



**CLARION**  
HOUSING GROUP



# **ANNUAL**

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# **REPORT**

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# **AND**

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# **ACCOUNTS**

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2022/23

# WE ARE CLARION HOUSING GROUP



## Building for a better future

Clarion Housing Group is the UK's largest housing association, steeped in a heritage that goes back to the Victorian era.

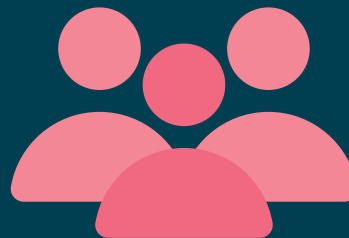
Our founder William Sutton, who died in 1900, left his £1.5 million fortune to provide homes for those who could not afford them.

Today we have 125,000 properties, providing homes for hundreds of thousands of people.

A sustainable approach permeates all that we do, and we helped to develop the Sustainability Reporting Standard for Social Housing. We were also the first housing association in the UK to be awarded the Certified Sustainable Housing Label.

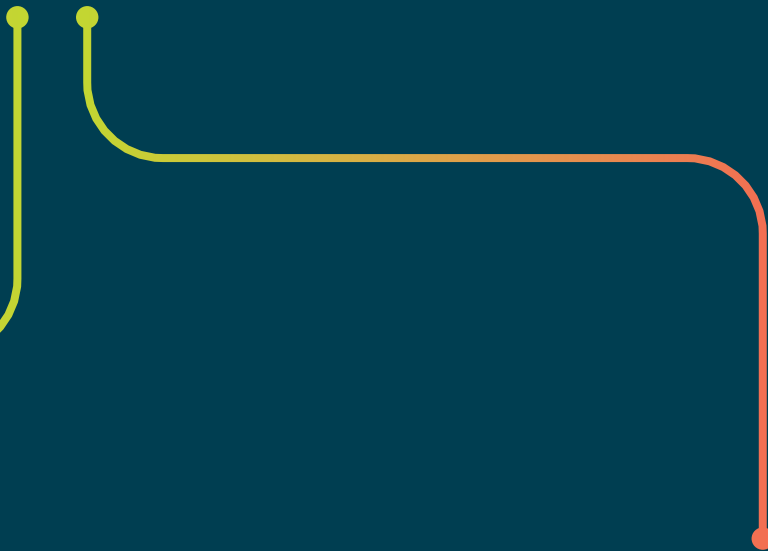
## A social landlord

We look after more than 350,000 residents, with a focus on delivering the best possible service for them, and maintain and invest in our homes. Tradespeople from our 500 strong repairs service, Clarion Response, carry out 1,000 repairs every day. We are also investing in our homes to make them more energy efficient and fit for the future.



## A home builder

Our development arm, Latimer, builds thousands of desperately needed new homes every year. A major partner of government and business, we have some 20,000 new homes in the pipeline. We build to last, focusing on sustainable homes and communities. In 2022 the independent NextGeneration sustainability benchmarking index ranked us the most sustainable not for profit housebuilder in the country and third overall.



## An investor in people and places

Our charitable foundation Clarion Futures works to transform lives and improve communities. Every year we help thousands of people into jobs and training. We also support our residents in managing their money and developing digital skills along with funding community projects. The social value from our work is in excess of £100 million a year.

# PERFORMANCE IN 2022/23



**£1,008m**

Turnover



**£261m**

Operating surplus



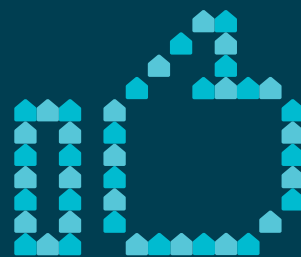
**81%**

Customer satisfaction



**£397m**

Spent on improving  
and maintaining homes



**2,032**

New homes built of which  
78% are affordable tenures



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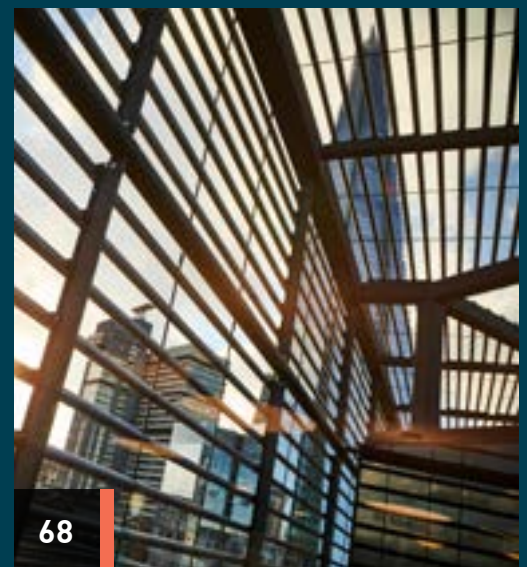
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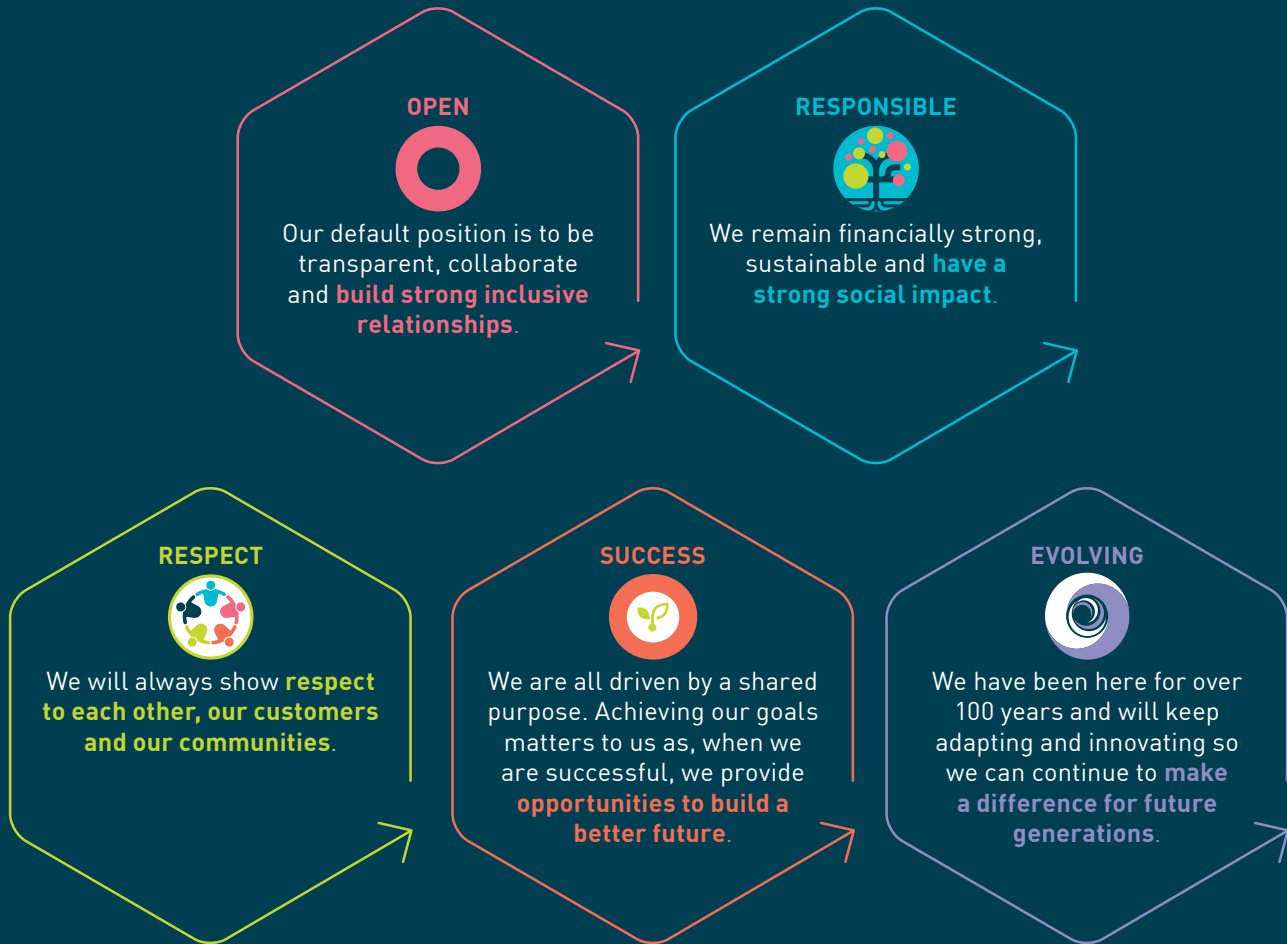


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# OUR VALUES

**Purpose:** Making a difference

**Mission:** We provide homes for those who need them most



**We seek to deliver for our customers, develop sustainable homes and communities, be an employer of choice, and be a sustainable business that makes a positive social impact.**

Above all, we aim to go the extra mile and make a difference in everything that we do in our mission to provide homes for those who need them most.

Our achievements are the result of careful planning, committed colleagues, and productive partnerships.

## Our approach

Our decisions are informed by evidence and data that enable us to make judgements when balancing the risks and benefits of different options. These judgements are not made in isolation, but in the context of the bigger picture. This means considering how we can build the maximum number of affordable homes possible, with the resources that we have at our disposal, and to the high standards that we set.

It also means that we assess the level of investment needed to ensure that our existing homes remain fit for purpose. We weigh up our long term financial stability with the demand for our homes and services, so that we are not spending beyond our means. We strive to strike the right balance between the efforts we make to generate income, through things like building homes for private sale, and our work to help people and communities.

We are focussed on developing digital solutions to deliver services for our residents in a way that is easy for them to access. We are also improving our own systems to ensure our teams have the right tools to support them in their role recognising that our people are our greatest asset.



# CORE PERSPECTIVES

We need to be confident and aligned on our 'big picture' judgements.



Are we fulfilling our charitable mission to optimise the number of new homes we build to alleviate the housing crisis?



Are we achieving the right balance between long term financial stability and short term imperatives?



Are we effectively investing in our assets to ensure they meet our commitment for quality?



Are we delivering quality services to our customers in an easy, accessible way through digital and service transformation?



Are we achieving the right sustainable balance of commercial activity and social impact?



# STATEMENT FROM THE GROUP CHIEF EXECUTIVE

## **I am pleased to report a robust performance for the financial year 2022/23 in this Annual Report and Accounts, demonstrating the resilience of our organisation in what has proved to be a very challenging and inflationary operating environment.**

Although we have been faced with one off events and projects that have had an impact, our underlying net surplus has remained strong and we have been able to increase our investment in our existing homes.

By Christmas, we had largely reinstated all of our systems fully following the cyber attack our organisation was subjected to in June 2022. Bringing our services back safely and securely was not a quick process but my teams thought laterally about how to best continue to serve our residents during this time and minimise the impact on them, prioritising repairs.

Despite the temporary disruption to our services, our customer satisfaction score has remained strong. We paused our independent surveys during the second quarter, but resumed them for the third and fourth – when we achieved a score of 81%.

We have harnessed the innovation and expertise within our 4,000 strong team over the year to take some significant steps in the maintenance of our homes. While our residents tackle the challenges of cost of living pressures, we are determined that having a safe, well maintained and affordable home is providing them with a solid foundation.

There has rightly been an increased focus on condensation, damp and mould in homes last year, and in December, we set about hiring 100 additional members of staff to help tackle the issue in our homes. There are not always simple solutions, but by increasing resource and setting out a dedicated action plan, we are doing everything in our power to make a difference for our residents in the short term, and so that our homes stay safe, comfortable and well maintained. We have been conducting 'Property MOTs' at homes we identify as being most at risk of leaks, condensation, damp and mould and have implemented a more detailed property condition survey strategy which will mean we have a holistic investment plan for every home we own.

Beyond providing a decent home, we are advocating for residents in other aspects of their lives too. During the year, we launched our energy equality campaign, calling for more affordable energy and improved access to support for those who need it. I was very pleased the Chancellor confirmed in his Budget that prepayment meter customers will no longer be charged more to receive their energy.

Acutely aware of the hardship faced by many of our residents as a result of rising bills, we established a new Cost of Living Emergency Fund. This fund has paid for warm spaces in our community centres, the expansion of 'food pantries' and other local food-related projects and warm packs comprising items such as heated blankets, draught excluders and duvets for residents at risk of fuel poverty.

I have been out in our communities over the year seeing first hand the impact our community investment services and projects are having on individuals and families during these turbulent times and it has made me as resolute as ever that we continue to make a difference at every opportunity we can.

Finally, I would like to thank all colleagues across the Group for playing their part. We are an ambitious organisation. Ambitious for our residents, for the people who serve them and for our business. We will continue to use our resources as effectively as we can to maintain our homes and support the people and families that live in them.



**Clare Miller,**  
Group Chief Executive



# STATEMENT FROM THE GROUP CHAIR

**I am immensely proud of the progress the Group has made in bringing forward real improvements to the way we deliver services for our residents, and I would like to thank the teams across the business and my Board colleagues for their work over the year.**

Ours is a sector that has experienced multiple changes in our operating environment, bringing new priorities and hard choices to make. The financial pressures we and other housing providers are currently facing are huge and therefore our performance over 2022/23 demonstrates the Group's resilience.

There are still not enough homes in this country. Demand far outstrips supply; overcrowding is a prevalent issue and many families who might benefit from a social tenancy are unable to get one. The 2,032 new homes we delivered – 78% of which were affordable tenures – is a notable achievement for the Group in the last year, given the challenging economic and market conditions.

As well as working hard to bring forward the new homes communities so desperately need, we have been making sure our existing homes are fit for the future. Clarion is investing £108 million to upgrade the energy efficiency of thousands of our homes after a consortium of social housing providers, led by the Group, was awarded £48.9 million from the Government's Social Housing Decarbonisation Fund (SHDF). The funding will allow us to upgrade an additional 5,300 homes as part of our nationwide retrofit programme.

Making our homes cheaper to heat is just one of the ways we are helping our residents mitigate the significant impact of the cost of living crisis. A survey\* we commissioned in the winter showed almost half of social renters have no savings to cushion the impact of the rising cost of living and one in three social renters had gone without food in the last three months because they couldn't afford it.

