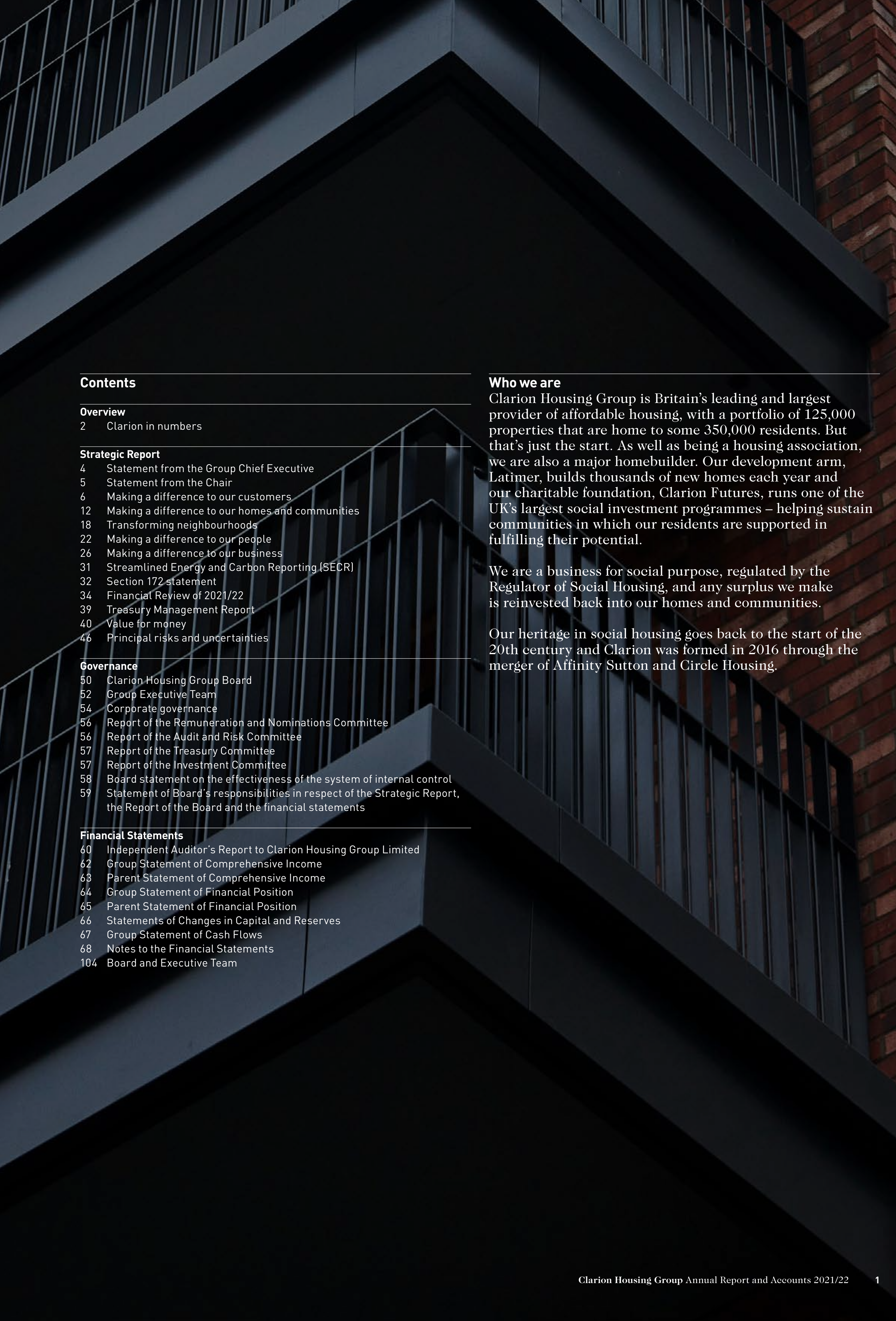
CLARION
HOUSING GROUP

Annual Report and Accounts 2021/22

Our purpose

Homes are the foundations on which lives are built and we exist to make a difference, and to provide and maintain homes for those who need them most.

We build relationships based on trust and respect, and are focused on delivering value and making a positive difference in everything we do. Sustainability is in our DNA. We celebrate diversity and we adapt in response to changing times.



Contents

Who we are

Clarion Housing Group is Britain's leading and largest provider of affordable housing, with a portfolio of 125,000 properties that are home to some 350,000 residents. But that's just the start. As well as being a housing association, we are also a major homebuilder. Our development arm, Latimer, builds thousands of new homes each year and our charitable foundation, Clarion Futures, runs one of the UK's largest social investment programmes – helping sustain communities in which our residents are supported in fulfilling their potential.

We are a business for social purpose, regulated by the Regulator of Social Housing, and any surplus we make is reinvested back into our homes and communities.

Our heritage in social housing goes back to the start of the 20th century and Clarion was formed in 2016 through the merger of Affinity Sutton and Circle Housing.

Clarion in numbers

Highlights in 2021/22

£**1,059**m
Turnover

£**303**m
Operating surplus

£**364**m
Spent on maintaining and improving existing homes

3,717
People helped into work

2,276
New homes delivered

83.4%
Customer satisfaction

Overview
Strategic Report
Governance
Financial Statements

Around **350,000** people live in a Clarion home.

There are **4,000** Clarion colleagues united in our purpose to make a difference and our mission to provide homes for those who need them most.

Our frontline colleagues make more than **250,000** visits to residents each year.

Clarion's repair teams complete over **1,000** jobs every working day.

Statement from the Group Chief Executive

Clare Miller
Group Chief Executive

I want to open my remarks by saying thank you to every single colleague at Clarion Housing Group. It is a privilege to lead an organisation full of people so committed to our communities. The commitment of our people to providing the best possible service is borne out in our performance this year. We have achieved a customer satisfaction score of 83.4%, which is the highest Clarion has ever recorded. At the same time, we invested £136 million over the year in planned investment work to our existing homes, an increase of more than 40% on the previous year.

In our upcoming Social Impact Report being published in the Autumn, you will hear more about how we have made a difference to people's lives through stories from our residents.

I am acutely aware that the spotlight remains on our sector with respect to the maintenance and quality of our homes. In particular, I want to mention the Eastfields Estate in Merton, which featured on ITV News last year. It was a unique case for a number of reasons, we apologised unreservedly for the homes that had fallen into disrepair and I have recently published a longer article on our website setting out the progress we are making on the estate.

Our sector is well placed to make a difference; we have a big responsibility and have been under increased scrutiny in recent months. There are times when we, and others, have got things wrong – but the important thing is that we have the processes in place to adapt quickly, put things right and share our learning. We welcome the recent changes to hold landlords to account and believe this is absolutely the right approach. We want to offer our support to government to deliver the changes in the Social Housing Regulation Bill and ensure they have the best chance of success.

Our mission is to provide affordable homes to those that need them most, but we can only do this from a position of financial security. I am pleased to report a strong financial performance again in the past year, which includes a pre-tax surplus of £186 million. All of this surplus is reinvested back into our homes and communities.

Nothing is more important than safety and we spent a record £40 million on our fire safety programme this year – completing inspections and remedial work on a number of buildings. We continue to work closely with national and local government on this agenda and to do everything in our power to protect residents and homeowners from any extra costs.

Proud as I am of our achievements, I am determined Clarion continues to innovate and look at how best to provide a good quality and responsive service to residents. That is why I appointed Michelle Reynolds as our Chief Customer Officer and Rob Lane as our Chief Property Officer last year; making sure our Group Executive team is structured to meet the challenges we face.

2,276
Record number of homes built in the last year

86%
Of which were for affordable tenures

We have also pioneered new approaches to resident engagement, running successful online and hybrid events which attracted thousands of participants and complemented our in-person Partnership Days. Clarion Futures has tackled new challenges too, with our charitable foundation successfully placing more than 540 people into new KickStart jobs for young people – with Clarion proud to employ more than 100 Kickstarters ourselves, many of whom have chosen to stay with us having been appointed to full time roles and choosing to start their career at Clarion.

Clarion also retained the highest possible ratings from its regulator, both for governance and viability. It is from this foundation that I want to challenge our organisation to continue to innovate, drive further improvements in the service we deliver and continue to build new and sustainable homes at scale.

In June 2022, we experienced a cyber security incident. We rapidly engaged the services of our cyber security partner and other external experts to help bring our systems back in a safe and secure way. At the time of writing, the process to restore our systems is still ongoing but we are making progress. A forensic investigation into the incident is underway and we will look to implement any recommendations from its findings. This incident did not have any impact on the operations or performance reported in this set of financial statements.

The incident has caused significant disruption to our services since June but we have been working hard to minimise the impact to our residents and other stakeholders. Emergency repairs have continued as usual, as well as heating and hot water repairs, planned investment and our programme of critical safety checks. We have written to all residents, held additional drop-in sessions on estates and made outbound calls and visits to residents who may need extra support.

I have every confidence that with such a dedicated group of colleagues, we can and will continue to make a positive difference to the lives of Clarion residents across the country and make a positive impact on the nation's housing crisis.

Clare Miller

Clare Miller
Group Chief Executive

Overview Strategic Report Governance Financial Statements

Statement from the Chair

David Avery
Group Chair

This time last year I wrote that the priority for the Board would be for the Group to play a key role in the recovery from the pandemic. This year's Annual Report is a clear demonstration of our efforts. Not only have we delivered a record number of new homes – more than eight in ten of these were for affordable tenures. We have continued to prioritise the homes our country so desperately needs. I said we would look to be a partner of government and, during the year, Clarion was named as a new Strategic Delivery Partner for Homes England. Thanks to a successful joint bid with Fenland District Council, Clarion was also awarded £5.2 million as part of the government's Social Housing Decarbonisation Fund (SHDF). This funding will enable us to build on our success of participating in the SHDF demonstrator, in which we upgraded the energy efficiency of around 120 homes.

Looking forward, sustainability will be a key focus area for the Group, and we know it is an issue important to many of our residents too. This year we used our annual customer insight survey to understand views on climate change and climate conscious actions – the survey found 67% of our residents felt the issue of climate change was important to them personally, while 80% recycle all or most of their recyclable household waste.

During the year, we have also worked with external think tanks to understand more about the lives of our residents, and in particular the challenges they face, so that we can target our support to those most in need effectively. For example, we worked with the Royal Society for Arts, Manufactures and Commerce to explore the relationship between housing tenure and the threat to job opportunities posed by automation. Worryingly, the research found that overall, 61% of social residents in work are in jobs at high risk from automation, compared to 43% of private renters and 35% of owner-occupiers.

Our jobs and training service helped 3,717 customers secure employment last year and we know from experience that many have insecure finances and are facing challenges in the changing world of work. We are doing all we can to help them adapt but we have also called on government to provide a comprehensive offer of maintenance grants and bursaries for adult learners, as part of the Lifetime Skills Guarantee.

Underpinning everything we do at Clarion of course, is our resilience. This report shows a strong financial performance and with the additional cost pressures of building safety remedial work and the decarbonisation of our existing homes, we need to ensure we safeguard our resources and continue to make the case for government grant. Working across over 170 local authorities, from rural communities to inner London boroughs, we have a diversity of experience and depth of understanding that makes us a crucial voice in some of the country's key economic debates. We are uniquely placed to shine a light on the challenges faced by our residents and we will stand up for them to make sure they are heard.

David Avery

David Avery
Group Chair

Making a difference to our customers

We strive to meet the needs of our customers. This means delivering a high-quality service 24/7 and helping improve the lives of our residents and their communities. We review our services on a regular basis, getting feedback from our residents to ensure we are doing our best by them and we tailor our offer depending on local need.

We also aim to offer even more opportunities for people to build a better future. This is being done through the work of our charitable foundation, Clarion Futures.

We work closely with our residents to ensure that our services are making a positive difference to their lives. The housing sector is changing and we are adapting to the latest standards set out in the government's Charter for Social Housing Residents.

As well as the services we provide on a local and national level, we also provide specialised support for residents with additional needs.

Our role as a social landlord goes far beyond merely providing a home. In 2021/22 Clarion Futures invested £14 million in providing support and opportunities to help improve the lives of our residents and their communities. We offer support to people who are in financial crisis, struggling to find work, or having difficulty accessing basic services because they are unable to use the internet.

During the past year, we helped almost 4,000 people into jobs, including 160 apprenticeships, and helped 114 people to set up their own business. On more than 20,000 occasions we went to the aid of residents struggling with money. We support communities as well as individuals, and in 2021/22 Clarion Futures awarded over £600,000 in grant funding to organisations including food banks, community groups and local charities tackling issues such as loneliness and isolation.

How we performed in 2021/22

83.4%
Overall customer satisfaction as at the end of the year

3,945
Customers supported with money guidance

3,717
Customers supported into work

953,211
Calls answered by our call centre

572,273
Online enquiries handled (via e-mail, social media or live chat)

Connecting with our customers

Contact with our residents in the past 12 months has increased by 5.7% from the previous year, when social media messages, e-mails, telephone calls and messages via our website generated over 1.5 million contacts in total.

Digital transformation continues to be a key driver for our customer services, in our quest to provide faster and better services. An increasing number of customers have used the live chat function on our website over the past year. In addition, we have launched a chat bot that customers can use to request repairs, make payments and request information.

Our Clarion online account is continuing to grow in popularity. More than 62,000 residents have online accounts and can make payments, view their statements and charges, request repairs, contact us, and update their details 24/7.

During the year, we piloted a new online repairs service that allows residents to book, amend and track routine appointments from their Clarion online account, all at their own convenience.

over **1.5**m

contacts made via our website

Giving residents a voice

We collaborate with our residents to ensure that we are delivering the services they need in the ways they want. A new strategy for involving residents in our work was launched in April 2021. This is centred on providing opportunities for residents to scrutinise our services and help improve them, and residents were involved in a number of different reviews of our services that took place during the year. In addition to established forums where we work together, such as the property engagement group, we run national surveys to get the views of our residents.

One of our national consultations sought residents' views on what makes a neighbourhood a good place to live. Residents shared their thoughts on issues such as personal safety, waste management and open space and their feedback has been used to shape our new Neighbourhood Standard, part of our Clarion 2040 strategy that ensures Clarion homes and communities continue to be good quality, affordable and fit for the next generation.

Partnership Days are another way in which we work with our residents. Twelve Partnership Days took place during the year – attended by 278 residents and their families, and in May 2021 we held our first virtual, national residents' event which was attended by nearly 800 residents across the country.

We also promoted to our residents the opportunity to join the Housing Ombudsman Services' new Resident Panel and 10 of our residents have become panel members – helping to review the customer charter and complaint handling code.

nearly **800**

residents attended our virtual, national residents' event

Covid-19's legacy of loneliness and isolation

In October 2021, we released the third in a four-part series of reports tracking the ways in which our residents have fared during the pandemic and the challenges they now face. It revealed how 72% of our residents were 'optimistic' about the state of their finances. We know that given the cost of living crisis, that percentage is now likely to be much lower. At that time, 19% were having to use credit cards or borrow money to pay for essentials. While 86% of residents were 'coping well' with the pandemic, 20% felt lonely 'always or often.' The findings have helped inform our work to help residents affected by the pandemic, such as a 'Lend an Ear' befriending service matching residents with volunteers, and a #meinmind service giving residents free access to an online support platform.

20%

of residents felt lonely 'always or often' during the pandemic

Knowing our residents

Every year we run a major survey of our residents, which helps to shape the services that we provide for them. In December, we published our Clarion Index 2021, which revealed that more than eight out of ten residents are satisfied with their neighbourhood and feel in control of what happens in their life. Two-thirds of residents cite climate change as an issue that is important to them personally; and eight out of ten residents recycle all or most of their recyclable household waste.

over 80%

of residents are satisfied with their neighbourhood and feel in control of what happens in their life

Opening doors to jobs and training

Our free national employment and training programme, run by Clarion Futures, helped 3,717 people find jobs in 2021/22 – including 923 people from the externally funded programme Love London Working. This was a big rise from the 2,558 helped into work amid the pandemic during the previous year. We also helped 5,282 into training and placed 160 people into apprenticeships. We work with more than 300 employers, from the NHS and Royal Mail to Pret A Manger, to source the right job opportunities for our residents. We also collaborate with more than 50 employers to provide apprenticeships in areas ranging from business administration and customer services to retail, health, and leisure.

3,717

people helped to find jobs through Clarion Futures

Helping to make ends meet

Every year we help thousands of residents to make their money go further. Our partnerships with specialist agencies, such as the StepChange Debt Charity, enable our residents to access free, impartial debt advice.

During 2021/22, Clarion Futures provided personalised money guidance to 3,945 residents. Some 3,022 residents were supported through our independent debt advice partners. We gave 1,771 grants or vouchers for food and energy to households experiencing severe hardship. These emergency measures give residents financial 'breathing space' to seek help with their money problems. We also made a successful bid to the Energy Savings Trust last year and have been awarded nearly £76,000 of household fuel vouchers to distribute to residents in need.

3,945

residents provided with personalised money guidance

Supporting residents to stay in their homes

In the past year, we have restructured our tenancy sustainment team and now have a national sustainment and welfare benefit advisory service to deal with an increased demand in the wake of the pandemic. The service helps residents to identify the areas they need help with and come up with an action plan, as well as assisting them in prioritising paying their rent and household expenses, and to claim any benefits they may be entitled to. The new team has made a major difference for residents – helping to secure almost £5 million in help they were entitled to. It has had a real impact on reducing rent arrears and maximising the household money our residents receive.

almost £**5**m

of additional income we helped residents secure

Bridging the digital divide

Clarion Futures works to ensure that our residents are not digitally excluded and can access the benefits of being online. Our digital inclusion programme includes free training courses to teach digital skills, as well as one-to-one support where appropriate. We also lent out 800 laptops, tablets and prepaid MiFi devices to those in need. More than 3,200 people have been helped to get online and develop their digital skills over the past year, and over £92,000 of digital grants have been awarded to 22 groups.

over **3,200**

people have been helped to get online

Preventing homelessness

We launched Clarion Relief last year. This is a pilot scheme aimed at preventing evictions, by targeting help for residents who have high arrears and removing the threat of eviction. We are initially looking at 700 households with the highest levels of arrears that are showing no signs of improvement or getting further behind with their rent. Our aim is to help our residents get back on track by offering a package of support including things such as managing their money.

700

households being helped to tackle rent arrears

Preparing young residents

We have launched the Hometruths House project in the past year. This aims to tackle higher levels of rent arrears and evictions among younger residents aged under 25, by providing them with the tools to help them establish their first home. This includes dedicated web pages with follow-up guidance and information about things like their tenancy agreement and setting up utilities. It also gives them help in managing their money, access to a decorating masterclass, and a 'Home Start Up' voucher of up to £250 for those in need.

Supported housing

In addition to the homes we rent, we provide supported housing for people dealing with a range of issues – from victims of domestic abuse to those with learning disabilities or significant mental health problems. In the past year, we have won a contract to provide domestic abuse services across East Sussex, as well as having our contract renewed to provide domestic abuse and young person's services in Medway, Kent. Customer satisfaction across our supported housing was 93.8% last year – significantly higher than our 85% target.

93.8%

customer satisfaction across our supported housing

Restructuring to meet customer needs

We do not stand still and are constantly looking at ways to improve our performance and become a truly customer-led organisation. The past year has seen a restructure of our senior management team so that we have a structure that will help us perform to the levels our residents rightly demand. In October 2021, we announced the creation of customer and property directorates to bring together many of our services and promote a more joined up approach. Michelle Reynolds is our Chief Customer Officer, and Rob Lane is our Chief Property Officer.

Making a difference to our homes and communities

We're focused on providing good quality, safe, sustainable, and affordable housing and neighbourhoods where communities can flourish. This means driving up standards of building safety and sustainability, and continuing to build thousands of new homes every year.

We aim to achieve net zero carbon emissions across our operations by 2050. We are also committed to delivering economic growth through jobs and apprenticeships and creating healthy indoor and outdoor environments.

Clarion is making a difference in providing the homes that the country desperately needs and we built a record 2,276 new homes in 2021/22. The majority, 86%, of these homes were affordable housing.

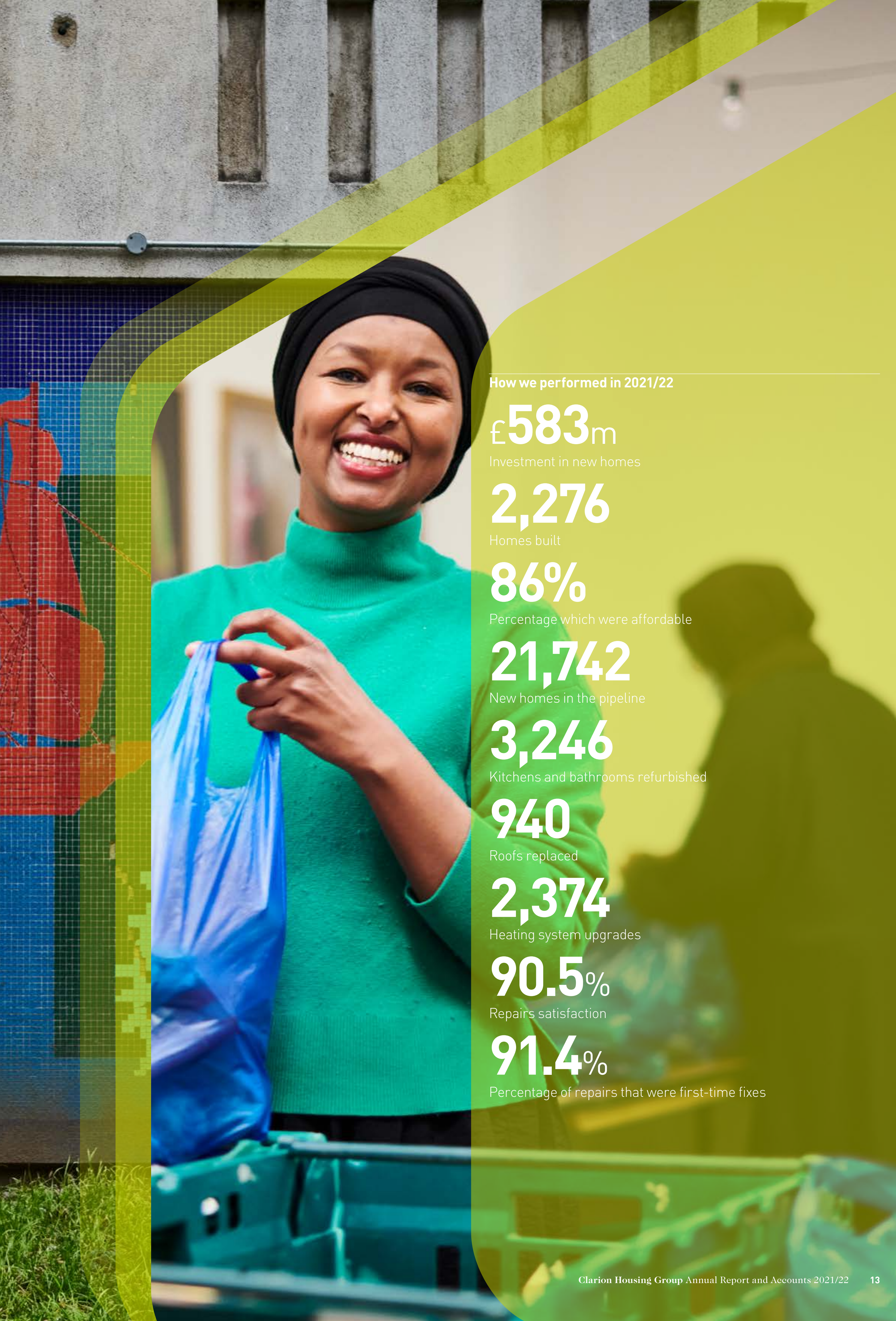
Our track record in successfully developing homes and communities means that we are a partner of choice for developers looking to build new homes and who share our vision of thriving, sustainable communities.

Our achievement in building a record number of homes has been accompanied by a series of major developments in towns and cities that have been given planning approval to proceed during the past year.

We work to help people and places. As the country's biggest social landlord, this means playing a leading role in promoting sustainability within the housing sector.

The soaring price of energy has highlighted the urgency of ensuring our homes are more energy efficient. Our new homes have an EPC rating of B as a minimum, and will be zero carbon compatible by 2025.

We are a key partner on the government's Social Housing Decarbonisation Fund, showing how older homes can be made more energy efficient and we are the first housing association to have joined the NextGeneration scheme – an annual sustainability benchmark of the 25 largest homebuilders in the UK. Latimer, our development arm, was ranked ninth in 2021, scoring above the industry average.



How we performed in 2021/22

£583m
Investment in new homes

2,276
Homes built

86%
Percentage which were affordable

21,742
New homes in the pipeline

3,246
Kitchens and bathrooms refurbished

940
Roofs replaced

2,374
Heating system upgrades

90.5%
Repairs satisfaction

91.4%
Percentage of repairs that were first-time fixes

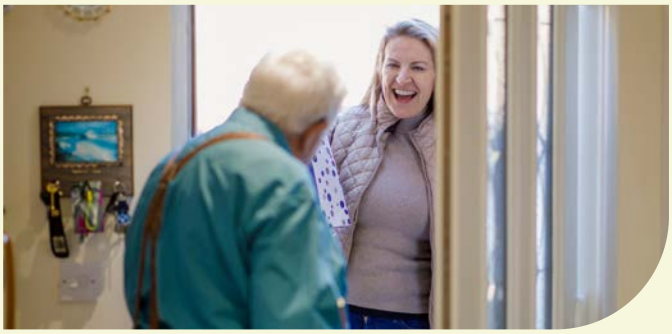
On the front foot

Our repairs satisfaction at the end of the year was measured at 90.5%, surpassing our 85% target, but we are never complacent. We have been making a renewed effort to take a proactive approach in making sure that our homes are in good order. In the past year, we have piloted a 'property MOT' programme to redress the balance between reactive and planned repairs. We currently complete around 300,000 reactive repairs per annum, spending over £50 million each year. By making an annual check on the condition of our homes, we will be able to plan ahead and catch problems at an early stage before they can develop into more complex issues, mitigating against potential disruption for residents further down the line.

90.5%

repairs satisfaction

Single point of contact



We have created a new Resident Liaison Officer role within our Housing Team, whose job it is to act as a single point of contact for residents needing` repairs, co-ordinating work where multiple contractors are involved and keeping residents informed on timescales and progress. The role is focused on dealing with emergency works and complex repairs, and finding ways of improving our processes, as well as providing increased assurance to our residents. It involves working with residents to resolve outstanding issues. We have recruited a number of additional Resident Liaison Officers during the year, as part of our investment in meeting the needs of our residents.

A different approach

We have revised our approach to dealing with the common problems of condensation, damp and mould, making improvements to our internal training programme. In addition, we are investing in testing and monitoring kits which will support our teams when visiting residents in their homes. The new equipment will help our people to monitor and diagnose the causes of the problems, so that they can take the appropriate action. We are also creating customer videos to help our residents spot the signs of mould and damp so that swift action can be taken to deal with the issue.

Retrofitting homes for the 21st century

We are committed to increasing the energy efficiency of our existing homes, as part of our goal of becoming net zero carbon by 2050. We are upgrading 120 homes in Fenland and Tonbridge and Malling, with features such as air source heat pumps and solar panels, in a pilot project for the government's Social Housing Decarbonisation Fund. These changes will save our residents hundreds of pounds on their annual energy bills. After the success of this project, the government awarded us £5.2 million in February 2022 so that we can upgrade a further 450 homes in Fenland, Merton, and Tonbridge and Malling in the coming months. We will prioritise homes with an Energy Performance Certificate rating of D or lower.

£5.2m

to make 450 more homes energy efficient

Safety first

Keeping our residents safe is always our top priority, which is why we invest in ensuring that our buildings are safe and secure. We spent £40 million on fire safety work in 2021/22, a rise from the £27 million spent the previous year – and we have successfully applied to the government's Building Safety Fund and been granted £7.2 million for remedial work. We have been able to protect our leaseholders from associated costs.

Our building safety team has inspected all of our 69 buildings that are over 18 metres high so that we can make any improvements where necessary. At one such building, Bekesbourne Tower in South London, we have been piloting new approaches to safety. These include having a designated building safety manager, using 3D modelling, and producing a building safety case and report. The measures are now part of a new comprehensive building safety regime we have put in place for our buildings.

Putting safety first, we took swift action at Clare House, our 22-storey Large Panel System block in East London. Following a series of investigations and assessments by leading experts, we made the decision to move all residents without delay. We are exploring options for the future of the building and working closely with households to provide permanent new homes.

£40m

spent on fire safety

Trusted partner

Our reputation as an ethical organisation that takes a sustainable approach and delivers for its customers has seen us become an established partner in the government's response to the housing crisis.

In August 2021, the Greater London Authority announced that it had awarded us £240 million to build 2,000 new affordable homes in London between 2021 and 2026 – the majority of these homes will be for social rent. Following this, in September 2021, Homes England chose Clarion Housing Group as a strategic partner for its Affordable Homes Programme 2021-26 and is giving us £249.7 million to build 4,770 homes.

2,000

new affordable homes in London between 2021 and 2026

Building new homes

LATIMER
by Clarion Housing Group

Our development arm, Latimer, reached a number of milestones on a number of major projects during the year. In July 2021, it was appointed development partner for Tendring Colchester Borders Garden Community. The proposed community seeks to build 9,000 new homes – 30% of which will be affordable.

In August 2021, we acquired a city centre site in Manchester's Islington Wharf development – where we plan to build more than 100 new homes. In November 2021, we bought our first ever site in Chester, with plans to build 132 new apartments – 40% of which will be for shared ownership.

