.6**	**(40.6)**	**(42.2)**

	Association				
	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Defined benefit obligations	(446.7)	(485.0)	(378.5)	(418.5)	(406.8)
Scheme assets	438.2	416.6	380.4	378.4	366.1
(Deficit)/surplus	**(8.5)**	**(68.4)**	**1.9**	**(40.1)**	**(40.7)**

The Group expects to contribute the following amounts to the defined benefit schemes during the year ended 2023:

	£m
Cheshire County Council Pension Fund	1.2
Sanctuary North West Housing Association Pension Scheme	1.3
Sanctuary Housing Association Final Salary Pension Scheme	3.5
Scottish Housing Associations' Pension Scheme	0.1
Oxfordshire County Council Pension Fund	0.2
Cambridgeshire County Council Pension Fund	0.7
Warwickshire County Council Pension Fund	0.3
North East Scotland Pension Fund	0.1
London Borough of Greenwich Pension Fund	0.2
Strathclyde Pension Fund	0.1
Essex County Council Pension Fund	0.1
	7.8

Assumption Sensitivity Analysis

The impact of a 0.1 percentage point movement in the primary assumptions (longevity: one year) on the defined benefit obligations as at 31 March 2022 is set out below:

	Group Movement £m	Association Movement £m
Discount rate +0.1%	(9.2)	(8.8)
Discount rate -0.1%	9.0	8.6
Rate of inflation +0.1%	7.4	7.2
Rate of inflation -0.1%	(7.0)	(7.0)
Life expectancy +1 year	15.5	14.5
Life expectancy -1 year	(15.5)	(14.5)

The above sensitivity analyses are based on isolated changes in each assumption, while holding all other assumptions constant. In practice, this is unlikely to occur, and there is likely to be some level of correlation between movements in different assumptions. In addition, these sensitivities relate only to potential movement in the defined benefit obligations.

The assets, held by the schemes, are to some extent designed to mitigate the full impact of these movements so that the movements in the defined benefit obligations shown above would, in practice, be partly offset by movements in asset valuations.

However, the above sensitivities are shown to illustrate at a high level the scale of sensitivity of the defined benefit obligations to key actuarial assumptions.

The same actuarial methods have been used to calculate these sensitivities as are used to calculate the relevant Statement of Financial Position values and have not changed compared to the previous period.

The Group's share of total assets in participating Local Government Pension Schemes ranges from between less than 0.04% to less than 1.00% of fund value.

The Asset values of the Group for the Local Government Pension Schemes are reported using estimated asset allocations prepared by each scheme Actuary. This Asset value is calculated at each triennial valuation per scheme. Thereafter, it is rolled forward to accounting dates using suitable estimates for investment returns, contributions received, and benefits paid out. Each employer's share of the Fund is individually tracked.

Contributions which Sanctuary Group pays to the Funds are allocated entirely to its identified asset share and are not spread in any way. Asset allocations are also produced using bid values where necessary.

A sensitivity analysis to reflect a plus or minus 5% movement in asset values in Local Government Pension schemes equates to plus or minus £7.7 million (2021: £7.2 million).

Defined Benefit Schemes – Risk Factors

Through its various post-employment pension schemes, the Group is exposed to a number of risks, the most significant of which are detailed below. The Group's focus is on managing the cash demands which the various pension plans place on the Group, rather than Statement of Financial Position volatility in its own right. For funded schemes, cash requirements are generally determined by funding valuations which are performed on a different basis from accounting valuations.

Asset volatility: Plan liabilities are calculated using discount rates set with reference to bond yields (although the discount rate methodology differs for accounting and funding purposes). If plan assets deliver a return which is lower than the discount rate, this will create or increase a plan deficit.

The Group's various pension plans hold a significant proportion of equities and similar 'growth assets', which are expected to out-perform bonds in the long-term, albeit at the risk of short-term volatility. As the pension schemes mature, with a shorter time horizon to cope with volatility, the scheme trustees and administering authorities will gradually reduce holdings of growth assets in favour of increased matching assets (bonds and similar). In the meantime, the Group considers that equities and similar assets are an appropriate means of managing pension funding requirements, given the long-term nature of the liabilities and the strength of the Group to withstand volatility.

Changes in bond yields: A decrease in bond yields will typically increase scheme liabilities (and vice-versa), although this will be offset partially by an increase in the value of bonds held in the asset portfolios of the various plans. The effect of changes in bond yields is more pronounced in less well funded schemes where there is less potential for offsetting movements in asset values.

Inflation risk: As the Group's pension obligations are linked to inflation, higher inflation expectations will lead to higher liabilities, although caps are in place to protect against unusually high levels of inflation. The asset portfolio includes some inflation-linked bonds to provide an element of protection against this risk.

Member longevity: As the Group's post-employment obligations are generally to provide benefits for the life of the member, increases in life expectancy will result in an increase in scheme liabilities (and vice versa).

The mortality rate is based on publicly available mortality tables for the specific country. Covid-19 has caused a short-term increase in deaths in the UK but the excess deaths to date have not generally had a material impact on UK pension scheme liabilities. The future impact of Covid-19 on long term mortality improvements is currently uncertain with potential adverse implications of delayed medical interventions and "long Covid", along with potential positive implications if the surviving population is less "frail" or the pandemic causes improved healthcare initiatives and lifestyle changes. In consideration of the potential impacts of Covid-19, the Group has allowed, in the mortality assumptions used, for 5 years of suppressed improvements in mortality rate before rates return to previously expected levels.