Even though our residents benefit from paying heavily subsidised rents, many are still in a precarious financial position. Through our charitable foundation, Clarion Futures, we have been able to make a hugely positive impact over the year. Our jobs and training service has helped over 2,000 people secure employment and has helped nearly 6,000 people access training.

Demand for support from our Clarion Futures Money service remains high in light of continued pressures on the cost of living. This has pushed some of our households into extreme hardship. Over 17,500 money guidance and financial inclusion interventions were made by the service and its external partners over the last 12 months.

Our ability to continue to provide a great service, maintain our homes and build new homes is underpinned by our financial strength. I am therefore pleased that these accounts demonstrate such a robust performance, and look forward to continuing to make a positive difference in the year ahead.



**David Avery,**  
Group Chair

*\*Online research conducted by Opinium amongst 2,000 adults aged 18+ in England only between 4-14 November 2022, with respondents split equally between social renters, private renters and owner occupiers.*



# OUR CUSTOMERS

## Positive experience

We want to ensure our services are as easy and accessible as possible, and our residents are able to choose how to be contacted in the way that best suits them. We strive to deliver a high quality service around the clock, with our work informed by regular surveys of our residents. We know we need to continue to improve the quality of our services, communications and ease of transacting with us and this remains our priority.

During the time our telephony was impacted by the cyber attack, we increased the hours of operation of our online Live Chat service, and our customer service social media channels. In addition, we increased our presence on our estates to make it even easier for residents to speak with us directly about non urgent issues while they were not able to phone us. For urgent issues, residents were still able to phone us day or night via an outsourced contact centre partner.

The premium we place on doing the best for our customers is reflected in a series of commitments that we developed in 2022/23. These include providing a fast response, with easy to access services, and keeping our residents informed. Making sure that our homes and communities are well maintained and safe, and supporting residents where they need help, are also among our commitments. We will review these pledges on an annual basis to ensure they are addressing the needs of our residents and focus on what matters most to them. In the coming year, we will publish data on our progress in meeting our customer commitments.

Delivering for our residents starts before they have moved into their homes. During the year, we developed a new welcome pack to help new residents settle in and get off to the best possible start. This was done with the help of feedback from more than 500 new residents, as well as those of our colleagues who work directly with them.

In February 2023 we relaunched our online repairs service, to remind residents of how easy it is to raise issues with us and get repairs done to their homes, and manage all aspects of this process. Since the relaunch, 10% of repairs are now booked online. Customer satisfaction ratings for repairs booked online, as reported on the 'On My Way app' averages 4.54/5 stars, indicating the majority of residents have appreciated the convenience of the process.

To make our customer website as accessible as possible, we introduced a new tool called 'Recite Me' during the year, which is allowing users to customise our website to their visual needs - including font, language translation and a screen reader.

The information we provide for our customers makes a practical difference to their lives, with our advice on saving energy and making money go further amongst our most popular resources used by our residents. Residents who

need support to access online services benefit from help in developing digital skills and can borrow laptops or tablets free of charge, along with pre paid wi fi access. A number of our contractors, such as Equans, Travis Perkins, United Living and Wates have helped us to build up a stock of equipment that can be loaned to those in need.

We have also continued to roll out our new Resident Liaison Officer role within our Housing Team, which was piloted in 2021/22. This provides our customers with a single point of contact in cases where complex repairs are being undertaken to their homes.

“ I am so grateful for my home and I am very aware of the massive part it has played in my life. I am very happy in my home where I grew up with my parents and siblings, and was able to raise a family of my own. There are so many happy memories here and I still enjoy the community. One of the great things is that my landlord Clarion, formerly Sutton Trust, has always been there to support us throughout the 93 years.”

Elaine Millington, Clarion resident since 1929.

## Shaping services

We are constantly looking at how we deliver for our customers and regularly review the services we provide. Our residents play a key role in shaping the services we deliver nationally and locally. Last year, around 39,000 residents were involved in giving us their feedback.

There are various mechanisms through which our residents can be involved in our work. These range from face to face feedback at events to belonging to scrutiny committees which report back to our Housing Association Board.



Elaine Millington, Clarion resident since 1929.

During the year, the North London Scrutiny Committee reviewed how we involve residents in our decisions over investing in existing homes. This resulted in greater information being provided around our future plans, and including residents in our decision making.

In 2022/23 we also worked with residents to develop new fire safety leaflets, a building safety handbook, and review online materials about our policies on pet ownership, subletting, and home improvements.

Another way in which we gauge the needs of our customers is through our annual residents' survey. The findings of the 2022 survey reflected the mounting cost of living crisis, amid spiralling inflation and soaring energy prices. And in October 2022, we released the final report in a major study that has tracked the impact of the pandemic on our residents since 2020. This revealed that more than one in three residents (37%) only had enough money for essentials. Our understanding of the difficulties faced by our residents has informed our work to provide extra support at a time when energy costs have risen sharply and inflation has reached double figures.

## Improving life chances

Homes are the foundations on which lives and communities are built, and a core part of our work is opening doors to opportunities where people can fulfil their potential. Our charitable foundation, Clarion Futures, runs one of the UK's biggest social investment programmes. This encompasses a free national employment and training scheme, grants for individuals and organisations, and support in money management and developing digital skills.

Every year thousands of residents benefit from the opportunities that we provide with the help of hundreds of partner organisations across the country. These range from major companies to small community charities. Microsoft, the NHS, Plymouth Argyle Football Club, and Primark are just some of the employers we work with to help residents into work.

We supported more than 2,114 people into jobs (including 622 from the externally funded programme Love London Working) and almost 6,000 into training in 2022/23. Our support goes beyond employment opportunities, we also invest in people who want to set up their own business - and helped more than 70 people to start out on their own in the past year. And in February 2023 the Love London Working jobs and training scheme that we have led since 2016 was awarded an extra £1.8 million in funding to continue until the end of 2023.

We also help our residents get online through our digital inclusion programme. This runs free training courses in digital skills and arranges free loans of laptops, tablets and prepaid MiFi devices to those in need.

The financial pressures faced by our residents saw us and our external partners go to the aid of people struggling with their finances on more than 17,000 occasions during the year - offering help ranging from budget planning to applying for financial grants. We provided bespoke money guidance for more than 4,000 households. In addition to responding to requests from residents for help, we also take proactive action and offer support in situations such as where people have fallen behind with their rent.

The cost of living crisis has highlighted the importance of our work to support residents and the communities in which they live. During the year, our annual survey of residents reflected the financial cost of the steep rises in inflation and energy

prices. It found that 85% of Clarion residents were worried about increasing energy bills, with 65% forced to reduce household spending. Some 18% have gone without food in the last year because they couldn't afford it, and 12% of residents have used a food bank.

Just as we did during the pandemic, we stepped up to help thousands of our residents who have been struggling to make ends meet. In November 2022, we launched a Cost of Living Emergency Fund to support residents facing difficulty with rising energy bills.

## Successful tenancies

As a responsible landlord, we support vulnerable residents needing help to stay in their homes. Where residents are struggling, we work with them to try to find a solution and avoid the threat of eviction.

A team dedicated to supporting our residents to stay in their homes helps people tackle their individual circumstances by coming up with practical plans of action as well as ensuring they are claiming any benefits they may be entitled to. This work makes a major difference to the lives of the people we help, with our residents benefitting from advice and support on more than 14,000 occasions in 2022/23.

During what has been an extremely tough year for many of our residents, with the cost of living crisis coming on top of the financial pressures brought by the pandemic, we handled almost 3,000 cases where households needed our help. During the year we also helped secure almost £11 million in extra income for our residents. This included back dated benefit claims, food and energy vouchers, and grants from charities.

Our 'Hometruths House' project has been targeted at new residents aged 18-25 and provides guidance on living independently - covering everything from tenancy agreements to dealing with utility bills. Practical budgeting help is also offered, as well as advice on cooking on a budget, simple DIY, and preventing problems such as damp and mould. Hometruths House was developed after feedback from our younger residents and is co-funded by the Fusion21 Foundation. It offers online workshops and a dedicated website that provides extra guidance and resources for young people moving into their first homes.

During the year we also signed up to the Department for Education's Care Leaver Covenant. This helps young care leavers to live independently and is also backed by the NHS, John Lewis Partnership, Amazon, Sky and Tesco. As part of our commitment, we will provide extra support to young care leavers to help them transition to living in their own homes. Care leavers who take part in our Hometruths House programme receive £250 in energy or supermarket vouchers. They also benefit from personalised help to find work. In terms of our own recruitment, we guarantee interviews for care leavers who meet the basic job criteria. We have also created a working group made up of colleagues who have been in the care

system, so that we can help focus our support in areas where we can make the biggest difference.

“**As a large housing provider, Clarion can have a deeply positive influence on the lives of our young people as they transition out of care. We're pleased to be working closely with Clarion to create tailored support for care leavers so that they have better access to housing, and a support structure around them once they are in stable and secure housing.**”

Mark Rogers, Director of Legacy at the Care Leaver Covenant.





## Local partnerships

Our work to make a difference for our residents and their communities is built on a network of diverse organisations we work with across the country.

The ‘Chatter Tables’ scheme is just one example of the many projects that we support. This is a community project run by a resident led charity, Leecliffe Big Local, in Borehamwood. It tackles loneliness and isolation by bringing residents together to have a cup of tea and a catch up at weekly sessions at St Michael’s and All Angels Church in Borehamwood.

Another example of how we work with local partners is our role in chairing the West Sussex Housing Providers Forum, which includes representatives of local authorities, housing associations, and charities. This brings together different organisations to collaborate on finding and delivering solutions to local issues.

And in Bromley, South London, we work with the police, fire brigade, and local council in holding events to tackle challenges facing the local community. These ‘Community Impact Days’ bring people together to raise awareness of things such as crime prevention and dealing with anti social behaviour.

Ensuring their safety is a vital part of our work with vulnerable residents. During the year we investigated more than 1,500 safeguarding concerns that were raised and made almost 700 safeguarding referrals to local authorities.

“**The Community Impact Days are considered excellent practice and an innovative way of utilising multi-agencies and bringing in local communities.**”

Ken Loyal, former Chief Inspector for Bromley

Fuel poverty has become an ever increasing problem during the year, with energy bills rising at unprecedented rates. We have responded by funding organisations across the country to provide warm spaces for those who cannot afford to heat their homes. The Riverside Community Centre in South London, which started running ‘Warm and Well Tuesdays’ in January 2023, is one such example. Such was the demand for this support, we intend to continue our Warm Spaces grant programme into 2023/24.

Heating is not the only area where we have acted to support people through our community partners. In 2022/23 we gave a number of grants to organisations fighting food poverty, which went towards providing a lifeline for hundreds of people short of food. We also provided grants for groups running courses showing people how to cook on a budget - helping to make their money stretch further.

# OUR HOMES AND COMMUNITIES



Clarion Group Chief Executive Clare Miller and local stakeholders at the Barne Barton regeneration site.

## Regeneration

We are breathing new life into neighbourhoods through our major regeneration schemes. A number of landmarks were reached during the year. In May 2022, we obtained planning approval for the first 200 new homes in Eastfields, Mitcham. This is part of our £1.3 billion regeneration of several estates in partnership with Merton Borough Council - one of the biggest regeneration projects in the country - that will see some 2,800 homes built.

At one of our oldest estates, Sutton Dwellings, in Chelsea, work is underway to refurbish four empty apartment blocks and bring back 80 homes into use in the process. And work started in March 2023 on replacing an ageing estate in Barne Barton, Plymouth, with more than 200 affordable homes set amid green spaces.

*“I have worked closely with all housing providers in the area and am excited to see the transformation in this close-knit community.”*

*“Quality of housing has been a problem in this area for some time and I fully support all that Clarion is doing to improve the offering for my constituents.”*

Johnny Mercer, MP for Plymouth Moor View.

We take an evidence led approach to investing in homes and communities, with regular assessments of the condition of our homes. By being proactive we are able to focus on those properties at risk of damp and mould. We are trialling

new technologies to provide remote readings of the thermal performance, energy usage and humidity of our homes. We have also started using drones to survey our roofs and external walls, saving the time and expense of traditional methods.

## Safety first

The safety of our residents comes first and we invest tens of millions each year to ensure that our homes are safe places in which to live.

An ongoing safety programme keeps fire doors, alarm systems and other safety measures up to standard. Our comprehensive building safety regime includes having designated building safety managers, using 3D modelling to map and assess buildings, and produce safety reports for individual buildings. During the year we spent circa £40 million on fire safety works such as cladding remediation, fitting alarm systems and installing fire doors.

We also completed inspections of the external walls of all our buildings that are over 18 metres high as part of our cladding replacement programme. The vast majority of these buildings did not require any action and we have successfully addressed all high risk issues identified.

We keep our residents fully informed of the work we are doing to protect their homes, and ensure they know what to do in the event - however unlikely - of a fire. In 2022/23 we also established a building safety steering panel. This is tasked with ensuring our compliance with all building safety regulations, with our progress tracked on a monthly basis.

During the year, we took steps to ensure that we are working in accordance with the Building Safety Act. Our approach to safety includes having building safety managers responsible for specific buildings, engaging with residents, and having comprehensive data about our buildings, along with safety management systems and assessments. In 2022 we were awarded a Gold Award by the Royal Society for the Prevention of Accidents, in recognition of our well developed occupational health and safety management systems and culture, outstanding control of risk and very low levels of error, harm and loss.

## Well maintained

We know the importance of having a safe, secure and comfortable home. During 2022/23 we invested £397 million in maintaining and improving our existing homes.

Our 500 strong repairs team, Clarion Response, is the biggest in house repairs provider in England. During the year we completed the transfer of Clarion Response into the heart of the housing association, to create a new property management function. Its skilled and experienced tradespeople are focussed on delivering the best possible service for our customers around the clock, carrying out more than 1,000 repairs daily to keep our residents' homes safe, comfortable and secure. We're proud to have ended the year with a repairs satisfaction score of 88.8%.

Emergency repairs are dealt with within 24 hours and the 'On My Way' app enables residents to track the progress of repairs teams. However, annual checks on the condition of our homes help spot any problems at an early stage, and our learning culture means that we invite - and act upon - customer feedback on how we are performing. Customers giving low ratings are contacted within 24 hours, and their feedback is brought to the attention of our repairs teams.