Our work to transform the iconic Cocoa Works, the former Rowntree factory in York, into a development of 279 apartments took a big step forward in November 2021 when construction began on the £80 million development. The following month we secured planning permission for more than 300 homes at Cocoa West – a £98 million development we are building on a neighbouring 11-acre brownfield site. A third of the new homes will be available through shared ownership and social rent.

In March 2022, we were given the green light to build more than 400 new homes on an open-air carpark that was once home to Manchester's famous Boddingtons brewery. We also received reserved matters approval for Phase 2 of the landmark Ashmere development, part of Ebbsfleet Garden City in Kent. This will include 235 new homes, of which 25% will be for affordable housing.

A total of 68 apprenticeships were delivered as a result of our development projects over the year. By working closely with construction delivery partners, we maximise the impact of our investment and leverage our contracts to drive social value across our development portfolio.

68

apprenticeships delivered as a result of our development projects

Tackling homelessness

A scheme to help people move off the streets and into longer-term homes launched in Hertsmere in August 2021. We worked with the One YMCA charity, Hertfordshire County Council, and Hertsmere Borough Council to convert an old hostel at Shenwood Court in Borehamwood into a 24-room accommodation and complex needs support service to help vulnerable people who have been sleeping rough or are at risk of doing so. The £165,000 funding for the project was secured from the former Ministry of Housing, Communities and Local Government's Rough Sleeping Initiative, established to support specialist services and provide help for those most at risk, as well as a route into settled accommodation.

£165,000

for Hertsmere project to help those most at risk of homelessness

Safer communities

We have joined forces with London's Violence Reduction Unit and eight other housing associations to identify and put in place projects to drive down violence affecting young people. The new three-year partnership was announced in September 2021 and aims to tackle the causes of violence, and to promote positive opportunities for young people who might be involved or impacted by it. The work will be focused on seven boroughs: Brent, Hackney, Islington, Lambeth, Southwark, Tower Hamlets and Waltham Forest. It aims to capitalise on the relationships and knowledge of local communities that housing associations have.

Pioneering approach

We became the first housing association to pilot the Homeshare intergenerational living programme when we launched it to our residents in October 2021. The programme matches older people who have spare rooms with younger people seeking somewhere affordable to live and who can provide companionship and help around the home. It brings different generations together, tackling loneliness and social isolation, and can help older people to remain independent in their own homes for longer. The pilot is funded by Clarion Futures and the Fusion21 Foundation and in the first phase we are aiming to have eight households taking part – with their experiences being used to inform the future rollout of the programme.

Local support

We have continued to provide grant funding to local, community-based organisations to support their vital work in our communities. For example, through the Merton Community Panel we were able to support local partners across a range of initiatives this year. It gave £94,000 to projects helping young people, providing access to opportunities, building a sense of community, and enhancing health & wellbeing. The Holiday Hunger Activities Fund – tackling food poverty for children and young people who receive free school meals during the school holidays – was one recipient of funding. The panel also supported the AFC Wimbledon and Farm Road holiday schemes helping families that did not meet the free school meals threshold but were still considered at risk of holiday hunger.

£94,000

to fund community-based projects in Merton

Healthy lifestyle

We have been working with other organisations to promote new bike tracks – an example of the wider investment we make each year to improve in community facilities and infrastructure every year. Clarion Futures is helping to fund the Snodland Pump Track – the brainchild of Community Cycleworks. Construction on the new track began last year. We are also working with the London Borough of Bromley and Access Sport to create a BMX bike track at Hoblingwell Wood Recreation Ground in Cray Valley. Work began in February 2022 to install the track. These are examples of changes we help to make in local communities that can bring significant health and wellbeing benefits to our residents.

Transforming neighbourhoods

We are changing the local landscape in some parts of the country, breathing new life into communities by replacing entire estates and renewing existing neighbourhoods.

We are undertaking a series of major regeneration programmes across the country which will see thousands of new homes built as ageing estates are replaced with new sustainable neighbourhoods.

Major progress is being made on our flagship regeneration schemes, with a number of key milestones reached in the past 12 months.

Merton Estates Regeneration Programme

We are working with the local council to replace ageing estates – in High Path in South Wimbledon, and Ravensbury and Eastfields in Mitcham – with new housing developments. The £1.3 billion programme will make a real and lasting difference to the local community. There will be 2,800 new homes, as well as new playgrounds, electric charging points, and landscaped grounds. In addition, some 9,000sqm of community and commercial space will be created. The new developments will enhance the environment, with a tree planting programme, the use of renewable energy, and sustainable drainage. Crucially, any existing overcrowding households are experiencing with homes too small for their families will be solved, with new homes being provided at a size based on their need.

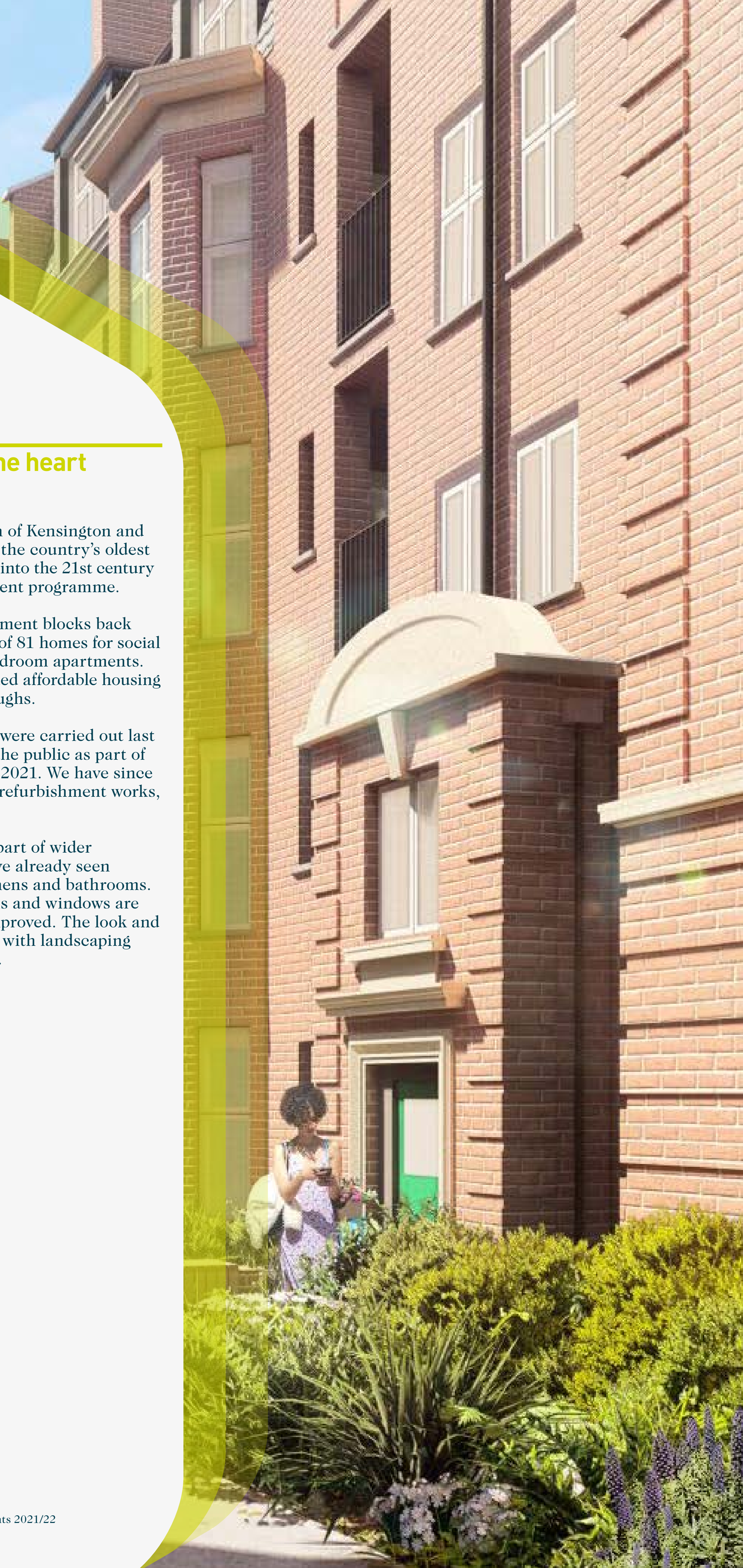
Regeneration programmes require a delicate balance to be struck between spending money on homes destined to be demolished and investing in new homes. Last year it became apparent that some homes on our Eastfields estate needed urgent repairs. We took swift action, with more than 400 repairs carried out in the space of several weeks, and knocked on the door of every home on the estate to try to uncover any further issues that needed dealing with. We also opened an office on the estate, so that residents can report any repairs or problems in person.

As part of the learning culture that we promote across Clarion, we investigated what had happened and released a lessons learned report last Autumn. This highlighted the importance of being more proactive in assessing the condition of our homes, as well as maintaining a dialogue with our residents.

Our £1.3 billion regeneration programme was given final approval by the London Borough of Merton last September.

At Ravensbury, where more than 200 new homes will be provided for local people, 21 new homes have already been built. In January 2022, we awarded a £30.5 million contract to Henry Construction to build 105 houses and apartments in the next phases of this scheme.

More than 130 new homes have already been built at High Path, and work is now underway on a further 113 homes. The High Path scheme was among the 'best project' winners at the Housing Design Awards last September.



Historic refurbishment in the heart of London

The Sutton Estate, in the Royal Borough of Kensington and Chelsea, was built in 1908 and is one of the country's oldest social housing estates. We are bringing it into the 21st century through a major £37 million refurbishment programme.

This includes bringing four empty apartment blocks back into use. This will result in the creation of 81 homes for social rent, ranging in size from one to four bedroom apartments. The refurb is providing desperately needed affordable housing in one of London's most expensive boroughs.

Preparatory works on the empty blocks were carried out last year, and the buildings were opened to the public as part of the Open House weekend in September 2021. We have since appointed a contractor to carry out the refurbishment works, which will begin in mid-2022.

Bringing empty blocks back into use is part of wider improvements across the estate that have already seen existing homes upgraded with new kitchens and bathrooms. In addition, new lifts, door entry systems and windows are being installed, and communal areas improved. The look and feel of the estate is also being enhanced with landscaping throughout – creating new green spaces.

Naval heritage

Barne Barton, in the St Budeaux area of Plymouth, was once Britain's biggest naval estate. We're investing £22 million in demolishing the deteriorating 1960s estate and replacing it with a modern community. The new development will contain 204 new homes, accessible green spaces and infrastructure, and a diagonal green street across the estate which will open up views to the River Tamar.

Barne Barton was one of the winning projects at the Housing Design Awards last September. The new development will be a mix of flats and houses for social rent, affordable rent and shared ownership, with the first homes due to be completed in early 2023.

Affordable living

The Sherwood Close estate in West Ealing, which was built in the 1970s, is being replaced by a new development of around 300 high-quality new homes. These will be made up of a mixture of flats, maisonettes and townhouses from one to four-bedrooms in size. The new estate will feature tree-lined avenues, communal courtyards and private gardens, and is set to be completed by 2023. The second phase of this regeneration scheme started last year. Our contractor is on site building 106 new homes in this phase, which is set to be complete by the end of 2022.

Making a difference to our people

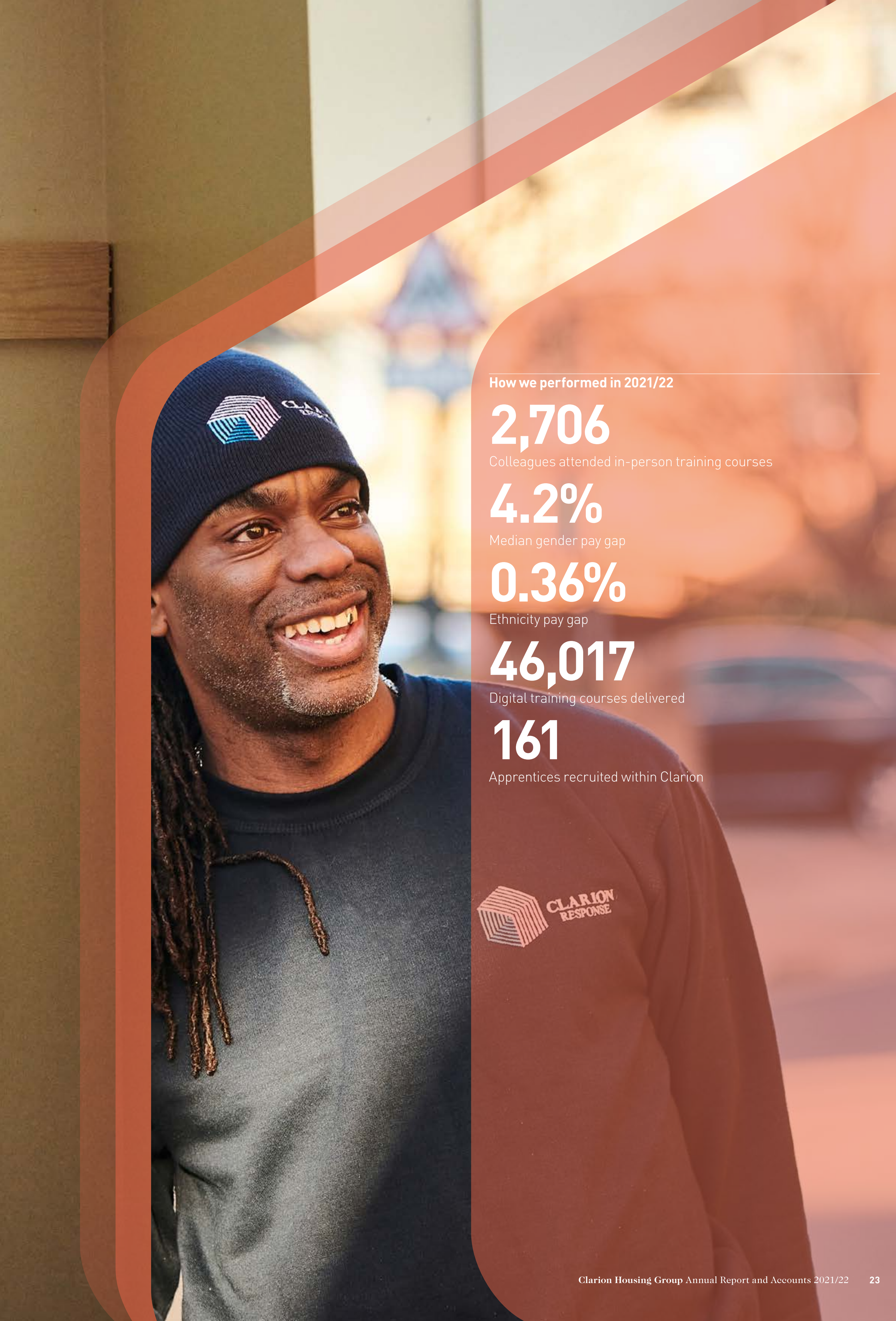
We have created an equitable and inclusive environment where our people can build successful and rewarding careers. We celebrate the diversity of colleagues and support them all to be themselves and achieve their potential. The scope of the roles we have means there are real possibilities to progress in a wide choice of careers. We empower our people to be curious, take initiative and solve problems to make sure that we are all doing our best for our residents.

Our people are a big part of what makes Clarion a great place to work. There are 4,000 of us working towards our mission to provide homes for those who need them most. The passion and enthusiasm to make a difference can be felt across the organisation.

We continue to be successful in attracting new talent despite the challenging recruitment market. This is in large part due to the meaningful work we do and the desire people have to work somewhere they are contributing to a better society.

Our values are evidenced in the behaviours of our people and are now embedded in all that we do. Our culture builds strong unified teams where people feel included, engaged and inspired.

Getting the balance right, from the importance we place on diversity at all levels to the flexibility we offer people and the focus on delivery and continuous improvement results in high-performing teams united to making a difference in the communities within which we work.



How we performed in 2021/22

2,706
Colleagues attended in-person training courses

4.2%
Median gender pay gap

0.36%
Ethnicity pay gap

46,017
Digital training courses delivered

161
Apprentices recruited within Clarion

A safe space for colleagues to be themselves

We are an employer for who equity, diversity and inclusion are words with real meaning. Being an inclusive and diverse workplace where people are treated equally is business as usual at Clarion.

More than one in five of our staff are from ethnic minorities, reflecting the diversity of the communities we serve. Women make up around half of our workforce, and our Group Executive Team has equal numbers of men and women.

Our Diversity and Inclusion Advisory Group monitors our progress against agreed targets and reviews new initiatives.

Last year we created a new set of policies and guidance on equity, diversity and inclusion. We also signed up to the LGBTQ+ jobs, Women in Construction, and Disability Confident employer schemes.

Level playing field

We are committed to treating those who work for us fairly, and our people are all paid at least the Living Wage. People doing the same work are rewarded and compensated equally irrespective of their gender, ethnicity, or any other characteristic.

Our median gender pay gap as of 5 April 2021 was 4.2% – significantly lower than the 15.4% national average.

As part of our wider commitment to equity, diversity and inclusion, we voluntarily report our ethnicity pay gap. This stood at 0.36% as of 5 April 2021.

4.2%

median gender pay gap (below the 15.4% national average)

Engaging with our people

As part of our drive to make Clarion a great place to work, we conducted a major survey of our people last year to establish a baseline of engagement levels and 80% of colleagues took part.

Clarion is committed to being ethical and responsible, being a diverse and inclusive workplace, and takes health and safety in the workplace seriously according to nine out of ten of our people.

Clarion is rated as a great place to work, where people can strike a good balance between their work and home life, are trusted to manage their own work, and supported in doing their jobs well, by eight out of ten of our people.

The results from this survey are being used to inform future plans to increase levels of engagement across Clarion – creating an even better place to work as a result.

Culture

Promoting an open and inclusive culture, where people are valued and free to be themselves, is at the heart of our Clarion & You programme. This is aimed at reinforcing our values and the behaviours we expect from each other, as well as improving communication between different parts of our business. Our regular 'This is Me' feature where colleagues share personal experiences of everything from bereavement to illness, disability, addiction, and the stress of having family in war-torn Ukraine helps to build trust and encourage open conversations. We continued to roll out our Clarion & You programme across the organisation last year and updated our induction process, interactive staff handbook, and our ways of working guide for colleagues.

Professional development

Our people benefit from individual training and development programmes to help them progress in their careers and fulfil their potential. In 2021, we created several new bespoke training courses for our managers. One of the new courses, Managing for Success, covers topics such as recruiting people, managing their development and performance, mental health and wellbeing. It also includes coaching sessions to facilitate networking between managers, building relationships to encourage the opportunity for peers to learn from each other and collaborate across functions.

Kickstarters

Clarion led the Kickstart Housing Partnership, a coalition of 84 organisations that offered government-funded paid work placements for hundreds of unemployed 16-24 year olds last year. Many of the young people we helped had had their job prospects derailed by the pandemic. More than 540 people took up placements – with 130 of them coming to Clarion. We gave in-work support and training to our Kickstarters, who worked in departments such as marketing and IT. More than half (60%) have subsequently moved into a job, apprenticeship or further education; and we have taken on a number of Kickstarters in permanent roles at Clarion.

60%

Kickstarters in a job or further education

Safeguarding our people

Last October we introduced a domestic abuse policy to outline how we will support colleagues who are suffering abuse. This was accompanied by a detailed toolkit which looks at issues such as how to spot signs of abuse and take appropriate action, along with a comprehensive list of various support agencies that are available to support people. We have also been developing a series of training programmes that tackle domestic abuse.

This work complements the comprehensive domestic abuse policies and procedures we already have in place to support our residents. It is also part of our wider work to promote the wellbeing of our people, which includes things like a 24/7 counselling service as part of our employee assistance and wellness programme, as well as our in-house team of trained Mental Health First Aiders.

24/7

counselling service

Returning to the office

As the pandemic receded, we worked with our colleagues to make some major changes to the layout and design of our headquarters at London Bridge and several other offices. These changes reflect the more flexible approach to where and how people work, post-pandemic. They include having different zones within the office such as private areas where people can concentrate on specific tasks; more conventional work stations; and workbenches and tables without screens where teams can come together to collaborate.

Making a difference to our business

We aim to become a resilient, sustainable, and adaptable business that can confidently evolve to meet the demands of our changing environment. We strive to make smart and efficient use of our resources to achieve the greatest impact in social and financial terms.

We are using our financial strength to plan for the long-term so we can continue to invest in our existing homes and build new ones. We are also embedding diversity and sustainability in all areas of our work.

We are a business for social purpose and have the highest possible rating of G1/V1 from the Regulator of Social Housing for our governance and viability.

Being financially stable and well-run means we can invest more in the things that matter. We want to make sure we are making the money we spend work as hard as possible and will demonstrate value in everything we do. Any surplus we make is reinvested in our mission to provide homes for those who need them most.

We are involved in a number joint venture partnerships with major developers who share our vision for thriving and cohesive communities. We are also a recognised partner of government in major housing programmes run by Homes England and the Greater London Authority.

As well as making sure every penny is well spent, we are conscious of the impact our actions have on other people, the communities that we work in, and the environment. We are working to reduce our carbon impact and are striving to become a net zero carbon organisation by 2050.

Our approach to sustainability rests on being adaptable and resilient, generating social value, creating healthy places, being environmentally friendly, using clean energy and phasing out carbon.

How we performed in 2021/22

£300m

Raised in sustainable bond issue

£131m

Delivered in social value*

31

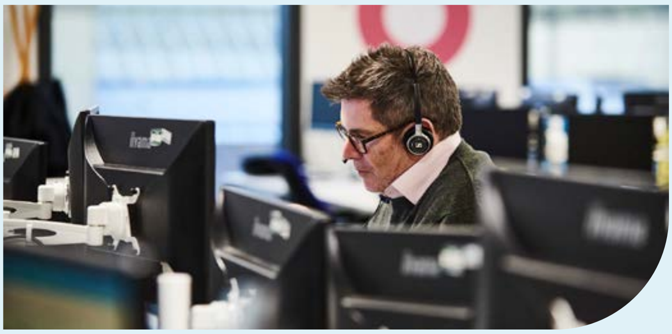
Government consultations responded to

6

Research reports published

* Social value is calculated using the HACT (Housing Associations Charitable Trust) Social Value Bank

Technological innovations



As a forward-looking organisation, we are constantly looking at ways in which we can become ever more efficient and effective. Investing in technology is a key part of this, and over the past year, our Business Intelligence team has developed new tools that are making a big difference to how we make the best use of our homes. An Asset Profiler app provides accurate and specific insights about our homes and communities, which enables us to make informed decisions. The past year has also seen the creation of apps to integrate our customer service and repairs functions, to speed up our response to problems, and to provide caretaking and estate teams with more details about the buildings they are looking after.

Our customers are now able to give real-time feedback on repairs we undertake in their homes through the On My Way app, which we then act on where needed within 24 hours. And at the homes we have retrofitted as part of the Social Housing Decarbonisation Fund demonstrator programme, we have been installing a monitor that enables us to remotely track energy use, home temperature, humidity and mould risk for households who are happy for us to do so. The data helps us understand the impact the works have had and the mould monitoring means we can make early interventions to prevent the problem.

A change agent

Our stature as one of the country's leading providers of affordable housing gives us a platform to help shape the future of the sector. One example of this was our membership of the committee responsible for creating the new Building Performance Evaluation British Standard (BS 40101), which was introduced by the British Standards Institution this year and aims to drive improved performance of buildings in areas such as energy efficiency and indoor environmental quality. We also worked with the Greater London Authority last year, helping to devise a Post Occupancy Evaluation process to assess the extent to which affordable homes delivered are well designed and fit for purpose. This new process will be applied to the GLA's affordable housing programme projects from 2023.

Global reach

We are working with UN-Habitat on developing new guidelines for urban regeneration, which are set to be published in 2022. We have been contributing to aspects such as community engagement, as well as financial and business models for urban regeneration. Dr Elanor Warwick, our Head of Strategic Policy, Evidence and Research, was one of the expert speakers at a meeting of UN-Habitat in Bilbao, Spain, in December 2021, looking at urban regeneration as a tool for inclusive and sustainable recovery.

Political influence

Clarion continues to make the case for social housing and we use our position to raise issues that affect our residents, not only through our continuing dialogue with government departments but also in appearances before parliamentary select committees. Clare Miller, our Chief Executive, was one of the experts chosen to provide evidence to the Built Environment Committee in the House of Lords in October 2021 – as part of its inquiry into meeting the demand for housing. She focused on the need to scale up the development of affordable housing.

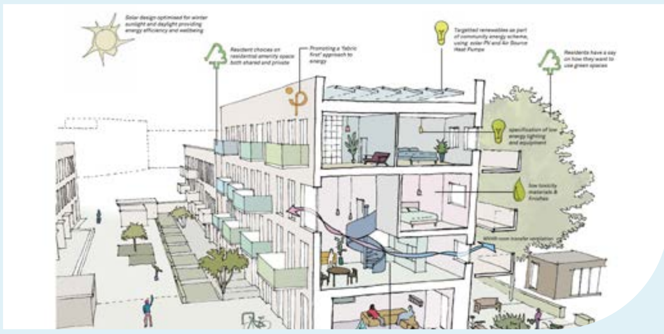
Just months later, in January 2022, Clare gave evidence to the Levelling Up, Housing and Communities Committee in the House of Commons, during its inquiry into the regulation of social housing. She spoke about issues such as the challenges of regeneration and delivering local services.

Growing knowledge base

We have teamed up with a number of partners during the past year to release a series of agenda-setting reports. A report published with the Centre for Cities think tank last June highlighted how people in many parts of Northern England and the Midlands would face an 'avalanche' of debt after the government's pandemic support was phased out.

We also supported a major report by the Agile Ageing Alliance, released in February 2022, setting out how the housing sector can combat loneliness and mental health issues. That same month we released a report in conjunction with the Royal Society for Arts, Manufactures and Commerce. This looked at the future of work and warned how more than a million jobs done by people living in social housing are at high risk of being lost due to automation.

Promoting innovation



Our annual William Sutton Prize rewards new approaches that will help social housing residents and communities, with two £20,000 prizes given each year to help develop the winning concepts. In 2021/22, the 'Social Innovation' category was won by Pride of Place Living, for its proposal for a scheme that will provide multigenerational, lifelong and inclusive living for LGBTQ+ people in Leeds. Mole Architects won the 'Sustainability and Placemaking' category, with its proposal for a zero-carbon homebuilding system designed to support the development of group-build community housing.

£20,000

prizes for innovation in social housing

Health and safety

Every year the Royal Society for the Prevention of Accidents recognises organisations that are leading by example in health and safety.

In 2021, Clarion Housing Group won a Gold Award for Occupational Health & Safety. This was an improvement on the Silver Award we received in 2020 and reflects the efforts we have been making in this area.

Our repairs service, Clarion Response, was given the President Award – in recognition of achieving the Gold Award in the Occupational Health & Safety, and Fleet Safety categories, for every year in the past decade.

Sustainable business

Sustainability is embedded in everything we do, and last year we released our first-ever Social Impact Report. This showed the progress that we are making against 48 criteria across Environmental, Social and Governance measures such as zero carbon targets, affordability and safety standards. The report is part of the evidence we provide to our investors who want more than a financial return. In September 2021, we raised £300 million in a 30-year sustainable bond issue, which was priced at a coupon of 1.875 per cent. It was significantly oversubscribed, with over £1 billion in orders. We have raised £950 million to date through three sustainable bond issues to fund the development of new affordable energy efficient homes.

£950m

raised to fund the development of new affordable energy efficient homes

Streamlined Energy and Carbon Reporting (SECR)

Here we set out Clarion Housing Group's energy use and carbon emissions, including its subsidiary businesses, for this year. It is in line with the Government's Streamlined Energy and Carbon Reporting (SECR) methodology as outlined in the Environmental Reporting Guidelines (March 2019) and as required in The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

Energy efficiency actions

Work on improving the energy efficiency of our office space in line with new ways of working has continued through the year. This includes new LED lighting upgrades, installation of an efficient heating and cooling system and new electrical vehicle charging points. The overall reduction of office space has a significant impact on Scope 3 emissions. We are exploring sources of renewable energy to power our offices to reduce our emissions further.

We continue to use the certificated zero carbon electricity for all supplies associated with our central electrical energy supply contracts.

Work on improving the energy efficiency of our homes (impacting Scope 3 emissions) has continued through the year. Work has included boiler replacements, installation of air source heat pumps, high heat retention storage heaters, solar PV and insulation.

We are also a key partner to government on its landmark retrofit programme. Through the Social Housing Decarbonisation Fund, we have brought hundreds of our social homes up to a higher EPC standard over the past year – with plans to upgrade 450 more thanks to a recent £5 million funding award.

We are continuing work on reducing emissions and improving the energy efficiency of our van fleet. As well as the existing Hybrid and fully electric vehicles, our in-house repair service Clarion Response is in the process of replacing 30 of our diesel vans with 100% electric vans. Depending on the success of these vehicles it is possible that the number will increase in the near future.

We are also trialling a driver behaviour system that feedbacks in real time to allow the driver to adjust their driving style to maximise fuel efficiency and reduce potential for accidents. If successful, the trial could be extended across the whole fleet and reduce fuel consumption by an estimated 10%.

We are looking at other ways to reduce the number of vans on the fleet and are assessing the possibility of utilising public transport infrastructure, van sharing, e-bikes etc.

Methodology and notes

Emissions are calculated in line with the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard (revised edition).

For this report, in line with Streamlined Energy and Carbon Reporting, we have excluded the estimate/calculation of Scope 3 emissions. This includes electricity and gas usage at our leased offices. These are likely to be revised to add Scope 3 emissions in future years. We are currently unable to calculate/estimate the amounts of electricity and fuel used for operatives' work tools used on jobs. However, we consider these to not be material in scale.