National Health Service Pension Scheme

The Association is a direction body employer of the National Health Service Pension Scheme (NHS Pension Scheme). The NHS Pension Scheme is an unfunded occupational scheme backed by the Exchequer, which is open to all NHS staff and qualifying employees of other approved organisations.

Employers and employees pay contributions based on a percentage of pensionable pay. Every four years the Government Actuary conducts a full actuarial review and recommends contribution rates in their valuation report to the Secretary of State for Health.

The Association contributes at a rate of 14.3% of pensionable salaries (2021: 14.3%). Members contribute at a rate of between 5.0% and 12.5% of pensionable salary.

Defined Contribution Schemes

The Group participates in defined contribution schemes for members of staff. The cost of the defined contribution schemes amounts to £8.7 million (2021: £8.6 million). As at the year end there was £0.8 million of accrued contributions due for payment after the year end (2021: £0.7 million).

29. Capital Commitments

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
Expenditure contracted	218.0	365.2	0.6	2.8
Authorised expenditure not contracted	498.4	258.1	39.5	62.4
	716.4	**623.3**	**40.1**	**65.2**

For the Group, of the £716.4 (2021: £623.3 million) of capital commitments at 31 March 2022, £120.6 million (2021: £81.1 million) will be financed by grant and other public finance.

For the Association, of the £40.1 (2021: £65.2 million) of capital commitments at 31 March 2022, £4.4 million (2021: £9.1 million) will be financed by grant and other public finance.

The Group is confident its financial strength will allow it to refinance existing loans and finance the current business plan commitments at competitive rates. The Group anticipates funding this through a mix of fixed and variable interest rate facilities, cash generated from property sales, operating activities and Government grants.

30. Notes to the Statement of Cash Flows

Cash and Cash Equivalents

	Group		Association	
	2022 £m	2021 £m	2022 £m	2021 £m
Cash and cash equivalents per Statement of Financial Position	102.1	494.7	10.4	5.1
Cash and cash equivalents per Statement of Cash Flows	**102.1**	**494.7**	**10.4**	**5.1**

Cash and cash equivalents at the end of the reporting period can be reconciled to the related items in the Statement of Financial Position as shown above.

Reconciliation of Liabilities Arising from Financing Activities

Group	At 1 April 2021	Cash flows	Acquisitions (note 33)	Non-cash changes Foreign exchange movement	Fair value changes	Other non-cash changes	At 31 March 2022
	£m	£m	£m	£m	£m	£m	£m
Short-term borrowings	(332.4)	332.6	-	-	-	(30.9)	(30.7)
Long-term borrowings	(2,871.1)	(31.3)	-	(2.8)	-	33.1	(2,872.1)
Lease liabilities	(173.8)	2.0	-	-	-	(0.3)	(172.1)
Derivative financial instruments	17.8	-	-	-	7.1	-	24.9
Total liabilities from financing activities	**(3,359.5)**	**303.3**	**-**	**(2.8)**	**7.1**	**1.9**	**(3,050.0)**

Non-cash movements on derivative financial instruments relate to the fair value movement of foreign exchange (£5.8 million positive movement) and interest rate derivatives (£1.3 million positive movement).

Group	At 1 April 2020	Cash flows	Acquisitions (note 33)	Non-cash changes Foreign exchange movement	Fair value changes	Other non-cash changes	At 31 March 2021
	£m	£m	£m	£m	£m	£m	£m
Short-term borrowings	(44.2)	372.3	-	-	-	(660.5)	(332.4)
Long-term borrowings	(2,885.0)	(642.7)	(10.0)	6.3	-	660.3	(2,871.1)
Lease liabilities	(176.5)	1.8	-	-	-	0.9	(173.8)
Derivative financial instruments	38.0	-	-	-	(20.2)	-	17.8
Total liabilities from financing activities	**(3,067.7)**	**(268.6)**	**(10.0)**	**6.3**	**(20.2)**	**0.7**	**(3,359.5)**

Non-cash movements on derivative financial instruments relate to the fair value movement of foreign exchange (£20.9 million negative movement) and interest rate derivatives (£0.7 million positive movement).

Other non-cash changes reflect progression in the ageing of borrowings due after more than one year to less than one year, the amortisation of premiums and discounts recognised on issue of bonds and in the case of lease liabilities, the recognition, de-recognition and revaluation of right-of-use assets and corresponding lease liabilities. Foreign exchange movement relates to the retranslation of dollar denominated loan notes at the year end spot rate.

Association	At 1 April 2021	Cash flows	Non-cash changes Foreign exchange movement	Fair value changes	Other non-cash changes	At 31 March 2022
	£m	£m	£m	£m	£m	£m
Short-term borrowings	(27.5)	59.7	-	-	(56.2)	(24.0)
Long-term borrowings	(1,695.2)	(16.6)	(2.8)	-	56.3	(1,658.3)
Lease liabilities	(46.9)	1.4	-	-	(0.4)	(45.9)
Derivative financial instruments	20.6	-	-	5.8	-	26.4
Total liabilities from financing activities	**(1,749.0)**	**44.5**	**(2.8)**	**5.8**	**(0.3)**	**(1,701.8)**

Non-cash movements on derivative financial instruments relate to the fair value movement of foreign exchange (£5.8 million positive movement) derivatives.