During the year the housing sector has increased its focus on the issue of condensation, damp and mould. We accelerated our plans to renew our approach to the issue, having previously carried out extensive and collaborative work across teams to identify ways to better tackle the problem. Dealing with the problem quickly and efficiently is at the heart of our approach, and we provide residents with support and advice on how to spot and prevent damp and mould in their property.

We have increased our investment in devices to monitor levels of humidity and ventilation in homes, to help identify problems at an early stage. Specialist surveyors are brought in to assess homes where there is persistent damp and mould, and we are revisiting every home that has reported damp and mould in the last two years. In 2022/23 we announced plans to recruit an additional 100 people to boost our efforts to prevent and treat leaks, condensation, damp and mould in residents' homes.

We seek to deal with the root cause of damp and mould. For example, at Belhaven Court in Borehamwood, while remodelling the 50 year old building which was prone to the issue, we also replaced the building's ventilation system and upgraded the extraction fans.

## Sustainable homes

We are building homes fit for the future, guided by a sustainable development roadmap.

Reducing our carbon footprint is not only good for the planet, it's also good for our residents who benefit from energy efficient homes. We no longer use traditional fossil fuel heating systems in our designs for new homes. And we are investing in retro fitting our existing homes to ensure that they have an Energy Performance Certificate (EPC) rating of D as an absolute minimum by 2025.

During the year we led a consortium of social housing providers that was awarded the largest share of new funding from the government's Social Housing Decarbonisation Fund, with £48.9 million to improve the energy efficiency of homes. On top of this funding from the Department of Energy Security and Net Zero, we will invest an additional £59 million to take the total being invested in this work to £108 million.



Computer generated image of plans for Eastfields, Merton.



Computer generated image of plans for Eastfields, Merton.



Around 6,000 homes - of which 5,300 are Clarion properties - will be fitted with energy saving features such as cavity walls, loft and external wall insulation, and air source heat pumps. This builds on a landmark retrofit programme that we began in 2021/22 to reduce carbon emissions and drive down energy bills in hundreds of homes in Fenland, Tonbridge and Malling, and the London Borough of Merton. This work was recognised at the 2023 Retrofit Academy awards in March 2023, where we won in the Best Social Housing Retrofit Programme category.

During the year, Latimer our development arm, was ranked the UK's most sustainable not for profit housebuilder by the independent Next Generation sustainability benchmark that assesses the social, economic and environmental performance of the top 25 developers of new homes. We were named third overall among all housebuilders in the report.

Our new homes do not just contribute to the physical landscape. Our construction work also brings investment into local communities, an example being the 66 apprenticeships 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.

Another example of this is a supplementary social project at our development site in Leeds to tackle local homelessness in and around the city. In partnership with charity St George's Crypt and the council, we have provided nine secure temporary accommodation units on the site for rough sleepers for around three years while the development is completed.

## New homes

We are determined to play our part in tackling the country's housing crisis. Every year we build more than 2,000 new homes. We work with local and national government as well as home builders, and have some 20,000 new homes in the pipeline.

We develop a variety of sustainable housing, from city centre apartments to family homes in towns and villages throughout England. The majority of our new homes are affordable tenures, as part of our drive to provide homes for those who need them most.

A number of major developments got the green light during the year. These ranged from a 1,400 home mixed use regeneration development at Kirkstall Road in Leeds city centre to a new scheme that will see 133 homes built in Chester city centre. Another scheme given planning permission will see 212 homes built on the site of the former Richmond upon Thames College in London.

During the year construction began on a number of projects, such as a new residential development of more than 300 homes in Attleborough, Norfolk, as well as a £83 million scheme in York. The new Cocoa Gardens development in York will see the creation of more than 300 new homes.

In Basingstoke we welcomed our first residents to a new affordable housing development built on the site of a former hostel that had lain empty for several years.

During the year we also welcomed our first residents to our £70 million development of 280 homes in MediaCityUK, Salford and we finalised plans to restore Twyford Abbey, a derelict grade II listed manor house in Ealing, west London, to its former glory as part of a 326 home development.

One of our biggest long term developments reached a milestone, with architecture firm Haworth Tompkins appointed to create a masterplan for the 7,500-home Tendring Colchester Borders Garden Community in Essex. The Haworth Tompkins led team will comprise Swedish masterplanners Kjellander Sjöberg, spatial and landscape design practice Periscope, emerging architecture firm Grounded Practice, international engineering and sustainability experts Arup and regenerative design specialist Exploration Architecture.



Ravensbury Grove, Merton.

Computer generated image of plans for Sutton Estate, Chelsea.





Sandringham Court, Basingstoke.

“ I am absolutely delighted with the flat Clarion has provided me and my two children...Such care has been taken into every aspect of the flat to make it a loving environment for me and my children. It really has changed our lives from coming from a very difficult situation. I’ve never seen my children so happy. Clarion should be very proud - as am I.”

Bea Hopper, new resident in Basingstoke.



High Path, Merton.



Wisbech, Fenland.

High Path, Merton.



# OUR PEOPLE

## Engagement

Our people are united and dedicated to making a difference and providing homes for those who need them most.

We celebrate their achievements through events such as our annual awards where more than 1,400 colleagues participated in 2022/23. Our shared purpose is also strengthened by personal updates to our people from our Chief Executive, Clare Miller, as well as regular broadcasts and conversations where our Executive Team tackle questions raised by the audience.

During the year we launched a new intranet site that provides colleagues with a platform where they can access information and share news. This supplements the tools we have to encourage collaboration whether that is virtually or in person. One of our values is to be open and we demonstrate this by communicating honestly about our challenges whilst celebrating our success. Our vision is for Clarion to be truly inclusive by allowing people to be themselves, raising awareness and recognising the enormous benefits our wide diversity brings.

## High performing people and teams

Our 4,000 strong team represents a blend of experience and skills that amounts to a powerful force for change.

We are the employer of choice for many people entering the housing sector and during the year we welcomed more than 1,100 new colleagues. Our people benefit from the investment we make in their professional development, helping them succeed in pursuing careers with a purpose where they make a difference to the lives of others. In 2022/23 we supported more than 160 colleagues in progressing their careers through further study - doubling the funding we provide for people to pursue professional qualifications such as MBA courses.

During the year we also sent several colleagues to take part in a summer school in Bochum, Germany, run by EBZ Business School. The event brought together housing professionals from across Europe to examine the challenges of responding to climate change.

## Leadership

Our eight strong Executive Team leads from the front, with a shared vision for the future of Clarion, maximising the potential of our incredible teams to deliver great outcomes for our residents.

Our Chief Executive, Clare Miller, gives video presentations to our people on a monthly basis to keep them fully informed of our performance and strategy, and visits colleagues and residents across the country to see the impact of our work on the ground.

In addition to day to day interactions, our people come together with our Executive Team during regular Q&A sessions which are held online. This is another way in which our people have a direct dialogue with our senior leaders. It is an example of the importance we place on being an open and transparent organisation where everyone is valued.

## Inclusive

Our workplace is an environment in which our people are free to be themselves. This is part of a culture in which we celebrate our differences allowing constructive challenge and ensuring equity in access to opportunities.

Our median gender pay gap was 4.56% as of 5 April 2022 - well below the national average - and our median ethnicity pay gap stood at -0.12%. Our managers are trained in identifying and addressing unconscious bias. During the year we reviewed our recruitment processes and began applying the 'Rooney Rule' when recruiting to all leadership roles. This guarantees that at least one ethnic minority candidate is shortlisted for an interview.

Words matter, which is why we launched a campaign in 2022/23 to encourage our colleagues to use gender pronouns. We also focussed on the lived experience of our people in our training materials on equity, diversity and inclusion.

## Growing together

Our people are our greatest asset and are critical to us achieving our mission to provide homes for those who need them most. We support them to progress in their careers and achieve their full potential. A comprehensive training package encompasses traditional classroom learning, secondments, apprenticeships, online courses, and sponsorships for professional qualifications or accreditations.

During the year we began offering colleagues management apprenticeships where they can study for qualifications from the Chartered Institute of Management. We launched new apprenticeships in property management, accredited with the Chartered Institute of Housing and we established the Clarion Academy, which took on 10 multi trade apprentices. In addition, we teamed up with Imperial College London and Corndel College London to offer a new range of digital and IT apprenticeships, and expanded our graduate recruitment programme.





# OUR BUSINESS

## Financial stewardship

A relentless focus on optimising our resources combined with a responsible approach to risk underpins the financial strength that allows us to invest in new homes and communities and support our residents.

We have retained strong credit ratings of A3 (negative outlook) from Moody's and A- (stable outlook) from Standard & Poor's. These provide us with continued access to funding markets and the ability to fund our ambitious development aspirations.

In November 2022, Standard & Poor's stated that we have sufficient headroom to maintain our key financial metrics, and a very strong liquidity position. In December 2022, Moody's highlighted our diverse funding strategy and strong debt management, complemented by 'ample unencumbered assets and a bespoke treasury policy.

## Good governance

The Regulator of Social Housing has recently completed an In Depth Assessment (IDA) of the Group and has reaffirmed its highest possible rating of G1 for our governance. We make clear and considered decisions, with the guidance of our Board members. In addition to an in depth knowledge of the housing sector, our Board has particular expertise in finance, business, local and national government.

During the year we reviewed and refined our corporate strategy and developed a specific sustainability strategy to guide us in our efforts to become a net zero organisation by 2050.

Key performance indicators are used to continually monitor our performance against financial and non financial targets. And we have committees tasked with focusing on audit and risk; remuneration; treasury and investment.



## Digital foundations

Our digital platforms and business intelligence tools help us to maximise our impact. For instance, by identifying residents who have fallen behind with their rent we are able to proactively work with them to deal with their arrears. The tools help our staff to prioritise cases in accordance with our criteria to ensure we work on those that have the biggest impact on our customers and our financial position. This helped Customer Teams to reduce arrears from our residents in social housing by 0.7% since the end of December 2022.

We are also exploiting the potential that technology offers to deliver for our residents faster and more efficiently, while making the protection of our data an absolute priority and strengthening further our resilience against any potential future attempt to breach our security. Following the cyber attack, we accelerated our plans for new technology and replaced our contact centre telephony with a cloud based solution. We also launched a new repairs system to provide our tradespeople with greater detail and insights into individual properties. This aligns with existing systems used by our people, residents, and contractors, and helps us to deploy the right resources at the right time, to meet the needs of our customers. Using these improved systems and processes, we are working through the back log of repairs that accrued during the time our services were reduced.

## Leading with influence

Our status as the country's largest housing association places us in a strong position to advocate for our residents. In March 2023, we launched an energy equality campaign calling for a social tariff for low income households, and an end to people being charged more for using prepayment meters. The government subsequently announced that people will no longer be charged a premium for being on prepayment meters.

We also shared our views on the government's proposals to restrict social rent rises in 2023/24 – an action which could have compromised our ability to serve our residents. Government ultimately settled on a cap of 7% which we believe is a fair settlement, providing residents with a lower rate of increase than inflation, yet fair for social landlords, allowing us to continue to invest.

We also partnered with Iceland Foods, Birds Eye, and Currys during the year to start a pilot project providing low income households with freezers, cooking classes and budgeting advice. The impact of this project is being evaluated by Manchester Metropolitan University.



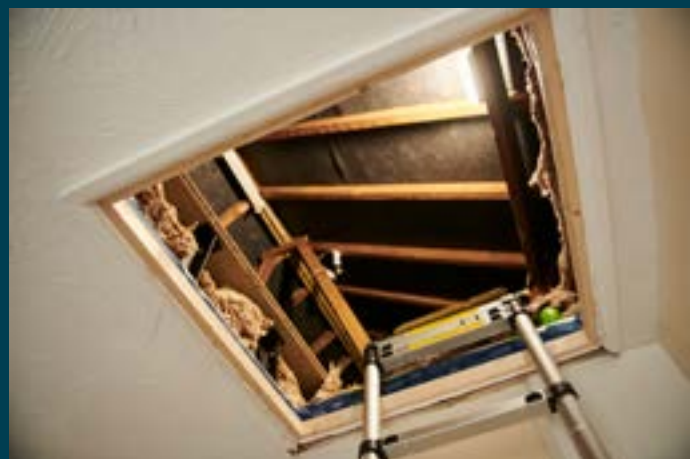
Energy efficiency retrofit project in Tonbridge.

## A sustainable business

Sustainability has always been at the heart of our work to build better futures for people and places and we aim to become a net zero organisation by 2050, if not sooner.

We track our progress against 48 criteria across Environmental, Social and Governance (ESG) measures in the Sustainability Reporting Standard for social housing. We continue to work with our supply chain to reduce waste and emissions, use less energy and water, and increase recycling and the use of sustainable materials. During the year we built on our investment in electric vehicles for our frontline colleagues by installing EV charging points at some of our offices.

In 2022/23, we also commenced our journey to align ourselves with the recommendations of the Taskforce for Climate related Financial Disclosures (TCFD). We have focussed initially on assessing our material physical and transitional risks and using these to inform our 2050 climate scenarios. We will then use these scenarios to understand our climate related risks and opportunities in a climate changed future. More information on our progress and scenarios can be found in our Making a Difference ESG Report later this year.



# STREAMLINED ENERGY AND CARBON REPORTING (SECR)

Here we set out Clarion Housing Group's energy use and carbon emissions, including its subsidiary businesses, for the 2022/23 financial year. This disclosure is in line with the Government's Streamlined Energy and Carbon Reporting (SECR) methodology as defined by the Environmental Reporting Guidelines (March 2019) and as required in The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

	2022/23	2021/22	YoY variance (%)
<b>UK Energy use (MWh)</b>			
Electricity	27,998	30,196	-7%
Natural gas	75,284	80,020	6%
Van fleet	11,304	11,806	4%
Grey fleet + company operated cars	1,739	2,315	25%
Transport total	13,043	14,121	8%
<b>Total</b>	<b>116,325</b>	<b>124,337</b>	<b>6%</b>
<b>Associated Greenhouse Gas (GHG) Emissions (tonnes CO2e)</b>			
Electricity	5,910 [495*]	6,979 [567*]	-15%[-13%*]
Natural gas	13,742	14,656	6%
Van fleet	2,895	2,971	-3%
Grey fleet + company operated cars	428	583	-27%
Transport total	3,323	3,554	-7%
<b>Total</b>	<b>22,975</b> <b>[17,561*]</b>	<b>25,190</b> <b>[18,778*]</b>	<b>9%</b> [-6%*]
<b>Intensity Ratio (tCO2e/£m revenue)</b>	<b>22.80 [17.43*]</b>	<b>23.79 [17.73*]</b>	<b>4%</b> [-2%*]

\*The figures presented in square brackets reflect Clarion's investment in Renewable Energy Guarantees of Origin (REGOs) for all electricity supplies within our Group energy contract. Under the Greenhouse Gas Protocol, this is called 'market based' reporting, as opposed to 'location based' reporting. Location based reporting, while mandatory to report on under SECR, does not consider the electricity supply contracts/arrangements a company has and instead uses a national carbon emissions factor for the electricity consumed. As Clarion's REGO backed electricity is classed as renewable, the only emissions associated with our electricity use under a 'market based' approach are associated with the transmission and distribution losses of the national grid.