		2021/22	2020/21
UK Energy Use			
Electricity	MWh	**30,196**	29,635
Gas	MWh	**80,020**	83,940
Van fleet (fuel)	MWh	**11,806**	12,951
Grey fleet + company operated cars	MWh	**2,315**	–
Transport (fuel)	MWh	**14,121**	12,951
Total	MWh	**124,337**	126,526
Associated Greenhouse Gas (GHG) Emissions			
Electricity	Tonnes CO_2e	**–**	–
Gas	Tonnes CO_2e	**14,656**	17,102
Van fleet (fuel)	Tonnes CO_2e	**2,971**	3,116
Grey fleet + company operated cars	Tonnes CO_2e	**583**	–
Transport total (fuel)	Tonnes CO_2e	**3,554**	3,116
Total	Tonnes CO_2e	**18,210**	20,218
Intensity Ratio			
GHG Emissions per £m revenue	Tonnes CO_2e	**17.2**	21.4

Section 172 statement

The Companies Act 2006 requires some large companies to include a section 172 statement in their annual report. Although this requirement does not apply to Clarion Housing Group, we have produced a section 172 statement to demonstrate how we engage with and consider the views of our stakeholders and how the Board participates in, or is kept apprised of through the reporting process, stakeholder engagement.

S172(1) of the Companies Act requires the directors of a company to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, taking into account:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

As a registered provider of social housing, the nature of our business means we have continuous dialogue with a wide group of stakeholders, the views of which will be taken into account before decisions are put to the Board.

Consequences of decisions

The Board promotes a strong culture of governance within the company, and continually monitors performance through the use of Key Performance Indicators. Long-term sustainability of the Group is one of the cornerstones in the regulation of the Group and is embedded in the Group's Long Range Plan and Corporate Strategy. Detail of the Group's Corporate Strategy can be found on the Clarion Group website: www.clarionhg.com

Employees

All employees work on behalf of all entities across the Clarion Group. The Group and its subsidiaries are committed to ensuring people enjoy working with us, in an inclusive environment where they can thrive and fulfil potential. The Group's Clarion & You culture programme helps to embed the company values and reinforces what our people should expect from one another. Employee engagement has included:

- Bi-annual colleague surveys;
- Diversity and Inclusion Advisory Group which includes representatives from across the organisation, including a Housing Association Board member;
- Directorate-wide action plans;
- Staff Council; and
- Union representatives.

Business relationships

The Group and its subsidiaries strive to build lasting relationships with our suppliers:

- We have developed an online portal that allows prospective suppliers to identify tender opportunities;
- Feedback is part of the process for all suppliers who tender to us, as well as those at the end of their contracts;
- Joint venture partnership agreements;
- Investment Committee oversight; and
- Global 30-day payment terms.

The Group's treasury management function is responsible for the company's investor relationships. Engagement has included:

- Investor roadshows;
- Quarterly investor updates; and
- Interim and annual reporting.

Community and environment

Our commitment is underpinned by our mission, values and embedded within our Corporate Strategy. We work alongside our residents and our partners to create and sustain communities where people can thrive.

Sustainability permeates our entire approach and is centred on making our homes and communities fit for the future. The Group plans to publish a sustainability strategy to accelerate the progress we are making in this area. We are committed to improving our environmental footprint and we have set challenging targets to make our social housing stock more energy efficient.

High standard of conduct

Clarion Housing Group is regulated by the Regulator of Social Housing, promoting a culture of financial responsibility and corporate governance.

For 2021/22, the Group adopted the NHF Code of Governance 2020 and is on a path to full compliance. The Group routinely self-examines performance against the main requirements of the Code and regularly reviews its effectiveness.

The Board of Clarion Housing Group is the ultimate governing body for the Group and is committed to the highest standards of business ethics and conduct, and seeks to maintain these standards across all of its operations. The Group Chief Executive and executive directors of subsidiaries annually review the Group's internal control and assurance arrangements.

Act fairly between members

We encourage honest conversations between staff and managers at all levels, and through these conversations, we work together even more effectively.

Financial review of 2021/22

We are pleased to report a strong financial performance for the financial year 2021/22 which delivered a net surplus of £186 million (2021: £122 million), all of which has been reinvested back into our homes and communities.

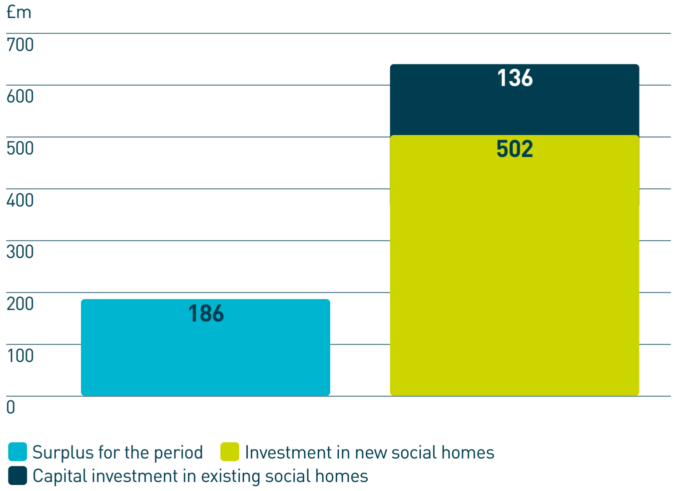
Our financial strength provides a solid foundation from which we can continue to invest in our existing properties and build the new homes that our country desperately needs, despite the challenging operating environment. Although the surplus is significant, it is dwarfed by the £638 million we invested in social housing over the last twelve months. This includes £136 million (2021: £95 million) on our existing homes and £502 million (2021: also £502 million) in the construction of new social housing properties. In total we delivered a record 2,276 new homes (2021: 2,126) of which more than eight in ten were for affordable tenures. This was achieved whilst also maintaining a strong liquidity position of £1,136 million (2021: £1,086 million).

Our operating margin grew to 29% (2021: 27%). Underpinning this is a turnover of £1,059 million (2021: £944 million) and an operating surplus of £303 million (2021: £258 million). Key elements of this were the contribution from our core social housing lettings, solid performance from our open market sales and our portfolio rationalisation programme which have more than offset an increase in operating costs.

The work of our charitable foundation, Clarion Futures, remains a key priority for the Group. In 2021/22 Clarion Futures invested £14 million in providing support and opportunities to help improve the lives of our residents and their communities.

Our financial performance is key to enabling us to deliver upon our aims. Being financially stable and well-run means we can absorb many of the shocks of the external market and invest more in the things that matter. This is recognised by our strong investment-grade ratings and our V1 viability rating which is the highest the Regulator of Social Housing can assign. We continue to be well placed to provide good quality, safe, sustainable, and affordable housing and neighbourhoods where communities can flourish.

Figure 1:
Surplus versus investment in social housing



Statement of Comprehensive Income

Figure 2:
Summary of the Group's Statement of Comprehensive Income

	2021/22 £m	2020/21 £m
Turnover	**1,059**	944
Cost of sales	**(273)**	(193)
Operating costs	**(569)**	(518)
Surplus on disposal of properties	**86**	25
Operating surplus	**303**	258
Operating margin %	***29%***	*27%*
Share of deficit on JCEAs	**–**	(14)
Gain/(Loss) on revaluation of investment properties	**14**	(1)
Net interest and other financial income	**(133)**	(135)
Movement in fair value of financial instruments	**3**	4
Other	**(1)**	10
Surplus for the year after tax	**186**	122
Net margin %	***18%***	*13%*

Turnover

Turnover at £1,059 million has seen a 12% increase from the prior year (2021: £944 million). Figure 3 illustrates this movement by category.

The largest movements have been seen in open market and first tranche shared ownership sales. A total of 1,502 units (1,198 shared ownership, 304 open market) were sold this year (2021: 1,151 units: 974 shared ownership, 177 open market) at an overall blended gross margin of 12% (2021: 11%). Both figures exclude our share of joint venture sales (which are accounted for differently and their results are covered later on). This is a significant improvement on the prior year, generating an additional £94 million in turnover and £12 million operating surplus for the Group when compared to the prior year.

Social housing rental income increased by £16 million, predominantly driven by the 1.5% (CPI plus 1%) rent increase, partially offset by the impact of our portfolio rationalisation programme which saw 2,034 units transferred to other registered providers throughout the year.

Net movements in other social housing activities and other non-social housing activities are marginal and include a £5 million increase in building safety grant, partially offset by a £3 million reduction in income generated through development for other landlords.

Operating costs

At £569 million, operating costs are £51 million (10%) higher than the prior year, resulting in an operating cost per unit of £5,190 (2021: £4,711). This year we have seen £20 million of exceptional costs relating to the decant of Clare House and Eastfields as well as a general increase in repair volumes and costs post-lockdown. Figure 4 provides an analysis of operating cost movements.

Routine repairs spend increased by £16 million in the year. High demand carried over after the easing of lockdown restrictions and storm damage during the winter months led to 312,359 routine repairs being completed in the year compared to 236,368 during 2020/21. To meet this increased demand, further reliance has been placed on sub-contractors who are charging higher rates as a result of demand, complexity of the work and supply chain pressures.

Spend on planned maintenance and expensed major works has seen a £14 million increase. Included is work related to our fire safety programme where investment hit record levels during 2021/22. Similarly to routine repairs, increased demand post-lockdown and sub-contractor costs have also contributed.

Figure 3:
Movement in turnover during 2021/22

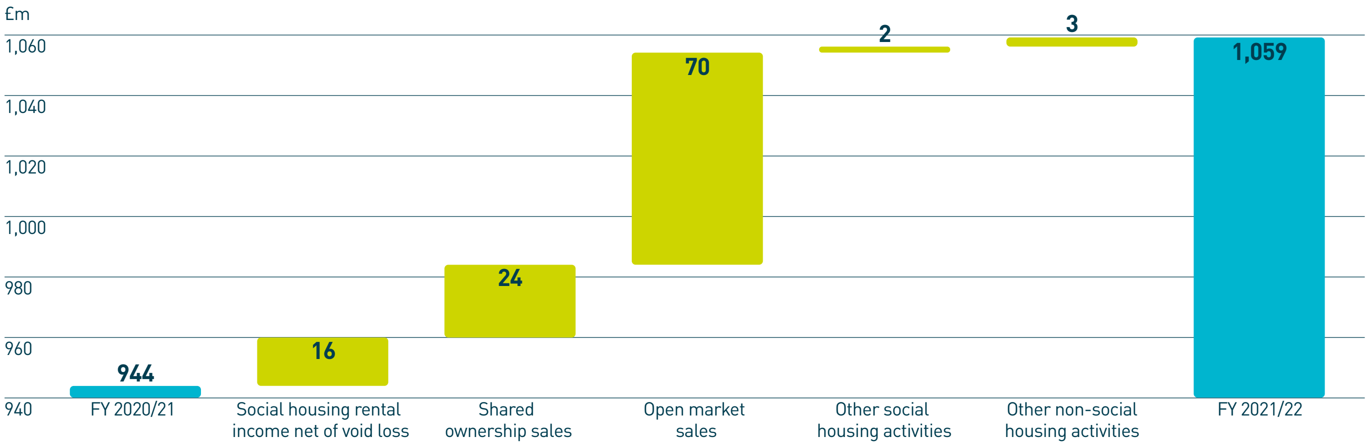


Figure 4:
Movement in operating costs during 2021/22

In figure 4 we have separated £20 million of exceptional costs incurred this year relating to the decant of Clare House and works at Eastfields. Included in this £20 million is £8 million of other social housing costs mainly for leaseholder buy backs, a £3 million impairment, £7 million of management costs predominately for decants and decommissioning and £2 million of repairs.

Lower levels of recruitment, training and travel costs, due to our now embedded hybrid working arrangements, continue to drive down staffing costs. This reduction, however, has been offset by a net increase in service charge expenditure. Overall we have seen a net £8 million increase in management and service charge costs.

This year we have reversed £5 million of impairments recognised in 2015/16 as a result of the Government's 1% rent cut policy. This movement predominately drives the £7 million reduction in depreciation and impairment of housing properties.

The bad debt charge has seen a reduction this year, a reflection of better than anticipated collection levels against a backdrop of the Covid-19 pandemic and the ending of furlough. We maintain a prudent provision given the future risk arising from the cost of living crisis.

The support for residents delivered through Clarion Futures continues to prove vital. Over the year our charitable foundation invested £14 million in our residents and communities. When further factoring in the £2 million of donated services from other Group members, investment in our communities totalled £16 million, which is a £3 million increase on the prior year.

Surplus on existing property sales

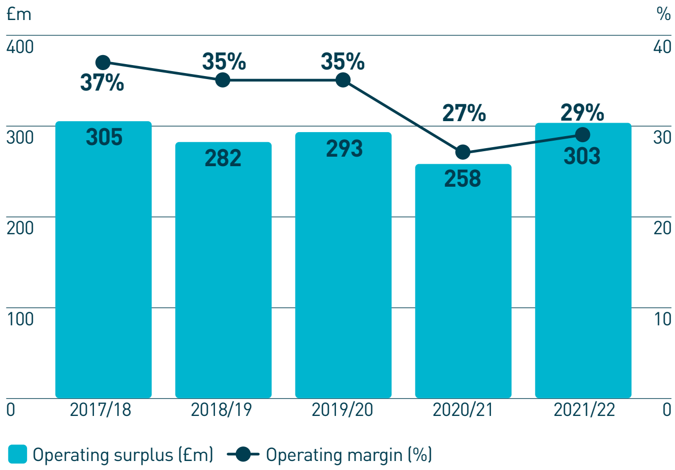
At £86 million, the surplus on sales has increased by £61 million versus the prior year. Two-thirds (£59 million) of the current year surplus has been generated as a result of our 'Clarion 2040' strategy which saw the transfer of 2,034 units to other registered providers. In comparison, no transfers were completed in the prior year following the decision to pause planned transfers in response to the uncertain market conditions caused by the pandemic.

The remainder of the surplus on sales mostly relates to shared ownership staircasing (where residents now own larger shares of their own homes): 352 staircasing transactions completed in the year, generating a surplus of £19 million (2021: 241 staircasing transactions, £14 million surplus).

Operating surplus

Figure 5 shows the operating surplus and margin trends over five years. Our core rental business alongside a solid performance from open market sales and our portfolio rationalisation programme have resulted in an operating surplus of £303 million (2021: £258 million) and an operating margin of 29% (2021: 27%). In comparison to historic years, our current margin reflects the increased turnover derived from sales activity which generates a lower average margin than the core rental business.

Figure 5:
Operating margin and operating surplus over five years



Share of deficit of JCEAs

We are involved in a number of joint venture partnerships with major developers who share our vision for creating thriving and cohesive communities. The break-even result for the year reflects the varying timelines of the Group's JCEAs: mature JCEAs generated a £2 million surplus on £26 million of sales (2021: £3 million deficit on £22 million of sales), while a number of others are still in the start-up phase, contributing a £2 million deficit and £1 million of sales (2021: £11 million deficit and £nil sales).

The current year's result is also a £14 million improvement on the prior year, which saw £9 million of additional costs recognised as a result of Mayfield Market Towns JCEA not being included in a local plan, as well as a £5 million cost of sales adjustment as a result of the Graylingwell JCEA revising the net realisable value of its stock.

Gain on revaluation of investment properties

The market is seeing less volatility and an increase in demand driving a £14 million revaluation gain on our investment properties. In particular, demand for market rent properties has generally seen a sustained increase over the past six months, particularly within city centres, which is unmatched by an increase in supply. These improving conditions have resulted in a £11 million revaluation gain alone on our market rent portfolio.

Net financing costs

At £133 million net interest has reduced by £2 million on the prior year. Whilst notional drawn debt increased to £4,452 million (2021: £4,325 million), 6 swaps, fixing £265 million, expired during the period. This, along with lower cost new borrowing, helped to reduce the average cost of borrowing from 3.81% to 3.64% resulting in interest payable across our debt and derivative portfolio of £167 million (2021: £164 million). The level of interest capitalised in the current year increased to £36 million (2021: £30 million), reflecting increased development activity after the lifting of lockdown restrictions.

As at 31 March 2022, 91% (2021: 94%) of net debt was either held at fixed rates or hedged against adverse rate movements which has helped protect the Group from the effects of increases in the Bank of England's base rate.

Interest cover at 2.1 remains comfortably above our tightest covenant.

Statement of Financial Position

Figure 6:
Summary of the Group's Statement of Financial Position

	2021/22 £m	2020/21 £m
Tangible fixed assets	**8,447**	8,092
Net current assets	**632**	595
Creditors due in over one year	**(7,013)**	(6,885)
Other	**238**	167
Total net assets	**2,304**	1,969
Income and expenditure account	**2,523**	2,298
Cash flow hedge and other reserves	**(219)**	(329)
Total capital and reserves	**2,304**	1,969

During the year, net assets have increased by £335 million (17%) to £2,304 million. Our Financial Position metrics remain strong with a gearing ratio (as per our covenant definition) of 47% (2021: 48%) which is comfortably below our tightest financial covenant.

Further investment in property development has seen increases in social housing properties (£371 million), borrowings (£110 million), interests in JCEAs (£27 million) and the net grant creditor (£13 million). Increased sales – particularly outright sale – have reduced stock (£84 million). Macroeconomic factors have contributed to a reduction in the fair value of derivative financial instruments (£104 million) and pension liabilities (£44 million).

Social housing properties, stock and grant

Though the operating environment was challenging, over the year the Group has been able to deliver a record number of new homes and continue investment in a series of major regeneration programmes. 2,276 homes were completed (2021: 2,126), and 86% of these were for affordable tenures (2021: 90%).

In total the Group invested £583 million (2021: £607 million) in the construction and redevelopment of housing. £4,123 million of capital expenditure remains approved at year-end (2021: £4,456 million) of which £728 million is contracted (2021: £1,036 million). The current development pipeline stands at 21,742 homes.

During the year we also invested £136 million (2021: £95 million) in our existing homes, on top of our £228 million (2021: £195 million) of revenue maintenance spend. This included £40 million of spend on fire safety which remains a key priority for the Group as well as spend on our energy efficiency programme as we target becoming net zero carbon by 2050.

Our further investment in property development, fire safety and energy efficiency (through the government's Social Housing Decarbonisation Fund) has resulted in additional grant awards during the year. In total the Group's net grant creditor has increased by £13 million.

Overall we have invested 3.4 times our surplus (2021: 4.9) in new and existing affordable housing assets (Figure 1) and a further 0.4 times our surplus (2021: 0.9) in new non-social assets. This remains a resilient performance given the challenging environment in which we operate.

Interest in JCEAs

During the year the Group entered into two new joint ventures and this growing programme is reflected in the net £27 million increase in our interests in JCEAs which now stands at £182 million. At the end of the year Clarion had 16 actively-developing joint ventures with a target delivery of 5,157 units (Clarion's share) and one long-term strategic proposal.

Borrowings and financial instruments

Drawn debt (excluding accounting adjustments) as at 31 March 2022 was £4,452 million, an increase of £127 million from the prior year (2021: £4,325 million). During the year the Group raised £300 million through its Euro Medium Term Note (EMTN) debt programme, the proceeds of which were used to fund the investment in housing assets and repay bank debt. The repayment of bank debt has increased liquidity and enabled the Group to effectively fix longer-term debt.

The Group continues to be prudent in its approach to interest rate risk management and operates a policy of hedging 70% to 100% of its net debt using a mixture of fixed rate borrowings and interest rate swaps. Interest rate swaps are held at fair value and this valuation reduced by £104 million (2021: £67 million) to a net liability of £211 million due a mixture of macroeconomic factors, maturing swaps and amortisation of the remaining portfolio.

Pensions

At £15 million, the Group's net pension liability has seen a £44 million reduction in the year (2021: £27 million increase). General macroeconomic factors within the UK economy and associated interest rate rises have contributed to a £25 million reduction in our defined benefit obligation (2021: £83 million increase). A smaller movement has been seen in the fair value of the Group's assets which have increased by £19 million (2021: £57 million increase) reflecting market uncertainty linked to the war in Ukraine and the cost of living crisis. Our net obligation continues to remain below the pre-pandemic level (September 2019: £70 million).

Statement of Cash Flows

Figure 7:
Summary of the Group's Statement of Cash Flows

	2021/22 £m	2020/21 £m
Net cash from operating activities	**425**	309
Net cash from investing activities	**(360)**	(441)
Net cash from financing activities	**(58)**	142
Net cash movement	**7**	10
Cash and cash equivalents at start of year	**131**	121
Cash and cash equivalents at end of year	**138**	131

Cash generation from operations is a critically important measure since it provides an indication of the Group's ability to meet the underlying obligations of its properties without recourse to debt finance, and without reliance on selling existing properties. Positive cash generation also provides vital support for the Group's investment in social housing, including the development of new homes, while keeping debt within acceptable limits.

At £425 million (2021: £309 million), the cash generation from operations remains high and significantly in excess of the £136 million investment in existing homes (2021: £95 million).

The net cash outflow on investing activities of £360 million is £81 million less than the prior year (2021: £441 million) due to an increase in disposal proceeds. Proceeds from the disposal of properties have increased by £102 million due to a number of transfers to other registered providers in the year and grant receipts have increased by £37 million as the Group begins to draw down its £490 million share of the Affordable Homes Programme 2021-26. These inflows have allowed the Group to increase its cash investment in social housing properties to £531 million, a further £49 million on top of the £482 million spent in the previous year.

The net cash outflow from financing activities of £58 million is a £200 million swing from the prior year (2021: £142 million inflow). During the year the Group issued a further £300 million through its EMTN debt programme and this was partly used to reduce the amount of bank financing. Interest payments totalled £176 million, barely unchanged from the £171 million in the previous year as a result of the Group's policy to hedge the vast majority of its floating-rate debt.

Treasury Management Report

The Group's treasury function is responsible for the management and effective control of the organisation's cash flows, banking and investor relationships, the funding of the Group and any associated risks. The function is also responsible for the delivery of optimum performance within the parameters agreed, from time to time, by the Treasury Committee and within the contractual obligations covenanted in funding arrangements.

Funding requirements are continuously reviewed, and a range of potentially adverse scenarios are analysed through stress testing the Group's long-term financial plan. The Group considers the availability of funding to be a key risk and manages it proactively. Actions include maintaining a high level of liquidity and charged but unallocated property security, diversifying funding sources appropriately, and making conservative planning assumptions about the cost of funding so as not to incur unacceptable losses or risk damage to the Group's reputation.

The Group was fully compliant with all of its financial covenants throughout the period and prior periods. The financial covenants are primarily in respect of interest cover, gearing and asset cover. The Group's long-term financial plan forecasts continued compliance, including under a range of scenarios reflecting severely adverse trading conditions.

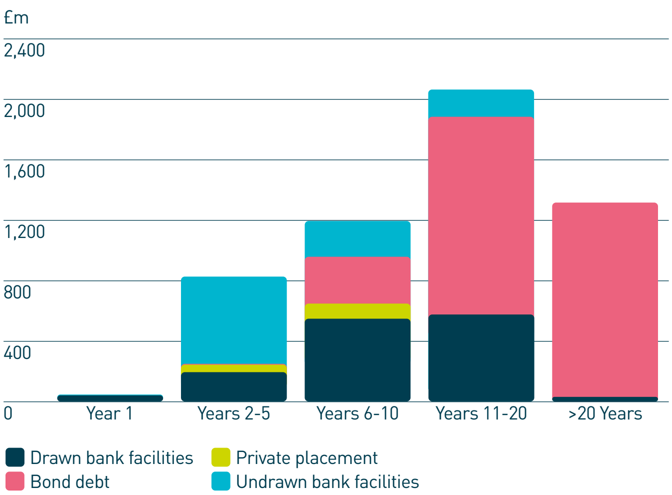
The Group is rated by Moody's and Standard & Poor's who both assign a strong investment-grade rating (Moody's A3/ stable outlook; Standard & Poor's A-/stable outlook).

Capital structure

The Group utilises increasingly diverse sources and types of funding in order to reduce reliance on particular financing instruments. As at 31 March 2022, the Group had £5.5 billion of committed debt funding (2021: £5.3 billion), with drawn funding totalling £4.5 billion (2021: £4.3 billion). The increase in drawn funding, along with cash generated from operations, sales receipts and capital grant was used to fund development capital expenditure. All undrawn funding is committed and is available within three days' notice whilst cash is available with same day notice.

During the period, the Group extended £0.3 billion of its revolving credit facilities and issued £0.3 billion of debt capital market funding (notional), the latter raised through its EMTN debt programme. The debt portfolio duration remained at 15 years, whilst the Group's average cost of funds reduced to 3.64% (2021: 3.81%). The Group remains strongly focused on sustainability, with all new funding arranged during the period linked to sustainability.

Committed funding maturity profile



As at 31 March 2022, 56% of committed funding was sourced from the capital markets and 44% from bi-lateral facilities with nine banks and building societies.

The Group has limited re-financing risk in the near term with 84% of the Group's debt facilities maturing after five years and 62% maturing after 10 years. The Group's exposure to drawn re-financing risk by 31 March 2023 (year 1) was £42 million, representing less than 1% of debt facilities.

Investment and Liquidity

The Group's capital expenditure plans (net of sales receipts) will continue to be met by cash generated from operations, supplemented predominately by further debt funding. The level of debt funding is prudently managed by the Group's strong financial discipline and commitment to a financial profile consistent with a strong investment grade credit rating. Accordingly, through its planning activities, the Group ensures that it has strong debt service capacity under a broad range of adverse scenarios.

The Group operates a conservative counterparty policy and aims to minimise the risk of financial loss, reputational loss or liquidity exposure linked to any counterparty. Short-term investments are well diversified and are kept at a minimum by temporarily repaying revolving credit facilities in order to manage working capital and the Group's interest cost. All cash investments are held with counterparties that meet the criteria agreed by the Treasury Committee.

As part of its treasury policy, the Group maintains a conservative liquidity position which is able to finance a minimum of 18 months of funding requirements, assessed on a prudent basis. As at 31 March 2022, total liquidity of the Group was £1.1 billion, represented by £0.1 billion of cash and £1 billion of committed undrawn credit facilities.

Risk management

The Group continues to be prudent in its approach to interest rate risk management and operates a policy of hedging 70% to 100% of its net debt. At 31 March 2022, 91% of net debt is either held at fixed rates of interest or hedged against adverse rate movements. It is estimated that a 0.25% increase in interest rates would increase net interest payable by £0.9 million per annum.

The Group manages its exposure to interest rate risk predominately either by entering into debt at fixed rates of interest or by transacting interest rate derivatives. As at 31 March 2022, the Group held interest rate derivatives with a total mark-to-market value of £0.2 billion.

Security

The Group maintains a prudent approach to collateralising its debt portfolio. Its main property security pool contains over 63,200 properties, providing highly diversified collateral in support of all bank funding and bonds issued by Clarion Funding plc (debt facilities and mark-to-market exposures on interest rate derivatives).

In addition to the security allocated to the existing funding portfolio, a proportion of the charged assets is left unallocated. These unallocated assets provide a further level of collateralisation for existing funding providers, to secure new debt issuance, and to cover any adverse mark-to-market movements or adverse property security valuation movements. The current security value of the unallocated property assets is in excess of £1.6 billion whilst the total value of the security pool is in excess of £6.3 billion. Further property assets are charged on a periodic basis from the Group's substantial pool of unencumbered property assets.

Value for money

Clarion, as a social enterprise seeking to provide housing to those in need, has always understood the need to deliver value for money in all that it does. Ultimately, the responsibility to deliver value for money rests with our Group Board, but operationally it's at our core, we see our employees across the organisation taking the lead to deliver it. For us, value for money is more than driving cost savings, it is about delivering efficiency in our services, investing effectively in our existing homes and new build programme, whilst innovating to drive improvements in the quality and breadth of our outputs and services.

Our new value for money strategy framework is centred around sustainability, with a focus on customers, assets, social value and financial metrics. Importantly, we recognise that value for money is delivered in both financial and social terms. Creating a culture of value for money across the organisation allows Clarion to do more with less and generate a more lasting impact on society and communities. Bringing this all together means that Clarion will continue to be a sustainable organisation that can continue to deliver in the long term for those that need it the most. We continue to work through mid to long-term targets for this new framework with the intention to report on our performance against these targets publicly in the next year's report.

Performance management and governance

Our value for money process commences with the planning, budgeting and forecasting cycle. During this process, across the whole of the organisation each director is tasked with identifying value for money initiatives and plans for their area to generate both financial and social value. Our financial plans and budgets are comprehensively reviewed prior to approval to ensure they are financially responsible and viable and in line with our internal financial standard framework.

Our finance and data insights teams produce Clarion's monthly management reporting, which track performance against financial and non-financial targets at a budget holder level. Commentary from this provides the necessary detail for Executive Team and Group Board to discuss at monthly and quarterly meetings significant deviations from budgets, forecasts and targets, and agree, where feasible, on action plans to bring performance back in line with expectations.

Supporting the Group Board's monitoring of value for money, we have Boards for the Housing Association and Latimer operations. We also have committees that focus on investment, disposals and treasury activities to ensure appropriate independent review and challenge for investment proposals and outcomes. In our annual benchmarking process, we report to Executive and Group Board our performance against historic levels and compare to other external organisations in the sector. This provides an opportunity to critically assess our performance, to identify our strengths and weaknesses and to pinpoint areas where improvements are needed.

Clarion's Procurement team plays an active role in generating value for money through their designated responsibility for our procurement processes. Compliance with tendering procedures and regular tracking and reporting of savings help to inform our Executive team of our position in delivering value for money.

In summary, Clarion's performance management plays a key role in reaching our objectives. Our quarterly forecasting and risk management processes enable us to promptly adapt and respond to prioritise investment when facing changing internal and external environments.