Association	At 1 April 2020	Cash flows	Non-cash changes Foreign exchange movement	Fair value changes	Other non-cash changes	At 31 March 2021
	£m	£m	£m	£m	£m	£m
Short-term borrowings	(38.8)	139.9	-	-	(128.6)	(27.5)
Long-term borrowings	(1,742.7)	(87.2)	6.3	-	128.4	(1,695.2)
Lease liabilities	(48.1)	1.7	-	-	(0.5)	(46.9)
Derivative financial instruments	41.5	-	-	(20.9)	-	20.6
Total liabilities from financing activities	**(1,788.1)**	**54.4**	**6.3**	**(20.9)**	**(0.7)**	**(1,749.0)**

Non-cash movements on derivative financial instruments relate to the fair value movement of foreign exchange (£20.9 million negative movement) derivatives.

Other non-cash changes reflect progression in the ageing of borrowings due after more than one year to less than one year, the amortisation of premiums and discounts recognised on issue of bonds and in the case of lease liabilities, the recognition, de-recognition and revaluation of right-of-use assets and corresponding lease liabilities. Foreign exchange movement relates to the retranslation of dollar denominated loan notes at the year end spot rate.

31. Related Party Transactions

Related party transactions between members of the Board and the entities within the Group are disclosed in the Board's Report and note 8.

Trading

During the year, the Association recharged costs incurred on behalf of other Group undertakings. Such costs include the Group audit fees and the recharging of Central Services costs including finance, information systems, human resources, office costs and management.

These recharges are agreed by management and are based on relevant information such as occupancy of offices, asset base and employee details.

The Association received gift aid from its subsidiary undertakings during the year of:

	2022	2021
Entity	**£m**	**£m**
ASK (Greenwich) Limited	2.0	1.3
Beech Grove Homes Limited	1.4	1.6
Dornoch Medical Care Limited	0.2	-
Gate Healthcare Limited	0.3	-
Sanctuary Maintenance Contractors Limited	0.5	0.5
Sanctuary Treasury Limited	-	0.1
Spiral Developments Limited	3.1	2.0

The Association also receives capital grants on behalf of other Group undertakings. These are transferred through intra-Group transactions into the relevant entity which owns the property the grant relates to.

At the reporting date, the Association had the following trading balances with non-RSH regulated Group undertakings:

	2022	2021
Entity	**£m**	**£m**
ASK (Greenwich) Limited	2.5	3.3
Avenue Services Limited	0.1	0.3
Beech Grove Homes Limited	4.2	3.4
Donside Limited	-	0.1
Dornoch Medical Care Limited	0.3	-
Gate Healthcare Limited	0.3	-
Mull Hall Holdings Limited	(0.2)	(0.2)
Sanctuary Care Limited	2.1	3.6
Sanctuary Care Property (1) Limited	0.4	0.5
Sanctuary Care Property (2) Limited	0.6	0.3
Sanctuary Care (North) Limited	(0.1)	0.7
Sanctuary Care (South West) Limited	-	0.1
Sanctuary Home Care Limited	1.1	0.6
Sanctuary Maintenance Contractors Limited	(8.7)	(7.4)
Sanctuary Management Services Limited	(0.2)	(0.3)
Sanctuary (NW Management) Limited	1.8	1.7
Sanctuary Scotland Housing Association Limited	0.4	0.5
Sanctuary Student Homes Limited	0.1	0.1
Sanctuary Treasury Limited	0.4	-
Spiral Developments Limited	3.2	2.1

At the reporting date, the Association had the following trading balances with RSH regulated Group undertakings:

	2022	2021
Entity	**£m**	**£m**
Sanctuary Affordable Housing Limited	2.6	-

Loans

The Association has loan balances with other Group undertakings at the reporting date.

The Association both receives and allocates funds to other Group undertakings. These loans are arranged at commercial terms and, as appropriate, secured against the assets of each entity.

At the reporting date, the Association had the following loan and lease balances with non-RSH regulated Group undertakings:

	2022	2021
Entity	**£m**	**£m**
Loans		
ASK (Holdings) Limited	1.1	1.1
Beech Grove Homes Limited	15.0	15.0
Sanctuary Care Property (2) Limited	22.3	26.3
Sanctuary Scotland Housing Association Limited	0.6	0.8
Sanctuary Student Homes Limited	55.2	39.3
Sanctuary Student Properties Limited	46.9	61.5
Sanctuary Treasury Limited*	(757.7)	(778.0)
Leases		
Sanctuary Student Properties Limited	(4.6)	(4.6)
Sanctuary Student Homes Limited	2.5	2.6

*Sanctuary Treasury Limited raises finance (including bond issues by Sanctuary Capital PLC) for onward lending to Registered Providers within the Group, including the Association.

At the reporting date, the Association had no loan balances with RSH regulated Group undertakings.

Accrued Interest

Related party loan net interest accrued in the Association with non-RSH regulated Group entities at the reporting date is as follows:

	2022	2021
Entity	**£m**	**£m**
ASK (Holdings) Limited	0.1	0.1
Sanctuary Care Property (2) Limited	1.4	1.6
Sanctuary Student Homes Limited	0.1	-
Sanctuary Student Properties Limited	0.2	0.3
Sanctuary Treasury Limited*	(5.8)	(6.4)

*Accrued interest payable on loan balances owed to Sanctuary Treasury Limited.

There was no related party loan net interest accrued in the Association with RSH regulated Group entities.

Related party transactions between members of the Board and the entities within the Group are disclosed in the Board's Report and note 8. Transactions between the Group and joint ventures, associates and trade investments are disclosed on the following pages.

The Association carries investments in subsidiaries and jointly controlled entities at cost.