## Energy efficiency actions

Over the last financial year, Clarion has built upon the great progress already made towards our sustainability targets, including the creation of a new sustainability strategy. We have further embedded energy efficiency and decarbonisation activities into all parts of the organisation. The following text is a snapshot of Clarion's energy efficiency and carbon initiatives that will be expanded upon within our ESG report, Making a Difference, to be published autumn 2023.

## In our workplaces

Firstly, Clarion continues to use Renewable Energy Guarantees of Origin (REGO) certification for our electricity within our central energy contract. This includes a range of use cases - from the electricity used within our workplaces, to the communal spaces within our housing properties. This has also been reflected in the reporting under SECR through a look at the market based approach to emissions analysis.

In addition, we continue to improve the energy efficiency of our workplaces, including the installation of full LED lighting and passive infrared sensors as standard to minimise energy use from lighting, and prioritising fossil fuel free energy systems where possible (e.g., solar PV, solar water heating). Clarion's workplace fit out guidance is also currently being updated to further embed sustainability in our facilities moving forward. We are exploring the optimal way in which we can consistently improve the standards we expect to deliver, and the expectations of our contractors and suppliers, across our varied portfolio of facilities.

### In our fleet

We remain committed to phasing out fossil fuelled vehicles from our fleet. Over the past financial year, we have introduced 19 additional electric vehicles (EVs) to our fleet. In total, the fleet now contains 49 alternative fuelled vehicles (24 EVs, and 25 plug in hybrid vans) which equates to 7% of the entire fleet. We are also continuing to embed EV charging infrastructure at our workplaces, with two charge points being installed at our office in Cambridgeshire this year.

We are also focusing on how to minimise fleet emissions during the transition to a zero emissions fleet. As part of this, a fuel efficiency trial within Clarion's van fleet was carried out in early 2023. The trial involved real time analysis of driving habits to allow drivers to adjust to more fuel efficient practices, and to minimise accident potential. Over the trial period, this led to a substantial 7% reduction in fuel use (and therefore CO<sub>2</sub>e emissions) across the fleet. Based on these findings, we intend to establish a permanent fuel efficiency system for our entire fleet.

### In our homes

While the energy used within our housing properties falls outside of SECR reporting (as the energy is used by our tenants, not Clarion itself), the substantial work to make our homes more energy efficient must still be recognised here. This year we continued to deliver building energy efficiency upgrades as a key partner to the Government's Social Housing Decarbonisation Fund (SHDF) Wave 1 project, which built on the success of the SHDF Demonstrator project delivered during 2021/2022. The Wave 1 project has upgraded the energy efficiency of 388 homes in total, with a focus on fabric improvements of insulation and windows, and the installation of air source heat pumps for off gas properties.

In March 2023, a Clarion led consortium of five housing associations was awarded SHDF Wave 2 funding, winning the largest award of any applicant. This funding of £48.9 million will be more than matched by Clarion, with a total investment of circa £108 million being committed over the next three years, and it will support the continued upgrading of our housing properties, focusing on our lower performing homes (EPC E and D rated). This forms part of our wider Sustainable Homes Programme, which will constitute a substantial scaling up of energy efficiency works across Clarion's housing properties as we strive to ensure our homes are energy efficient, affordable to heat, and low carbon.

## Methodology

This information was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, 2019. Emissions have also been calculated using the latest conversion factors provided by the UK Government (2022).

An 'operational control' approach, as defined in the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard (revised edition), has been used to define our emissions boundary.

There are no material omissions from the mandatory reporting scope where the data allows for a robust calculation to be made, however there are a number of sites that are not currently under Clarion Housing Group Limited's group energy procurement contract and where we are tenants in landlord owned properties. These sites have not been included in this reporting cycle due to the complexities hampering visibility of the energy usage. Nevertheless, the Group is working hard to develop a dedicated site database to capture these in subsequent SECR reports and all corporate carbon reporting.

Beyond this, we are also working on quantifying the full scale of the Group's Scope 3 emissions as part of our wider commitment to ESG and sustainability and are planning to complete and release a detailed Climate Transition Plan in financial year 2024/25 which will break down all emission sources and our approach to reducing them.

For this financial year, 2022/23, approximately 2% of the total emissions (location based) have been estimated. These estimations have been based on the electricity and natural gas consumption where there would have been less than 100% data completeness from the collated invoices.

As part of a programme of continued improvement and data quality review, we have reassessed the 2020/21 total emissions baseline. The natural gas component has been reassessed using 'Gross CV' instead of 'Net CV' carbon emissions factors<sup>1</sup>. This means that the emissions from natural gas consumption in 2020/21, originally reported as 17,102 tCO<sub>2</sub>e, now becomes 15,434 tCO<sub>2</sub>e.

<sup>1</sup> *These factors measure the energy released from combusting a fuel, or Calorific Value (CV), in slightly different ways. DEFRA guidance states that in general, unless an organisation has specific knowledge about fuel use that would lead it to choose "Net CV", organisations should use "Gross CV" factors by default, as most energy billing is provided on a "Gross CV" basis.*

# 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 Term Financial Plan and Corporate Strategy. A summary of The Group's Corporate Strategy can be found on the Clarion Group website.

## 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 Clarion & You culture programme helps to embed the Group's 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

In the weeks following the cyber attack, staff received regular updates on progress from members of the Group Executive Team.

## Business relationships

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

- An online portal allowing prospective suppliers to identify tender opportunities;
- Feedback processes 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.

Our corporate strategy sits above individual strategies for different areas of work. One of the most important of these is sustainability, which we are embedding across our organisation and operations. We are leading the housing sector in providing homes fit for a zero carbon future and increasing biodiversity. The Group is developing our first ever sustainability strategy which will guide our path towards becoming net zero emissions by 2050.

**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 2022/23, the Group adopted the National Housing Federation (NHF) Code of Governance 2020. 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 2022/23

**We are pleased to report a robust set of results and a resilient financial position in what has been a challenging operating environment. This year we have seen inflationary pressures, a cost of living crisis and a cyber incident each bringing pressure to bear on the business. Despite this we have been able to increase the investment in existing homes, maintain the supply of new homes so desperately needed and continue investing in our communities and customer services.**

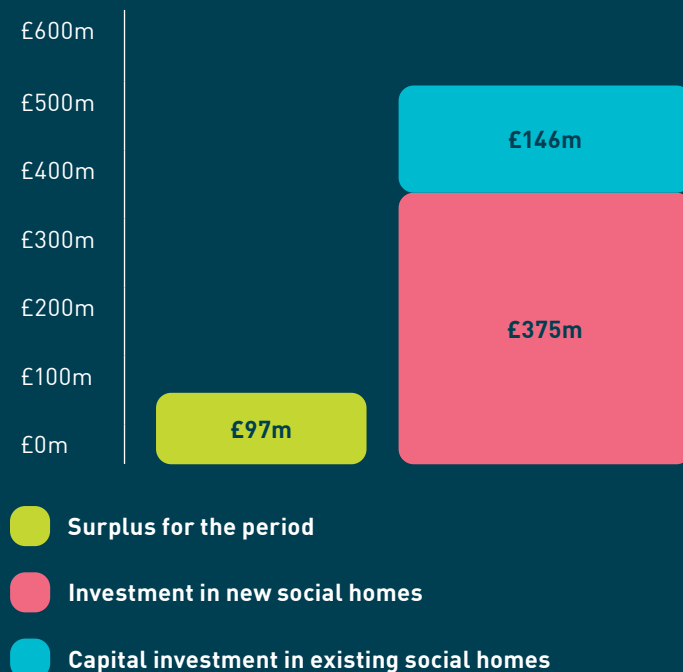
During the year we spent £146 million on improving our homes, an increase from £136 million the previous year. We delivered 2,032 new homes, 78% of which were affordable tenures (2022: 2,276 new homes, 86% affordable tenures). Overall we invested 5.4 times our surplus (2022: 3.4) in new and existing affordable homes (Figure 1) – a notable achievement for the Group in the face of challenging economic and market conditions.

We have remained determined to do what we can to help our residents and communities. This year £17 million has been invested in our communities, providing a range of support and advice for residents facing financial difficulties.

Our surplus of £97 million (2022: £186 million) has been impacted by a number of one off costs. These include £45 million linked to a debt portfolio rationalisation project which strengthens the Group's credit position, £17 million linked to the cyber incident and £24 million of development provisions and impairments (primarily linked to contractor failure). Excluding all one off costs, the underlying net surplus is £185 million (2022: £206 million) – a strong performance in the current economic climate.

We have also maintained a strong liquidity position of £1,031 million (2022: £1,136 million) and increased our net asset position to £2,514 million (2022: £2,304 million). Going into 2023/24, we maintain a solid foundation from which we can continue to deliver on our mission.

Figure 1: Surplus versus investment in social housing





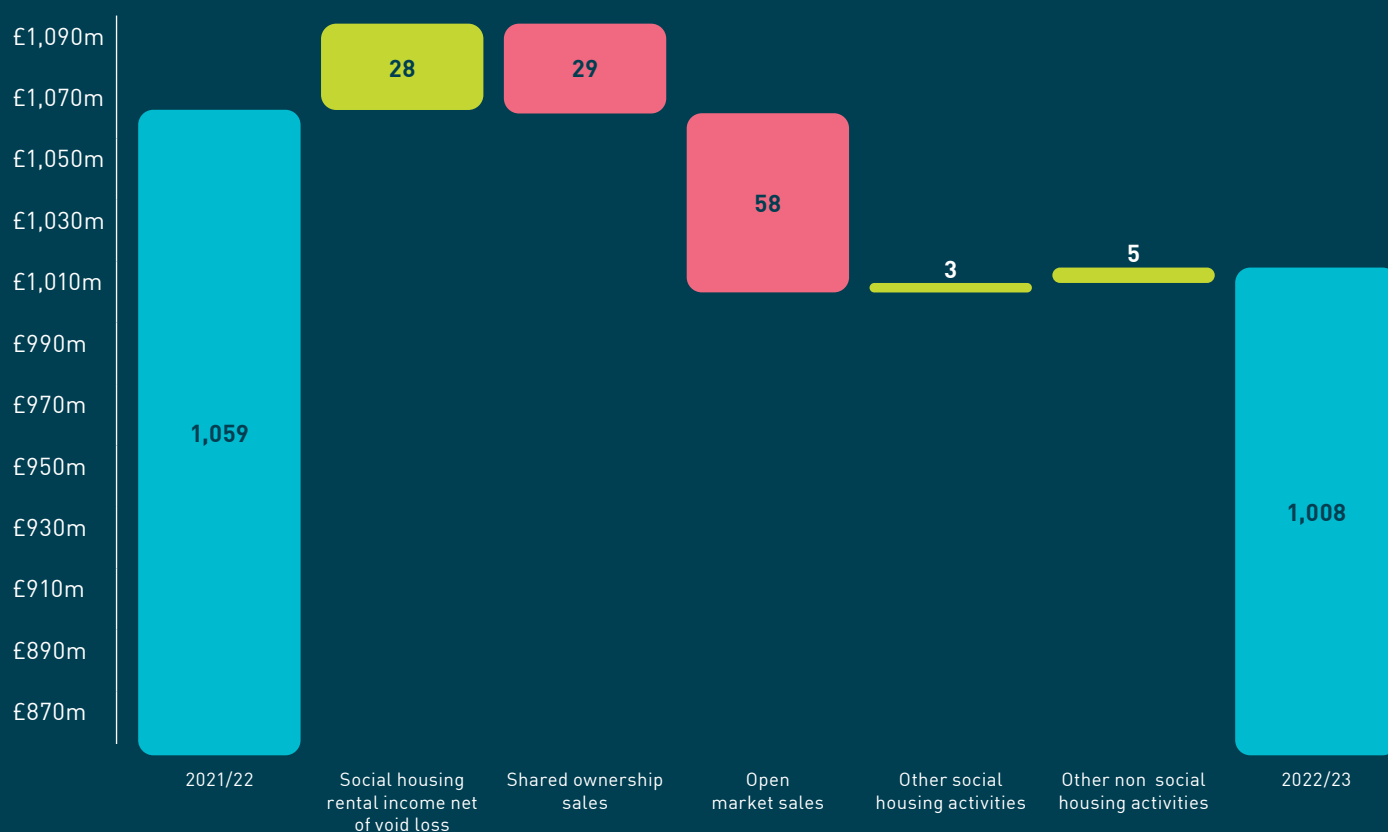
## Statement of Comprehensive Income

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

	2022/23 £m	2021/22 £m
Turnover	1,008	1,059
Cost of sales	(204)	(273)
Operating costs	(639)	(569)
Surplus on disposal of properties	96	86
<b>Operating surplus</b>	<b>261</b>	<b>303</b>
<i>Operating margin %</i>	<i>26%</i>	<i>29%</i>
Surplus on disposal of operations and other fixed assets	7	
Share of surplus on JCEAs	5	
Gain on revaluation of investment properties	5	14
Net interest and other financial income	(138)	(132)
Breakage costs	(45)	(1)
Movement in fair value of financial instruments	1	3
Other	1	(1)
<b>Surplus for the year after tax</b>	<b>97</b>	<b>186</b>
<i>Net margin %</i>	<i>10%</i>	<i>18%</i>
Remeasurement of defined benefit pensions	(28)	38
Movement in fair value of financial instruments	141	110
<b>Total comprehensive income for the year</b>	<b>210</b>	<b>334</b>

### Turnover

Figure 3: Movement in turnover during 2022/23



Turnover at £1,008 million has seen a 5% reduction on the prior year (2022: £1,059 million). As illustrated in figure 3, this reduction has been driven by lower development sales revenue which has been partially offset by an increase in our core social housing rental income.