Value for money initiatives and achievements

Some examples of the value for money initiatives and achievements over 2021/22 include:

- Through the active management of tendering process and contract negotiations, our procurement team have generated over £5 million in savings that are related to projects completed in financial year 2021/22 (over £1.9 million of those savings are to be delivered within the first 12 months of those contracts). Further, in the current financial year 2022/23, we have procured and contracted further savings of circa £2.5 million (over £1.1 million of those savings are to be delivered within the first 12 months of those contracts).
- Approving the Microsoft Field Services project which when implemented is projected to lead to improved efficiency and increased productivity from our repairs function.
- Online repairs roll out commenced in Q4 where residents can book repairs appointments online, in some cases residents can be offered a same day routine repair if an appointment is available. This is anticipated to lead to efficiencies from both a booking process but also within our customer contact centre.
- A total of £9.7 million was awarded to fund energy efficiency works from Social Housing Decarbonisation Fund. This will have a positive impact for our residents by reducing fuel and heating costs. Technologies trialled through the programme will be tested for effectiveness with the aim of improving their efficiency, outcome and financial viability, to help ensure that we see the cost of delivering net carbon zero across our homes reduce in future years.
- Seven successful building safety fund applications, totalling £7.2 million which has enabled Clarion to utilise government grant funding for cladding replacement works rather than leaseholder recovery. In addition, for one building alone, rather than spending £6.5 million to replace cladding we have taken a more holistic approach to safety by installing a suppression system which has cost £0.7 million.
- We were successful in the raising of additional low cost funding worth £300 million (our September 2021 ESG bond issue), with a cost of funds of 1.98% compared to an existing average cost of funds of circa 3.6%.

Operating performance and targets

Operating performance is monitored across the organisation via metrics relevant to key areas. The Executive team and Boards monitor performance against targets via the balanced scorecard which summarises Key Performance Indicators (KPIs) for the organisation. As we work to finalise the new measures and targets as part of the new value for money strategy and framework we have included some interim measures below to highlight how we are progressing against our targeted performance.

- **Landlord customer satisfaction:** has performed above target for both years, and has improved by 2.7% in FY21/22. This measure is important for us, as customers are at the heart of everything we do. We expect this measure to continue to be above target as we implement our customer strategy. This is our vision to deliver our core services by offering enhanced digital proposition whilst still providing a more personalised service for those key moments in our customers' lives.
- **Satisfaction with last repair:** has continued to perform above targets for both years, and has improved by 1.9% in FY21/22. Our Repairs Blueprint is looking at how we deliver a simplified, responsive and efficient repairs function. For example, we use daily Localz real time satisfaction responses to monitor and improve our service, we listen to our residents and learn from the mistakes we make. Last year we started to trial different ways of managing complex repairs which focus on keeping our residents updated and this has helped to improve our satisfaction scores.
- **Current Tenant arrears:** Is consistent between years at 5.7% and remains well within the target. Note that the arrears target is higher than our long-term target for both years due to factoring an increase in arrears as a result of Covid-19 and the current economic outlook and cost of living crisis.
- **Number of units handed over by development:** Our development output has increased compared to the prior year (+7.1%) but was not at the level of our increased target for FY21/22. The below target output was impacted by construction delays caused by widely publicised material and labour shortages.
- **Operating Margin:** The overall operating margin has improved from the prior year but ended up below the budget target set. This is a result of the increased demand driven investment in our repairs and maintenance and the exceptional costs related to the evacuation and decant of Clare House.
- **EBITDA MRI Interest Cover:** This measure has deteriorated in comparison to the prior year and current year target as a result of increased cost pressures arising from the exceptional costs incurred with decanting homes, and the increased total investment in our existing homes. Further, in comparison to the prior year our interest costs have increased as the development programme grows.
- **Cash in-kind value:** This year Clarion Futures has established a team to work with the Procurement team to negotiate to insert clauses into our contracts that require suppliers to deliver social value along with our goods and services.
- **Social value generation vs Clarion contribution:** This year Clarion Futures has generated over £123 million of social value, this results in a ratio that is consistent with the prior year and remains above target.

		2021/22			2020/21		
Metric	Trend	**Actual**	**Target**	**Result**	Actual	Target	Result
% Landlord Customer satisfaction	^	**83.4%**	**80.0%**	✓	80.7%	80.0%	✓
% Satisfaction with last repair	^	**90.5%**	**85.0%**	✓	88.6%	85.0%	✓
Current Tenant Arrears	–	**5.7%**	**7.3%**	✓	5.7%	7.3%	✓
Number of units handed over by Development (all tenures)	^	**2,276**	**2,800**	✗	2,126	2,100	✓
% Operating Margin	^	**28.6%**	**29.5%**	✗	27.3%	25.2%	✓
EBITDA MRI Interest cover	v	**1.13**	**1.40**	✗	1.52	1.45	✓
Cash and in-kind value generated by working with supply chain	^	**£3.2m**	**£2.0m**	✓	£0.5m	£0.5m	✓
Ratio of social value generated vs Clarion contribution to Clarion Futures budget	–	**13:1**	**10:1**	✓	13:1	10:1	✓

Financial performance and benchmarking

Clarion uses a selection of key metrics to track year-on-year performance, to benchmark against our peers, and ultimately to monitor and drive value for money across the organisation. Each year, we participate in the Sector Scorecard initiative, which provides a consistent framework for measuring and benchmarking performance across housing associations. The framework also incorporates the seven specific value for money metrics prescribed by The Regulator of Social Housing.

Tables in each sub-section show the output of the Sector Scorecard benchmarking, including Clarion's performance over the current and prior year with comparisons to the G15 for 2020/21 (the latest publicly available data) and 2019/20, showing both the average outcome and our ranking against the largest of our London based peers. Note that for some measures we have included our target set at the start of the financial year. The Regulator's value for money measures are identified with a tick under the heading of RSH VFM.

1. Business Health

Sector Scorecard – Business Health	RSH VFM	Trend	2021/22 Clarion	2020/21 Clarion	2019/20 Clarion	2020/21 G15 Average	2020/21 Clarion Ranking	2019/20 G15 Average	2019/20 Clarion Ranking
Operating margin (social housing lettings)	✓	↓	**27.1%**	31.0%	32.4%	30.2%	5/12	29.0%	4/12
Operating margin (overall, excluding disposals)	✓	↓	**20.4%**	24.6%	27.8%	21.6%	3/12	20.8%	1/12
EBITDA MRI interest cover	✓	↓	**115.3%**	151.7%	151.3%	115.3%	4/12	111.9%	1/12

The Business Health metrics link in with our Strategic Aim to be "a resilient, sustainable and adaptable business that can confidently evolve to meet the demands of our changing environment".

Clarion's business health remains in a strong position in terms of headroom for EBITDA MRI Interest cover, one of our financial covenants, although our result for 2021/22 of 115.3% is a clear reduction compared to 2020/21. This is a primarily a reflection of additional repairs & maintenance expenditure to clear backlogs that built up during the pandemic against a volatile economic environment. There was also significant exceptional expenditure incurred in relation to the decanting of buildings for our residents' safety and to initiate regeneration projects. Capital major repairs are also markedly increased on last year, reflecting our continued commitment to invest in the safety, quality and sustainability of our housing stock. These cost pressures are moderated by a continued strengthening of our ability to raise funding at sector-leading rates.

Clarion's performance against this measure was 4/12 compared to our peers in 2020/21, and was 1/12 in 2019/20.

Our overall operating margin for 2021/22 of 20.4% has reduced compared to the prior year. This reduction is primarily due to higher development sales (at lower margins) and the pressure on operating costs referred to above.

Our social housing lettings margin of 27.1% has also reduced in the year (from 31.0%). This reduction has been caused by the additional repairs and maintenance costs, and an increase in management and service charge expenditure partially offset by increased income.

Despite these increases in operating costs, our operating margins have been steadied by comparable housing property depreciation (£119.2 million in 2021/22 compared to £120.5 million in 2020/21). Additionally, even within the challenging economic environment, our rent void loss has remained consistent (£12.6 million) and our bad-debt costs have reduced from £9.5 million to £6.9 million.

To drive greater value for money and customer satisfaction, we continue to move the focus from reactive repairs to preventative planned maintenance, especially in areas concerned with fire-safety. This resulted in higher investment in planned maintenance and major works compared to prior year (£14.8 million net increase) which is a result of a full year's programme when the prior year was impacted by deferrals caused by Covid-19 restrictions.

Looking ahead, we will continue to focus on delivering efficiency gains, to improve underlying margins. However, the overall operating margin is expected to be diluted through growing development sales activity (both through affordable ownership and on the open market), inflationary pressures and continuing high demand for investment in repairs and maintenance.

2. Operating efficiencies

Sector Scorecard – Operating Efficiencies	RSH VFM	Trend	**2021/22 Clarion**	2020/21 Clarion	2019/20 Clarion	2020/21 G15 Average	2020/21 Clarion Ranking	2019/20 G15 Average	2019/20 Clarion Ranking
Headline social housing cost per unit	✓	↑	**£5,178**	£4,272	£4,372	£5,099	1/12	£5,169	1/12
Management costs per unit		↑	**£857**	£802	£872	£1,167	2/12	£1,188	2/12
Service charge costs per unit		↑	**£623**	£539	£521	£819	1/12	£803	1/12
Maintenance costs per unit		↑	**£1,808**	£1,630	£1,601	£1,446	8/12	£1,463	9/12
Major repairs expenditure per unit		↑	**£264**	£145	£123	£155	7/12	£110	2/6
Capitalised major repairs expenditure for period per unit		↑	**£1,234**	£864	£939	£795	8/12	£886	8/12
Other costs per unit		↑	**£392**	£292	£315	£803	4/12	£719	3/12
Rent collected as percentage of rent due		↑	**99.96%**	99.4%	99.5%	99.6%	7/12	99.9%	6/9
Overheads as a percentage of adjusted turnover		↓	**11.1%**	11.2%	12.3%	11.3%	7/11	10.0%	9/9

Monitoring our performance to drive operating efficiencies is linked to the Homes and Communities aspect of our strategy, including being a provider of "good quality, safe and sustainable home and affordable places to live". By operating efficiently we enable the furthering of other strategic aims such as being a "leading developer of well-designed affordable and sustainable housing" and providing "places which enhance wellbeing and enable communities to flourish."

Headline social housing cost per unit had been steadily decreasing in recent years (with Clarion ranking top in 2020/21 and 2019/20), but in 2021/22 increased to £5,178. As shown in the breakdown, costs have increased in all key areas, which is further indication of external pressures, from cost inflation, supply chain pressure, high customer demand and the conscious choice to continue to invest significant amounts in our homes. Key observations are:

- Management costs and service charge costs per unit benchmark well across our peers, ranking 2/12 and 1/12, respectively, for both 2020/21 and 2019/20. Management costs per unit have increased by £55 in 2021/22 to £857, but still below the figure of £872 for 2019/20. This year's increase is a reflection of a challenging recruitment landscape which caused delays in recruitment and the need for temporary staff to fill roles. Going forward, we will focus even more closely on this area in order to deliver maximum savings from new ways of working, operational efficiencies and economies of scale.
- Maintenance cost per unit at £1,808 continues to be above the G15 average, and the increase in the year is due to clearing repairs backlogs and sector-wide challenges associated with recruitment and retention causing increased reliance on sub-contractors. However, our ranking amongst our peers has improved again to 8/12 for 2020/21.
- Property investment (major repairs and capitalised major repairs expenditure) per unit at £1,498 has increased from the prior year (2020/21: £1,009), partly due to the challenging external environment already highlighted, but also as a result of our commitment to invest in our property portfolio. We continue to invest in our fire safety remedial programme with £40 million invested in the year (total to date: £117 million). The Clarion 2040 programme will continue to drive additional investment, as will the longer-term need to achieve the 2050 zero-carbon target. Our focus going forward is therefore to ensure that this significant additional investment is delivered in the most effective and efficient manner.
- Total cost per unit is also a key measure that is used by Clarion to monitor efficiency. This differs to the above metrics mostly because it considers all operating costs (e.g. depreciation and amortisation). This year we are reporting £5,190 per unit, which is a £479 (10%) increase from 2020/21. This increase is due to an increased cost base. As noted above, depreciation and amortisation were this year comparable to last year.

In 2021/22, our rent collection rate increased to 99.96% from 99.4%. This is a positive result given the challenges associated with our customers emerging from the pandemic and dealing with the cost-of-living crisis. This improved result is a reflection of the dedication of our support teams and the success of continuing to digitalise our processes and ways of working and remains an area of focus given the ongoing uncertainty arising from the cost-of-living crisis.

3. Development (capacity and supply)

Sector Scorecard – Development (Capacity & Supply)	RSH VFM	Trend	2021/22 Clarion	2020/21 Clarion	2019/20 Clarion	2020/21 G15 Average	2020/21 Clarion Ranking	2019/20 G15 Average	2019/20 Clarion Ranking
New supply delivered: absolute (social and non-social)		↑	**2,205**	2,126	2,101	935	2/12	1,144	3/12
New supply (social housing units)	✓	–	**1.6%**	1.6%	1.5%	1.4%	4/12	1.7%	9/12
New supply (non-social housing units)	✓	–	**0.2%**	0.2%	0.2%	0.5%	8/12	0.6%	10/12
Gearing	✓	↓	**53.4%**	54.6%	53.3%	47.9%	11/12	48.2%	10/12

As noted, a strategic measure for Clarion is to be the leading developer of well designed, affordable and sustainable housing. We continue to be passionate about our ambition to deliver operational efficiencies and to expand the size of our development programme, which has seen another successful year. This is reflected by a record of 2,205 (excluding 67 units supplied through joint ventures, eight units handed back to freeholders and one nursery unit, and including five existing units new to the social housing sector) new homes delivered in 2021/22 (2020/21: 2,126), a year-on-year increase of 3.7% (2020/21: 1.2% increase).

Also of note, the affordable proportion at 86% significantly exceeds our target of 78.2%. Our longer-term delivery target is to consistently build 3,200 new homes each year, therefore it is clear that we are now making good progress towards achieving this. However, it is important to place a caveat on future progress given the prevailing global economic uncertainty and the need to be financially responsible.

Our new supply delivered in terms of total absolute numbers remains well above the G15 average, and our percentage new supply of social housing units this year of 1.6% (2020/21: 1.6%) now places us ahead of the G15 average of 1.4% for 2020/21.

We continue to demonstrate our commitment to boost the supply of new affordable housing units onto the market, even in the current low-grant environment. Consequently, this increase in development activity is partially facilitated by additional funding, although our gearing has decreased slightly in the year from 54.6% to 53.4%. Compared to our peers, our gearing remains above the 2020/21 G15 weighted average of 47.9%, ranking us 11/12 (2019/20: 10/12). However, we believe this is financially sustainable, socially responsible, and supported by continued strong operating metrics.

4. Outcomes delivered

Sector Scorecard – Outcomes Delivered	RSH VFM	Trend	2021/22 Clarion	2020/21 Clarion	2019/20 Clarion	2020/21 G15 Average	2020/21 Clarion Ranking	2019/20 G15 Average	2019/20 Clarion Ranking
Total social housing units owned and/or managed at period end[1]		↓	**109,802**	110,009	108,776	46,079	1/12	45,952	1/12
Customer satisfaction		↑	**83.4%**	80.7%	80.9%	77.7%	5/11	78.7%	6/12
Reinvestment	✓	↑	**6.7%**	6.2%	6.8%	4.9%	3/12	7.0%	7/12
Investment in communities		↑	**£16.3m**	£13.7m	£16.7m	£4.4m	1/11	£5.0m	1/9

Customers and communities are at the centre of our organisation, and represent two of the four main focus areas of our strategy. We continue to target to achieve a minimum of 80% customer satisfaction across all areas. In 2021/22 we achieved a record 83.4% satisfaction rating, a significant increase on the 80.7% achieved last year. Along with developing and promoting our organisational values, it is our continued investment in technology, digital transformation processes and enhancements to frontline services that have contributed to this improvement. Going forward, we expect further improvements to customer satisfaction as our ways of working continue to evolve.

Our reinvestment rate increased in 2021/22 to 6.7% (close to the 6.8% reported for 2019/20) after a dip to 6.2% in 2020/21. As previously anticipated, this is primarily a reflection of how the organisation has emerged from the pandemic, increasing investment in our existing homes and works to progress the development of new ones. We remain committed to improve yet further the quality of all our existing stock, and to continue to grow the supply of new homes.

The direct investment in our residents and in our communities continues to be a high priority for Clarion. We have a target to invest a net £50 million over five years through our charitable foundation, Clarion Futures. Even with the challenges and delays in our programme caused by Covid-19, we were still able to invest a £16.3 million (gross) in charitable projects in 2021/22, a £2.6 million (19.0%) increase on 2020/21.

1 Total social housing units owned and/or managed at period end excludes leaseholders and staff accommodation.

5. Effective asset management

Sector Scorecard – Effective Asset Management	RSH VFM	Trend	2021/22 Clarion	2020/21 Clarion	2019/20 Clarion	2020/21 G15 Average	2020/21 Clarion Ranking	2019/20 G15 Average	2019/20 Clarion Ranking
Return on capital employed (ROCE)	✔	^	**3.3%**	2.9%	3.5%	2.6%	2/12	2.6%	2/12
Occupancy		^	**98.4%**	98.3%	98.3%	98.9%	10/12	98.7%	8/10
Ratio of responsive repairs to planned maintenance		v	**60.7%**	70.1%	71.7%	69.1%	8/12	64.5%	9/12

Effective asset management ties in with our core strategic area business, which includes the strategic measure for the organisation to be financially strong and efficiently run.

We continue to increase our investment in new and existing homes with a clear focus on affordable where there is a lower financial return. Despite this, our return on capital employed (ROCE) has increased to 3.3% from 2.9% in 2020/21. This increase is largely driven by additional operating surpluses from development sales and existing housing disposals compared to last year, combined with additional capital investment in new and existing homes. We acknowledge that although ROCE provides a measure of the financial return on our capital base, it has to be balanced against our other charitable and non-financial measures. For example, a new social rent property has a very low ROCE, but a high social value. Social value is addressed further below. We believe the strategy we have is sustainable, and is supported by our sustained upper quartile position in the G15 rankings.

Occupancy rate is an important measure of how efficient and effective we are at turning around void properties (including carrying out all necessary routine and major void repairs) and preserving existing tenancies. During the year, our occupancy rate increased slightly to 98.4% from 98.3% in 2020/21. It is hoped that occupancy levels will continue to recover during 2022/23, but economic uncertainty, including supply chain constraints on repairing voids, might slow this.

Our occupancy rate remains marginally below the G15 average of 98.9% for 2020/21. Where appropriate, and in line with our Clarion 2040 strategy, we will continue to invest capital to improve our stock to make it more desirable to our customers, and dispose of those units that are inefficient for us to manage. In 2021/22 the stock transfer programme recommenced after a break in 2020/21 due to Covid-19 and an uncertain market. A total of 2,034 units were transferred during the year, contributing £58.5 million to operating surplus.

The ratio of responsive repairs to planned investment has decreased significantly from 70.3% in 2020/21 to 60.7%. Responsive repairs on social housing properties increased by £17.5 million, but planned maintenance, major works expensed and capitalised major repairs increased by £55.2 million. This year we have seen a sustained increase in demand for repairs from our tenants. Our result for 2021/22 compares appreciably favourably to the G15 average for 2020/21 of 69.1%, whereas our result for 2020/21 (70.1%) was adverse to this average.

Clarion Futures and social value

During 2021/22 Clarion invested over £16 million into its communities. To achieve the best value for money, Clarion Futures sets targets against 30 Key Performance Indicators (KPIs) across six guidance and support areas. Some key social value related achievements in 2021/22 for Clarion Futures include:

- Our jobs and training service surpassed our target of 3,300 to support 3,717 people into work, this is a 45% increase on the year before.
- We led a sector-wide Kickstart partnership of 84 housing associations that provided paid six-month work placements for 542 young unemployed people (target 470).
- 3,945 households were helped with money guidance advice (target 4,100 considered achieved as within 5% tolerance), and 3,022 supported by access to free debt advice through our partners (target 3,000).
- £254,000 in hardship grants, white goods, food and energy vouchers were provided to 869 households to help residents deal with the 'cost of living' crisis. While a further £611,000 in grants were awarded to 112 projects in Clarion communities, benefitting 17,000 residents and delivering 23,750 extra volunteer hours.

Further, Clarion continues to deliver to substantial social value through the provision of affordable housing. When comparing the government's Local Housing Allowance (LHA) data with our rent figures to calculate the savings that our below-market rents represent, we see the magnitude of the financial impact of this social value. During 2021/22 this amounted to more than £550 million, which in line with the prior year is equivalent to £11 million per week.

It is worth noting that if this return and the Clarion Futures social value were added into the calculation of return on capital employed, Clarion would have generated a ROCE of 10.7% – a clear demonstration of Clarion's focus on delivering value for money.

Risk management in delivering our strategic ambitions

We are a business that owns and manages housing assets, utilises long-term finance and derivative instruments and maintains the majority of our properties in-house – all activities that inherently carry significant reputational, regulatory, financial and compliance risk. Successful risk management is therefore a fundamental part of our business as we pursue our strategic objectives.

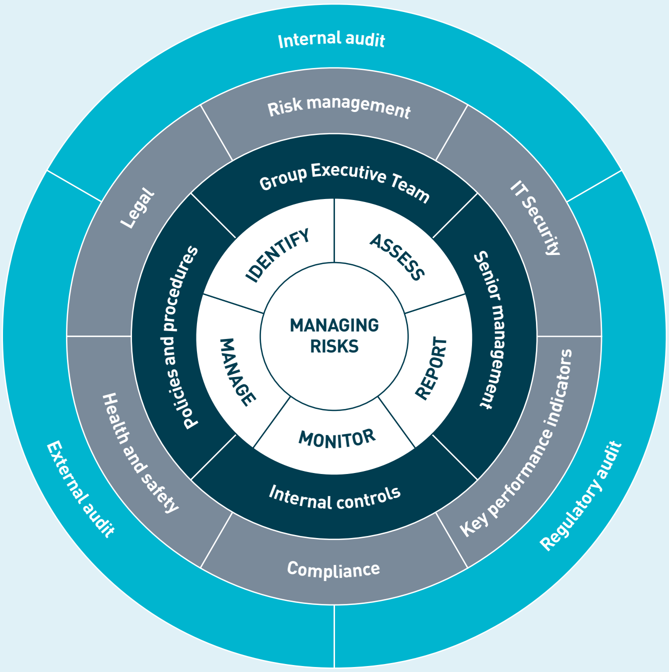
Our strategy is to deliver a sustainable long-term return to enable us to fulfil our mission – providing homes to those that need them most. We focus on those threats facing our business which may compromise the Group's ability to support our residents, to invest in and maintain our existing homes and to deliver new homes.

Risk management framework

The Group Board has overall responsibility for risk management and internal controls, including for the determination of the nature and extent of the principal risks it is willing to take to achieve its objectives.

Our principal risks are periodically reviewed by the Group Board to ensure they continue to reflect those risks most significant to Clarion and that there are suitable controls in place to manage them.

Our risk management framework is built around the three lines of defence model and drives the identification, assessment, management, monitoring and reporting of risks across Clarion.



● First line of defence from risk
● Second line of defence from risk
● Third line of defence from risk

The Audit and Risk Committee oversees the effectiveness of the assurance arrangements, systems and processes adopted by the Group to manage risk with a focus on the Group's principal risks. The Committee also provides specialist advice to the Board on any particular risks that may threaten the delivery of objectives or undermine the financial strength of the business. The Group Executive Team is responsible for the delivery of the Group's strategy and managing risk, having day-to-day responsibility for operational performance and the management of risk within the business.

To be effective, risk management relies on the engagement of all parts of the business. This approach is an integral part of the way we work, with all key parts of the business owning and managing their own operational risk registers. These are regularly reviewed allowing for their escalation within the business as appropriate and potential inclusion on the Group strategic risk register.

The risk management process includes assessing each risk for its impact and probability, scored both before and after mitigating actions. A standardised risk-scoring methodology is used to ensure a consistent approach is adopted. Each risk also has a target score set in line with our risk appetite. Where this is below the current risk score, further actions and mitigating plans are developed to further reduce the level of risk the business is incurring.

Risk appetite

The Group Board has overall responsibility for defining our risk appetite – i.e. the degree and type of risk it is prepared to take to achieve our overall objectives. This is set within the context of the rapidly changing external environment including regulatory, political and economic change, all of which can have significant and immediate impacts on our business.

The most significant judgements are associated with our investment decisions on development schemes, our asset strategy and reinvestment priorities, our customer offer and our obligations under regulation, legislation and maintaining sufficient financial capacity and headroom. In general, we have a low level of appetite for risk which would impact our record on regulatory compliance, health and safety, and reputational damage. We have a higher level of risk appetite for new business and opportunities for growth, within the financial risk parameters set by the Board.

We continuously monitor our effectiveness in managing risk, enabling us to take swift and appropriate action arising from changes in the operating environment and to ensure we remain within the risk appetite levels determined by the Board.

Risk focus this year

During the year, the Board has taken a fresh look at our principal risks – our most significant risks which alone, or in combination, may adversely affect our people, assets, performance, strategy, financial position, environment or reputation. We continue to operate in a challenging and uncertain external environment and to that extent, the overall profile of our risks remains largely unchanged.

The longer-term impacts on our residents from the Covid-19 pandemic and cost of living crisis are not yet fully known and we recognise the risk of not delivering the high-quality experience our customers expect. We remain committed to reviewing, adapting and improving our services to ensure they are best meeting the needs of our customers in challenging times.

The quality, condition and safety of the homes we provide has remained a significant focus throughout the year. We continue to mitigate the risks to resident health, safety and wellbeing by ensuring sufficient investment is available to meet both evolving safety legislation and expected quality standards. Where challenges have been experienced, we have implemented a swift response and taken effective action to address issues, while taking appropriate steps to strengthen processes going forward.

We continue to track and mitigate risks in relation to our supply chain and third-party relationships, which are vital in supporting us to deliver key services and good quality homes. Lingering uncertainty in the external environment has highlighted this as an area to be managed as a specific risk.

As we become increasingly advanced in the use of data to support and drive success across the business, we continue to review the associated risks and implement mitigation measures. This includes our data governance framework and our cyber security measures. However, as detailed earlier in this report, we were victims of a cyber security attack in June 2022 which had a material impact upon our systems. We continue, with professional advisors, to review the controls and mitigations in place and will seek to implement any identified improvements. Cyber security has been and remains one of our top identified risks as detailed in the table on pages 48-49.

The table below sets out our principal risks and uncertainties along with our current and planned mitigations:

Principal risk area and drivers	Principal risk area and drivers	Principal risk area and drivers	Principal risk area and drivers	Principal risk area and drivers
Third-party reliance/supply chain issues	**Sourcing and retaining skills**	**Sustainability commitments**	**Data governance**	**Property condition and safety**
This could be driven by adverse market conditions, including competition for materials and labour, failure of partner firms; inadequate performance and relationship management of contracts.	This could be driven by skills shortage in key areas, competition in jobs market, rising cost of skilled labour.	This could be driven by changing environment within which Clarion operates with competing demands, changing expectations, complexity of aging stock, changing political and regulatory landscape, rising costs (including fuel and raw materials/inflationary pressures).	This could be driven by mistrust and lack of confidence and understanding of data, failure to appreciate consequences of actions when changing or manipulating data.	This could be driven by a changing regulatory/legislative landscape; lack of investment or poor contractor performance.
Current and planned mitigations include – Thorough due diligence processes – Key indicators to monitor performance/ service delivery – Diversification of contracts – Regular strategic review meetings with key suppliers – Contingency planning	**Current and planned mitigations include** – People Strategy – Graduate and apprenticeship schemes – Recruitment training for hiring managers – Skills gap analysis and benchmarking – Driving talent and succession planning	**Current and planned mitigations include** – Clarion 2040 standard – Sustainability strategies with Clarion Futures at the heart – Ongoing innovation/ change pilots – Dedicated metrics to monitor against sustainability commitments – Social Impact report to inform progress on ESG targets – Funding/investment policies reflecting our sustainability commitments. – Issuance of sustainability linked bonds – Developing communications for resident engagement	**Current and planned mitigations include** – Data Governance Framework – Data Council in place to provide strategic direction with senior oversight – Development of helpful tools and resources – Data owners and stewards for each core data area – Training and support – Metrics and targets	**Current and planned mitigations include** – Clarion 2040 and asset strategy – Building safety strategy – Fire remedial works programme – Appropriate tools and indicators for monitoring and oversight – Dedicated specialist personnel – Delivery of the Property Safety Manager Programme – Lessons learned/ continuous improvements initiatives – Specialist training and development

Our customers
Our homes and communities
Our people
Our business

Principal risk area and drivers

Macro Environment

This could be driven by the pace and scale of change, particularly that associated with legal and regulatory change, requiring clear interpretation, ability to adapt systems/ways of working and accurate data reporting within timescales.

Current and planned mitigations include

– Long-term financial planning, parameters and assumptions
– Maintaining headroom/capacity
– Horizon scanning
– Responding to industry/ government consultations
– Training and Development
– Influencing policy design in consultation with the Health & Safety Executive
– Continuation of our focus on influencing future legislation
– Benchmarking, sharing knowledge and identifying further ways to continuously improve

Principal risk area and drivers

Customer Experience and Expectations

This could be driven by the pace of our response to the changing and diverse needs and behaviours of our customers.

Current and planned mitigations include

– Customer Strategy
– Diverse range of channels for communication and feedback
– Policies, procedures and training – ensuring continuous development and delivery of a service that meets customer expectations
– KPIs and balanced scorecard to monitor and identify areas for improvement
– Continuous re-evaluation of existing processes and services to identify further areas for improvement
– Utilising customer insights to tailor services for specific customer segments

Principal risk area and drivers

Major Cyber security breach

This could be driven by our increasing online presence exposing us to more vulnerabilities, continuous evolution and sophistication of methods of attack.