	£m
At 1 April 2020	87.9
Decrease in subsidiary investments in the year	(0.2)
At 31 March 2021	87.7
At 1 April 2021	87.7
Decrease in subsidiary investments in the year	-
At 31 March 2022	**87.7**

The decrease in subsidiary investments in the year ended 31 March 2021 relates to the revision of consideration paid in the year ended 31 March 2020 for the acquisition of Lorimer Care Homes Limited, Mull Hall Holdings Limited and Dornoch Medical Care Limited and their subsidiaries.

Sanctuary North West Housing Association Pension Scheme

The Sanctuary North West Housing Association Pension Scheme is considered a related party to the Group under IAS 19 Employee Benefits. The assets of the scheme for year ended 31 March 2022 were £13.6 million (2021: £12.2 million) and the obligations of the scheme for year ended 31 March 2022 were £16.7 million (2021: £18.8 million), these are included within the consolidated figures in note 28.

32. Investments in Subsidiaries, Associates and Jointly-Controlled Entities

Details of the Association's subsidiaries and joint arrangements as at 31 March 2022 are shown below:

Entities registered in England and Wales with registered office at Sanctuary House, Chamber Court, Castle Street, Worcester, WR1 3ZQ:

Company	Nature of business	RSH regulated	Ownership (direct and indirect)
Subsidiaries			
ASK (Greenwich) Limited	Care home development and management	Non-RSH regulated	100%
ASK (Holdings) Limited	Holding company	Non-RSH regulated	100%
Avenue Services (NW) Limited	Property maintenance services	Non-RSH regulated	50%
Bateman Memorial Almshouses Charity	Registered almshouse	Registered Charity	100%
Beech Grove Homes Limited	Property development	Non-RSH regulated	100%
Riverside Apartments Management Limited	Property management	Non-RSH regulated	78%
Sanctuary Affordable Housing Limited	Supplier of social housing	Registered Provider	100%
Sanctuary Capital PLC	Group financing	Non-RSH regulated	100%
Sanctuary Care Limited	Care home management	Non-RSH regulated	100%
Sanctuary Care Property (1) Limited	Care home development and management	Non-RSH regulated	100%
Sanctuary Care Property (2) Limited	Care home development and management	Non-RSH regulated	100%
Sanctuary Home Care Limited	Domiciliary care	Non-RSH regulated	100%
Sanctuary Maintenance Contractors Limited	Property maintenance services	Non-RSH regulated	100%
Sanctuary Management Services Limited	Management services	Non-RSH regulated	100%
Sanctuary (NW Management) Limited	Provider of market rented property	Non-RSH regulated	100%
Sanctuary Student Homes Limited	Student accommodation	Non-RSH regulated	100%
Sanctuary Student Properties Limited	Student accommodation	Non-RSH regulated	100%
Sanctuary Treasury Limited	Group financing	Non-RSH regulated	100%
Spiral Developments Limited	Property development	Non-RSH regulated	100%
Spon Lane Trust Almshouses	Registered almshouse	Registered Charity	100%
St Albans Mount Management Limited	Property management	Non-RSH regulated	66.7%
The Hertford Housing Company Limited	Provider of market rented property	Non-RSH regulated	100%
Sanctuary Care (North) Limited	Care home management	Non-RSH regulated	100%
Sanctuary Care (R) Geffen Limited	Non-trading	Non-RSH regulated	100%

Entities registered in Scotland with registered office at Sanctuary House, 7 Freeland Drive, Glasgow, G53 6PG:

Company	Nature of business	RSH regulated	Ownership (direct and indirect)
Subsidiaries			
Donside Limited	Property development	Non-RSH regulated	100%
Glasgow Student Villages Limited	Student accommodation	Non-RSH regulated	100%
Sanctuary Homes (Scotland) Limited	Supplier of mid-market rent housing	Non-RSH regulated	100%
Sanctuary Scotland Housing Association Limited	Supplier of social housing	Registered Social Landlord (Scotland)	100%
Lorimer Care Homes Limited	Holding company	Non-RSH regulated	100%
Gate Healthcare Limited	Care home management	Non-RSH regulated	100%
Glenfairn Limited	Care home management	Non-RSH regulated	100%
Tayside Care Limited	Care home management	Non-RSH regulated	100%
Mull Hall Holdings Limited	Holding company	Non-RSH regulated	100%
Mull Hall Care Limited	Care home management	Non-RSH regulated	100%
Dornoch Medical Care Limited	Care home management	Non-RSH regulated	100%

These entities are controlled or wholly-owned subsidiaries of wholly-owned subsidiaries of the Association.

Non-Controlling Interests

The following parties have interests in the entities not wholly-owned by the Association or its subsidiaries:

- Avenue Services (NW) Limited – 50% owned by Cheshire West and Chester Council.
- Riverside Apartments Management Limited – 22% owned by the tenants of the company.
- St Albans Mount Management Limited – 33.3% owned by the tenants of the company.

Joint Ventures

The Group has the following investments in joint ventures which are registered in England and Wales with registered offices at 11 Tower View, Kings Hill, West Malling, Kent, England, ME19 4UY:

Name	Country of incorporation	Date of incorporation	Nature of incorporation	Voting rights	Carrying amount Group	Carrying amount Group
					2022	2021
					£m	£m
Linden (Biddenham) LLP	England	24 June 2015	Limited Liability Partnership	50%	0.9	0.6
Linden (Brampton) LLP	England	27 July 2016	Limited Liability Partnership	50%	1.0	0.7
Linden (Avery Hill) LLP	England	1 August 2016	Limited Liability Partnership	50%	-	0.3
Europa Way JV LLP	England	7 December 2017*	Limited Liability Partnership	50%	1.0	0.6
Glen Parva JV LLP	England	7 December 2017**	Limited Liability Partnership	50%	-	-
					2.9	**2.2**

*Spiral Developments Limited was appointed as a member on 20 December 2018.