A total of 1,142 units (913 shared ownership, 229 open market) were sold this year (2022: 1,502 units: 1,198 shared ownership, 304 open market) with sales income reducing from £307 million in 2021/22 (£150 million shared ownership, £157 million open market) to £220 million in 2022/23 (£121 million shared ownership, £99 million open market). This reduction reflects lower completions as we took a more cautious approach to development in the current climate. The blended gross margin for the year was 10% (2022: 12%) including £6 million of net

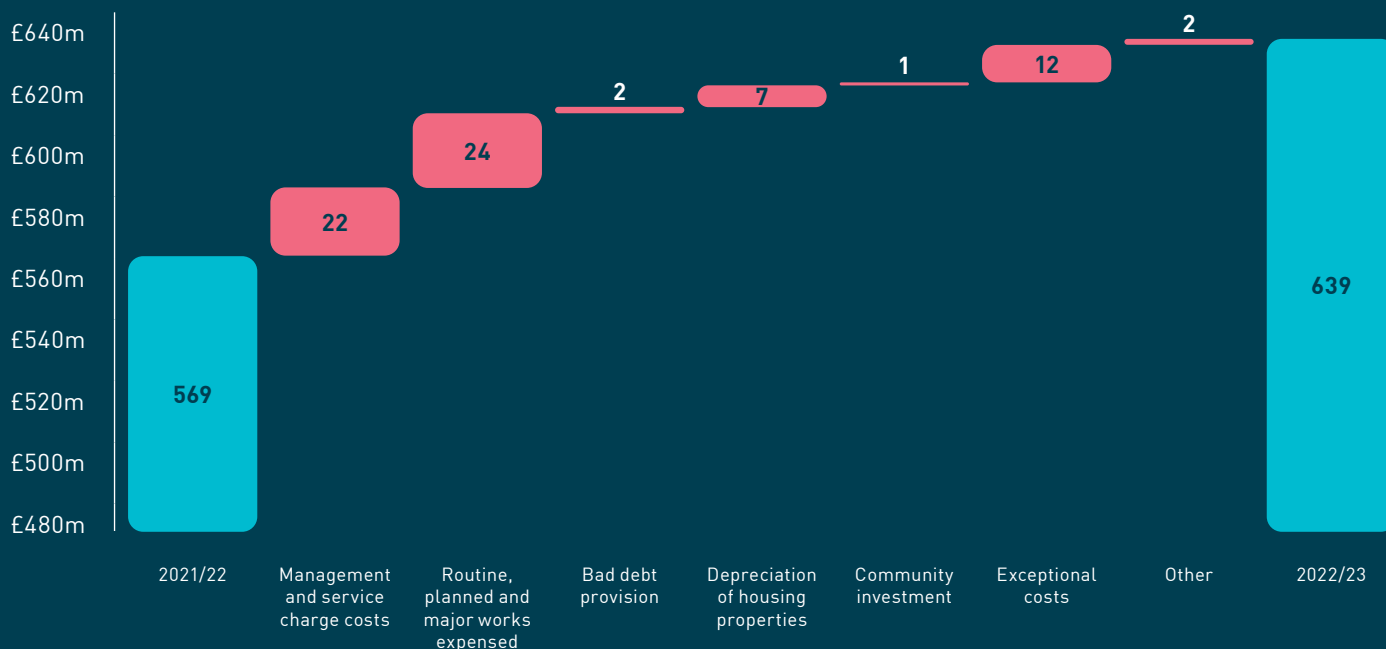
impairment charges. All figures exclude our share of joint venture sales which are covered later on. (see 'Share of surplus of JCEAs').

Social housing rental income increased by £28 million, predominantly driven by rent increases although partially offset by the impact of our asset rationalisation/disposal programme and an increase in void levels largely linked to the cyber incident.

Net movements in other social housing activities and other non social housing activities are marginal and include £7 million of receipts from leaseholder replacement homes delivered as part of our Merton regeneration and a £2 million reduction in building safety fund grant.

**Operating costs**

**Figure 4: Movement in operating costs during 2022/23**



At £639 million, operating costs are £70 million (12%) higher than the prior year, resulting in an operating cost per unit of £5,828 (2022: £5,190). Figure 4 provides an analysis of operating cost movements.

Exceptional costs this year are £12 million higher than those seen in 2021/22 and total £32 million. £17 million of this year's costs are linked to the June 2022 Cyber attack which includes £5 million in incident related direct costs (disclosed within management costs) and a £12 million increase in bad debt provisions as the event temporarily impacted collections resulting in an increase in arrears levels. Whilst recovery efforts since the incident have reduced arrears, we continue to report a prudent provision, particularly given the backdrop of a cost of living crisis. A further £13 million of exceptional operating costs this year relate to impairments, a reflection of the economic environment.

A net increase across repairs and planned works accounts for a further £24 million of the rise in overall operating costs. £21 million of this is due to routine repairs where subcontractor costs are being heavily impacted by supply chain inflation along with increased demand including that linked to our proactive approach to leaks, condensation, damp and mould.

£19 million of the increase in operating costs relates to management costs which includes higher insurance costs, utilities, decants, overheads (including dilapidation provisions for vacated offices) and staffing costs. A £3 million increase has also been seen in our service charge expenditure due to higher costs passed on from managing agents and an end to the energy cost price cap which has impacted communal meters outside of our Group energy contract.

Depreciation of our housing properties increased by £7 million driven by the additional depreciation associated with the continued investment in our existing housing units and the growing supply of affordable homes.

The support for residents delivered through Clarion Futures continues to be vital, particularly with the rising cost of living. Over the year our charitable foundation invested £14 million in our residents and communities. When further factoring in services provided by other Group members, including those donated to Clarion Futures, investment in our communities totalled £17 million.

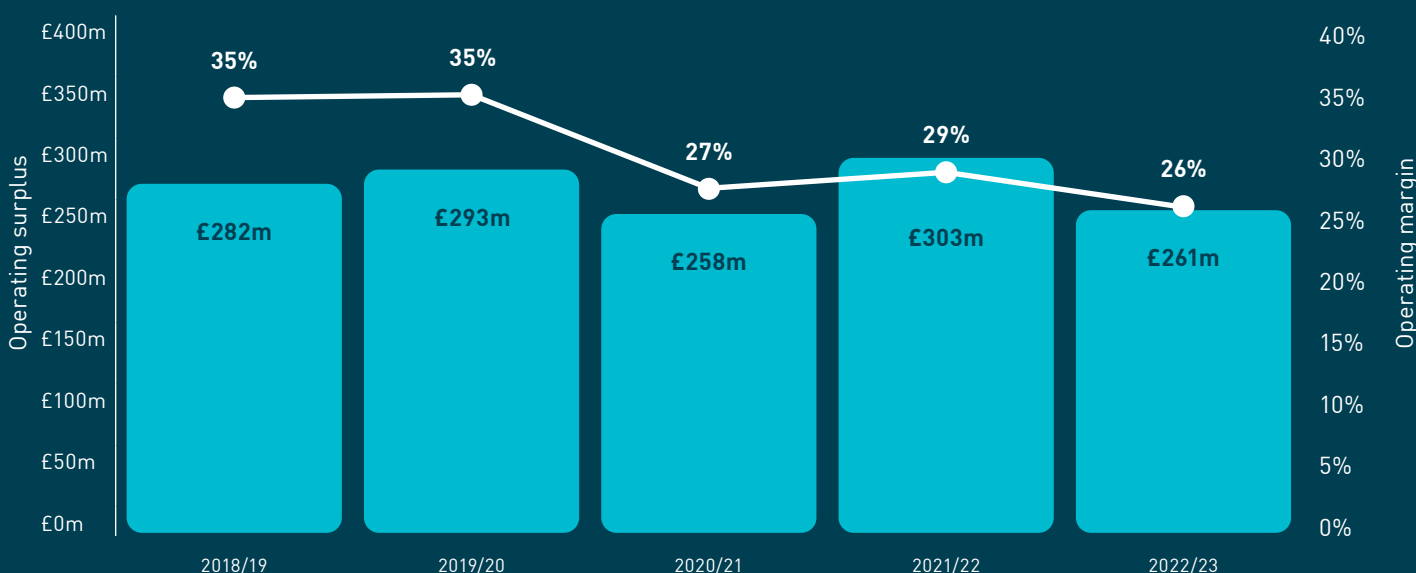
### Surplus on existing property sales

At £96 million our surplus generated from existing property disposals is £10 million higher than the prior year. Similar to 2021/22, the biggest contributor to our disposal surplus was our property rationalisation programme which saw the transfer of 1,162 units to other registered providers. An increase in margins from this programme plus higher volumes of strategic asset and right to buy/right to acquire sales are the primary driver for the additional surpluses generated.

Conversely, this year we have seen fewer shared ownership staircasings (where residents now own larger shares of their own homes): 310 staircasing transactions completed in the year, generating a surplus of £17 million (2022: 352 staircasings, surplus of £19 million).

### Operating surplus

Figure 5: Operating margin and operating surplus over five years



The impact from external economic pressures and the cyber incident has carried through to our operating surplus and margin. Operating surplus ended the year at £261 million and operating margin at 26% (2022: £303 million, 29%). Excluding exceptional costs from both the current and prior year, our operating margin is a solid 30% in both years and operating surplus for 2022/23 just £25 million lower. These results reflect the impact of external pressures on our underlying cost base and development sales volumes alongside increased income from our core rental business and the resilient performance from our existing property sales.

### Surplus on disposal of operations and other fixed assets

In June 2022, Latimer Developments Limited disposed of its interest in Hadley Goodmayes LLP generating a surplus of £7 million for the Group. Clarion remains involved in the scheme as the purchaser of the affordable housing units.

Figure 5 shows our operating surplus and margin trends over five years. It continues to show a resilient performance in a challenging market, especially if adjusted for one off costs.

### Share of surplus of jointly controlled entities and associates (JCEAs)

Over the year a number of our joint venture partnerships with other major developers have progressed from the start up to sales phase, with our share of the turnover totaling £66 million (2022: £27 million) at an overall gross margin of 18% (2022: 21%).

After financing, these partnerships have contributed a £5 million net surplus for the Group, which is an improvement on the break even position seen in 2021/22.

### Gain on revaluation of investment properties

The valuation of our market rent portfolio has continued to rise through the year, although there are variations by location. Overall demand remains strong albeit at discounted pricing, particularly where capital values are higher. In total we have seen a £7 million revaluation gain on our market rent portfolio this year (2022: £11 million gain).

Conversely, we have recognised a revaluation loss on our commercial and freehold portfolios of £2 million in total, the latter particularly impacted by the impact on yields of rising interest rates.

### Net financing costs

At £182 million, net interest has increased by £52 million on the prior year. Of this, £45 million relates to a debt restructuring project which completed in March 2023. In this, the Group utilised its strong liquidity position to rationalise some of its debt portfolio, simplifying the structure, reducing loan administration and reducing future interest costs. The project included the restructure of £173 million of fixed-rate loans and the prepayment of the remaining £32 million of a bond which was issued in 2000.

The Group continues to hold a relatively high proportion of its net debt at fixed rates (88%) ensuring it is not unduly exposed to rising interest rates. Whilst SONIA rates increased from 0.69% at the start of the year to 4.18% at 31 March 2023, interest payable across our debt and derivative portfolio increased by only £8 million and has been partially offset by a £4 million increase on finance income receivable from bank deposits.

Interest cover at 1.6 remains comfortably above our tightest covenant.

### Other comprehensive income

Rising interest rates are having a significant impact on the valuation of our interest rate swaps (derivatives) driving fair value gains of £142 million (2022: £113 million). Due to hedge accounting almost all of this movement is taken through Other Comprehensive Income (2022: £110 million).

Also impacting Other Comprehensive Income is a £28 million loss on remeasuring our defined benefit pension schemes. Our largest pension scheme recognised a £41 million actuarial loss, largely as a result of being particularly impacted by the sudden increase in gilts yields in late September 2022. The remaining pension schemes all saw actuarial gains totalling £46 million, but as disclosed in note 28 of these accounts we have capped the gain recognised, reducing it by £33 million, to better reflect expected recoverability.

## Statement of Financial Position

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

	2022/23 £m	2021/22 £m
Tangible fixed assets	8,641	8,447
Net current assets	559	632
Creditors due in over one year	(6,921)	(7,013)
Other	235	238
<b>Total net assets</b>	<b>2,514</b>	<b>2,304</b>
Income and expenditure account	2,591	2,523
Cash flow hedge and other reserves	(77)	(219)
<b>Total capital and reserves</b>	<b>2,514</b>	<b>2,304</b>

Our Financial Position metrics remain strong with a gearing ratio (as per our covenant definition) of 46% (2022: 47%) which is comfortably below our tightest covenant.

During the year, net assets have increased by £210 million (9%) to £2,514 million. The primary drivers are continued investment in our existing properties and new homes, a reduction in the fair value of derivative financial instruments due to macroeconomic factors and an increase in our pension liability (commented on previously).

### Social housing properties, stock and grant

£473 million was invested in our new homes and major regeneration programmes, a decrease on the £583 million invested in the previous year due to the more cautious approach we have adopted in recognition of the challenging market conditions. Unreserved stock levels have seen a slight increase of 19 units but those aged over 9 months have reduced by 26%, a notable achievement in the current climate.

2,032 homes were completed over the course of the year (2022: 2,276) of which 78% (2022: 86%) were for affordable tenures. £3,942 million of capital expenditure remains approved at year end (2022: £4,123 million) of which £574 million (2022: £728 million) is contracted. Our current pipeline of new homes stands at 20,970 homes.

As well as working hard to bring forward new homes, this year we also increased our investment in existing homes with expenditure of £146 million (2022: £136 million). This is on top of our £251 million (2022: £228 million) of revenue maintenance spend. Included is our continued significant investment in fire safety, energy efficiency and leak, condensation, damp and mould remediation.

Overall we have invested 5.4 times our surplus (2022: 3.4) in new and existing affordable housing assets (Figure 1) and a further 1.0 times our surplus (2022: 0.4) in new non social assets. This remains a resilient performance in the current economic climate.