Current and planned mitigations include

– Range of preventative and detective controls in place
– Multi-factor authentication implemented
– Continued cyber security awareness and education across all staff
– Data Assessment and classification
– Implement recommendations arising from the investigation into the June 2022 cyber attack.

Principal risk area and drivers

Sales of new homes

This could be driven by market conditions; incorrect assumptions on investment appraisal; poor quality or undesirable end product.

Current and planned mitigations include

– Robust governance, due diligence and approval processes
– Clear business plan building in market evidence and an ongoing review of future pipeline
– Mechanisms which deliver a level of flexibility to accommodate market movements
– Close tracking to ensure our product remains competitive and fit for purpose

Principal risk area and drivers

Funding and Liquidity

This could be driven by external factors (market conditions, political environment/ policy change) or internal factors (a serious breach leading to downgrade).

Current and planned mitigations include

– Long-term business plan and associated stress testing
– Treasury policies and procedures, independent advice and oversight, active investor engagement programme
– Actuarial and pension investment advice
– Regular reporting of cash flow and liquidity
– Continued diversification of funding sources
– Active engagement with banks and credit rating agencies (as well as bond investors)

Clarion Housing Group Board

David Avery
Group Chair

First appointed:
October 2015

David has over 15 years' experience serving on housing association boards with more than six of these spent serving as chairman. Before becoming Group Chair at Clarion, he was previously Chair of the Clarion Housing Association Board, having been appointed in May 2017.

Previously, David has held a variety of executive and management roles. He was most recently President of European Operations for Novellus Systems Inc., a Fortune 500 company. David has also been governor of an independent school in West Sussex and a non-executive director of an NHS Trust.

John Coghlan
Vice Chair and Chair of Audit and Risk Committee

First appointed:
July 2017

John is a chartered accountant and has a background in financial and general management across a variety of sectors. Currently, John is also a director of the water group, Severn Trent plc, and chairs for them both their Audit Committee and the Treasury Committee, as well as chairing their wholly-owned operating water subsidiary in Wales, Hafren Dyfrdwy. He is also a director of OCS Group Ltd, an international facilities management group.

Lord Barwell
Chair of Clarion Futures

First appointed:
December 2019

Gavin served as Chief of Staff to Prime Minister Theresa May from June 2017 to July 2019, having previously served as the Minister for Housing and Planning between July 2016 and June 2017 and as the Member of Parliament for Croydon Central from 2010 to 2017. He was also a councillor for the London Borough of Croydon between 1998 and 2010.

Graham Farrant

First appointed:
November 2019

Graham is Chief Executive of Bournemouth, Christchurch and Poole Council. He has led complex political organisations as Chief Executive in both the public and private sectors with a track record of delivering change. Graham brings a background in housing and local government.

Rachel Fletcher

First appointed:
September 2022

Rachel is a regulatory expert and Octopus Energy's Director for Regulation and Economics. She was Chief Executive of Ofwat and held senior positions including at board level in Ofgem. Before that, Rachel worked as an energy strategy and policy consultant, having started her career in international development.

Amanda Metcalfe

First appointed:
November 2019

Amanda is a highly experienced marketing director, having held a range of digital and consumer roles at organisations such as eBay Inc., where she was UK Marketing Director, before taking up her current role as Place, Brand and Marketing Director at the Crown Estate – a £14.3 billion UK real estate business.

Doris Olulode
Chair of Remuneration and Nominations Committee

First appointed:
April 2021

Doris is currently a freelance HR consultant with extensive global human resources experience gained in a career at Ford Motor Company. Latterly, she was Ford's HR Director for Europe, the Middle East and Africa. Doris also led the African Ancestry Network at Ford and was named by Autocar as one of the top 100 most influential women in the Auto industry.

In addition to the Group Board, Doris serves on Clarion's Housing Association Board and the Remuneration and Nominations Committee. She also serves as a Non-executive director for the Royal Free London NHS Foundation Trust, Royal National Orthopaedic Hospital and the Chartered Institute of Legal Executives and is a Lay Member to HM Courts and Tribunals Service.

David Orr CBE
Chair of the Clarion Housing Association Board

First appointed:
November 2018

David is the former Chief Executive of the National Housing Federation (NHF) and spent 13 years in one of the most high profile and strategically important roles in the sector. In his time as the CEO of the NHF, David campaigned to advance the interests of housing associations at all levels of government and worked with four different prime ministers.

David has had a 30-year career in housing, which includes time as the Chief Executive of Newlon Homes and working for Centrepoint, the homelessness charity. He is a former president of Housing Europe and was previously the Chief Executive of the Scottish Federation of Housing Associations.

Rupert Sebag-Montefiore
Chair of Latimer

First appointed:
July 2017

Rupert retired from Savills plc in 2017 where he was on the main board, followed by the group executive board, for 21 years. Rupert is chairman of Prime Purchase Limited, a trustee of the Orchestra of the Age of Enlightenment, a member of the Investment Committee of Winchester College and Christ Church, Oxford and a director of Pigeon Land Limited.

Tom Smyth
Chair of Treasury Committee

First appointed:
December 2019

Tom became Chair of the Treasury Committee in March 2020. He retired in 2022 from Rothschild & Co, one of the world's largest independent financial advisory groups, where he was Executive Vice Chairman, Financing Advisory. During his 25 years at Rothschild & Co, he advised the boards of the biggest listed and private equity owned companies across Europe on their debt funding, risks management and treasury strategies. He sits on the Board of Kingston University where he chairs its Finance Committee.

Group Executive Team

Clare Miller
Group Chief Executive

Clare has been Clarion's Group Chief Executive since 2018. She is a chartered accountant with almost 30 years' experience in the housing sector. Clare joined the Housing Corporation in 1992 as a financial regulator. Over the next 18 years progressed to become its Director of Regulation.

She then became an Executive Director at the Tenant Services Authority, with responsibility for housing association regulation. In 2010, Clare joined Affinity Sutton as Group Director of Governance and Compliance. She took up the same role at Clarion in 2016, before taking on her current role two years later.

Richard Cook
Group Director of Development

Richard leads Clarion's development business and is responsible for the group's sustainability strategy.

He joined Clarion in February 2019 from Lendlease where he was head of residential, delivering over a thousand new homes each year. He also played a key role in the delivery of the London 2012 Athletes' Village while at Lendlease. He has more than 25 years of experience in the property sector having previously worked at companies including Mace and Taylor Wimpey.

Mark Hattersley
Chief Financial Officer

Mark joined Clarion from Sovereign Housing Association where he was CFO for three years. Prior to joining Sovereign, he was Director of Finance & Infrastructure/Deputy CEO at Staffordshire University and has been CFO at Birmingham International Airport.

Catrin Jones
Group Director of Corporate Services

Prior to the merger to form Clarion, Catrin joined Affinity Sutton as director of Customer Services having held a number of senior customer service roles in various sectors. After the merger, Catrin was appointed director of Business Transition, playing a vital role in the Group's transformational change programme. Catrin has responsibility for a range of corporate services including HR, Facilities, Deeds, Governance, Health & Safety, Internal Audit and Legal Services.

Rob Lane
Chief Property Officer

Rob leads the Group's strategic asset management, including regeneration, and spearheaded Clarion's 2040 Strategy which involves a major programme of investment to sustainably upgrade its properties, based on a set of housing standards it has developed.

Rob is a qualified accountant, with a career that has included senior finance roles in major commercial organisations such as the Domino's Pizza Group and Network Rail Property.

Michelle Reynolds
Chief Customer Officer

Michelle has more than 30 years' experience in the housing sector and was formerly Clarion's Chief Operating Officer and Group Director for Commercial Services prior to this. As Chief Customer Officer, Michelle is responsible for delivering a consistently good quality, comprehensive service for all Clarion customers and ensuring that customers remain at the heart of our business, improving the customer experience and representing the voice of our customers. Michelle is also Executive lead for Clarion Futures, Clarion's Charitable Foundation.

Catherine Thomas
Group Director of Corporate Affairs

Prior to joining Clarion in February 2020, Catherine held senior marketing and communications roles in real estate and retail and has a particular affinity with tech, data, content, reputation and experience convergence. Her skills in place making and destination marketing were honed at Land Securities, where she led the communications team for Victoria SW1, including Nova, the highly successful mixed-use complex. She has also worked on major European and Middle Eastern real estate projects.

Ian Woosey
Chief Information Officer

Ian joined Clarion in February 2018 as the Group's first Chief Information Officer. Ian has worked in technology leadership, consulting and retail operations roles during his career, often leading large-scale change programmes across Europe. Prior to joining the Group, Ian was Chief Information Officer for the UK's largest food distribution company Brakes and previously at Carpetright.

Corporate governance

Clarion Housing Group is the strategic parent of the group under which are three key business streams: the landlord, Clarion Housing; the development company, Latimer Developments; and the charitable foundation, Clarion Futures. A single housing association, Clarion Housing, owns all of the Group's social housing assets and delivers all services to residents.

Board membership

The Group Board has ten Non-Executive directors and two executive directors who bring a broad range of skills, experience and knowledge to their roles, including expertise in finance, business and public administration. Non-Executive directors can serve no more than nine years in total. The Board has the collective skills to fulfil their responsibilities of overseeing the strategic direction of the Group.

Code of Governance

For 2021/22, the Group adopted the new NHF Code of Governance 2020, based on clear requirements and commitments, which enable the Board to demonstrate compliance with best practice in the housing sector. The Group routinely self-examines performance against the main requirements of the Code and regularly reviews its effectiveness. We are working on a path to compliance with the new Code.

The Group expects to comply fully with the NHF Code of Governance 2020 with the exception of Principle 3.1(4). Our Group Investment Committee is chaired by, Mark Hattersley, the Chief Financial Officer. The Board believes that Mark is best placed to chair the Committee given his detailed knowledge and experience of the business. There are four non-executive members on the Committee who provide appropriate independent scrutiny.

Delegation

The Group Board is responsible for the effective governance of the Group while day-to-day management is delegated to the Group Executive Team.

The key responsibilities of the Group Board are to lead, control and monitor the overall performance of the Group. The Group Board approves the budgets and business plans of its subsidiary companies and retains control through the ability to appoint and remove subsidiary board members. The Board has adopted clear terms of reference and has delegated appropriate responsibilities to a series of specialist committees.

The Group Executive has eight members, a number of whom have extensive experience within the UK housing association sector. They have operational responsibility for the management of risk across the business and provide the first line of defence in the management of corporate risk.

Resident involvement

The Board continues to facilitate resident involvement as various levels in the Group and Clarion launched a new Resident Involvement Policy in April 2021. This allows residents to engage from the very local, through to regional and national forums. Clarion was an early adopter of the NHF Resident Involvement Charter which aims to strengthen the relationship between housing associations and their residents. The Board values resident input and has actively encouraged resident scrutiny and accountability measures which have added value to the business. The Board continue to keep resident involvement under review. All residents have the opportunity to be involved in ways that are accessible and which meet their needs. The Housing Association Board currently has four resident board members.

Governance and Financial Viability Standard

The Group received a G1 and V1 rating from the Regulator of Social Housing in April 2020 following an in-depth assessment. These ratings were reaffirmed in October 2021 and represent the highest compliance ratings for governance and financial viability. The Board has considered its obligations under regulation and is satisfied that it complies in all material respects with the standards.

Modern slavery and human trafficking statement

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. This is part of our wider commitment to behaving ethically and with integrity.

We have an extensive and robust framework of policies, procedures and contractual requirements in place to prevent slavery or human trafficking within our organisation and our supply chains.

Our full statement on modern slavery is available on www.clarionhg.com.

Clarion Group committee structure

Clarion Group Board
The board directs the affairs of the association in accordance with its objects and rules and ensures that its functions are properly performed. The board is responsible for delivering the aims and objectives of the Group as well as ensuring compliance with the values and objectives of the association and the Group as a whole.

It approves each year's accounts prior to publication and approves each year's budget. It appoints (and if necessary removes) the Group Chief Executive.

Chief Executive
Responsible for managing the overall performance of the business and ensuring an effective and motivated leadership team is in place. Also leads on developing and implementing strategy.

Group Executive Team
Responsible for assisting the Group Chief Executive in the development and implementation of strategy, budget and operational performance.

Group Audit and Risk Committee
Advises the Group and subsidiary boards on the effectiveness of assurance arrangements across the group. Has oversight of the risk framework, advising the Group on the effectiveness of arrangements. Receives reports on Conflicts of Interest for the Group.

Group Remuneration and Nominations Committee
Responsible for Board member appointments and renewals, the appointment of the Chief Executive and for Board and Executive succession planning, Agrees the remuneration strategy for all employees and remuneration for the Group Chief Executive and executive directors. Oversees and monitors the Group's culture and behaviours in support of Clarion's organisational values.

Group Treasury Committee
Responsible for the Group's funding strategy and associated transactions.

Group Investment Committee
Responsible for scrutiny of all proposed projects involving major investment, by way of acquisition, development, regeneration or major repairs. Approves within delegated limits and recommends to the Group Board any projects outside agreed delegations.

Report of the Remuneration and Nominations Committee

Doris Olulode
Chair of Remuneration and Nominations Committee

Membership of the Committee

Doris Olulode	(Chair, appointed 2 April 2021)
David Avery	
Lord Barwell	
Rachel Fletcher	(appointed 1 September 2022)
Amanda Metcalfe	
Sue Killen	(resigned 1 April 2021)

The role of the Committee is to ensure that the Board has the skills and members to operate effectively, and to agree remuneration policies which are appropriate for the organisation's needs, balancing our absolute requirement to attract and retain the right staff with our social purpose. Board Members are appointed for two, three-year terms with the option of an additional three years of tenure, reviewed every year where they have a particular expertise or skillset. We think that the experience gained over that time is invaluable.

The Committee monitors equality, diversity and inclusion across all levels of the Group and regularly reviews and evaluates the strength and diversity of the Group's leadership.

As a long-term investor in homes and property, we value the experience and knowledge that Board Members acquire over their term of office. Our Board understands the property market and the cycles it displays, which helps to manage and mitigate the risks of the business. The Board aims to undertake an external review every three years, with the most recent taking place at the end of 2021. In other years the Board conducts its own assessment with the Chair appraising all Board Members' performance.

The Committee approves the annual pay remit for staff and sanctions any bonus or merit payments for all staff and senior executives. This takes into account the performance of the Group and whether the performance metrics for bonus have been met such as the financial performance of the Group and customer satisfaction with service delivery. The Committee maintains a watching brief on the market for recruitment, and this influences its thinking in agreeing the annual pay remit. We aim to pay staff in line with market conditions, recognising that for some roles and in some locations, we create the market. The Committee is aware of its responsibility to create conditions that encourage and promote a diverse workforce. We publish details of the gender pay gap for the three employing entities in the group.

The Committee also have responsibility for overseeing and monitoring the culture and behaviours of the organisation.

Report of the Audit and Risk Committee

John Coghlan
Chair of Audit and Risk Committee

Membership of the Committee

John Coghlan	(Chair)
Kirstin Baker	
Graham Farrant	
Aruna Mehta	
Tom Smyth	

The Committee includes three non-executive Group Board Members, a non-executive member of Clarion Housing Association and one independent non-executive member. We have met regularly during the year and our focus is to ensure there are sound and effective systems of internal control and risk management along with scrutinising the financial statements and proposing them to the Group Board for approval. We examine in detail the work of internal audit, and the risk framework, advising the Board of any new and emerging risks of which we consider the Board should be aware. In support of the accounts, the Committee has considered the accounting policies and the significant judgements and accounting estimates.

The Committee's role remains vital in overseeing the internal control and risk management environment, advising the Board and working closely with management to secure the best outcomes for those who benefit from our services.

Internal audit

Clarion has its own internal audit and risk function, led by the Director of Audit and Risk. This is supplemented by the engagement of Ernst & Young as internal auditors to carry out specific internal audit reviews utilising their specialist surveying, IT and treasury skills. We believe this model gives us a suitably skilled and flexible resource for maximum coverage and benefit to the business. The focus of the audit programme this year in finance has been budget setting and management accounts. Additionally, the team have also reviewed stock condition, anti-social behaviour, right to buy and acquire, procurement and key controls.

External audit

KPMG is the external auditor and meets with the Committee a number of times during the year.

Report of the Treasury Committee

Tom Smyth
Chair of Treasury Committee

Membership of the Committee

Tom Smyth	(Chair)
Mark Hattersley	
Kwok Liu	
Aruna Mehta	
Clare Miller	
Maxim Sinclair	

The role of the Committee is to assist the Group in discharging its responsibility in relation to treasury and financing activities. This also includes monitoring and advice on treasury policies and approving the appointment of bankers, financial intermediaries and advisers, the financing strategy and the terms and conditions of any financing arrangements and investor relations.

During the year, the Committee played an active role in the new 30-year £300 million sustainable bond issue in September 2021. The Committee also continued to review and advise upon the Group's liquidity and treasury policies, security position and the significant derivative portfolio.

Report of the Investment Committee

Mark Hattersley
Chair of Investment Committee

Membership of the Committee

Mark Hattersley	(Chair)
Richard Cook	
Karima Fahmy	
Chris Hatfield	
Rob Lane	
Clare Miller	
Paul Munday	
Andrew Murray	(joined 1 January 2022)
Michelle Reynolds	
Andrew Hudson	(resigned 3 December 2021)

The role of the Committee is to scrutinise and approve projects which involve major investment by way of acquisition, development, major repairs or regeneration. This includes considering the viability and suitability of projects based on finance, risk, equalities, environmental and sustainability issues.

The Committee also has a role in ongoing monitoring of schemes to ensure they are progressing within the agreed parameters.

The Committee is made up of executive members, along with non-executive members from both Clarion Housing Association and Latimer. The non-executive members bring a wealth of experience in finance and development.

Board statement on the effectiveness of the system of internal control

for the period ending 31 March 2022

The Group's System of Internal Controls Responsibility

The Board of Clarion Housing Group Limited is the ultimate governing body for the Group and is committed to the highest standards of business ethics and conduct, and seeks to maintain these standards across all of its operations.

The Board has overall responsibility for establishing and maintaining a sound system of internal control and risk management across the Group. Our internal control systems are designed to focus on the significant risks to which the Group is exposed – those which threaten the Group's ability to meet its objectives. The Board recognises that the controls provide reasonable – but not absolute – assurance against material misstatement or loss.

The Board performs a review of the effectiveness of Clarion's risk management and internal control systems at least annually.

Control framework elements

The key means of identifying, evaluating and managing the systems of internal control include:

- Corporate governance arrangements;
- Management structures providing balance and focus within the Group;
- Adoption of the principles of the NHF Code of Governance 2020, which the Group is currently working towards compliance with;
- A Group-wide risk management process, which enables threats to be managed so that residual risk, after appropriate mitigation, can be absorbed without serious permanent damage to the Group or its subsidiaries. This includes a formal risk management approach to new business and major development initiatives and action plans to mitigate the worst effects of the risks. Risk management is considered at each Audit and Risk Committee meeting, with periodic reviews of individual risk areas and/or risk registers, as well as considered regularly by the Board;
- A Group-wide Internal Audit function, structured to provide independent and objective assurance to the Audit and Risk Committee and the Board through the delivery of a risk based Internal Audit plan. In addition to the in-house team, the Group partners with Ernst & Young and uses the services of other specialists as necessary. Regular reporting is delivered to the Audit and Risk Committee highlighting progress on the delivery of the plan and the outcomes of internal audit activities. Audit recommendations are tracked and followed up, so that recommendations for strengthened controls and improvement can be implemented promptly;
- Policies and procedures for all key areas of the business, which are reviewed periodically to ensure their continued appropriateness;
- A Group-wide Health and Safety function which provides technical guidance, support and strategy for ongoing assurance of Clarion's safety practices;
- Regulatory requirements and service objectives with managers ensuring that variances are investigated and acted upon;
- An anti-fraud and anti-bribery culture which is supported by a policy and procedure for dealing with suspected fraud, bribery and whistleblowing;
- Written Group-wide financial standards framework and delegated authorities. The internal financial standards were subject to update during the year and are reported to the Group Executive and Board on a minimum quarterly basis, in line with the full-year budget and forecast updates;
- A process to ensure all housing investment decisions and major commitments are subject to appraisal and approval by the Investment Committee and, when appropriate, the Group Executive Team and the relevant Board, in accordance with the Group's financial regulations;
- A Group-wide treasury management function reporting at least three times a year to the Treasury Committee; and
- Annual budgets and long-term business plans for the Group and its subsidiaries prepared and regularly monitored by Boards and managers. An important tool in this process is the Group's Balanced Scorecard which identifies performance against key performance indicators, underpinned by supporting performance indicators and management information. The measures are reviewed by the Group Executive Team on a monthly basis and are reported up through the governance structure, through to the Board, as appropriate.
- Annual internal controls assessment of how well systems of governance, internal control and risk management practices are operating across Clarion.

Continuous improvement

We continually keep our internal control framework under review. To further strengthen assurance and controls, second line risk activities are being enhanced to support Clarion in its ongoing maintenance and assessment of internal control, risk management and governance systems and processes.

Review and status

The Board has considered a range of evidence, including the outcomes of externally-led assessments.

The Audit and Risk Committee have reviewed the Chief Executive's annual review of the effectiveness of Clarion's risk management and internal control systems for the year ended 31 March 2022. A report has been made to the respective Boards on the effectiveness of the control systems in place and they would be made aware of any changes needed to ensure the ongoing effectiveness of controls and assurance arrangements. The Audit and Risk Committee and the Group Board have expressed their satisfaction with these arrangements.

No significant weaknesses were found in internal controls which resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements, for the year ended 31 March 2022 and up to the date of approval of the financial statements.

Statement of Board's responsibilities in respect of the Strategic Report, the Report of the Board and the financial statements

The Board is responsible for preparing the Strategic Report, the Report of the Board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board has elected to prepare the financial statements in accordance with UK accounting standards, including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 it either intends to liquidate the Group or the association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enables 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 is 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 association and to prevent and detect fraud and other irregularities.

The 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.

Going Concern

After reviewing the Group's budget for 2022/23 and those of its subsidiaries, the Group's 30-year business plan, and based on normal strategic business planning and control procedures, the Board has a reasonable expectation that Clarion Housing Group Limited has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements.

Disclosure of information to Auditor

The Board members who held office at the date of approval of this Report of the Board confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware; and each Board member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

The Group's statutory audit contract was put out to tender during 2022, with the new auditor appointed in time to audit the annual report and financial statements for the year ended 31 March 2023. KPMG LLP, the Group's current auditors, have been successful in their tender.

By order of the Board

David Avery
Group Chair

8 September 2022

Independent Auditor's Report to Clarion Housing Group Limited

Opinion
We have audited the financial statements of Clarion Housing Group Limited for the year ended 31 March 2022 which comprise the Group and Parent Association Statements of Comprehensive Income, the Group and Parent Association Statements of Financial Position, the Group and Parent Association Statements of Changes in Capital and Reserves, the Group Statement of Cash Flows, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:
- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the Group and the Parent Association as at 31 March 2022 and of the income and expenditure of the Group and Parent Association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been 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 have fulfilled our ethical responsibilities under, and are independent of the Group and the Parent Association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern
The Association's Board has prepared the financial statements on the going concern basis as it does not intend to liquidate the Group or the Parent Association or to cease their operations, and as it has concluded that the Group and the Parent Association's financial position means that this is realistic. It has 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 a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Board's conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and the Parent Association's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified, and concur with the Board's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Association's ability to continue as a going concern for the going concern period.

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 Parent Association will continue in operation.

Fraud and breaches of laws and regulations – ability to detect
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 the Board and internal audit 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 meeting minutes; and
- 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, and taking into account possible pressures to meet targets, such as loan covenants and regulatory performance targets we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that income from first tranche sales is recorded in the wrong period and the risk that association management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements.

We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Group-wide fraud risk management controls.

We performed procedures including:
- identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual account combinations and other unusual journal characteristics;
- for a sample of first tranche sales in the period 1 March 2022 to 31 March 2022 assessing whether the income has been recognized in the appropriate accounting period by confirming the date of sale completion back to completion statements; and
- assessing significant accounting estimates for 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).

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.

The Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related co-operative & community benefit society legislation) and taxation legislation, pensions legislation and specific disclosures required by housing legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Whilst the Group is subject to many other laws and regulations, we did not identify any others where the consequences of non-compliance alone could have a material effect on amounts or disclosures in the financial statements.

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.

Other information

The Association's Board is responsible for the other information, which comprises the Report to the Board. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or 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.

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 account; or
- the Association has not maintained a satisfactory system of control over its 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.

Board's responsibilities

As explained more fully in their statement set out on page 59, the Association's Board is responsible for: the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

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

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 for our audit work, for this report, or for the opinions we have formed.

Fleur Nieboer
(Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL

9 September 2022

Group Statement of Comprehensive Income
for the year ended 31 March 2022

	Notes	2022 £m	2021 £m
Turnover	4a	**1,059.0**	944.1
Cost of sales	4a	**(273.4)**	(194.3)
Operating costs	4a	**(569.3)**	(517.6)
Surplus on disposal of properties	4a	**86.4**	25.3
Operating surplus	4a	**302.7**	257.5
Surplus on disposal of other fixed assets	4a	**–**	0.1
Surplus on disposal of operations		**–**	2.1
Share of surplus/(deficit) of JCEAs	17	**0.1**	(13.6)
Gain/(loss) on revaluation of investment properties	15	**14.0**	(0.6)
Interest receivable	7	**8.9**	6.3
Interest payable and financing costs	8	**(142.1)**	(141.3)
Movement in fair value of financial instruments	9	**2.8**	4.2
Surplus on ordinary activities before taxation	10	**186.4**	114.7
Tax (charge)/credit on surplus on ordinary activities	11	**(0.6)**	6.8
Surplus for the year		**185.8**	121.5
Actuarial gains/(losses) on pension schemes	28	**42.5**	(31.5)
Pension surplus not recoverable	28	**(4.0)**	–
Movement in fair value of financial instruments	9	**110.0**	74.3
Total comprehensive income for the year		**334.3**	164.3

All operations are continuing

The financial statements were approved by the Board and were signed on their behalf by:

David Avery
Group Chair

Mark Hattersley
Group Chief Financial Officer

Louise Hyde
Company Secretary

8 September 2022

Parent Statement of Comprehensive Income
for the year ended 31 March 2022

	Notes	2022 £m	2021 £m
Turnover	4a	**65.8**	77.8
Operating costs	4a	**(64.2)**	(77.0)
Operating surplus	4a	**1.6**	0.8
Interest receivable	7	**24.2**	23.5
Interest payable and financing costs	8	**(25.1)**	(24.3)
Surplus/result on ordinary activities before taxation		**0.7**	–
Tax charge on surplus/result on ordinary activities	11	**–**	–
Surplus/result for the year		**0.7**	–

All operations are continuing

The financial statements were approved by the Board and were signed on their behalf by:

David Avery
Group Chair

Mark Hattersley
Group Chief Financial Officer

Louise Hyde
Company Secretary

8 September 2022

Group Statement of Financial Position
as at 31 March 2022

	Notes	2022 £m	2021 £m
Fixed assets			
Goodwill and negative goodwill	12	**(0.1)**	(0.1)
Other intangible assets	13	**69.3**	66.8
Social housing properties	14	**8,190.9**	7,820.0
Investment properties	15	**222.4**	228.7
Non-housing fixed assets	16	**33.9**	42.9
Interests in JCEAs	17	**181.7**	155.0
Other fixed asset investments	18	**11.4**	11.6
		8,709.5	8,324.9
Current assets			
Stock	19	**455.8**	539.9
Debtors: amounts falling due within one year	20	**113.7**	80.9
Debtors: amounts falling due after one year	20	**108.8**	120.5
Current asset investments	21	**115.8**	119.7
Cash and cash equivalents		**137.9**	130.8
		932.0	991.8
Current liabilities			
Creditors: amounts falling due within one year	22	**(300.5)**	(397.1)
Net current assets		**631.5**	594.7
Total assets less current liabilities		**9,341.0**	8,919.6
Creditors: amounts falling due after one year	23	**(7,013.1)**	(6,884.9)
Provisions for liabilities and charges	27	**(24.3)**	(65.4)
Total net assets		**2,303.6**	1,969.3
Capital and reserves			
Non-equity share capital	32	**–**	–
Cash flow hedge reserve		**(219.1)**	(329.1)
Income and expenditure reserve		**2,522.7**	2,298.4
Total capital and reserves		**2,303.6**	1,969.3

The financial statements were approved by the Board and were signed on their behalf by:

David Avery
Group Chair

Mark Hattersley
Group Chief Financial Officer

Louise Hyde
Company Secretary

8 September 2022

Parent Statement of Financial Position
as at 31 March 2022

	Notes	2022 £m	2021 £m
Fixed assets			
Other intangible assets	13	**69.1**	66.2
Non-housing fixed assets	16	**14.9**	18.7
Other fixed asset investments	18	**42.4**	41.4
		126.4	126.3
Current assets			
Debtors: amounts falling due within one year	20	**24.8**	26.8
Debtors: amounts falling due after one year	20	**394.4**	425.4
Cash and cash equivalents		**122.7**	116.7
		541.9	568.9
Current liabilities			
Creditors: amounts falling due within one year	22	**(165.4)**	(162.9)
Net current assets		**376.5**	406.0
Total assets less current liabilities		**502.9**	532.3
Creditors: amounts falling due after one year	23	**(472.3)**	(502.2)
Provisions for liabilities and charges	27	**(0.9)**	(1.1)
Total net assets		**29.7**	29.0
Capital and reserves			
Non-equity share capital	32	**–**	–
Income and expenditure reserve		**29.7**	29.0
Total capital and reserves		**29.7**	29.0

The financial statements were approved by the Board and were signed on their behalf by:

David Avery
Group Chair

Mark Hattersley
Group Chief Financial Officer

Louise Hyde
Company Secretary

8 September 2022

Statements of Changes in Capital and Reserves
for the year ended 31 March 2022

Group

	Share capital £m	Cash flow hedge reserve £m	Income and expenditure reserve £m	Total capital and reserves £m
At 31 March 2020	–	(403.4)	2,208.4	**1,805.0**
Surplus for the year ending 31 March 2021	–	–	121.5	**121.5**
Other comprehensive income for the year	–	74.3	(31.5)	**42.8**
At 31 March 2021	–	(329.1)	2,298.4	**1,969.3**
Surplus for the year ending 31 March 2022	–	–	185.8	**185.8**
Other comprehensive income for the year	–	110.0	38.5	**148.5**
At 31 March 2022	**–**	**(219.1)**	**2,522.7**	**2,303.6**

Parent

	Share capital £m	Income and expenditure reserve £m	Total capital and reserves £m
At 31 March 2020	–	(10.0)	**(10.0)**
Distribution from Group undertaking	–	39.0	**39.0**
At 31 March 2021	–	29.0	**29.0**
Surplus for the year ending 31 March 2022	–	0.7	**0.7**
At 31 March 2022	**–**	**29.7**	**29.7**

In the prior year the Parent received a £39.0 million distribution from Clarion Housing Association Limited, one of the Parent's wholly-owned subsidiaries.