**Spiral Developments Limited was appointed as a member on 28 June 2019.

The Group controls 50% of the joint ventures via Spiral Developments Limited, a wholly-owned subsidiary of the Association. The remaining 50% is controlled by Vistry Linden Limited, a wholly-owned subsidiary of Vistry Group PLC.

The joint ventures have been established to acquire, develop, manage and dispose of properties on specific development sites, including an element of affordable housing.

The Association and Vistry Linden Limited have provided equal amounts of loan finance to the joint ventures; these loans are on an arms length basis at a commercial rate of interest. Amounts due to the Association, including capitalised interest, at 31 March 2022 totalled £23.3 million (2021: £30.6 million), see note 16. The recoverability of the loans is supported by the appraisal work performed by the Group prior to entering into the joint ventures.

The following table summarises the financial information of the joint ventures as included in their own Financial Statements:

	2022	2021
	£m	£m
Cash and cash equivalents	2.3	3.4
Other current assets	77.1	75.3
Loans and borrowings – short-term	(33.3)	(49.7)
Other current liabilities	(40.9)	(25.1)
Loans and borrowings – long-term	-	-
Other non-current liabilities	-	-
Net assets 100%	**5.2**	**3.9**
Net assets 50%	2.6	2.0
Losses not recognised	0.3	0.2
Group's recognised share of net assets	**2.9**	**2.2**
Revenue	50.1	41.7
Depreciation and amortisation	-	-
Cost of sales and other operating costs	(42.0)	(35.0)
Interest income	-	-
Interest expense	(2.4)	(2.9)
Profit 100%	**5.7**	**3.8**
Profit 50%	2.9	1.9
Losses not recognised	0.2	0.2
Group's recognised share of profits	**3.1**	**2.1**
Dividends received by the Group	**2.4**	**4.3**

33. Prior Year Acquisitions

Thistle Housing Association Limited

In the prior year, on 1 March 2021, the assets and liabilities of Thistle Housing Association Limited (Thistle) transferred to Sanctuary Scotland Housing Association Limited (Sanctuary Scotland), a wholly owned subsidiary of the Association.

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

Post-acquisition there followed a measurement period that ran until 28 February 2022. During this time, the provisional fair values were reassessed based on new information obtained about facts and circumstances that existed at the acquisition date that if known at the time would have affected measurement amounts recognised at that date.

Adjustments of £4.7 million to property fair values arose as a result of greater clarity being obtained over the scope and timing of required capital works, as well as through gaining a better understanding of the extent to which future capital works had been factored into initial valuations. This was achieved through gaining access to more properties as the year progressed and Covid-19 restrictions eased, along with the Group obtaining additional information from third party valuers on the condition of the properties acquired.

Provisions for making-good non-capital defects, as agreed in the transfer agreement, increased by £2.2 million. The revised estimate of the costs to complete these works is based on detailed third party tenders obtained during the measurement period.

The table below shows the impact of these adjustments.

	Fair value as previously reported	Adjustments	Fair value revised
	£m	£m	£m
Assets			
Property, plant and equipment	17.7	4.7	22.4
Trade and other receivables	0.3	-	0.3
Cash and cash equivalents	2.4	-	2.4
		-	
Liabilities			
Trade and other payables	(1.2)	-	(1.2)
Loans and borrowings	(10.0)	-	(10.0)
Retirement benefit obligations	(0.4)	-	(0.4)
Provisions	(3.8)	(2.2)	(6.0)
Net assets	**5.0**	**2.5**	**7.5**
Consideration	-	-	-
Gain from acquisition	5.0	2.5	7.5
Acquisition costs	(0.5)	(0.2)	(0.7)
Net gain from acquisitions	**4.5**	**2.3**	**6.8**

34. Events After the Reporting Period

There were no events after the reporting period.

35. Contingent Liabilities

The Association has entered into counter indemnities in respect of Surety Bonds for £15.9 million of pension liabilities. The Association considers these Surety Bonds to be insurance arrangements and accounts for them as such. The Association treats the counter indemnities as a contingent liability and, until such time as it becomes probable that the company is required to claim, any accompanying payment for the counter indemnity has a fair value of £nil.

Appendix 1

Prepared to meet the requirements of The Accounting Direction for private registered providers of social housing 2022.