### Borrowings and financial instruments

The above investment has been achieved with only a £19 million increase in drawn debt from £4,452 million to £4,471 million (excluding accounting adjustments). Committed and fully secured loan facilities at 31 March 2023 totalled £5,413 million (2022: £5,450 million).

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 £130 million (2022: £104 million) to a net liability of £81 million (2022: £211 million).

### Interests in JCEAs and goodwill

Other notable movements impacting the Statement of Financial Position are a £49 million reduction in cash and cash equivalents (see 'Statement of Cash Flows') and a £14 million increase in goodwill resulting from the Group acquiring the other 50% of Bonner Road LLP.

## Statement of Cash Flows

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

	2022/23 £m	2021/22 £m
Net cash from operating activities	340	425
Net cash from investing activities	(182)	(360)
Net cash from financing activities	(207)	(58)
<b>Net cash movement</b>	<b>(49)</b>	<b>7</b>
Cash and cash equivalents at the start of year	138	131
<b>Cash and cash equivalents at the end of year</b>	<b>89</b>	<b>138</b>

Cash generation from operations is a critically important measure since it provides an indication of the Group's ability to meet 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 £340 million (2022: £425 million), cash generation from operations remains high and significantly in excess of the £146 million investment in existing homes (2022: £136 million).

Net cash outflow from investing activities of £182 million is £178 million less than the prior year (2022: £360 million). This reduction includes lower development expenditure, a £57 million increase in grant receipts, £23 million higher proceeds from property disposals and £19 million more from the disposal of operations, partially offset by £13 million higher investment in JCEAs.

At £207 million, net cash outflow from financing activities is £149 million greater than the outflow to 31 March 2022. Interest payments are largely in line with the prior year and limited reliance has needed to be placed on debt in order to finance our development programme. Our debt restructuring project this year resulted in a one off £45 million cash outflow. Significantly, the Group changed its Cash and Investment policies in March 2022 and as a result the operational cash position for the Group has been managed downwards in the year.

Overall the Group ended the year with cash and cash equivalents of £89 million versus £138 million at 31 March 2022, a significant contributor to our overall Group liquidity of £1,031 million (2022: £1,136 million).

# 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 high levels 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/ negative outlook; Standard & Poor's A-/stable outlook).

## Capital structure

The Group utilises diverse sources and types of funding in order to reduce reliance on particular financing instruments. As at 31 March 2023, the Group had £5.4 billion of committed debt funding (2022: £5.5 billion), with drawn funding totalling £4.5 billion (2022: £4.5 billion). 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 £250 million of revolving credit facilities, and added an additional £50m of new funding capacity as part of the extension. The Group remains strongly focussed on sustainability, with all new funding arranged during the period linked to sustainability.

As at 31 March 2023 the debt portfolio duration remained at 15 years, whilst the Group's average cost of funds increased to 3.96% (2022: 3.64%). During the year the Group completed a modest debt restructuring project, simplifying the portfolio, reducing ongoing loan administration and removing associated costs. Primarily as a result of breakage costs associated with this one off project, the average cost of funds incurred during the year increased to 5.19% (2022: 4.11%).

As at 31 March 2023, 56% of committed funding was sourced from the capital markets and 44% from bilateral facilities with nine banks and building societies.

The Group has limited re-financing risk in the near term with 83% of the Group's debt facilities maturing after five years and 52% maturing after 10 years. The Group's exposure to drawn re-financing risk within one year was £44 million, representing <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 and proceeds from asset disposals supplemented 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 and stress testing 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 any adverse 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 minimise 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 2023, total liquidity of the Group was £1.0 billion, represented by £0.1 billion of cash and £0.9 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 2023, 88% 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 £1.3 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 2023 the Group held interest rate derivatives with a total mark to market value of £88 million (£81 million including credit value adjustments).

## Security

The Group maintains a prudent approach to collateralising its debt portfolio. Its main property security pool contains over 65,500 properties, providing highly diversified collateral in support of all bank funding and bonds issued (including 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 provide collateral 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 £2.8 billion whilst the total value of the security pool is in excess of £7.3 billion. Further property assets are charged on a periodic basis from the Group's substantial pool of unencumbered property assets.



# VALUE FOR MONEY

## Introduction to Clarion value for money

At Clarion, we want to operate a long term sustainable social enterprise that balances cost, economy and efficiency to deliver optimal financial and social value outcomes for our customers, assets and society, that is demonstrable to our stakeholders. This is the core vision behind our updated value for money strategy (VfM), approved by the Group Board during the year.



Across Clarion, we recognise that value for money can be delivered in both social and financial terms, which is why our value for money strategy framework is centred on sustainability. By seeking to deliver value across Customers, Assets, Social and Financial areas, we want to continue to evolve in a sustainable way, allowing Clarion to do more with less, generating a lasting impact on society and communities over the long term.

## Performance management and governance

The Board of Clarion has overall responsibility for delivering VfM at Clarion, supported by the Housing Association, Latimer and Clarion Futures Boards. Operationally, our employees play a critical role in its delivery by adopting a value for money approach in all that we do. This drives the performance of the organisation to deliver efficiency in our services, invest effectively in our existing homes and new build programme, whilst innovating and improving the quality and breadth of our outputs and services.

Supporting our VfM framework we also have the following processes in place:

- Corporate planning, business planning, annual budgeting and quarterly forecasting are in place to improve our management of budgets. Budgets are built up from a cost centre / budget holder basis with oversight from a collective position through the Group Executive and Boards. They are developed with reference to our internal financial standard framework to ensure they are financially responsible and viable.
- Reporting of monthly management information and a balanced scorecard comprised of financial and non financial metrics. This is monitored by the Group Executive and Boards to help ensure underperformance is identified, and where necessary, action plans implemented to bring performance back to an acceptable level.
- Development of VfM action plans by operating directorates to help inform budgets and quarterly forecast updates.
- A procurement function tasked with delivering tangible value to the bottom line, understanding and optimising the balance between cost and quality.
- Utilising a business case approach to help inform decisions, where we explore options and outcomes from both a financial, social and operational perspective.
- Treasury, Investment and Disposal committees oversee key asset performance, investment proposals and outcomes.
- Social Value Steering Group, set up with the aim of driving and embedding social value across all the directorates.



## 2022/23 Value for money performance and targets

### Customer value for money

Our residents are our customers and are at the heart of what Clarion does. Our customers want to live in decent quality affordable homes with security of tenure. To deliver value for our customers, Clarion will need to continue to invest in customer services – innovating, improving, and extending our service offering, accessibility, availability, responsiveness and support at each touchpoint along the customer journey with the overall aim of improving the customer experience. The measures below seek to monitor and report on our aims to improve our customer value proposition by making our interactions with customers more efficient and effective, reducing complaints and improving overall customer satisfaction whilst reducing customers' effort.

Customer VfM measures	2022/23 Actual	2022/23 Target	Achieved	2023/24 Target	2024/25 Target
Call centre customer interactions (annual) per property	8.5 <sup>1</sup>	12.2	Not assessed <sup>1</sup>	11.6	11.0
Complaints per 1,000 homes	57	48	✗	47	45
Customer satisfaction - overall	81%	80%	✓	82%	85%
Customer satisfaction - repairs	89%	85%	✓	85%	87%
Customer ease score	4.4 <sup>1</sup>	4.3	Not assessed <sup>1</sup>	4.2	4.0

<sup>1</sup> Due to the cyber incident the actuals do not represent a full year's worth of activity; therefore, the evaluation of our performance against our target for this year is not concluded.

#### Key observations:

- Customer interactions are lower than historically reported; the cyber incident reduced our service offering for approximately 3.5 months. We expect that if these interactions were included, we would have been more in line with the target set for the current year.
- Our complaints per 1,000 homes measure did not achieve the target in 2022/23. This is primarily due to the cyber incident affecting our ability to provide a business as usual service for a number of months. As we return to a business as usual position the number of complaints is expected to decline with a number of pro active initiatives supporting this.
- Despite the increase in complaints, our customer satisfaction levels remain above target at 81% overall and 88.8% for repairs. This result is pleasing given the impact of the cyber incident on our services for a number of months.
- The lower a customer ease score, the better perceived experience the customer has. Our 2022/23 score varies across the different functions that are surveyed. Again, this figure has been impacted by the cyber incident, as not all services were operating a full service during this time. The results highlight that for our housing management and customer services, we report weaker results than for our planned investment and repairs functions. These are areas of ongoing focus for us to improve and simplify the experiences for our customers.

## Social value for money

Delivering social value is central to Clarion's core mission of being a social enterprise. We deliver significant value through the provision of affordable housing and complementary services. Our strategy is to deliver value for money on a whole life basis, where we are generating benefits not only for our organisation but also for society and the economy in a sustainable and environmentally conscious manner. The work of Clarion Futures is a key delivery vehicle for our social value for money. The measures below seek to monitor and report on our aims to improve the social value proposition by increasing the resources and opportunities available to our customers and society, providing training and guidance to our customers, and continuing to provide below market rent and housing to our communities.

Social VfM measures	2022/23 Actual	2022/23 Target	Achieved	2023/24 Target	2024/25 Target
Ratio of social value generated versus Clarion contribution to Futures budget – Return on investment	14.5 : 1	14 : 1	✓	10 : 1	11 : 1
Ratio of Clarion budget contribution to additional external funding and support brought in	1 : 1.8	1 : 1.5	✓	1 : 0.7	1 : 0.8
Cash and in kind value generated by working with supply chain to deliver additional social value impact in our communities	£8.4m	£4.0m	✓	£4.4m	£4.6m
Clarionteering opportunities per annum	193	120	✓	130	140
Affordable vs Market rent social value	£541m	n/a	n/a	n/a	n/a

### Key observations:

- Clarion Futures has delivered £137 million of the Group's £139 million social value. This has resulted in a ratio of value generated from our investment of 14.5x, which is above our target of 14x.
- Through the combined effort of Clarion Futures and our procurement function, we are reporting a more than doubling of our cash in kind value generation target. This has been achieved by working in partnership with our supply chain.
- We continue to deliver substantial social value through the provision of affordable housing. Comparing our rent figures to the Local Housing Allowance (LHA) data, we calculate to have generated more than £540 million of value (2021/22: £550 million), which equates to more than £10 million per week. The slight reduction on the prior year value is due to LHA rents being frozen, whilst our rents increased by CPI+1 in April 2022. If compared to average market rents, this saving would be significantly higher.

## Asset value for money

Our mission is to provide affordable homes to those that need them most. To provide assets that are sustainable, we need to ensure we invest effectively and efficiently across both existing homes and developing new homes. This is important for driving value; by investing in our homes we are increasing the longevity of the organisation but are also ensuring our homes are fit for purpose, safe and secure and operating efficiently to reduce the operating cost of our asset base for us and the customer. The metrics outlined below will monitor and report on the development and delivery of new homes and measure the inputs and outcomes of investment in our existing assets.

Asset VfM measures	2022/23 Actual	2022/23 Target	Achieved	2023/24 Target	2024/25 Target
Average repairs job per property (tenanted)	2.7 <sup>2</sup>	3.3	Not assessed <sup>2</sup>	3.2	3.1
Repairs cost per job	£148	£145	✗	£145	£145
Units targeted to move to EPC rating of C or above	774	500	✓	1,800	2,000
% unsold stock	35%	<=35%	✓	<=35%	<=35%
New homes output - % of affordable	78%	70%	✓	70%	70%

<sup>2</sup> Due to the cyber incident the actuals do not represent a full year's worth of activity; therefore the evaluation of our performance against our target for this year is not concluded.

### Key observations:

- Average repairs per property is reported at lower levels than historic and targeted levels. This is primarily due to lower volumes of repairs being attended to whilst the cyber incident was affecting our operating activities. Higher volume activity was recorded post incident as we cleared through the back log and implemented initiatives such as the leaks, condensation, damp and mould work. We expect this to bring values in future years back in line with targeted levels.
- Across our repairs function we have experienced a combination of supply chain pressures and economic pressures resulting in sustained high inflation. This has seen our repairs cost per job increase to be above our target in 2022/23. The outlook remains challenging as we continue to operate within a high inflationary environment. However we are looking at on going improvements and initiatives across our repairs function (including the insourcing of our Equans contract during 2023/24). This will help us to target reducing the number of jobs per repair and increasing the productivity of our repairs operatives.
- During the year, we have upgraded the energy efficiency of 774 homes, to bring their EPC rating to a C or above. Positively, this is above our target, which means we are able to help more residents save money with lower ongoing energy costs, especially impactful with residents facing cost of living challenges. Furthermore, part of this work has been funded via the Social Housing Decarbonisation Fund, which means our investment in existing homes can be maximised by utilising available external funding.
- At the end of the year, our unsold stock remains in line with target, after delivering 2,032 new homes of which 78% were affordable tenures. We continue to target a minimum of 70% development output being affordable tenures.

## Financial value for money

Being financially viable demonstrates that we have the financial strength and resilience to be here for the long term as custodians of assets and provider of services that our customers and communities require. The more sustainable, efficient, and effective we are with the utilisation of our resources, the more we can deliver for our customers and stakeholders.

To monitor this, we continue to report our financial performance across the Regulator and Sector Scorecard metrics. Sector Scorecard metrics are focussed on overall business health, operating efficiencies, development, outcomes delivered and asset management. Many of the Regulator-required measures are focussed on the financial aspects of sustainability, efficiency, and effectiveness.

Tables in each sub section below show the output of The Regulator and Sector Scorecard benchmarking, including Clarion's performance over the current and prior years with comparisons to the G15 for 2021/22 (the latest publicly available data), 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 for future years, which we will report back on in next year's report. The Regulator VfM measures are identified with a tick under the heading of RSH VfM.