Group Statement of Cash Flows
for the year ended 31 March 2022

	2022 £m	2022 £m	2021 £m	2021 £m
Surplus for the year		**185.8**		121.5
Adjustment for working capital movements				
Decrease/(increase) in stock	**92.9**		(14.8)	
(Increase)/decrease in operating debtors	**(3.9)**		6.8	
Increase/(decrease) in operating creditors	**3.4**		(25.2)	
Pension contributions in excess of expense	**(6.5)**		(6.0)	
	85.9		(39.2)	
Adjustment for non-cash items				
Amortisation of government grants	**(23.8)**		(23.6)	
Deferred tax charge/(credit)	**0.6**		(5.4)	
Amortisation of intangible assets	**10.2**		10.9	
Depreciation charge	**128.7**		129.1	
Impairment charge/(reversal)	**4.6**		(0.4)	
(Gain)/loss on revaluation of investment properties	**(14.0)**		0.6	
Other non-cash increase/(decrease) in provisions	**3.0**		(1.4)	
	109.3		109.8	
Adjustment for financing or investment activities				
Surplus on disposal of properties	**(86.4)**		(25.3)	
Surplus on disposal of other fixed assets	**–**		(0.1)	
Surplus on disposal of operations	**–**		(2.1)	
Share of (surplus)/deficit of JCEAs	**(0.1)**		13.6	
Net financing costs	**130.4**		130.8	
	43.9		116.9	
Net cash from operating activities		**424.9**		309.0
Cash flows from investing activities				
Proceeds from disposal of properties	**156.9**		54.9	
Proceeds from disposal of other fixed assets	**0.2**		0.6	
Interest received	**8.9**		6.3	
Purchase of subsidiary (net of cash acquired)	**(8.5)**		(8.9)	
Acquisition of intangible assets	**(11.9)**		(6.1)	
Investment in social housing properties	**(530.8)**		(482.0)	
Acquisition of non-housing fixed assets	**(4.1)**		(7.8)	
Investment in JCEAs	**(27.1)**		(18.2)	
Distributions from JCEAs	**0.5**		2.1	
Proceeds from disposal of other fixed asset investments	**0.2**		0.9	
Decrease in current asset investments	**3.9**		1.0	
Social housing property grants received	**52.7**		15.8	
Disposal of operations	**(1.1)**		–	
Net cash from investing activities		**(360.2)**		(441.4)
Cash flows from financing activities				
Interest paid	**(175.9)**		(171.2)	
(Discount)/premium on bond issues	**(7.2)**		33.4	
Net borrowing of loans and bonds (notional)	**127.3**		283.2	
Capital transaction costs paid	**(1.7)**		(2.6)	
Payment of finance lease capital	**(0.1)**		(0.1)	
Net cash from financing activities		**(57.6)**		142.7
Net increase in cash and cash equivalents		**7.1**		10.3
Cash and cash equivalents at 1 April		**130.8**		120.5
Cash and cash equivalents at 31 March		**137.9**		130.8

See note 24 for the reconciliation of net debt.

1. Accounting policies
The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including FRS 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (January 2022) ("FRS 102"), the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers ("the SORP"), the Accounting Direction for Private Registered Providers of Social Housing 2022 ("the Accounting Direction") and the Co-operative and Community Benefit Societies Act 2014.

Clarion Housing Group Limited and a number of its subsidiaries (see note 34) are public benefit entities.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to Clarion Housing Group Limited's consolidated ("Group") and individual ("Parent") financial statements.

Basis of preparation
The financial statements are prepared on an accruals basis and under the historical cost convention, with the exception of investment properties and certain financial instruments (as specified elsewhere) which are held at their fair value.

Going concern
On the basis of its assessment of the Group's financial position and resources, the Board believes that the Group is well placed to manage its business risks. Therefore the Group's Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Thus it continues to adopt the going concern basis in preparing the annual financial statements.

The worldwide pandemic due to Covid-19, as well as current high inflation and the cost of living crisis, have presented challenges for the Group and Parent. The Board has considered their impact on the Group and the Parent and actions have been put in place to manage these risks and the Board consider these risks to be sufficiently mitigated.

The Parent is part of the Group's cash-pooling arrangement and so has the ability to raise cash for shortfalls related to Covid-19 or other temporary trading gaps, thus enabling it to access adequate resources.

The Group, through its subsidiaries, has provided confirmation of support to Bonner Road LLP, Circle Housing Asset Design Limited, Downland Regeneration Limited, Latimer Cocoa Works LLP, Latimer Green Lanes Limited, Latimer Kirkstall Limited, Latimer Media City Limited, Latimer (Tendring Colchester Borders Garden Community) Development Limited, Latimer Weyburn Works Limited and Leamington Waterfront LLP, and some of its JCEAs. This confirmation of support is for at least twelve months after their financial statements for the year ended 31 March 2022 are signed.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of all entities controlled by Clarion Housing Group Limited as at the reporting date, using aligned reporting periods and accounting policies, and using merger or acquisition accounting where appropriate.

Jointly controlled entities and associates ("JCEAs") are separate legal entities. For JCEs, the Group shares control with other parties and strategic financial and operating decisions require unanimous consent. For associates, the Group has the right to participate in these decisions, but its consent is ultimately not required. Both are accounted for using the equity method, which reflects the Group's share of their profit or loss, other comprehensive income and equity.

Intra-group balances and transactions, including unrealised profits arising from intra-group transactions, are eliminated in full on consolidation.

Value Added Tax
For the majority of the Group's members, VAT affairs are dealt with under a Group registration in the name of Clarion Housing Group Limited. Turnover and other income are shown net of any VAT charged. As most of the Group's income comes from renting out residential property, which is exempt from VAT, the Group only recovers a small proportion of the input VAT it incurs, and expenditure is shown inclusive of irrecoverable VAT.

Leased assets
Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". A fixed asset is recognised while the future instalments due under the lease, net of interest payable, are included within creditors. Rentals payable are apportioned between the finance element, which is included in interest payable, and the capital element which reduces the outstanding creditor. This treatment likewise applies to sale and leaseback transactions where the Group sells an asset but then enters into a lease under which it retains substantially all the risks and rewards of ownership of said asset.

Likewise, where the Group enters into a lease which substantially transfers to a third party all the risks and rewards of ownership of an asset (or the Group's interest in an asset, where the Group itself leases the asset from another third party), this is accounted for as a finance lease debtor. Future instalments receivable under the lease, net of interest receivable, are included within debtors. Rentals receivable are apportioned between the finance element, which is included in interest receivable and the capital element which reduces the outstanding debtor.

All other leases are accounted for as operating leases, and the total rental payable is recognised on a straight-line basis over the lease term.

Turnover
Rent and service charge income is recognised on an accruals basis. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with administering authorities. Other income is recognised as receivable on the delivery of services provided.

Social housing property grant is amortised over 100 years, starting from when the property is completed, in line with the Group's depreciation policy for the structure of rental-only social housing properties. This 100-year period also applies to grants relating to shared ownership properties, even though these properties are not depreciated. Grants receivable in respect of operating costs are recognised as income in the same period(s) as the related expenditure.

Sales of properties are recognised on legal completion. Turnover includes receipts from the sale of properties developed for outright sale as well as the first tranches of shared ownership properties (see the 'Social housing properties, investment properties and stock' policy); subsequent staircasing receipts are included in disposals. Both the first tranche and staircasing receipts are calculated as the proportion of the property sold, multiplied by the market value determined at the time.

Cost of sales

Cost of sales comprises the cost of stock sold, as well as most marketing costs incurred in the year; the cost of further staircasing is included in disposals.

Depreciation and amortisation

With the exception of goodwill, all depreciation and amortisation is accounted for on a straight-line basis, reducing the cost of each asset to its residual value over its useful economic life, from the date the asset is available for use.

No depreciation is provided in respect of land or investment properties.

Goodwill:

Goodwill is amortised on a systematic basis over its useful life, with both the basis and life depending on the business combination which gave rise to the goodwill.

Other intangible assets:

ERP system	10 years
Other computer software	4 years

Social housing properties:

The cost of rental-only social housing properties (net of land) is split between the structure and the following other components which require periodic replacement. The cost of the existing components is depreciated over the following useful economic lives ("UELs"):

Structure	100 years
Bathrooms	30-35 years
Boilers	15 years
Other heating	30 years
Electrics	30-35 years
Kitchens	20-25 years
Lifts	15-25 years
Roofs – flat	15-20 years
Roofs – pitched	50-60 years
Windows and doors	30-35 years
Other	5-25 years

"Other" includes components such as paving, fences, playgrounds, door entry systems, CCTV, insulation and solar panels.

For social housing properties held under leases, the remaining lease term is used as the UEL if this is shorter than the above lives.

When components are replaced, the remaining net book value is expensed as depreciation, and the asset is disposed.

Shared ownership social housing properties are not broken down into components as their tenants are liable for any repairs, and they are not depreciated due to their high residual value.

Non-housing fixed assets:

Freehold offices	100 years
Leasehold office properties	Over the period of the lease
Office furniture, fixtures and fittings	4-10 years
Computer hardware	4 years

Impairment

Stock is stated at the lower of cost and estimated sales proceeds less selling costs and remaining construction costs.

Loss allowances for tenant and other debtors are always measured at an amount equal to lifetime expected credit losses ("ECL").

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. 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). ECLs are discounted at the effective interest rate of the financial asset.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, 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, based on the Group's historical experience and informed credit assessment and including forward-looking information.

For other assets an impairment review is undertaken when there is an indication that an asset may be impaired. Impairment is recognised when it is assessed that the carrying amount of that asset (or the cash generating unit, including goodwill, it belongs to) is higher than the recoverable amount, which is the higher of fair value less costs to sell and value in use. Where this is the case the higher of these two values is taken to be the new book value, and the difference is the impairment loss.

The Group's social housing properties are held for their social benefit rather than solely for the cash inflows they generate, therefore value in use is likely to be based on service potential rather than cash flows. However, those properties which are deemed not to be providing the Group with service potential, for example due to being in a poor condition or in an area of low demand, are not valued based on service potential.

After an impairment loss has been recognised, the recoverable amount of an asset or cash-generating unit may increase because of changes in: economic conditions; the circumstances that previously caused the impairment; or, the expected use of the asset(s). As a result, the carrying amount is adjusted to the lower of the new recoverable amount and the carrying amount that would have been determined had the original impairment not occurred, with the exception that the impairment of goodwill is not reversed.

Impairment relating to stock is included in cost of sales; impairment relating to JCEAs is included in share of surplus/deficit of JCEAs; and impairment relating to other assets is included in operating costs.

1. Accounting policies (continued)

Interest receivable, interest payable and financing costs

Interest receivable is only recognised to the extent that it is probable that it will be recoverable when due.

Interest payable is recognised over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount.

Transaction costs relating to the refinancing of existing debt are expensed as incurred unless there is a substantial modification of the terms. Transaction costs relating to financial instruments held at fair value are also expensed as incurred.

When social housing properties and stock are under active construction, interest payable is capitalised using the interest rate of the funds specifically used to finance the development, such as in the case of the properties developed by the Group's JCEAs; otherwise, the weighted average interest rate of the Group's general borrowings is used.

Corporation tax

Many members of the Group almost wholly undertake charitable activities which are exempt from corporation tax. The remaining members, and the jointly controlled entities and associates in which the Group has a share, are liable to corporation tax at the prevailing rate of taxation.

Deferred tax is provided for in full on differences between the treatment of certain items for taxation and accounting purposes, unless the Group is able to control the reversal of the timing difference and it is probable that the timing difference will not reverse in the foreseeable future. Deferred tax is calculated using the tax rates and laws which have been enacted (given Royal Assent) or substantively enacted (passed by the House of Commons, or under the Provisional Collection of Taxes Act 1968) by the reporting date and are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax charge(/credit) is presented either in the Income Statement, Other Comprehensive Income or equity depending on the transaction that resulted in the tax charge(/credit).

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax assets and liabilities are offset only where allowed by FRS 102, and likewise they are not discounted.

Goodwill

Goodwill arising on business combinations is initially measured as the acquisition cost less the share of the net amount of the acquiree's identifiable assets, liabilities and contingent liabilities, with fair values used where required and reliable. Following initial recognition, goodwill is measured at cost less accumulated amortisation and impairment losses.

Social housing properties, investment properties and stock

The Group generates revenue from properties in a number of ways, and the accounting treatment of the costs incurred varies accordingly:

a. Most of the Group's housing properties are held for social benefit and the rent charged to the tenants is below or even significantly below market rates. These properties are shown as rental-only social housing properties.

b. However, some housing properties are held to earn income at market rates and/or for capital appreciation, and these are treated as investment properties. This includes freeholds where ground rent is payable by the leaseholder.

c. The Group also develops housing properties for open market sale and these are shown as non-social stock.

d. Housing properties developed for sale to another Registered Provider are shown as social stock.

e. Shared ownership (also known as "low cost home ownership", or LCHO) is where, initially, a long lease on a property is granted through a sale to the occupier, in return for an initial payment (the "first tranche"). The occupier then has the right, but not the obligation, to purchase further shares ("staircase") until they own 100% of the property; they pay a subsidised rent on the portion of the property they don't own. The cost of the expected first tranche proportion of shared ownership properties is shown as social stock with the remainder included in shared ownership social housing properties.

f. Non-residential properties such as retail units or offices, which are sometimes built as part of a residential development, are treated as investment properties if they are held for rental, or as non-social stock if they are developed for sale on a long lease (i.e. a premium is paid on completion, followed by a nominal rent).

g. Mixed tenure schemes where the precise mix is yet to be finalised; investment properties under construction; and land without planning consent or grant allocation ("land bank") are included in social housing properties under construction.

In all cases, properties are initially stated at their directly attributable cost: this includes the cost of land, construction works and professional fees, as well as capitalised staff costs for those employees attributable to the development activity and interest. No staff or interest costs are capitalised on land banks.

The cost of completed rental-only social housing properties is split into components (see 'Depreciation and amortisation' policy). Major repairs are capitalised on a component level, to the extent that they are either a full replacement of the previous component, or an enhancement to the existing component which will reduce future repair costs, extend the life of the component or result in increased rental income. Major repairs are expensed as incurred in other circumstances. No provision is recognised for future planned and routine maintenance of these properties.

Investment properties are adjusted to fair value at each reporting date. Further expenditure relating to these properties, even if capital in nature, is expensed.

Interests in jointly controlled entities and associates

These are initially recognised at the amount of the investment made, including transaction costs, and subsequently adjusted to reflect the Group's share of the investee's net assets.

Public benefit concessionary loans

As a "public benefit entity group" (as defined by FRS 102), loans which are made as part of the Group's social housing objectives, at below-market rates of interest, and are not repayable on demand, qualify for treatment as public benefit entity concessionary loans. They are initially recorded at the amount lent and subsequently adjusted for accrued interest receivable less any impairment loss.

This treatment applies to the Group's equity loans (including those under the Homebuy scheme), where the amount to be repaid by the homeowner scales with the subsequent movement in the value of their property. It also applies to the arrangements which the Group has made with some tenants for payment of rent and service charge arrears, which are effectively loans granted at a zero interest rate.

Local authority housing transfers

Where an opportunity for the regeneration of local authority ("LA") social housing properties arises after a transfer request from tenants, the Group may seek to maximise the resources available for the regeneration by entering into a VAT shelter arrangement with the LA. In this circumstance, the transactions are accounted for on a gross basis: the Group's remaining obligation to refurbish the properties is shown as a creditor while the LA's remaining obligation to have the properties refurbished is included in debtors. The split between amounts due within one year and amounts due after more than one year reflects the expected timing of the remaining refurbishment works.

Social housing property grants

These grants - which have been provided by central and local government to part-fund the construction of the Group's social housing properties - are treated as deferred income, and amortised as per the 'Turnover' policy; the amount due to be amortised in the following year is included in creditors due within one year. The original amount granted may become repayable if the conditions of the grant are not complied with: for example, if the related properties cease to be used for the provision of affordable rental accommodation, or are sold on the open market. If there is no obligation to repay the grant on disposal of the assets, the remaining unamortised grant is credited against the cost of the disposal.

Grant in respect of shared ownership properties is allocated against the amount retained after the first tranche is sold.

Social housing property grants which the Group is entitled to and is reasonably certain of receiving are included in debtors while those received but not yet allocated to a development project are included in creditors.

HomeBuy grants

Under the HomeBuy scheme, the Group received grants in order to advance interest-free loans to homebuyers. In the event that the homeowner sells the property, or otherwise wishes to repay the loan, the related grant is transferred to the Recycled Capital Grant Fund. However, if there is a fall in the value of the property and the Group receives back less then it lent, the difference is offset against the amount of grant transferred, so that the Group does not incur a loss.

Recycled Capital Grant Fund ("RCGF")

The Group has the option to recycle social housing property grants - which would otherwise be repayable to either Homes England ("HE") or the Greater London Authority ("GLA"), depending on the location of the disposed property - to the RCGF. If the amounts set aside in this manner are not used to fund the development of new social housing within a three-year period, they again become repayable, with interest, unless a time extension or a waiver is received.

The amounts held within the funds which are not anticipated to be recycled, or become repayable, within one year are included under 'creditors due after more than one year'. The remainder is included under 'creditors due within one year'.

Non-derivative financial instruments

The Group applies the recognition and measurement provisions of IFRS 9 Financial Instruments, as allowed by FRS 102.

All investments, short-term deposits and loans held by the Group are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price.

On initial recognition, a financial asset is classified as measured at either amortised cost, fair value through other comprehensive income ("FVOCI") debt investment, FVOCI equity investment or fair value through profit and loss ("FVTPL").

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:

i. it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

ii. 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:

i. it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

ii. its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL.

Where loans and other financial instruments are redeemed during the year, a redemption penalty is recognised in the Income Statement of the year in which the redemption takes place, where applicable.

1. Accounting policies (continued)

Non-derivative financial instruments (continued)

Tenant and other debtors and creditors are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction and does not qualify for treatment as a concessionary loan, in which case the present value of the future receipts discounted at a market rate of interest is used.

Cash and cash equivalents include cash balances and call deposits, as well as short-term investments with an original maturity of three months or shorter. It also includes those overdrafts which are repayable on demand and form an integral part of the Group's cash management strategy.

Derivative financial instruments and hedge accounting

To manage interest rate risk, the Group manages its proportion of fixed to variable rate borrowings within approved limits and, where appropriate, utilises interest rate swap agreements. Amounts payable and receivable in respect of these agreements are recognised as adjustments to interest payable over the period of the agreement.

These derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Where considered appropriate, the Group applies hedge accounting and has designated each of the swaps against either existing drawn debt or against highly probable future debt. Hedges are classified as either:

a. fair value hedges when hedging exposure to changes in the fair value of a recognised asset or liability; or

b. cash flow hedges when hedging exposure to variability in cash flows that is attributable to either a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Hedge relationships are formally designated and documented at inception, together with the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the Group will assess the hedging instrument effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Accounting for fair value hedges:

The change in fair value of a hedging derivative is recognised in the Income Statement. The change in the fair value of the hedged item attributable to the risk being hedged is recorded as part of the carrying value of the hedged item and is also recognised in the Income Statement. The Group applies fair value hedge accounting when hedging interest rate risk on fixed rate borrowings. If the criteria for hedge accounting are no longer met, the accumulated adjustment to the carrying amount of a hedged item at such time is then amortised to the Income Statement over the remaining period to maturity.

Accounting for cash flow hedges:

To the extent the hedge is effective, movements in fair value adjustments, other than adjustments for own or counterparty credit risk, are recognised in Other Comprehensive Income and presented in a separate Cash Flow Hedge Reserve. Any movements in fair value relating to ineffectiveness and adjustments for own or counterparty credit risk are recognised in the Income Statement.

Where hedge accounting for a cash flow hedge is discontinued and the hedged future cash flows are still expected to occur, the amount that has been accumulated in the cash flow hedge reserve remains there until those future cash flows occur. If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified to the Income Statement.

Interest rate benchmark reform

A number of the Group's financial instruments and hedge relationships were originally indexed to Sterling LIBOR. For the year ending 31 March 2021, the Group adopted the Interest Rate Benchmark Reform (Sep-19) amendment to IFRS 9, exempting it from the requirement to apply specific hedge accounting requirements to hedge relationships affected by the ongoing reform. For the year ending 31 March 2022, the Group has adopted Interest Rate Benchmark Reform – Phase 2 (Aug-20), which enables the Group to reflect the effects of transitioning to alternative benchmark interest rates, such as SONIA, without giving rise to accounting impacts which would not provide useful information to the users of the financial statements.

Fair value:

All financial assets or liabilities at fair value are calculated using measurements based on inputs that are observable for the asset either directly or indirectly from prices.

Fair value is determined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. To calculate fair value, the Group uses:

a. where they exist, quoted market prices in an active market for an identical asset or liability; or

b. if a market for a financial instrument is not active, the Group will use a valuation technique that makes maximum use of market inputs and includes recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis, and option pricing models where in each case it is an acceptable valuation technique that incorporates all factors that market participants would consider in setting a price.

Derivative financial instruments are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. As required by IFRS 13, there is also a bilateral credit valuation adjustment made in order to adjust for the credit worthiness of the counterparties involved in the trade.

Provisions and contingent liabilities

A provision is recognised where a present obligation has arisen as a result of a past event for which settlement is probable and can be reliably estimated. The amount recognised is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate, and the subsequent unwinding of the discount is recognised as a finance cost.

A contingent liability, where settlement is not probable and/or cannot be reliably estimated, is not recognised unless it is identified as part of a business combination.

Pensions

The Group participates in a number of defined benefit and defined contribution pension schemes. The assets of these schemes are held separately to those of the Group.

For defined benefit schemes, the net liability (or asset, to the extent it is recoverable) is calculated by estimating the amount of future benefit that employees have earned to date, discounted to present value, and deducting the fair value of the scheme's assets. Changes in this net defined benefit liability arising from employee service, introductions, benefit changes, curtailments and settlements during the period are recognised in operating costs. The net interest expense (or income) on the net liability (or asset) for the period is recognised as other finance cost (or income). Remeasurement of the net liability (or asset) is recognised as actuarial gains/losses in Other Comprehensive Income.

Contributions to schemes accounted for as defined contribution are recognised as an expense as they fall due.

Other employee benefits

The Group recognises an accrual for unused annual leave which employees are entitled to carry forward and use within the next 12 months. This is measured at the salary cost payable for the period of absence.

Segmental reporting

Segmental reporting is presented in these consolidated financial statements in respect of the Group's business segments, which are the primary basis of segmental reporting.

The business' segmental reporting is disclosed in note 4 and reflects the Group's management and internal reporting structure.

Segmental results include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. As the group has no material activities outside the UK, segmental reporting is not required by geographical region.

The chief operating decision makers have been identified as the Group Executive Team.

2. Significant judgements and accounting estimates – Group

Significant judgements

The following significant judgement has been made in applying the Group's accounting policies:

1 Gain/(loss) on revaluation of investment properties

The Group considers that any gains and/or losses made as a result of the revaluation of investment properties is incidental to its operating activities, which is renting out the properties in order to generate revenue. As a result, these gains and/or losses are not included in determining the operating result.

Accounting estimates

The nature of estimation means that actual outcomes could differ from the estimates made. The following accounting estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities - and therefore the income and expenses recognised - within the next financial year:

1 The useful economic lives ("UELs") of rental-only social housing properties.

The Group believes that the UELs used are reasonable based on its experience. The most material assumptions are the UELs of rental-only social housing property components: these were reviewed in early 2017 as a result of the merger, with the input of the Group's repairs and maintenance staff, and were benchmarked against the UELs disclosed by other English Registered Providers.

Using these UELs, the accumulated depreciation at the reporting date was £1,217.8 million. Were each of the UELs shorter by one year, this figure would be approximately £1,265.9 million, reducing the NBV of social housing properties by £48.1 million.

Conversely, included in liabilities is £2,209.5 million of social housing property grants. As their amortisation rate is matched to the UEL of the structure component, a reduction of one year would have reduced the liability by £4.0 million, leading to a net reduction in assets of £44.1 million (1.9% of net assets).

During the year, the Group once again reviewed these UELs and the resultant changes to the lives used will apply from 1 April 2022. Using the revised UELs in the current year would not have a material impact on the Group's results.

2 The valuation of residential investment properties.

At the reporting date, the Group holds £170.1 million of residential investment properties, of which £165.8 million relates to market rent properties valued by Savills plc.

The most significant assumptions made for the properties valued by Savills are:

- Vacant possession values: a 10% fall in these would reduce the value of these properties by £12.1 million;
- Market rents: a 10% fall in these would reduce the value of these properties by £4.9 million; and
- Discount rates: 7% has been used; increasing this by 0.5% would reduce the value of these properties by £4 million.

3 The fair value of derivative financial instruments.

At the reporting date, the Group has a £211.1 million net liability in respect of interest rate swaps. These have been valued using discounted cash flow models, for which the main assumption is the interest rate yield curve used.

The curve used has been based on the government yield curve at the reporting date, plus an appropriate credit spread, giving a range of 0.69% to 2.80%. Decreasing this curve by 100 basis points would increase the net liability by £89.3 million (3.9% of net assets).

Note: as most of the Group's derivatives are accounted for as cash flow hedges, almost all of the in-year impact of any change would be included in other comprehensive income, depending on the effectiveness of the hedging relationship.

4 The valuation of defined benefit pension scheme obligations.

A number of critical underlying assumptions are made when measuring a defined benefit obligation, including standard rates of inflation, mortality, discount rates and the anticipation of future salary levels.

The range of assumptions used by the individual schemes of which the Group is a member are shown in note 28. Combining sensitivity analysis which most of the schemes' actuaries have provided, the estimated impact of changing the material assumptions would be as follows:

- Decreasing the discount rate by 0.1% would increase the obligation by £8.6 million;
- Increasing the pension increase assumption by 0.1% would increase the obligation by £8.5 million; and
- Increasing the assumed life expectancy by 1 year would increase the obligation by £18.2 million.

Note: as these are changes in actuarial assumptions, almost all of the in-year impact of any change would be included in other comprehensive income.

3. Units managed and/or owned - Group

	At 1 April 2021	Adjustment	Handed over	Net conversion from Affordable	Other movements	**At 31 March 2022**
Units managed						
Social housing						
Social rent	76,220	(24)	211	56	(1,571)	**74,892**
Affordable rent	13,528	10	569	(56)	(4)	**14,047**
General needs	89,748	(14)	780	–	(1,575)	**88,939**
Supported	1,369	(2)	–	(1)	6	**1,372**
Housing for Older People	6,857	(2)	–	–	(226)	**6,629**
Shared ownership	9,593	19	1,045	–	(194)	**10,463**
Care homes	12	–	–	–	–	**12**
Intermediate rent	450	(7)	68	–	(35)	**476**
Keyworker	958	1	–	–	(7)	**952**
Social leaseholders	10,069	(25)	45	1	72	**10,162**
Staff accommodation	100	2	–	–	(6)	**96**
Social homes managed	**119,156**	**(28)**	**1,938**	**–**	**(1,965)**	**119,101**
Non-social housing						
Market rent	795	(1)	–	–	(45)	**749**
Non-social leaseholders	5,563	(577)	136	–	(112)	**5,010**
Homes managed	**125,514**	**(606)**	**2,074**	**–**	**(2,122)**	**124,860**
Non-housing						
Garages and car parking spaces	10,396	60	12	–	(144)	**10,324**
Commercial leaseholders	319	3	8	–	(3)	**327**
Community centres	62	(1)	–	–	(6)	**55**
Units managed	**136,291**	**(544)**	**2,094**	**–**	**(2,275)**	**135,566**
The figures above include						
Social housing	203	–	–	–	37	**240**
Non-social housing	5,043	(585)	48	–	(114)	**4,392**
Non-housing	–	1	–	–	–	**1**
Units managed but not owned	**5,246**	**(584)**	**48**	**–**	**(77)**	**4,633**
Units owned but not managed						
Social housing	1,025	(2)	–	–	(63)	**960**
Non-social housing	1,427	(8)	6	–	–	**1,425**
Non-housing	4	–	–	–	–	**4**
Units owned but not managed	**2,456**	**(10)**	**6**	**–**	**(63)**	**2,389**

All Supported and Housing for Older People units are used for social rent.