Turnover, Cost of Sales, Operating Costs and Operating Surplus - Group

	2022 Turnover £m	2022 Cost of sales £m	2022 Operating costs £m	2022 Operating surplus/ (deficit) £m	2021 Operating surplus/ (deficit) £m
Social housing lettings					
Housing accommodation	321.3	-	(180.7)	140.6	141.3
Sheltered and supported housing	108.9	-	(99.4)	9.5	15.2
Key worker accommodation	3.5	-	(2.4)	1.1	0.8
Shared ownership	9.9	-	(2.7)	7.2	5.9
	443.6	**-**	**(285.2)**	**158.4**	**163.2**
Other social housing activities					
Development administration	0.1	-	(4.3)	(4.2)	(5.3)
Home ownership and managed properties	7.8	-	(4.5)	3.3	2.0
Supported registered services	11.7	-	(11.7)	-	-
Supporting People contract income	29.2	-	(29.2)	-	-
Shared ownership first tranche sales	19.1	(16.6)	-	2.5	2.1
Community/neighbourhood services	-	-	(1.4)	(1.4)	(1.4)
Other	5.2	-	(5.2)	-	-
	73.1	**(16.6)**	**(56.3)**	**0.2**	**(2.6)**
Non-social housing activities					
Student accommodation and market rented	55.2	-	(46.2)	9.0	6.0
Care homes	193.0	-	(192.7)	0.3	(4.4)
External maintenance services	3.2	-	(2.7)	0.5	0.5
Domiciliary care	5.4	-	(6.8)	(1.4)	(1.8)
Non-social housing property sales	37.7	(33.2)	-	4.5	4.9
Non-social housing development contracts	0.1	-	-	0.1	
Development administration (non-social housing)	-	-	(2.5)	(2.5)	(3.0)
Other	1.2	-	(1.2)	-	-
	295.8	**(33.2)**	**(252.1)**	**10.5**	**2.2**
Totals	**812.5**	**(49.8)**	**(593.6)**	**169.1**	**162.8**
Other gains and losses (note 7)				6.4	5.2
Share of profit of joint ventures				3.1	2.1
Operating surplus				**178.6**	**170.1**
Net gain from acquisitions				2.3	4.5
Finance income				2.2	2.9
Finance costs				(124.5)	(130.6)
Surplus for the year before taxation				**58.6**	**46.9**
Taxation				(0.3)	(0.2)
Surplus for the year after taxation				**58.3**	**46.7**

Turnover, Cost of Sales, Operating Costs and Operating Surplus - Association

	2022 Turnover £m	2022 Cost of sales £m	2022 Operating costs £m	2022 Operating surplus/ (deficit) £m	2021 Operating surplus/ (deficit) £m
Social housing lettings					
Housing accommodation	261.1	-	(164.5)	96.6	99.8
Sheltered and supported housing	93.4	-	(86.0)	7.4	11.7
Key worker accommodation	3.5	-	(2.5)	1.0	0.8
Shared ownership	5.6	-	(2.1)	3.5	2.9
	363.6	**-**	**(255.1)**	**108.5**	**115.2**
Other social housing activities					
Development administration	0.1	-	(3.1)	(3.0)	-
Home ownership and managed properties	6.8	-	(4.2)	2.6	1.2
Supporting People contract income	14.6	-	(14.6)	-	-
Shared ownership first tranche sales	1.4	(1.9)	-	(0.5)	-
Community/neighbourhood services	-	-	(1.4)	(1.4)	(1.4)
Other	6.5	-	(6.5)	-	-
	29.4	**(1.9)**	**(29.8)**	**(2.3)**	**(0.2)**
Non-social housing activities					
Student accommodation and market rented	32.2	-	(28.7)	3.5	(0.5)
Non-social housing property sales	0.8	(0.5)	-	0.3	0.2
Non-social housing development contracts	0.1	-	-	0.1	
Development administration (non-social housing)	-	-	(2.0)	(2.0)	(6.1)
Management recharges	21.4	-	(21.4)	-	-
Other	7.3	-	(7.3)	-	-
	61.8	**(0.5)**	**(59.4)**	**1.9**	**(6.4)**
Totals	**454.8**	**(2.4)**	**(344.3)**	**108.1**	**108.6**
Other gains and losses (note 7)				4.2	4.3
Other income – gift aid and distribution of reserves				7.5	5.5
Operating surplus				**119.8**	**118.4**
Finance income				6.1	6.4
Finance costs				(87.4)	(91.0)
Surplus for the year before taxation				**38.5**	**33.8**
Taxation				-	-
Surplus for the year after taxation				**38.5**	**33.8**

Appendix 2

Prepared to meet the requirements of The Accounting Direction for private registered providers of social housing 2022.

Income and Expenditure from Social Housing Lettings

Group	Housing accommodation	Sheltered and supported housing	Key worker accommodation	Shared ownership	2022 Total	2021 Total
	£m	£m	£m	£m	£m	£m
Income from lettings						
Rents	304.4	64.1	3.5	8.2	380.2	369.9
Service charges	16.3	40.5	-	1.7	58.5	50.6
Total rent and service charge income	320.7	104.6	3.5	9.9	438.7	420.5
Other income	0.6	4.3	-	-	4.9	4.8
Turnover from social housing lettings	**321.3**	**108.9**	**3.5**	**9.9**	**443.6**	**425.3**
Expenditure on lettings						
Management	(42.9)	(16.1)	(0.5)	(1.6)	(61.1)	(62.8)
Services	(18.9)	(47.0)	(0.8)	(0.6)	(67.3)	(58.5)
Routine maintenance	(65.2)	(20.9)	(0.5)	-	(86.6)	(82.4)
Planned maintenance	(25.6)	(6.8)	(0.2)	-	(32.6)	(21.5)
Rent losses from bad debts	(2.5)	(1.5)	-	-	(4.0)	(3.7)
Depreciation of properties	(25.6)	(7.1)	(0.4)	(0.5)	(33.6)	(33.2)
Operating costs from social housing lettings	**(180.7)**	**(99.4)**	**(2.4)**	**(2.7)**	**(285.2)**	**(262.1)**
Operating surplus from social housing lettings	**140.6**	**9.5**	**1.1**	**7.2**	**158.4**	**163.2**
Voids	**(2.4)**	**(5.6)**	**(0.2)**	**-**	**(8.2)**	**(6.7)**