### 1. Business Health

Sector Scorecard - Business Health	RSH VfM	Trend	2022/23 Clarion	2021/22 Clarion	2020/21 Clarion	2021/22 G15 Average	2021/22 Clarion Ranking	2023/24 Target	2024/25 Target
Operating margin (social housing lettings)	✓	↓	19.6%	27.1%	31.0%	26.3%	6/12	24.6%	25.6%
Operating margin (overall, excluding disposals)	✓	↓	16.3%	20.4%	24.6%	17.4%	3/12	20.1%	21.1%
EBITDA MRI interest cover	✓	↓	66.8%	115.3%	151.7%	108.6%	5/12	120.0%	127.0%

The Business Health metrics link in with our strategic objectives for good Financial Stewardship and Governance. Clarion's operating margins and EBITDA MRI Interest Cover metric have deteriorated in the year against both a challenging general economic and political backdrop, and a number of exceptional one off costs. Key drivers contributing to these movements are supply chain constraints, development impairment (due to an uncertain market), increased repairs & maintenance expenditure, and elevated rent arrears (arising from the cyber incident). Also, included in Clarion's calculation for 2022/23 are £45 million of exceptional one off debt restructuring costs, which have been incurred now in order to make net savings into the future, thus further securing our financial position. Excluding these one off restructuring costs, our EBITDA MRI is 82.9%. Capital major repairs are also again markedly increased on last year, reflecting our continued commitment to invest in the safety, quality and sustainability of our housing properties.

Clarion's performance in relation to these measures continues to compare well to the sector. Its G15 ranking in 2021/22 for Overall Operating Margin is in the top quartile and its rankings for Social Housing Lettings Operating Margin and EBITDA MRI Interest Cover are both in the second quartile.

Looking ahead, we will continue to focus on delivering efficiency gains, improving underlying margins and achieving the established targets.

## 2. Operating efficiencies

Sector Scorecard - Operating Efficiencies	RSH VfM	Trend	2022/23 Clarion	2021/22 Clarion	2020/21 Clarion	2021/22 G15 Average	2021/22 Clarion Ranking	2023/24 Target	2024/25 Target
Headline social housing cost per unit	✓	↑	£5,565	£5,178	£4,272	£5,483	5/12	£5,751	£6,172
Management costs per unit		↑	£1,005	£857	£802	£1,117	3/12		
Service charge costs per unit		↑	£654	£623	£539	£953	1/12		
Maintenance costs per unit		↑	£2,048	£1,808	£1,630	£1,588	10/12		
Major repairs expenditure per unit		↓	£242	£264	£145	£239	8/12		
Capitalised major repairs expenditure per unit		↑	£1,330	£1,234	£864	£907	11/12		
Other costs per unit		↓	£286	£392	£292	£679	6/12		
Rent collected as percentage of rent due		↓	96.7%	99.96%	99.4%	99.7%	4/9		
Overheads as a percentage of adjusted turnover		↑	12.0%	11.1%	11.2%	10.8%	5/8	12.0%	12.2%

Monitoring our performance to drive operating efficiencies is again linked to our Financial Stewardship Strategic Objective, which sits under the Our Business Pillar of our Group Strategy. Here, the focus is to “optimise capital and resource whilst demonstrating financial discipline to ensure a strong and robust financial profile .

Costs per unit have increased year on year in all areas except for revenue major repairs and other costs. These increases are again reflective of significant inflationary and supply chain pressures, higher customer demand and a conscious decision to increase investment in the safety, quality and sustainability of our existing homes. Our annual investment in fire safety was maintained at £40 million (2021/22: £40 million), bringing total cumulative spend to £158 million. A further £1.6 million was invested in controlling leaks, condensation, damp and mould. Resultant headline social housing cost per unit has increased from £5,178 in 2021/22 to £5,565 in 2022/23. Due to ongoing inflationary and supply chain pressures, we expect this metric to increase further in future years.

In 2022/23, our rent collection rate decreased to 96.7% from 99.96%. This movement was to be expected given the impact of the cyber incident on the collections process. However, our arrears levels have been steadily recovering in the lead up to year end, which reflects the focus of the collection teams to return arrears to longer term levels.

### 3. Development (capacity & supply)

Sector Scorecard - Development (Capacity & Supply)	RSH VfM	Trend	2022/23 Clarion	2021/22 Clarion	2020/21 Clarion	2021/22 G15 Average	2021/22 Clarion Ranking	2023/24 Target	2024/25 Target
New supply delivered: absolute (social and non social)		↓	2,032	2,276	2,126	1,099	2/12	2,161	2,323
New supply (social housing units)	✓	↓	1.3%	1.6%	1.6%	1.6%	5/12	1.3%	1.4%
New supply (non social housing units)	✓	↑	0.3%	0.2%	0.2%	0.4%	6/12	0.4%	0.3%
Gearing	✓	↓	52.7%	53.4%	54.6%	47.3%	10/12	49.9%	48.3%

A Strategic Objective under the Our Homes Pillar of our Group Strategy is to “increase Clarion’s new build pipeline while delivering 2/3 of new homes as affordable tenures”. Despite the significant escalating challenges experienced by the sector during the year, Clarion managed to deliver 2,032 new homes (including six replacement homes). This was a reduction of only 244 (11%) from last year.

Whilst our percentage new supply of social housing units delivered this year of 1.3% has dropped from the 1.6% observed in 2021/22, our supply in terms of total absolute numbers remains well above the G15 average (2021/22: 1,099).

Our continued commitment to boost the supply of new affordable housing units onto the market, even in the current low grant uncertain environment, is reflected by a marginal decrease in our gearing from 53.4% in 2021/22 to 52.7% in 2022/23. Our ranking for this measure places us in the lower quartile compared to our peers (10/12 for 2021/22). However, we continue to believe this is financially sustainable, socially responsible, and supported by continued strong operating metrics. We have also taken the conscious decision to flat line the growth of our development programme over the next few years to protect us from the current risks in the marketplace. Our financial resilience and performance allow us to continue to deliver new homes when many of our peers in the sector are scaling down their development delivery programmes. We still maintain our long term target of delivering 3,200 new homes each year but will be cautious to scale up at a time in the future that is right for the organisation.

## 4. Outcomes delivered

Sector Scorecard Outcomes Delivered	RSH VfM	Trend	2022/23 Clarion	2021/22 Clarion	2020/21 Clarion	2021/22 G15 Average	2021/22 Clarion Ranking	2023/24 Target	2024/25 Target
Total social housing units owned and / or managed at period end		↓	109,691	109,802	110,009	51,065	1/12	109,892	108,740
Customer satisfaction		↓	81.0%	83.4%	80.7%	76.6%	3/12	85%	87%
Reinvestment	✓	↓	5.6%	6.7%	6.2%	5.1%	2/12	8.8%	8.7%
Investment in communities		↑	£16.8m	£16.3m	£13.7m	£5.0m	1/9	£17.4m	£16.6m

Our customers and communities are at heart of what we do; Our Customers is one of the four Strategic Pillars of our Group Strategy. Despite a difficult year for Clarion and the very real challenges faced by our residents with the cost of living crisis, we have continued to achieve customer satisfaction levels above 80%. Indeed, the result of 81.0% for 2022/23 exceeds our performance for 2020/21 and the G15 average for 2021/22 (76.6%). Furthermore, Clarion's ranking amongst the G15 for 2021/22 was in the top quartile. Developing and promoting our purpose to make a difference and our mission of providing homes for those who need them most is being driven by our people and our drive to innovate and evolve our ways of working through leveraging new digital technologies. Going forward, we will be focussing on returning customer satisfaction back to the record level seen last year.

Our reinvestment rate reduced slightly in 2022/23 to 5.6% (2021/22: 6.7%, 2020/21: 6.2%), but remains higher than the G15 average for 2021/22 (5.1%). The drop in 2022/23 again reflects the conscious decision to flat line the growth of our development programme during this period of increased risk and uncertainty. Looking ahead, we remain committed to investing in the quality of all our existing properties, and to continue to grow the supply of new homes.

The direct investment in our residents and in our local communities continues to be a high priority for Clarion. Under our key Strategic Objectives of Shaping Services, Improving Life Chances and Successful Tenancies, we have a target to invest a net £50 million over five years through our charity Clarion Futures. Despite many challenges throughout the year, we were able to invest £16.8 million (gross) in charitable projects, an increase of £0.5 million from the previous year. Clarion remains top of the G15 rankings in this area.

## 5. Effective asset management

Sector Scorecard - Effective Asset management	RSH VfM	Trend	2022/23 Clarion	2021/22 Clarion	2020/21 Clarion	2021/22 G15 Average	2021/22 Clarion Ranking	2023/24 Target	2024/25 Target
Return on capital employed (ROCE)	✓	↓	2.9%	3.3%	2.9%	2.5%	1/12	3.4%	3.7%
Occupancy		↓	98.3%	98.4%	98.3%	98.8%	8/9		
Ratio of responsive repairs to planned maintenance		↑	65.8%	60.7%	70.1%	64.3%	6/12	74.1%	66.2%

Effective asset management links to the Our Business Strategic Pillar of our strategy, which places emphasis on our Vision of “running our business sustainably, making a positive social impact”.

Our return on capital employed (ROCE) has decreased from 3.3% in 2021/22 to 2.9%, the same result seen for 2020/21. This decrease is driven by the pressures noted above impacting on operating surplus. We also continue to increase our investment in new and existing homes with a clear focus on affordable tenures. We acknowledge that there is a lower financial return associated with this approach, and so there is a need to balance this measure against other charitable and non financial measures (social value is addressed above). However, we continue to believe our strategy is sustainable, a view supported by our top ranking in the G15 for 2021/22.

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 repairs) and preserving existing tenancies. During the year, our occupancy rate dipped slightly to 98.3% from 98.4% in 2021/22 (2020/21: 98.3%). This decrease was to be expected given the challenges faced in the year. Understanding and optimising our void portfolio and re let processes will be a priority for 2023/24, but ongoing economic uncertainty and turbulence might cause progress to be slowed.

Our occupancy rate continues to track marginally below the G15 average of 98.8% for 2021/22. Under the Our Homes Pillar of our strategy, we will continue to invest in new and existing homes that are safe, well maintained, sustainable, and hence desirable to our customers. We will also look to divest ourselves of properties that we are not able to manage in the most efficient and effective manner. In 2022/23, a total of 1,162 units were transferred to other housing associations, contributing £61.7 million (2021/22: £58.5 million) to operating surplus.

Clarion's ratio of responsive repairs to planned investment has increased in the year from 60.7% in 2021/22 to 65.8%. This year, we have seen a sustained increase in demand for repairs from our residents, coupled with significant additional cost and supply chain pressures. Our result for 2022/23 is nevertheless a significant improvement on our result for 2020/21 (70.1%). We continue to seek to develop our digital technologies, procedures and processes further to ensure that the relative levels of responsive repairs and planned maintenance we undertake are optimised.





# PRINCIPAL RISKS AND UNCERTAINTIES

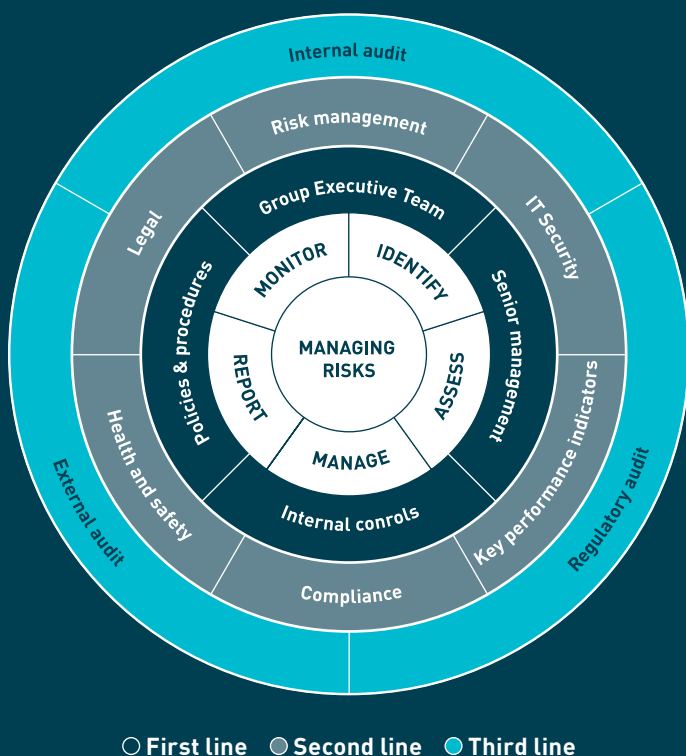
## Risk management in delivering our strategic ambitions

We recognise that we operate in a world of uncertainties and risk is present in everything we do. The management of risk is key to safeguarding our ability to realise our strategic, tactical, operational, and compliance objectives – playing a central role in the delivery of sustainable growth and long term value.

## Risk management framework

As the principal governing body of Clarion Housing Group, the Group Board has overall responsibility for risk management. The Board maintains an appropriate mix of skills and experience and receives regular reports on risks – with a focus on those principal risks and uncertainties which may threaten Clarion’s strategic objectives. The Board also has overall responsibility for establishing Clarion’s risk appetite, setting out the nature and extent of the principal risks it is willing to take and in doing so guiding decision making across the Group.

We maintain a risk management framework which is built on the three lines model and drives the identification, assessment, management, monitoring and reporting of risks across Clarion.



The Group Board has delegated to the Audit and Risk Committee the responsibility for reviewing Clarion’s risk management process to ensure that it is adequate and effective. The Committee oversees the effectiveness of the assurance arrangements, systems and processes, and considers Clarion’s risk exposure as a standing item in its meetings to ensure routine monitoring.

The Group Executive Team is responsible for delivery of the Group’s strategy and for identifying and managing risks across Clarion’s activities. The Group Executive Team recognises the importance of a strong risk culture which is embedded across all parts of the organisation. As such, all key areas of the business appropriately manage their own risks, assigning ownership, escalating where necessary and maintaining and regularly reviewing their risk registers.

This year, we have continued to enhance our second line risk activities delivering a range of enhanced tools to support the maintenance and assessment of internal control, risk management and governance systems and processes.

## Risk appetite

The Group Board reviews its risk appetite on an annual basis. Risk appetite is set within the context of the rapidly changing external environment including regulatory, political, economic and environmental change, all of which can have significant and immediate impacts on our business. It supports decisions about risk and provides guidance in terms of:

- the amount and type of risk we are willing to pursue, retain, accept or tolerate to achieve our strategic objectives,
- embedding risk management as part of our decision making, and
- ensuring that an appropriate level of risk taking is being applied in the day to day management of the business.

The most significant judgements are associated with our investment decisions on development schemes, our asset strategy and reinvestment priorities, our customer offer, our obligations under regulation, legislation, maintaining sufficient financial capacity and headroom, fulfilling our environmental and social responsibilities, and maintaining resilience to climate related risks.