Other movements primarily relate to disposals, including 1,577 General needs social rent units (1,550 managed plus 27 owned but not managed) and 219 Housing for Older People units (all managed) which were transferred to other housing associations.

4. Turnover, cost of sales, operating costs, surplus/deficit on disposal of properties and operating surplus/deficit

4a. Particulars of turnover, cost of sales, operating costs, surplus/deficit on disposal of properties and operating surplus/deficit

Group

	Turnover £m	Cost of sales £m	Operating costs £m	Surplus/ (deficit) on disposal £m	2022 Operating surplus/ (deficit) £m	Turnover £m	2021 Operating surplus/ (deficit) £m
Social housing activities							
Social housing lettings (note 4b)	**707.2**	**–**	**(515.4)**	**–**	**191.8**	687.4	213.1
Shared ownership first tranche sales	**150.1**	**(132.2)**	**(2.0)**	**–**	**15.9**	125.7	17.3
Other social housing activities							
Care and support services	11.6	–	(6.1)	–	**5.5**	10.4	3.3
Development for other landlords	0.3	–	–	–	**0.3**	3.0	(0.8)
Development costs not capitalised/written off	–	–	(3.8)	–	**(3.8)**	–	(4.8)
Community investment	4.1	–	(16.3)	–	**(12.2)**	2.8	(10.9)
Other	3.4	–	(14.9)	–	**(11.5)**	5.3	0.3
Total	**19.4**	**–**	**(41.1)**	**–**	**(21.7)**	21.5	(12.9)
Surplus on disposal of social housing properties	**–**	**–**	**–**	**86.5**	**86.5**	–	25.2
Total social housing activities	**876.7**	**(132.2)**	**(558.5)**	**86.5**	**272.5**	834.6	242.7
Non-social housing activities							
Open market sales	**157.3**	**(139.2)**	**(3.1)**	**–**	**15.0**	87.7	1.6
Other non-social housing activities							
Market rent lettings	8.5	–	(3.4)	–	**5.1**	10.3	7.3
Garage lettings	3.2	–	(0.5)	–	**2.7**	2.0	1.4
Commercial lettings	3.8	–	(0.6)	–	**3.2**	2.9	0.5
Other	9.5	(2.0)	(3.2)	–	**4.3**	6.6	3.9
Total	**25.0**	**(2.0)**	**(7.7)**	**–**	**15.3**	21.8	13.1
(Deficit)/surplus on disposal of investment properties	**–**	**–**	**–**	**(0.1)**	**(0.1)**	–	0.1
Total non-social housing activities	**182.3**	**(141.2)**	**(10.8)**	**(0.1)**	**30.2**	109.5	14.8
Total social and non-social housing activities	**1,059.0**	**(273.4)**	**(569.3)**	**86.4**	**302.7**	944.1	257.5
Analysis of disposals							
Social housing properties	156.7	(62.5)	(7.7)	86.5	**86.5**	56.1	25.2
Investment properties	7.7	(7.8)	–	(0.1)	**(0.1)**	0.8	0.1
Other fixed assets	0.2	(0.2)	–	–	**–**	0.6	0.1

Other other social housing activities includes £7.1 million (2021: £nil) incurred as a result of leaseholder buybacks at Clare House. As it is not probable that future economic benefits will flow to the Group as a result of acquiring these properties, their cost is included in operating costs.

Parent

Turnover includes corporate recharges to operating companies (see note 35) and sundry external income.

4b. Particulars of income and expenditure from social housing lettings

Group

	General needs housing £m	Supported housing/ housing for older people £m	Shared ownership accommodation £m	Other £m	Total 2022 £m	Total 2021 £m
Income						
Rent receivable net of identifiable service charges	540.0	39.4	42.6	15.7	**637.7**	621.6
Service charge income	16.2	7.5	8.3	8.8	**40.8**	42.2
Amortisation of government grants	20.5	1.3	1.3	0.7	**23.8**	23.6
Other revenue grants/income	–	–	–	4.9	**4.9**	–
Turnover from social housing lettings	**576.7**	**48.2**	**52.2**	**30.1**	**707.2**	687.4
Expenditure						
Management	(76.0)	(12.2)	(2.5)	(3.4)	**(94.1)**	(88.0)
Service charge costs	(27.2)	(12.5)	(13.9)	(14.8)	**(68.4)**	(59.3)
Routine maintenance	(123.7)	(9.6)	(0.2)	(3.6)	**(137.1)**	(119.6)
Planned maintenance	(57.9)	(2.3)	(0.3)	(0.9)	**(61.4)**	(59.7)
Major works expensed	(27.9)	(0.8)	(0.2)	(0.1)	**(29.0)**	(15.9)
Bad debts	(6.1)	(0.6)	(0.1)	(0.1)	**(6.9)**	(9.5)
Depreciation of housing properties	(109.9)	(7.8)	–	(1.5)	**(119.2)**	(120.5)
Reversal of impairment of housing properties	2.6	–	–	–	**2.6**	–
Lease costs	(0.2)	–	–	–	**(0.2)**	(0.2)
Other costs	(0.4)	–	(0.1)	(1.2)	**(1.7)**	(1.6)
Operating costs on social housing lettings	**(426.7)**	**(45.8)**	**(17.3)**	**(25.6)**	**(515.4)**	(474.3)
Operating surplus on social housing lettings	**150.0**	**2.4**	**34.9**	**4.5**	**191.8**	213.1
Void losses	**6.8**	**3.4**	**–**	**2.4**	**12.6**	12.6

Other includes intermediate rent, keyworker, and social leaseholders.

Void losses represent rent and service charge income lost as a result of an available-for-letting property not being let. These losses have increased in both the current and prior year as measures put in place to reduce the risk of spreading Covid-19 led to a longer turnaround time (the time required to prepare a vacant property for the next tenant).

5. Employees – Group

The average monthly number of full-time equivalents ("FTEs") employed during the year, including members of the Group Executive Team, was as follows:

	2022 Number	2021 Number
FTEs	**3,673**	3,510

FTEs are based on a standard working week, which varies between 35 and 42 hours, but is 36 hours for most employees. All staff are employed by subsidiaries.

	2022 £m	2021 £m
Staff costs		
Wages and salaries	**147.1**	141.7
Compensation for loss of office	**0.2**	2.6
Social security costs	**14.7**	14.3
Pension costs	**9.2**	10.2
	171.2	168.8

The number of employees, including Executive Directors, whose total remuneration payable (excluding employer pension contributions, or pay in lieu thereof, but including compensation for loss of office) exceeds £60,000 per annum is as follows:

For the current year we have incorporated the value of non-cash benefits. The comparatives have been amended for consistent presentation.

	2022 Number	2021 Number
£60,000 to £69,999	**119**	120
£70,000 to £79,999	**70**	59
£80,000 to £89,999	**45**	42
£90,000 to £99,999	**46**	57
£100,000 to £109,999	**27**	24
£110,000 to £119,999	**19**	14
£120,000 to £129,999	**14**	13
£130,000 to £139,999	**7**	6
£140,000 to £149,999	**6**	4
£150,000 to £159,999	**6**	6
£160,000 to £169,999	**7**	10
£170,000 to £179,999	**4**	3
£190,000 to £199,999	**1**	–
£200,000 to £209,999	**–**	1
£210,000 to £219,999	**1**	–
£220,000 to £229,999	**1**	2
£230,000 to £239,999	**1**	–
£240,000 to £249,999	**–**	1
£260,000 to £269,999	**–**	1
£280,000 to £289,999	**1**	–
£290,000 to £299,999	**2**	2
£310,000 to £319,999	**–**	1
£360,000 to £369,999	**1**	–
£410,000 to £419,999	**–**	1
Total	**378**	367

6. Key management personnel

The Directors are defined as members of the Board, and any other person who is a member of the Group Executive Team. Remuneration payable was as follows:

For the current year we have incorporated the value of non-cash benefits. The comparatives have been amended for consistent presentation.

	2022 £'000	2021 £'000
Non-Executive Directors	**274**	278
Executive Directors		
Salary and other benefits	**2,044**	2,013
Payments to third parties for Director services	**–**	120
Pension contributions, or pay in lieu thereof, in respect of services as directors	**101**	95
	2,145	2,228
	2,419	2,506

In the prior year, one Executive Director was compensated through payments to a limited company they jointly control. No amounts were owed at the end of the prior year.

	2022 £	2021 £
The remuneration of current Non-Executive Directors who served during the year was as follows:		
David Avery	**50,000**	47,917
John Coghlan	**33,968**	22,500
Lord Barwell	**22,488**	18,000
Graham Farrant	**18,000**	18,000
Amanda Metcalfe	**18,000**	18,000
Doris Olulode*	**17,950**	–
David Orr CBE	**34,000**	34,000
Rupert Sebag-Montefiore	**45,000**	45,000
Tom Smyth	**22,500**	22,500

*Appointed during the year therefore no remuneration shown for the prior year.

	2022 £	2021 £
Remuneration of highest paid Director (excluding pension contributions, or pay in lieu thereof but including benefits in kind)	**369,438**	418,153
Pension contributions, or pay in lieu thereof, in respect of the highest paid Director	**18,816**	18,630

The Directors are considered the key management personnel for the purposes of FRS 102.

7. Interest receivable

	Group		Parent	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Interest receivable on bank deposits	**0.4**	0.4	**0.1**	0.1
Interest receivable on finance leases	**0.1**	–	**–**	–
Interest receivable from Group undertakings	**–**	–	**24.1**	23.4
Interest receivable from JCEAs	**8.4**	5.8	**–**	–
Other interest receivable	**–**	0.1	**–**	–
	8.9	6.3	**24.2**	23.5

8. Interest payable and financing costs

	Group		Parent	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Interest payable on loans	**23.3**	21.2	**–**	–
Interest payable on bonds and similar instruments	**108.9**	101.9	**–**	–
Interest payable on derivatives	**34.9**	40.8	**–**	–
Interest payable on finance leases	**0.5**	0.6	**–**	–
Interest payable to Group undertakings	**–**	–	**25.0**	24.1
Interest payable relating to pensions (see note 28)	**1.1**	0.7	**–**	–
Other interest payable	**0.3**	1.2	**–**	–
Loan breakage costs	**1.0**	–	**–**	–
Other charges	**7.6**	4.9	**0.1**	0.2
	177.6	171.3	**25.1**	24.3
Interest payable capitalised	**(35.5)**	(30.0)	**–**	–
	142.1	141.3	**25.1**	24.3

9. Movement in fair value of financial instruments – Group

	2022 £m	2021 £m
Included in income and expenditure		
Fair value gains on		
Borrowings treated as fair value hedging items	**9.1**	11.7
Derivatives treated as cash flow hedging instruments – ineffective	**3.5**	–
	12.6	11.7
Fair value losses on		
Derivatives treated as fair value hedging instruments	**(9.1)**	(5.0)
Derivatives treated as cash flow hedging instruments – ineffective	**–**	(1.9)
Amortisation of cash flow hedge reserve relating to a prematured derivative	**(0.7)**	(0.6)
	(9.8)	(7.5)
	2.8	4.2

	2022 £m	2021 £m
Included in other comprehensive income		
Fair value gains on		
Derivatives treated as cash flow hedging instruments – effective	**109.3**	73.7
Amortisation of cash flow hedge reserve relating to a prematured derivative	**0.7**	0.6
	110.0	74.3

See note 26 for an explanation of the Group's hedging activities.

Overview Strategic Report Governance Financial Statements

10. Surplus/deficit on ordinary activities before taxation

	Group		Parent	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Surplus/deficit on ordinary activities before taxation is stated after charging/(crediting):				
Amortisation				
Other intangible assets	**10.2**	10.9	**9.9**	10.2
Depreciation				
Social housing properties	**119.2**	120.5	**–**	–
Non-housing fixed assets	**9.5**	8.6	**7.0**	6.7
	128.7	129.1	**7.0**	6.7
Impairment				
Social housing properties	**(2.6)**	–	**–**	–
Non-housing fixed assets	**3.4**	–	**–**	–
Interests in JCEAs	**(1.9)**	5.3	**–**	–
Stock	**3.8**	(0.4)	**–**	–
	2.7	4.9	**–**	–
Operating lease rentals	**10.6**	13.5	**5.9**	8.4

	Group		Parent	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Auditor's remuneration (exclusive of VAT)				
– for statutory audit services	**0.5**	0.5	**0.1**	0.1
– for other services	**0.1**	0.1	**0.1**	–
	0.6	0.6	**0.2**	0.1

11. Taxation

	Group		Parent	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Analysis of charge/(credit) in period				
Current tax				
Current tax on income for the period	**–**	(1.4)	**–**	–
Deferred tax				
Origination and reversal of timing differences	**0.7**	(5.4)	**–**	–
Change in tax rate	**(0.1)**	–	**–**	–
	0.6	(5.4)	**–**	–
	0.6	(6.8)	**–**	–
Recognised in income and expenditure	**0.6**	(6.8)	**–**	–

The tax charge for the Group for the period is less than 19% (2021: less than 19%), the rate of corporation tax in the UK. The tax charge for the Parent for the period is less than 19% (2021: equal to 19%), the rate of corporation tax in the UK. The differences are explained below:

	Group		Parent	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Reconciliation of tax recognised in income and expenditure				
Surplus on ordinary activities before taxation	**186.4**	114.7	**0.7**	–
Tax charge at 19% (2021: 19%)	**35.4**	21.8	**0.1**	–
Effects of				
Charitable surpluses not taxed	**(34.6)**	(23.9)	**(0.1)**	–
Expenses not deductible for tax purposes	**1.0**	0.3	**–**	–
EU State Aid	**–**	(1.4)	**–**	–
Adjustment in respect of Gift Aid expected to be paid	**(1.2)**	(0.8)	**–**	–
Deferred tax asset now recognised on prior year losses	**–**	(2.3)	**–**	–
Remeasurement of deferred tax due to change in UK tax rate	**(0.1)**	–	**–**	–
Other	**0.1**	(0.5)	**–**	–
	0.6	(6.8)	**–**	–

The impairment of certain intra-Group loans and investments is not deductible for tax purposes.

In the prior year, the Group released a £1.4 million provision for corporation tax after the relevant Group company was informed by HMRC that it had been declared as non-beneficiary for State Aid purposes.

Increasing the main rate of UK corporation tax to 25% from 1 April 2023 was substantively enacted in May 2021.

	Group		Parent	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Deferred tax				
Deferred tax assets				
Unused tax losses	**5.9**	5.6	**–**	–
Deferred tax liabilities				
Unrealised gains on revaluation of investment properties	**(2.3)**	(1.4)	**–**	–
	3.6	4.2	**–**	–

For tax losses at 31 March 2022 which are expected to be utilised against profits made in the following year, the related deferred tax asset is calculated using 19% and included in debtors falling due within one year. For those losses where the timing of future profits is uncertain, the deferred tax assets are calculated using 25% and included in debtors falling due after more than one year.

Deferred tax liabilities have been recognised for the difference between the fair value and the historic cost of the investment properties which are owned by members of the Group who are not exempt from corporation tax, as the disposal of these properties will give rise to a tax charge based on the historic cost. The amount of deferred tax which will reverse in the following year depends on the future movement in the valuation and the properties disposed, neither for which a reliable estimate can be made. Therefore this deferred tax is calculated using 25% and included in provisions.

12. Goodwill and negative goodwill – Group

	2022 £m	2021 £m
Goodwill	**0.4**	0.4
Negative goodwill	**(0.5)**	(0.5)
	(0.1)	(0.1)

Goodwill relates to land acquired as part of the acquisition of Latimer Clyde Limited (and since transferred to Latimer Kirkstall Limited), and is being amortised over the life of the development scheme as properties are sold.

Negative goodwill relates to the acquisition of Latimer Green Lanes Limited, and is being amortised over the life of the development scheme as properties are sold.

13. Other intangible assets

Group

	Enterprise resource planning system £m	Other computer software £m	Total £m
Cost			
At 1 April 2021	78.4	30.4	**108.8**
Additions	–	12.7	**12.7**
Disposals	–	(3.9)	**(3.9)**
At 31 March 2022	**78.4**	**39.2**	**117.6**
Amortisation			
At 1 April 2021	(20.7)	(21.3)	**(42.0)**
Amortisation charge for the year	(8.2)	(2.0)	**(10.2)**
Eliminated on disposals	–	3.9	**3.9**
At 31 March 2022	**(28.9)**	**(19.4)**	**(48.3)**
Net book value			
At 31 March 2022	**49.5**	**19.8**	**69.3**
Net book value			
At 31 March 2021	57.7	9.1	66.8

During the year £3.9 million of fully-amortised assets were written off through disposals.

Parent

	Enterprise resource planning system £m	Other computer software £m	Total £m
Cost			
At 1 April 2021	78.4	22.9	**101.3**
Additions	–	12.8	**12.8**
At 31 March 2022	**78.4**	**35.7**	**114.1**
Amortisation			
At 1 April 2021	(20.7)	(14.4)	**(35.1)**
Amortisation charge for the year	(8.2)	(1.7)	**(9.9)**
At 31 March 2022	**(28.9)**	**(16.1)**	**(45.0)**
Net book value			
At 31 March 2022	**49.5**	**19.6**	**69.1**
Net book value			
At 31 March 2021	57.7	8.5	66.2

14. Social housing properties – Group

	Completed		Under construction		
	Rental-only £m	Shared ownership £m	Rental-only £m	Shared ownership £m	Total £m
Cost					
At 1 April 2021	7,363.9	1,064.2	250.6	291.0	**8,969.7**
Construction/redevelopment of properties	–	–	214.3	197.6	**411.9**
Works to completed properties	135.5	–	–	–	**135.5**
Other additions	10.7	–	–	–	**10.7**
Completed construction	206.6	191.1	(206.6)	(191.1)	**–**
Transfer from investment properties	10.5	–	–	–	**10.5**
Transfer to stock	–	(2.1)	–	–	**(2.1)**
Components replaced	(14.9)	–	–	–	**(14.9)**
Transfer to other private Registered Providers	(72.2)	–	–	–	**(72.2)**
Other disposals/write-offs	(3.9)	(23.3)	(0.5)	(0.1)	**(27.8)**
At 31 March 2022	**7,636.2**	**1,229.9**	**257.8**	**297.4**	**9,421.3**
Depreciation and impairment					
At 1 April 2021	(1,136.9)	(12.8)	–	–	**(1,149.7)**
Depreciation charge for the year	(119.2)	–	–	–	**(119.2)**
Impairment reversal for the year	2.6	–	–	–	**2.6**
Eliminated on components replaced	14.9	–	–	–	**14.9**
Eliminated on transfers to other private RPs	20.2	–	–	–	**20.2**
Eliminated on other disposals/write-offs	0.6	0.2	–	–	**0.8**
At 31 March 2022	**(1,217.8)**	**(12.6)**	**–**	**–**	**(1,230.4)**
Net book value					
At 31 March 2022	**6,418.4**	**1,217.3**	**257.8**	**297.4**	**8,190.9**
Net book value					
At 31 March 2021	6,227.0	1,051.4	250.6	291.0	7,820.0

Completed properties with a combined net book value of £4,241.5 million (2021: £4,023.9 million) are held as security against debt and derivatives (see notes 24 and 26), £38.7 million (2021: £14.3 million) of which relates to assets held under finance leases.

15. Investment properties - Group

	Residential properties £m	Non-residential properties £m	Freeholds £m	Total £m
At 1 April 2021	176.7	44.8	7.2	**228.7**
Transfer to social housing properties	(10.5)	–	–	**(10.5)**
Transfer (to)/from stock	(0.2)	–	0.1	**(0.1)**
Disposals	(6.5)	(1.3)	–	**(7.8)**
Revaluation	10.6	2.6	0.8	**14.0**
Transfer to finance lease debtors	–	(1.9)	–	**(1.9)**
At 31 March 2022	**170.1**	**44.2**	**8.1**	**222.4**

All residential properties, the majority of the non-residential properties, and all freeholds were valued as at 31 March 2022 by either Savills or Jones Lang LaSalle, Chartered Surveyors. These valuations were prepared in accordance with 'RICS Valuation – Global Standards' (effective from 31 January 2022), which incorporates the International Valuation Standards, alongside, where applicable, 'RICS Valuation - Global Standards 2017: UK National Supplement' (effective from 14 January 2019).

The value of the remaining commercial properties has been estimated internally, using Savills' valuation results as a guide, as £5.2 million (2021: £1.9 million); the increase over the prior year is largely the result of more properties being valued internally.

Investment properties with a combined fair value of £152.0 million (2021: £149.5 million) are held as security against debt and derivatives (see notes 24 and 26).

16. Non-housing fixed assets

Group

	Freehold and leasehold offices £m	Office furniture, fixtures and fittings £m	Computer hardware £m	Total £m
Cost				
At 1 April 2021	42.1	31.1	29.0	**102.2**
Additions	–	2.8	1.3	**4.1**
Disposals	(0.1)	(4.8)	(2.0)	**(6.9)**
At 31 March 2022	**42.0**	**29.1**	**28.3**	**99.4**
Depreciation and impairment				
At 1 April 2021	(19.3)	(17.8)	(22.2)	**(59.3)**
Depreciation charge for the year	(1.7)	(4.6)	(3.2)	**(9.5)**
Impairment charge for the year	(3.4)	–	–	**(3.4)**
Eliminated on disposals	0.1	4.8	1.8	**6.7**
At 31 March 2022	**(24.3)**	**(17.6)**	**(23.6)**	**(65.5)**
Net book value				
At 31 March 2022	**17.7**	**11.5**	**4.7**	**33.9**
Net book value				
At 31 March 2021	22.8	13.3	6.8	42.9

During the year £6.5 million of fully-depreciated assets were written off through disposals.

Parent

	Freehold and leasehold offices £m	Office furniture, fixtures and fittings £m	Computer hardware £m	Total £m
Cost				
At 1 April 2021	3.2	23.1	26.4	**52.7**
Additions	–	2.1	1.3	**3.4**
Disposals	–	(0.6)	(0.3)	**(0.9)**
At 31 March 2022	**3.2**	**24.6**	**27.4**	**55.2**
Depreciation				
At 1 April 2021	(2.0)	(12.3)	(19.7)	**(34.0)**
Depreciation charge for the year	(0.2)	(3.7)	(3.1)	**(7.0)**
Eliminated on disposals	–	0.6	0.1	**0.7**
At 31 March 2022	**(2.2)**	**(15.4)**	**(22.7)**	**(40.3)**
Net book value				
At 31 March 2022	**1.0**	**9.2**	**4.7**	**14.9**
Net book value				
At 31 March 2021	1.2	10.8	6.7	18.7

During the year £0.6 million of fully-depreciated assets were written off through disposals.

17. Interests in JCEAs – Group

As detailed in note 34, the Group is a member of a number of jointly controlled entities and associates ("JCEAs").

The amounts included in respect of the Group's share of JCEAs comprise the following:

	2022 £m	2021 £m
Turnover	26.9	22.2
Cost of sales	(21.3)	(21.4)
Operating surplus	**5.6**	0.8
Interest payable	(7.4)	(9.1)
Impairment	1.9	(5.3)
Surplus/(deficit) for the year	**0.1**	(13.6)
Assets	236.4	194.0
Liabilities	(295.3)	(249.9)
Net liabilities	**(58.9)**	(55.9)
Investment in JCEAs	240.6	210.9
Interest in JCEAs	**181.7**	155.0

In accordance with FRS 102, the results for the year have been adjusted to eliminate any amounts in relation to sales of properties to other members of the Group. Likewise, the amounts above are also adjusted as necessary to be in line with Group accounting policies: eligible interest costs are capitalised and prepaid marketing costs are expensed as incurred.

Included in 'Investment in JCEAs' are loans from the Group totalling £237.8 million (2021: £209.6 million).

Development agreements for the construction of residential property are in place between the Group and some of its JCEAs. The amount of construction works provided in the year was £13.6 million (2021: £10.8 million) and £nil is included in creditors at the reporting date (2021: £nil).

During the year, the Group received profit distributions of £0.5 million from its JCEAs (2021: £2.1 million).

In the prior year, following the omission of a strategic land project from a Regulation 19 Local Plan process on 15 July 2021, the Group impaired its investment in Mayfield Market Towns Limited by £5.3 million and recognised a further £3.8 million of cost of sales. The omission was treated as an adjusting event after the end of the reporting period. The impairment was reviewed in the current year and £1.9 million released.

18. Other fixed asset investments

Group

	2022 £m	2021 £m
Equity loans including HomeBuy	11.0	11.5
Other investments	0.4	0.1
	11.4	11.6

Equity loans are secured against the properties to which they relate. Where interest is charged, this is at 1.75% from the fifth anniversary, increasing annually by RPI plus 1%. With the exception of some loans, where repayment is required between the 10th and 25th anniversary, repayment is deferred until the related property is sold, or the homeowner decides to make voluntary repayment.

Parent

	2022 £m	2021 £m
Investment in subsidiaries	42.4	41.4

During the year the Parent purchased a further £1.0 million of Igloo Insurance PCC Limited (Cell ASG2)'s shares, at par.

19. Stock – Group

	Under construction		Completed properties		
	Social £m	Non-social £m	Social £m	Non-social £m	Total £m
At 1 April 2021	144.2	253.9	79.5	62.3	**539.9**
Additions	90.1	80.9	–	–	**171.0**
Impairment charge	(3.2)	–	(0.4)	(0.2)	**(3.8)**
Properties completed	(102.5)	(108.2)	102.5	108.2	**–**
Reclassification between tenures	–	–	4.5	(4.5)	**–**
Transfer from social housing properties	–	–	2.1	–	**2.1**
Transfer from investment properties	–	–	–	0.1	**0.1**
Properties sold	–	–	(120.7)	(132.8)	**(253.5)**
At 31 March 2022	**128.6**	**226.6**	**67.5**	**33.1**	**455.8**

20. Debtors

	Group		Parent	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Amounts falling due within one year				
Rent and service charge debtors	**77.6**	72.0	**–**	–
Impairment	**(50.8)**	(45.9)	**–**	–
	26.8	26.1	**–**	–
Amounts due from Group undertakings: loans and cash pooling	**–**	–	**9.5**	6.9
Local authority housing transfers	**6.0**	7.0	**–**	–
Amounts due from Group undertakings: interest	**–**	–	**0.1**	0.1
Prepayments and accrued income	**29.0**	22.0	**7.1**	7.4
Deferred tax assets (see note 11)	**3.0**	–	**–**	–
Amounts due from Group undertakings: trading	**–**	–	**6.1**	10.8
VAT debtor	**5.5**	9.8	**0.1**	–
Grant debtors	**32.4**	5.5	**–**	–
Other debtors	**11.0**	10.5	**1.9**	1.6
	113.7	80.9	**24.8**	26.8
Amounts falling due after one year				
Finance lease debtors	**1.9**	–	**–**	–
Amounts due from Group undertakings: loans	**–**	–	**394.4**	425.4
Local authority housing transfers	**96.0**	100.9	**–**	–
Derivative financial assets (see note 26)	**8.0**	14.0	**–**	–
Deferred tax assets (see note 11)	**2.9**	5.6	**–**	–
	108.8	120.5	**394.4**	425.4

Included in 'Rent and service charges debtors' are gross social housing rent arrears of £74.3 million (2021: £70.2 million), which are impaired by £49.6 million (2021: £44.6 million).

Rents and service charges debtors relating to former tenants total £29.7 million and are provided for in full (2021: £26.4 million).

21. Current asset investments – Group

	2022 £m	2021 £m
Collateral deposits	**108.1**	112.0
Cash held on deposit	**7.7**	7.7
	115.8	119.7

Collateral deposits represent cash that the Group has had to place with derivative counterparties, as a result of the derivative fair values being sufficiently "out of the money" that the Group's liability exceeds an agreed amount.

Funds held by Igloo, the Group's insurance vehicle, have been invested on a short-term basis. At the reporting date, £7.0 million (2021: £7.0 million) is invested in various Certificates of Deposit, which mature over the course of the following year.

22. Creditors: amounts falling due within one year

	Group		Parent	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Debt (see note 24)				
Bank overdraft	**–**	–	**0.4**	–
Bank loans and bonds	**44.0**	133.2	**–**	–
Obligations under finance leases	**0.1**	0.1	**–**	–
Amounts due to Group undertakings: loans and cash pooling	**–**	–	**131.0**	125.5
	44.1	133.3	**131.4**	125.5
Capital grants (see note 25)				
Social housing property grants	**23.8**	23.6	**–**	–
Recycled Capital Grant Fund	**13.5**	10.3	**–**	–
	37.3	33.9	**–**	–
Other creditors				
Trade creditors	**12.8**	8.5	**1.9**	2.1
Local authority housing transfers	**6.0**	7.0	**–**	–
Derivative financial liabilities (see note 26)	**–**	6.5	**–**	–
Interest creditor	**37.2**	37.0	**–**	–
Amounts due to Group undertakings: interest	**–**	–	**0.1**	0.2
Rents and service charges received in advance	**35.7**	35.1	**–**	–
Other accruals and deferred income	**105.4**	120.3	**5.5**	15.9
VAT creditor	**3.7**	3.8	**–**	7.5
Other taxation and social security	**4.8**	3.8	**–**	3.1
Amounts due to Group undertakings: trading	**–**	–	**22.5**	3.0
Other creditors	**13.5**	7.9	**4.0**	5.6
	219.1	229.9	**34.0**	37.4
	300.5	397.1	**165.4**	162.9

The Group has a cash pooling arrangement whereby cash held by subsidiaries is pooled into the Parent's bank accounts. As a result the Group's subsidiaries hold very little cash and instead have an interest-bearing intercompany balance with the Parent. The bank overdraft above is not a genuine overdraft but a cash accounting timing difference caused by this cash pooling arrangement.