Income and Expenditure from Social Housing Lettings

Association	Housing accommodation	Sheltered and supported housing	Key worker accommodation	Shared ownership	2022 Total	2021 Total
	£m	£m	£m	£m	£m	£m
Income from lettings						
Rents	246.5	57.4	3.5	4.5	311.9	309.5
Service charges	14.0	32.2	-	1.1	47.3	40.4
Total rent and service charge income	260.5	89.6	3.5	5.6	359.2	349.9
Other income	0.6	3.8	-	-	4.4	4.3
Turnover from social housing lettings	**261.1**	**93.4**	**3.5**	**5.6**	**363.6**	**354.2**
Expenditure on lettings						
Management	(43.0)	(14.7)	(0.6)	(1.5)	(59.8)	(61.0)
Services	(17.0)	(39.1)	(0.8)	(0.5)	(57.4)	(51.5)
Routine maintenance	(59.3)	(18.4)	(0.5)	-	(78.2)	(76.6)
Planned maintenance	(23.6)	(6.1)	(0.2)	-	(29.9)	(20.1)
Rent losses from bad debts	(2.0)	(1.3)	-	-	(3.3)	(3.3)
Depreciation of properties	(19.6)	(6.4)	(0.4)	(0.1)	(26.5)	(26.5)
Operating costs from social housing lettings	(164.5)	(86.0)	(2.5)	(2.1)	(255.1)	(239.0)
Operating surplus from social housing lettings	**96.6**	**7.4**	**1.0**	**3.5**	**108.5**	**115.2**
Voids	**(1.8)**	**(4.4)**	**(0.2)**	**-**	**(6.4)**	**(5.5)**

Appendix 3

Alternative Performance Measures

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

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

APMs are used for the following reasons:

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

In determining whether a non-recurring event should be adjusted for, the Group considers whether these items are significant either because of their size or their nature. An item will be considered for adjustment if it meets one of the following criteria:

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

Further information about the specific APMs used by the Group is shown below, including reconciliations to line items within the primary Financial Statements and accompanying notes.

Value for Money Metrics

In April 2018, the Regulator of Social Housing introduced a new Value for Money Standard and accompanying Code of Practice. The Standard introduced a requirement for providers to publish performance against their own Value for Money targets, and a series of common metrics with which to measure economy, efficiency and effectiveness set by the Regulator. The Regulator defined these metrics in the publication Value for Money metrics – technical note feedback and responses. These seven metrics remain the most appropriate set of measures to capture performance across the sector in a fair and comparable way.

The seven metrics, which are analysed in the Value for Money report on pages 68 to 79, are:

- Metric 1 – Reinvestment %
- Metric 2 – New supply delivered (social and non-social)
- Metric 3 – Gearing %
- Metric 4 – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %
- Metric 5 – Headline social housing cost per unit
- Metric 6 – Operating margin % (social housing and overall)
- Metric 7 – Return on capital employed (ROCE) %

Current guidance on these metrics (published May 2022), which includes details of how they are calculated, can be found at:

https://www.gov.uk/government/publications/value-for-money-metrics-technical-note

Segmental Reporting

The Group's operating segments are defined and reconciled in note 6 to the Financial Statements on page 139.

Analysis of these operating segments, referred to as operating divisions, is included in the business reviews on pages 48 to 67. This analysis includes reference to divisional EBITDA and divisional EBITDA percentage, which are key measures of operational performance for the Group and are regularly monitored by senior management.

Divisional EBITDA is calculated by taking divisional revenue and deducting costs directly attributable to the division as well as an apportionment of central costs, but excluding interest, tax, depreciation, amortisation and impairment.

Total divisional EBITDA (as disclosed in the five-year summary on page 42) is the sum of the EBITDA of all individual divisions.

Other Metrics (Included in Golden Rules on Page 35)

Operating Margin

Operating surplus, excluding other gains and losses, as a percentage of revenue.

	2022 £m	2021 £m
Revenue	812.5	765.4
Operating surplus	178.6	170.1
Adjust for:		
Other gains and losses (note 7)	(6.4)	(5.2)
Adjusted operating surplus	172.2	164.9
	21.2%	**21.5%**

Other Metrics (Included in Five-Year Summaries on Page 42)

Profitability – Measurement of Financial Performance

Underlying Operating Surplus

Operating surplus, excluding restructuring costs and other gains and losses.

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Operating surplus	178.6	170.1	186.2	203.7	198.7
Adjust for:					
Restructuring costs	-	1.8	2.6	-	-
Other gains and losses (note 7)	(6.4)	(5.2)	(6.2)	(22.7)	(9.6)
Underlying operating surplus	**172.2**	**166.7**	**182.6**	**181.0**	**189.1**

Underlying Operating Surplus Margin

Underlying operating surplus as a percentage of revenue.