23. Creditors: amounts falling due after one year

	Group		Parent	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Debt (see note 24)				
Bank loans and bonds	**4,459.0**	4,260.0	**–**	–
Obligations under finance leases	**7.1**	7.3	**–**	–
Amounts due to Group undertakings: loans	**–**	–	**472.3**	502.2
	4,466.1	4,267.3	**472.3**	502.2
Capital grants (see note 25)				
Social housing property grants	**2,185.7**	2,150.6	**–**	–
HomeBuy grants	**9.3**	9.9	**–**	–
Recycled Capital Grant Fund	**14.5**	12.9	**–**	–
	2,209.5	2,173.4	**–**	–
Other creditors				
Local authority housing transfers	**96.0**	100.9	**–**	–
Derivative financial liabilities (see note 26)	**219.1**	322.3	**–**	–
Other creditors	**22.4**	21.0	**–**	–
	337.5	444.2	**–**	–
	7,013.1	6,884.9	**472.3**	502.2

24. Debt analysis – Group

	2022 £m	2021 £m
Debt is repayable as follows:		
Due within one year	**44.1**	133.3
Due between one and two years	**42.6**	50.9
Due between two and five years	**217.3**	221.3
Due after more than five years	**4,206.2**	3,995.1
	4,510.2	4,400.6

The Group's funding is provided by the following entities, through a mixture of facilities which are drawn as follows. Additionally, there are a number of accounting adjustments to these notional amounts.

	2022 £m	2021 £m
Notional amounts drawn		
Clarion Funding PLC		
– Note issuance	**1,750.0**	1,450.0
Clarion Treasury Limited		
– Loans	**1,368.7**	1,534.2
Circle Anglia Social Housing PLC		
– Bond issuance	**635.0**	635.0
Affinity Sutton Capital Markets PLC		
– Bond issuance	**500.0**	500.0
Circle Anglia Social Housing 2 PLC		
– Private placement	**150.0**	150.0
Clarion Housing Association Limited		
– Bonds and loans	**41.7**	47.7
– Finance leases	**5.5**	5.6
Latimer Weyburn Works Limited		
– Loans	**–**	1.2
Your Lifespace Limited		
– Finance leases	**1.2**	1.2
	4,452.1	4,324.9
Accounting adjustments		
Fair value adjustment due to		
– Acquisitions of Mercian Housing Association Limited and Russet Homes Limited	**12.3**	13.3
– Hedging of private placement	**0.9**	10.0
Effective interest rate adjustment	**44.9**	52.4
	58.1	75.7
	4,510.2	4,400.6

The fair value adjustment relating to acquisitions is amortised over the life of the related loans and £1.0 million has been released in this period (2021: £1.0 million).

24. Debt analysis – Group (continued)

The following tables show the maturity and margins on the Group's principal borrowings:

	Within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	Total £m
Maturity of notional amounts drawn					
Term	36.2	35.1	143.3	1,063.0	**1,277.6**
Revolver	3.6	3.7	11.0	72.8	**91.1**
Bond	1.1	1.2	4.1	2,911.2	**2,917.6**
Private placement	–	–	50.0	100.0	**150.0**
Finance lease	0.1	0.1	1.2	5.3	**6.7**
Other	1.2	1.1	1.7	5.1	**9.1**
At 31 March 2022	**42.2**	**41.2**	**211.3**	**4,157.4**	**4,452.1**
At 31 March 2021	131.2	49.1	215.4	3,929.2	4,324.9

	Within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	Total £m
Maturity of facilities (notional amounts)					
Term	36.2	35.1	143.3	1,063.0	**1,277.6**
Revolver	10.2	160.2	430.6	488.0	**1,089.0**
Bond	1.1	1.2	4.1	2,911.2	**2,917.6**
Private placement	–	–	50.0	100.0	**150.0**
Finance lease	0.1	0.1	1.2	5.3	**6.7**
Other	1.2	1.1	1.7	5.1	**9.1**
At 31 March 2022	**48.8**	**197.7**	**630.9**	**4,572.6**	**5,450.0**
At 31 March 2021	176.9	49.5	716.6	4,336.8	5,279.8

	At 1 April 2021 £m	Cash flows £m	Changes in fair value £m	Other non-cash changes £m	At 31 March 2022 £m
Analysis of changes in net debt					
Cash and cash equivalents	130.8	7.1	–	–	**137.9**
Debt	(4,400.6)	(118.3)	9.1	(0.4)	**(4,510.2)**
Derivatives	(314.8)	–	103.7	–	**(211.1)**
Net debt	**(4,584.6)**	**(111.2)**	**112.8**	**(0.4)**	**(4,583.4)**

	Fixed rate £m	Floating rate £m	Total £m
Analysis of financial instruments by type of interest (notional amounts)			
Term	904.0	373.6	**1,277.6**
Revolver	5.0	86.1	**91.1**
Bond	2,917.6	–	**2,917.6**
Private placement	–	150.0	**150.0**
Finance lease	6.7	–	**6.7**
Other	9.1	–	**9.1**
Borrowings at 31 March 2022	**3,842.4**	**609.7**	**4,452.1**
Cash and cash equivalents	–	(137.9)	**(137.9)**
Collateral and other deposits	(7.0)	(108.8)	**(115.8)**
Cash and deposits at 31 March 2022	**(7.0)**	**(246.7)**	**(253.7)**
Net borrowings at 31 March 2022	**3,835.4**	**363.0**	**4,198.4**
Net borrowings at 31 March 2021	3,812.6	261.8	4,074.4

The Group's debt has a weighted average maturity of 15 years (2021: 15 years) and a weighted average cost of 3.64% (2021: 3.81%). In order to minimise the Group's exposure to variable interest rate risk, 91% of the Group's portfolio is fixed, either directly or as a result of interest-rate swaps which convert variable interest rates to fixed interest rates (2021: 94%).

25. Capital grants – Group

	HomeBuy grants £m	Social housing property grants £m
At 1 April 2021	9.9	2,174.2
New grant recognised	–	79.6
RCGF utilised	–	3.4
Amortisation income	–	(23.8)
Recycled on disposals (net of amortisation)	(0.6)	(6.5)
Disposals not required to be recycled	–	(17.4)
At 31 March 2022	**9.3**	**2,209.5**
Amounts falling due within one year	–	23.8
Amounts falling due after one year	9.3	2,185.7
	9.3	**2,209.5**

	HE £m	GLA £m	Total £m
Recycled Capital Grant Fund			
At 1 April 2021	11.4	11.8	**23.2**
Additions to fund due to disposals	3.3	4.9	**8.2**
Utilised against new properties	(3.4)	–	**(3.4)**
At 31 March 2022	**11.3**	**16.7**	**28.0**
Amounts falling due within one year			13.5
Amounts falling due after one year			14.5
			28.0
Amounts three years old or older which may need to be repaid	–	6.9	**6.9**

26. Financial instruments - Group

The following financial derivative contracts are in place, all relating to interest-rate swaps:

	2022			2021		
	Active £m	**Forward starting £m**	**Total £m**	Active £m	Forward starting £m	Total £m
Notional						
Option	50.0	–	**50.0**	50.0	–	50.0
Pay fixed	734.9	–	**734.9**	976.1	25.0	1,001.1
Receive fixed	100.0	–	**100.0**	100.0	–	100.0
	884.9	**–**	**884.9**	1,126.1	25.0	1,151.1
Fair value						
Option	(7.0)	–	**(7.0)**	(3.9)	–	(3.9)
Pay fixed (liability)	(212.1)	–	**(212.1)**	(314.0)	(10.9)	(324.9)
Pay fixed (asset)	7.1	–	**7.1**	4.0	–	4.0
Receive fixed	0.9	–	**0.9**	10.0	–	10.0
	(211.1)	**–**	**(211.1)**	(303.9)	(10.9)	(314.8)

Forward starting swaps represent hedging activity entered into in line with the Group's Treasury Risk Management Policy based on the forecast debt profile to protect against future interest rate increases.

For those interest-rate swaps where cash flow hedge accounting is used, the net undiscounted cash flows are expected to occur as follows:

	2022 £m	2021 £m
Due within one year	**20.8**	35.0
Due between one and two years	**14.3**	28.6
Due between two and five years	**50.9**	74.4
Due after five years	**167.4**	211.4
	253.4	349.4

In order to better understand the assumptions behind the nature of measuring the fair values of the Group's swap portfolio, the values have been placed into a hierarchy similar to that under IFRS 13.

All of the Group's derivatives at the reporting date are Level 2 (2021: all are Level 2).

Following the cessation of LIBOR on 31 December 2021, all of the Group's financial instruments that were previously indexed to Sterling LIBOR are now indexed to SONIA. The Group applies the amendments to IFRS 9 issued in August 2020 to those hedging relationships directly affected by IBOR reform and the amendments to FRS 102 issued in December 2020 for the disclosure of such relationships. The Group has also updated its hedge documentation in order to designate the new benchmark.

In order to ensure the change is done on an economically equivalent basis, a credit adjustment spread has been added to the SONIA rate for instruments previously indexed to LIBOR. In doing so, the Group applies the following reliefs in IFRS 9:

- the carrying amounts of assets and liabilities are not affected by the change in benchmark;
- hedge relationships can be re-designated to the new benchmark without discontinuing the hedge relationship; and
- amounts accumulated in the cash flow hedge reserve are deemed to be based on the new benchmark.

Following the completion of the transition, there is no further uncertainty from the reforms and this uncertainty is no longer a possible source of ineffectiveness. The Group will continue to manage interest rate risk through interest rate swaps.

27. Provisions for liabilities and charges

	Group		Parent	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Net pension liabilities	**14.6**	58.5	**–**	–
Deferred tax liabilities	**2.3**	1.4	**–**	–
Other	**7.4**	5.5	**0.9**	1.1
	24.3	65.4	**0.9**	1.1

For further details of the Group's and Parent's pension arrangements see note 28.

Group

	Deferred tax liabilities £m	**Other £m**	**Total £m**
Deferred tax liabilities and other provisions			
At 1 April 2021	1.4	5.5	**6.9**
Additions	0.9	5.5	**6.4**
Amounts utilised	–	(2.0)	**(2.0)**
Unused amounts reversed	–	(1.6)	**(1.6)**
At 31 March 2022	**2.3**	**7.4**	**9.7**

See note 11 for an explanation of the deferred tax liabilities.

Other provisions includes, amongst other amounts, £4.6 million for costs associated with the decant of Clare House, including leaseholder buybacks (2021: £nil); £1.2 million for an arrangement with Thames Water for collecting water and service charges (2021: £2.2 million); and £nil for a pension cessation guarantee made as a result of the prior year disposal of Invicta Telecare Limited (2021: £1.1 million).

Parent

	Other £m
Other provisions	
At 1 April 2021	1.1
Additions	0.9
Amounts utilised	(0.5)
Unused amounts reversed	(0.6)
At 31 March 2022	**0.9**

Other provisions includes, amongst other amounts, £0.8 million (2021: £1.0 million) for dilapidations at leased offices that the Parent has decided to vacate.

28. Pensions

The Group now participates in the following defined benefit schemes, which it accounts for as defined benefit schemes:

Scheme	Date of the most recent comprehensive actuarial valuation
Cambridgeshire County Council Pension Fund	31 March 2019
Clarion Housing Group Pension Scheme	30 September 2021
Downland Housing Group Pension & Assurance Scheme	31 March 2021
Kent County Council Pension Fund	31 March 2019
London Borough of Bromley Pension Fund	31 March 2019
London Borough of Merton Pension Fund	31 March 2019
London Pensions Fund Authority Pension Fund	31 March 2019
Norfolk County Council Superannuation Fund	31 March 2019
Surrey County Council Pension Fund	31 March 2019

In the current year, the Group derecognised the £4.0 million net surplus on the London Borough of Bromley Pension Fund, as this surplus is not recoverable through either refunds or reduced contributions.

In the prior year, the Group exited part of the Kent County Council Pension Fund, as part of which it made a cessation payment of £0.8 million.

The Parent pays contributions in respect of active employees, and accounts for these on a defined contribution basis.

The most recent comprehensive actuarial valuations have been used by the scheme actuaries to estimate the amounts recognised by the Group. These amounts are, in aggregate, as follows:

Reconciliation of opening and closing pension assets and liabilities:

	Group	
	2022 £m	2021 £m
Fair value of scheme assets		
At the beginning of the year	**429.6**	372.5
Interest income	**9.0**	8.6
Actual return on scheme assets less interest income	**14.4**	51.4
Contributions by employer	**10.6**	10.5
Contributions by members	**0.5**	0.6
Benefits paid	**(12.0)**	(11.3)
Pension surplus (assets in excess of obligation) not recoverable	**(4.0)**	–
Cessation of schemes	**–**	(2.7)
At the end of the year	**448.1**	429.6
Defined benefit obligation		
At the beginning of the year	**488.1**	404.8
Current service cost	**4.1**	4.9
Interest expense	**10.1**	9.3
Actuarial (gains)/losses in respect of liabilities	**(28.1)**	82.9
Contributions by members	**0.5**	0.6
Benefits paid	**(12.0)**	(11.3)
Cessation of schemes	**–**	(3.1)
At the end of the year	**462.7**	488.1
Net pension liabilities	**(14.6)**	(58.5)

Amounts credited/(charged) to the Income Statement:

	Group	
	2022 £m	2021 £m
Operating costs		
Current service cost	**(4.1)**	(4.9)
Cessation of schemes	**–**	(0.4)
	(4.1)	(5.3)
Interest payable relating to pensions		
Interest income	**9.0**	8.6
Interest expense	**(10.1)**	(9.3)
	(1.1)	(0.7)
	(5.2)	(6.0)

Gains/(losses) recognised in other comprehensive income:

	Group	
	2022 £m	2021 £m
Actuarial gains/(losses)		
Actual return on scheme assets less interest income	**14.4**	51.4
Actuarial gains/(losses) in respect of liabilities	**28.1**	(82.9)
	42.5	(31.5)
Pension surplus (assets in excess of obligation) not recoverable	**(4.0)**	–
	38.5	(31.5)

The categories of scheme assets, and the actual return on those assets, were as follows:

	Group	
	2022 £m	2021 £m
Equities	**160.5**	151.8
Gilts and other bonds	**141.5**	141.6
Property	**33.3**	24.4
Cash	**8.7**	5.9
Target return portfolio	**6.5**	6.2
Other	**101.6**	99.7
	452.1	429.6
Pension surplus (assets in excess of obligation) not recoverable	**(4.0)**	–
	448.1	429.6
Actual return	**23.4**	60.0

28. Pensions (continued)

The ranges of principal actuarial assumptions used, including the expected number of years in retirement, are as follows:

	Group	
	2022	2021
Inflation	**3.2%-3.9%**	2.7%-3.4%
Future salary increases	**3.7%-5.0%**	3.4%-4.2%
Future pension increases	**3.2%-3.9%**	2.8%-3.4%
Discount rate	**2.6%-2.8%**	2.0%-2.2%
Retiring today – male	**21.1-22.8**	21.0-22.9
Retiring today – female	**23.4-25.3**	23.2-25.3
Retiring in twenty years – male	**22.4-24.6**	22.3-24.8
Retiring in twenty years – female	**24.9-27.2**	24.8-27.3

The Trustee of The Pensions Trust has recently completed a review of the changes made to the benefit structures of the defined benefit pension schemes within the Trust, including the Clarion Housing Group Pension Scheme. The result of this review is that, in some cases, it is unclear whether changes were made to scheme benefits in accordance with the Trust's governing documentation. The Trustee has been advised to seek directions from the Court on the effect of these changes. Currently Court direction is pending and it is unlikely the impact will be understood fully until late 2024 at the earliest.

As a result of this review the Group has been provided with an estimated potential liability totalling £12.3 million. This liability represents the estimated value of the potential additional liabilities due to potentially reduced members' benefits built up before the date the changes were made in the pension scheme documentation. It does not reflect amendments affecting future service as the Trustee's legal advisors currently consider there to be a less likely outcome that the Court would find such amendments to be invalid (i.e. power of amendment). The liability has been estimated on a non-accounting basis and reflects the position as at 30 September 2021. No allowance for this liability has been made in the accounts on the basis that the likelihood of any obligation is still very much uncertain.

29. Contingent assets/liabilities

Group

As per note 1, the original amount of social housing property grants may become repayable. In addition to the amounts disclosed in creditors, £398.6 million of grant has been credited to reserves to date through amortisation (2021: £377.5 million). The timing of any future repayment, if any, is uncertain.

The Group has a contingent liability in relation to defects found at 1,447 other properties (2021: 1,328 properties). For 76 of these properties, a formal liability assessment has been made, totalling £0.5 million (2021: 141 properties, £1.0 million).

On 27 July 2021, Clarion Housing Association Limited received a letter of claim regarding potential defects in the design and/or construction of a site and buildings sold under a Development and Sale Agreement dated 15 January 2010. The initial claim is valued at up to £17.0 million. Particulars of Claim and evidence have been requested but are yet to be received. The parties have entered into a Standstill Agreement suspending time until 1 June 2023. As such the likelihood of any liability and its timing is very much uncertain. On 5 May 2022, a further letter of claim was received from insurers to recover insured and uninsured losses totalling £1.1 million plus decant and other costs. The position is currently being investigated.

Parent

The Parent has no contingent assets/liabilities.

30. Capital commitments – Group

	2022 £m	2021 £m
Contracted for but not provided for in the financial statements	**728.2**	1,036.4
Authorised by the Board but not contracted for	**3,394.7**	3,419.3
	4,122.9	4,455.7

These commitments to future capital expenditure relate to the construction of housing properties.

The figures above include £799.0 million (2021: £851.5 million) for the Group's share of the capital commitments of its JCEAs.

At the reporting date the Group had £137.9 million of cash and cash equivalents and £997.9 million of undrawn funding. The remaining £2,987.1 million is expected to be funded by future surpluses and debt funding, sourced from banks and the debt capital markets. The Group considers this to be a reasonable expectation given its previous success in these markets and its strong, investment-grade credit rating. A further £300 million of the Group's £3 billion European Medium Term Note programme was issued during the year (2021: £450 million).

Additionally, in August 2021 grant allocations for the Affordable Homes Programme 2021-26 were announced. The Group was awarded £249.7 million of grant funding from Homes England and £240.0 million from the Greater London Authority, which in total will support the delivery of 6,770 homes.

31. Commitments under leases

Total future minimum lease payments under non-cancellable operating leases are due as follows:

	Group		Parent	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Within the next year	**7.9**	8.2	**5.1**	5.1
Between one and five years' time	**15.6**	18.5	**13.6**	15.1
Later than five years' time	**0.2**	2.2	**–**	2.1
	23.7	28.9	**18.7**	22.3

Total future minimum lease payments under non-cancellable finance leases are due as follows:

	Group		Parent	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Within the next year	**0.7**	0.7	**–**	–
Between one and five years' time	**4.1**	2.8	**–**	–
Later than five years' time	**14.8**	17.0	**–**	–
	19.6	20.5	**–**	–

The latter reconciles to the amounts included in creditors for "obligations under finance leases" as follows:

	Group		Parent	
	2022 £m	2021 £m	**2022 £m**	2021 £m
Obligations under finance leases				
Amounts falling due within one year	**0.1**	0.1	**–**	–
Amounts falling due after one year	**7.1**	7.3	**–**	–
	7.2	7.4	**–**	–
Interest payable to be recognised in future periods	**12.4**	13.1	**–**	–
	19.6	20.5	**–**	–

32. Non-equity share capital

	2022 £	2021 £
Shares of £1 issued and fully paid		
At the beginning of the year	**15**	15
Movement during the year	**(2)**	–
At the end of the year	**13**	15

Each member of the Parent holds one £1 share. These shares carry no dividend rights and are cancelled on cessation of membership of the Parent. Each member has the right to vote at members' meetings.

33. Legislative provisions

The Parent is a registered society under the Co-operative and Community Benefit Societies Act 2014 and is regulated by the Regulator of Social Housing.

34. Subsidiaries, JCEs and associates

Full name	Company	FCA Registered Society	Charity Commission	Regulator of Social Housing
At the reporting date, Clarion Housing Group Limited controls the following entities. It also owns 100% of each of these entities, either directly or indirectly, except where shown in brackets:				
Registered Provider (Public Benefit Entity)				
Clarion Housing Association Limited	–	7686	–	4865
Property maintenance or management				
Clarion Response Limited	04129615	–	–	–
Grange Management (Southern) Limited	08351375	–	–	–
Registered charities (Public Benefit Entities)				
Circle Anglia Foundation Limited	01832817	–	326681	–
Clarion Futures	07156509	–	1135056	–
Treasury vehicles				
Affinity Sutton Capital Markets PLC	06678086	–	–	–
Affinity Sutton Funding Limited	05589011	–	–	–
Circle Anglia Social Housing PLC	06370683	–	–	–
Circle Anglia Social Housing 2 PLC	09781172	–	–	–
Clarion Funding PLC	10922187	–	–	–
Clarion Treasury Limited	06133979	–	–	–
Property development				
Affinity Sutton Investments Limited	07466271	–	–	–
Affinity Sutton Professional Services Limited	07068999	–	–	–
Broomleigh Regeneration Limited	06494492	–	–	–
Circle Housing Asset Design Limited	08822471	–	–	–
Clarion Developments Limited (1)	09042606	–	–	–
Downland Regeneration Limited	06456605	–	–	–
Latimer Clyde Limited	59050	–	–	–
Latimer Cocoa Works LLP	OC419999	–	–	–
Latimer (Tendring Colchester Borders Garden Community) Development Limited (2)	12429722	–	–	–
Latimer Developments Limited	05452017	–	–	–
Latimer Green Lanes Limited	012398V	–	–	–
Latimer Kirkstall Limited	11909078	–	–	–
Latimer Media City Limited	11850531	–	–	–
Latimer Otford West Limited	11775770	–	–	–
Latimer Storrington Limited	11894235	–	–	–
Latimer Weyburn Works Limited	11474914	–	–	–
Leamington Waterfront LLP	OC318351	–	–	–
Your Lifespace Limited	02998648	–	–	–

(1) Formerly Merton Developments Limited
(2) Formerly Latimer (Colchester East) Development Limited

Full name	Company	FCA Registered Society	Charity Commission	Regulator of Social Housing
Property management				
Amplify Residents Management Company Limited	12715679	–	–	–
Avon View & Swan House Management Company Limited	06371295	–	–	–
Broadmeadow Park Management Company Limited	12691939	–	–	–
Century Place (Pulborough) Management Company Limited	09651096	–	–	–
Conningbrook Lakes Management Limited	11416212	–	–	–
Eaton Crescent Management Company Limited (73%)	10097852	–	–	–
Elmbridge Road Cranleigh Homes Management Limited (89%)	11772660	–	–	–
Garway Court (Tredegar) Management	5575222	–	–	–
Latimer Blackfriars Road Management Limited	12525940	–	–	–
Latimer Green Lanes Management Limited	12715812	–	–	–
Maple Grove (Hackbridge) Management Limited	11148693	–	–	–
Ropetackle East Management Company Limited	6601595	–	–	–
Thackeray Mews Limited (62%)	02666421	–	–	–
Tollgate Gardens (NW6) Residents Management Company Limited	11024438	–	–	–
Water Meadow Place Management Limited (57%)	11621637	–	–	–
Waterfront (Warwick) Management Company Limited	06371938	–	–	–
Other				
Old Ford Homes Limited	04625160	–	–	–
Rent with Clarity Limited	11504941	–	–	–

The Group also accounts for the assets and liabilities of its captive insurance cell as if it were a subsidiary:

Full name	Company	FCA Registered Society	Charity Commission	Regulator of Social Housing
Insurance vehicle				
Igloo Insurance PCC Limited (Cell ASG2)	53462	–	–	–

The Group is a member of the following JCEs. It also owns 50% of each:

Full name	Company	FCA Registered Society	Charity Commission	Regulator of Social Housing
Property development				
72 Farm Lane Developments LLP	OC379893	–	–	–
261 City Road Developments LLP	OC360210	–	–	–
Bellway Latimer Cherry Hinton LLP	OC435634	–	–	–
Bonner Road LLP (3)	OC401099	–	–	–
Bovis Latimer (Sherford) LLP	OC423820	–	–	–
Circle Hill LLP	OC397177	–	–	–
Countryside Clarion (Eastern Quarry) LLP	OC420693	–	–	–
Durkan Latimer Eddington LLP	OC434668	–	–	–
Hadley Goodmayes LLP (4)	OC429926	–	–	–
Hadley Penge LLP	OC435213	–	–	–
Hadley Streatham LLP	OC432013	–	–	–
Latimer Hill LLP	OC415952	–	–	–
Latimer Hill Attleborough LLP	OC439632	–	–	–
Latimer Hill (Hardwick) LLP	OC429829	–	–	–
Latimer LN NW10 LLP (5)	OC439169	–	–	–
Linden (York Road) LLP	OC392756	–	–	–
Linden/Downland Graylingwell LLP	OC333712	–	–	–
Lovell Latimer LLP	OC429114	–	–	–
Mace Develop Latimer Limited	13732397	–	–	–
Mace Develop Latimer (Stevenage) LLP	OC439880	–	–	–
Mayfield Market Towns Limited	08161672	–	–	–
Montgomery's Wharf LLP (5)	OC437512	–	–	–
Ramsden Regeneration LLP	OC352417	–	–	–
Vistry Latimer Collingtree LLP	OC429233	–	–	–
Wilmington Regeneration LLP	OC352419	–	–	–

(3) The Group acquired the other 50% of Bonner Road LLP in May 2022.
(4) The Group disposed of its share of Hadley Goodmayes LLP in June 2022.
(5) The Group acquired 50% of Latimer LN NW10 LLP and Montgomery's Wharf LLP in June 2022.

34. Subsidiaries, JCEs and associates (continued)

Full name	Company	FCA Registered Society	Charity Commission	Regulator of Social Housing
261 City Road Developments LLP has the following 100% subsidiary:				
City Road (Lexicon) Limited	30048	–	–	–
Circle Hill LLP has the following 100% subsidiary:				
Sycamore Gardens (Epsom) Management Company Limited	10246752	–	–	–
Latimer Hill LLP has the following 100% subsidiary:				
Sycamore Gardens II (Epsom) Management Company Limited	11206945	–	–	–
Mace Develop Latimer Limited and Mace Develop Latimer (Stevenage) LLP jointly control the following JCEs:				
Mace Develop Latimer (Stevenage) Plot A LLP	OC439892	–	–	–
Mace Develop Latimer (Stevenage) Plot K LLP	OC439894	–	–	–
Mayfield Market Towns Limited has the following 100% subsidiary:				
Mayflower Residential Limited	11193327	–	–	–

All of the above companies are incorporated in England and Wales with the exception of Latimer Clyde Limited and Igloo Insurance PCC Limited (both registered in Guernsey), Latimer Green Lanes Limited (registered on the Isle of Man), and City Road (Lexicon) Limited (registered in Bermuda).

35. Related party disclosures and intra-group transparency

Debtor and creditor balances between members of the Group are either debt subject to a market rate of interest, fair values in respect of intra-Group derivative contracts, or trading balances which are non-interest bearing and are due to be settled within one year of their recognition.

The Group has a cash pooling arrangement whereby cash held by subsidiaries is pooled into the ultimate parent's bank accounts. As a result the Group's subsidiaries generally hold very little cash and instead have an interest-bearing intercompany balance with the ultimate parent.

As the Group parent, Clarion Housing Group Limited incurs certain overheads centrally on behalf of the whole Group. These costs are then recharged to other members of the Group.

Firstly, direct costs are allocated to specific business areas, such as housing management, property development and community investment. The remaining central overheads are then apportioned across all entities based on their gross profit.

The recharges/(credits) were as follows:

	2022 £m	2021 £m
Affinity Sutton Professional Services Limited	**0.6**	1.0
Circle Housing Asset Design Limited	**–**	0.1
Clarion Futures	**1.1**	2.7
Clarion Housing Association Limited	**59.0**	69.5
Clarion Response Limited	**3.6**	1.6
Grange Management (Southern) Limited	**0.1**	0.2
Latimer Developments Limited	**1.3**	1.5
Latimer Green Lanes Limited	**–**	0.2
Latimer Media City Limited	**–**	0.1
Latimer Weyburn Works Limited	**(0.2)**	–
Old Ford Homes Limited	**–**	0.1
	65.5	77.0

Other regulated members of the Clarion Housing Group have disclosed transactions with non-regulated members in their own financial statements.

Apart from any disclosures made in relation to the Group's key management personnel or JCEAs, no other related party transactions require disclosure.

Board and Executive Team

Board
David Avery (Group Chair)
John Coghlan (Vice Chair)
Clare Miller (Group Chief Executive)
Lord Barwell
Graham Farrant
Rachel Fletcher (appointed 1 September 2022)
Mark Hattersley (Group Chief Financial Officer)
Amanda Metcalfe
Doris Olulode (appointed 2 April 2021)
David Orr CBE
Rupert Sebag-Montefiore
Tom Smyth

Sue Killen (resigned 1 April 2021)
Greg Reed (resigned 16 November 2021)

Executive Team
Clare Miller
Richard Cook
Mark Hattersley
Catrin Jones
Rob Lane
Michelle Reynolds
Catherine Thomas
Ian Woosey

Company Secretary
Louise Hyde

Auditors
KPMG LLP
15 Canada Square
London E14 5GL

Registered Office
Level 6
6 More London Place
Tooley Street
London SE1 2DA

Designed and produced by Gather
+44 (0)20 76106140
Gather.london

CLARION
HOUSING GROUP

Clarion Housing Group

clarionhg.com

@clarion_group

clarion-housing-group

@clarionhousing

Clarion Housing Group Limited is a charitable Registered Society (Reg No 28038R).
Registered with the Regulator of Social Housing (Reg No LH4087). VAT No 675 646 394.
Registered office: Level 6, 6 More London Place, Tooley Street, London, SE1 2DA.