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m
Revenue	812.5	765.4	763.0	735.4	708.1
Underlying operating surplus	172.2	166.7	182.6	181.0	189.1
	21.2%	**21.8%**	**23.9%**	**24.6%**	**26.7%**

Operating Surplus Margin (Excluding Development Sales)

Operating surplus as a percentage of revenue (excluding development sales)

	2022	2021	2020	2019	2018
	£m	£m	£m	£m	£m
Revenue	812.5	765.4	763.0	735.4	708.1
Adjust for:					
Development sales	(56.8)	(37.0)	(40.4)	(25.4)	(16.7)
Revenue (excluding development sales)	**755.7**	**728.4**	**722.6**	**710.0**	**691.4**
Operating surplus	178.6	170.1	186.2	203.7	198.7
Adjust for:					
Surplus on development sales after marketing costs	(4.3)	(3.7)	(7.5)	(5.4)	(3.8)
Other gains and losses (note 7)	(6.4)	(5.2)	(6.2)	(22.7)	(9.6)
Operating surplus (excluding development sales)	**167.9**	**161.2**	**172.5**	**175.6**	**185.3**
	22.2%	**22.1%**	**23.9%**	**24.7%**	**26.8%**

Operating Costs as a Percentage of Revenue

Operating expenditure as a percentage of revenue (excludes cost of sales, other gains and losses and joint venture income).

	2022	2021	2020	2019	2018
	£m	£m	£m	£m	£m
Revenue	812.5	765.4	763.0	735.4	708.1
Operating expenditure	593.6	572.6	557.3	536.0	505.7
	73.1%	**74.8%**	**73.0%**	**72.9%**	**71.4%**

Underlying Surplus for the Year

Surplus for the year before tax excluding restructuring costs, other gains and losses, net gain from acquisitions and loan break costs.

	2022	2021	2020	2019	2018
	£m	£m	£m	£m	£m
Surplus before tax	58.6	46.9	52.4	76.9	70.8
Adjust for:					
Restructuring costs	-	1.8	2.6	-	-
Other gains and losses (note 7)	(6.4)	(5.2)	(6.2)	(22.7)	(9.6)
Gain on refinancing	(2.7)	-	-	-	-
Net gain from acquisitions	(2.3)	(4.5)	-	-	-
Loan break costs	-	-	8.6	-	1.3
Underlying surplus for the year	**47.2**	**39.0**	**57.4**	**54.2**	**62.5**

Underlying Net Margin

Underlying surplus for the year as a percentage of revenue.

	2022	2021	2020	2019	2018
	£m	£m	£m	£m	£m
Revenue	812.5	765.4	763.0	735.4	708.1
Underlying surplus for the year	47.2	39.0	57.4	54.2	62.5
	5.8%	**5.1%**	**7.5%**	**7.4%**	**8.8%**

Debt – Ability to Service Debt and Secure Funding

Interest Cover/Interest Cover (Excluding Loan Break Costs)

Operating surplus plus depreciation and impairment divided by net interest payable, excluding pension finance costs, loan break costs and gains on refinancing.

	2022	2021	2020	2019	2018
	£m	£m	£m	£m	£m
Operating surplus	178.6	170.1	186.2	203.7	198.7
Add back depreciation and impairment (note 4)	78.1	78.6	73.0	67.3	60.3
	256.7	248.7	259.2	271.0	259.0
Finance income	(2.2)	(2.9)	(3.6)	(3.5)	(4.1)
Finance costs	124.5	130.6	137.4	130.3	132.0
Add back pension finance costs (note 9)	(1.3)	0.1	(0.9)	(1.0)	(2.6)
	121.0	127.8	132.9	125.8	125.3
Add back loan break costs	-	-	(8.6)	-	(1.3)
Add back gain on refinancing	2.7	-	-	-	-
	123.7	127.8	124.3	125.8	124.0
Interest cover	**2.12**	**1.95**	**1.95**	**2.15**	**2.07**
Interest cover (excluding loan break costs)	**2.08**	**1.95**	**2.09**	**2.15**	**2.09**

Gearing

Net Debt/Properties Depreciated Cost

	2022	2021	2020	2019	2018
	£m	£m	£m	£m	£m
Liabilities from financing activities (note 21)	3,074.9	3,377.3	3,105.7	2,792.0	2,718.0
Less cash and cash equivalents	(102.1)	(494.7)	(261.5)	(150.1)	(95.7)
	2,972.8	2,882.6	2,844.2	2,641.9	2,622.3
Property (PPE) cost – land and buildings (note 12)	5,851.8	5,688.7	5,489.5	5,289.1	5,089.1
Property (PPE) accumulated depreciation – L&B (note 12)	(403.8)	(366.3)	(346.6)	(311.7)	(279.3)
Property (PPE) cost – under construction (note 12)	263.9	229.4	210.7	144.4	236.7
Investment property cost (note 13)	346.5	344.0	336.7	299.7	295.6
Investment property accumulated depreciation (note 13)	(89.6)	(87.5)	(64.9)	(61.4)	(57.0)
	5,968.8	5,808.3	5,625.4	5,360.1	5,285.1
	49.8%	**49.6%**	**50.6%**	**49.3%**	**49.6%**

Advisers and Other Information

Independent statutory auditor	KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH
Internal auditor	PricewaterhouseCoopers LLP One Chamberlain Square Birmingham B3 3AX
Bankers	Barclays Bank PLC Barclays Corporate Social Housing Team Level 27 1 Churchill Place London E14 5HP
Legal adviser	Gowling WLG (UK) LLP Two Snowhill Birmingham B4 6WR
Registered office	Chamber Court Castle Street Worcester WR1 3ZQ

Registration Numbers

Regulator of Social Housing	L0247
Registered Society	19059R

Sanctuary Housing Association is an exempt charity under the Charities Act 2011

Accessibility

We want this annual report to be accessible to all. If you would like it in a different format, email **pr@sanctuary.co.uk.**

Sanctuary Group

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Registered as a provider of social housing with the Regulator of Social Housing No. L0247
Registered Society No. 19059R

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