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

The Board continues to focus on our principal risks and during the year we have completed a full review, informed by a selection of horizon scanning and external research on emerging risks, including the Regulator's Sector Risk Profile.

While the profile of our principal risks is unchanged, our operating environment remains challenging. As the landscape has continued to evolve, the level of risk faced in certain areas has intensified and we have sought to strengthen our mitigations in response.

Cyber security threats have continued to evolve significantly over the last year and remain a major challenge for organisations across the UK. An attack on our own systems in June 2022 had significant and prolonged impacts on access to systems and limited the delivery of services. Teams across the business worked tirelessly to put interim ways of working into action and an accelerated delivery of additional functional controls was implemented, with modern security technologies deployed to minimise the risk of a repeat incident.

This is not a threat which stands still however, and we are investing in a wider programme of activities which will continue to be implemented to ensure residual risks to Clarion are reduced and our resilience and technical controls further strengthened.

The increasingly unsettled macro environment has had significant impacts across the spectrum of areas we operate in. High inflation and progressive interest rate rises has resulted in higher costs and impacts to the housing market and we have introduced additional mitigations to manage risks in these areas.

For our residents, we continue to be acutely aware of the effects of the cost of living crisis and throughout the year initiated a number of measures to provide additional help and support to those in need.












We place our customers at the heart of all that we do, and understanding and meeting the evolving needs and expectations of a diverse customer base remains a key focus. Our annual Clarion Index Report has once again highlighted many of the challenges faced by our residents initiating a number of measures to provide additional help, supported by Clarion Futures. A dedicated Quality Monitoring team has been put in place to work alongside our Complaints team which supports the improvement of our complaint handling performance. We also












launched Clarion Commitments, reflecting the most important issues for our residents, focusing on key services and issues. Performance data will be published and our commitments will help drive the excellent service we aim to achieve for our customers.

Part of these commitments is ensuring we maintain safe, good quality homes and we continue to closely manage risks in this area. This year, we accelerated our existing programme of work to tackle leaks, condensation, damp and mould issues and have invested heavily in improvements to our existing homes and building safety.

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



Principal risk area and drivers	Current and planned mitigations include
 <p><b>Third party reliance / supply chain issues</b></p>   <p>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.</p>	<ul style="list-style-type: none"> <li>• Holistic approach to supplier management</li> <li>• Thorough due diligence processes</li> <li>• Key indicators to monitor performance/service delivery</li> <li>• Diversification of contracts</li> <li>• Regular strategic review meetings with key suppliers</li> <li>• Contingency planning</li> <li>• Adoption of partnership model</li> <li>• Contract management training and development</li> </ul> <p><b>Change in year:</b> ↔</p>
 <p><b>Sourcing and retaining skills</b></p> <p>This could be driven by skills shortage in key areas, competition in jobs market, rising cost of skilled labour.</p>	<ul style="list-style-type: none"> <li>• People Strategy</li> <li>• Equity, Diversity &amp; Inclusion action plan with dedicated lead</li> <li>• Frequent monitoring across range of areas, externally &amp; internally</li> <li>• Graduate and Apprenticeship schemes</li> <li>• Recruitment training for hiring managers</li> <li>• Wide ranging wellbeing support</li> <li>• Skills gap analysis and benchmarking</li> <li>• Driving talent and succession planning</li> </ul> <p><b>Change in year:</b> ↓</p>
  <p><b>Sustainability commitments</b></p> <p>This could be driven by changing environment within which Clarion operates with competing demands, changing expectations, complexity of aging properties, changing political and regulatory landscape, rising costs (including fuel and raw materials/ inflationary pressures).</p>	<ul style="list-style-type: none"> <li>• Clarion 2040 standard</li> <li>• Net Zero Carbon Roadmap linked to best practice of the Science Based Targets initiative</li> <li>• Sustainability strategies with Clarion Futures at the heart</li> <li>• Ongoing innovation / change pilots</li> <li>• Dedicated metrics to monitor against sustainability commitments</li> <li>• Social Impact report to inform progress on ESG targets</li> <li>• Funding/Investment policies reflecting our sustainability commitments.</li> <li>• Issuance of Sustainability linked bonds</li> <li>• Developing communications for resident engagement</li> </ul> <p><b>Change in year:</b> ↓</p>
  <p><b>Data governance</b></p> <p>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.</p>	<ul style="list-style-type: none"> <li>• Data Governance Framework</li> <li>• Data Council in place to provide strategic direction with senior oversight</li> <li>• Development of helpful tools and resources</li> <li>• Data owners and stewards for each core data area</li> <li>• Training and support</li> <li>• Review of data lifecycle</li> <li>• Metrics and targets</li> </ul> <p><b>Change in year:</b> ↓</p>
   <p><b>Property condition &amp; safety</b></p> <p>This could be driven by a changing regulatory / legislative landscape; lack of investment or poor contractor performance.</p>	<ul style="list-style-type: none"> <li>• Clarion 2040 and asset strategy with targets, plans and principals</li> <li>• Building safety, Fire and Resident engagement strategies</li> <li>• Fire remedial works programme</li> <li>• Appropriate tools &amp; indicators for monitoring and oversight</li> <li>• Dedicated specialist personnel</li> <li>• Leaks, Condensation, Damp and Mould project delivery with annual investment package</li> <li>• Investment in new equipment and technology to track, measure and report on interventions</li> <li>• Delivery of the Property Safety Manager Programme</li> <li>• Lessons learned/continuous improvements initiatives</li> <li>• Specialist training and development</li> </ul> <p><b>Change in year:</b> ↑</p>

Principal risk area and drivers	Current and planned mitigations include
 <p><b>Macro environment</b></p>  <p>This could be driven by the pace and scale of change including legal and regulatory change, rent setting policy, cost of living and inflation, supply chain issues etc.</p>	<ul style="list-style-type: none"> <li>• Robust long term financial planning, parameters and assumptions</li> <li>• Maintaining headroom/capacity</li> <li>• Horizon scanning</li> <li>• Responding to industry/government consultations</li> <li>• Training and Development</li> <li>• Influencing policy design in consultation with the Health &amp; Safety Executive</li> <li>• Continuation of our focus on influencing future legislation</li> <li>• Benchmarking, sharing knowledge and identifying further ways to continuously improve</li> <li>• Dedicated support for Money and Energy guidance for residents</li> </ul> <p><b>Change in year:</b> ↑</p>
 <p><b>Customer experience and expectations</b></p>   <p>This could be driven by the pace of our response to the changing and diverse needs and behaviours of our customers.</p>	<ul style="list-style-type: none"> <li>• Customer Strategy</li> <li>• “Clarion Commitments” with published performance data</li> <li>• Diverse range of channels for communication and feedback</li> <li>• Policies, procedures and training ensuring continuous development and delivery of a service that meets customer expectations</li> <li>• KPIs and balanced scorecard to monitor and identify areas for improvement</li> <li>• Quality Monitoring to support Complaints performance</li> <li>• Continuous re evaluation of existing processes and services to identify further areas for improvement</li> <li>• Utilising customer insights to tailor services for specific customer segments</li> </ul> <p><b>Change in year:</b> ↔</p>
 <p><b>Major cyber security breach</b></p>   <p>This could be driven by our increasing online presence exposing us to more vulnerabilities, continuous evolution and sophistication of methods of attack.</p>	<ul style="list-style-type: none"> <li>• Root and branch assessments of technology, security capabilities and the supply chain</li> <li>• Penetration testing and environment monitoring</li> <li>• Improved access control management</li> <li>• Continued cybersecurity awareness and skills training</li> <li>• Simplification and consolidation of technology estate</li> <li>• Updated Disaster Recovery and Business Continuity Planning</li> </ul> <p><b>Change in year:</b> ↑</p>
 <p><b>Sales of new homes</b></p>  <p>This could be driven by market conditions; incorrect assumptions on investment appraisal; poor quality or undesirable end product.</p>	<ul style="list-style-type: none"> <li>• Robust governance, due diligence and approval processes</li> <li>• Clear business plan building in market evidence and an ongoing review of future pipeline</li> <li>• Mechanisms which deliver a level of flexibility to accommodate market movements</li> <li>• Close tracking to ensure our product remains competitive and fit for purpose</li> </ul> <p><b>Change in year:</b> ↑</p>
 <p><b>Funding and liquidity</b></p>  <p>This could be driven by external factors (market conditions, political environment/ policy change) or internal factors (a serious breach leading to downgrade).</p>	<ul style="list-style-type: none"> <li>• Long term business plan and associated stress testing</li> <li>• Treasury policies and procedures, independent advice and oversight, active investor engagement programme.</li> <li>• Actuarial &amp; pension investment advice</li> <li>• Regular reporting of cash flow and liquidity</li> <li>• Continued diversification of funding sources</li> <li>• Proactive engagement with banks and credit rating agencies (as well as bond investors)</li> <li>• Balancing development of new homes programme</li> <li>• Continual review of external market conditions</li> </ul> <p><b>Change in year:</b> ↔</p>



# 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, 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, following an executive career culminating as Deputy Group CEO and CFO of FTSE100 group, Exel PLC. Currently, John is a director of the water group, Severn Trent plc, and chairs both their Audit & Risk Committee and their wholly owned operating water subsidiary in Wales, Hafren Dyfrdwy, as well as being a member of the Treasury Committee which he chaired for several years until January this year. He is also a member of the Advisory Board of Mace Group, a global consultancy and construction firm, and a director of Landmark Group Holdings Ltd, specialising in serviced office space.



## 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. Gavin is Director of Gavin Barwell Consulting Limited and NorthStar.



## 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, Vice Chair and Chair of Remuneration, Nominations and People 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.

Doris 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 has extensive Board experience at both listed and private companies. He is currently a Non Executive Director at Pigeon Land Limited - a development land promotion company. Prior to this, he was on the Savills plc main Board, followed by the Group Executive Board, for 21 years.

He has also previously served as Non Executive Chairman of Fasterop plc, which operated the property web portal PrimeLocation, as Non Executive Director of Adventis, a marketing company, during its flotation on AIM, and as Chairman of the Finance Committee for a university. Rupert has sat on a number of external investment committees, including Christ Church College at the University of Oxford, is a Trustee of the Orchestra of the Age of Enlightenment and chairs the property companies for the private office of a European family.



## 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, risk management and treasury strategies. He sits on the Board of Kingston University where he chairs its Finance Committee.



*\*Executive directors Clare Miller and Mark Hattersley are also members of the Clarion Housing Group Board.*

# GROUP EXECUTIVE TEAM

## Clare Miller, Group Chief Executive

Clare has been Clarion's Group Chief Executive since 2018. She is a chartered accountant with over 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 now has responsibility for a range of corporate services including HR, Governance, Health & Safety, Audit and Risk, Procurement and Business Change.





## 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.



## Han-Ley Tang, Interim Chief Technology Officer

Han was appointed Interim Chief Technology Officer in June 2023. Han began his career at Deloitte and he most recently was the Chief Technology Officer at VetCT. Prior to this, he held positions at PwC, UBS, and AJW Group.

Han has a proven track record of implementing innovative technology strategies to drive business growth and operational efficiency, leveraging emerging technologies, such as artificial intelligence and big data, to deliver superior customer experiences and improve business outcomes. In addition, Han has expertise in enterprise architecture, cloud computing, data analytics, and software engineering.



# CORPORATE GOVERNANCE

## 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 Association, owns all of the Group's social housing assets and delivers all housing 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 serve six years in total although this may be extended for a maximum further three years where members have a particular expertise or skillset.

We undertake an annual appraisal process and skills audit of all our board and committee members. As a result, we are confident the Board has the collective skills to fulfil their responsibilities of overseeing the strategic direction of the Group.

The table below sets out the Board and Committee membership along with attendance for the year. Members of the Group Executive Team regularly attend board and committee meetings but unless they are formal members, their attendance is not listed below:

Board member	Group Board	Audit and Risk Committee	Remuneration, Nominations and People Committee	Investment Committee	Treasury Committee
David Avery	7/7		4/4		
David Orr CBE	7/7				
Lord Barwell	5/7		3/4		
Graham Farrant	7/7	5/5			
Rachel Fletcher*	5/5		2/3		
Amanda Metcalfe	6/7		4/4		
Doris Olulode	5/7		4/4		
Tom Smyth	6/7	4/5			4/4
Rupert Sebag Montefiore	4/7				
John Coghlan	7/7	4/5			
Clare Miller**	7/7				1/4
Mark Hattersley	7/7			8/8	4/4

Other committee members	Group Board	Audit and Risk Committee	Remuneration, Nominations and People Committee	Investment Committee	Treasury Committee
<b>Non executive members</b>					
Kirstin Baker		3/5			
Andrew Murray				7/8	
Karima Fahmy				6/8	
Chris Hatfield				8/8	
Paul Munday				7/8	
Kwok Liu					4/4
Maxim Sinclair					4/4
<b>Executive members</b>					
Richard Cook				8/8	
Michelle Reynolds				5/8	
Rob Lane				8/8	

Retired during the year	Group Board	Audit and Risk Committee	Remuneration, Nominations and People Committee	Investment Committee	Treasury Committee
Aruna Mehta***		3/3			2/2

\* Appointed 1 September 2022

\*\* Although a member of the Investment Committee, the Committee's Terms of Reference state that they do not ordinarily attend meetings

\*\*\* Retired November 2022

## Board effectiveness

During 2022/23, we have continued to embed the outcomes of our externally led board effectiveness review which completed in January 2022. Enhancements include:

- Ongoing refining of board reporting
- Keeping our governance structure under review
- Greater assurance and reporting on Equality, Diversity and Inclusion and Culture

## Code of Governance

For 2022/23, 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 continue to review and enhance our approach to compliance.

The Group fully complies 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.

The Group has also adopted the NHF Code of Conduct 2022. We have a strong probity framework in place with all board and committee members declaring any potential conflicts of interest at least annually as well as being asked to declare any new conflicts at every meeting.

## 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 at various levels in the Group. 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 continues 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 4 resident board members.

Later this year we will be launching a new Customer Committee, chaired by a resident board member with five additional residents also becoming members, this will provide additional scrutiny to customer related matters. This will be a formal committee of the Clarion Housing Association Board.

## Governance and Financial Viability Standard

In May 2023, the Regulator of Social Housing confirmed Clarion's existing G1 grade for governance (the highest compliance rating) and V2 for viability following an In Depth Assessment. 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

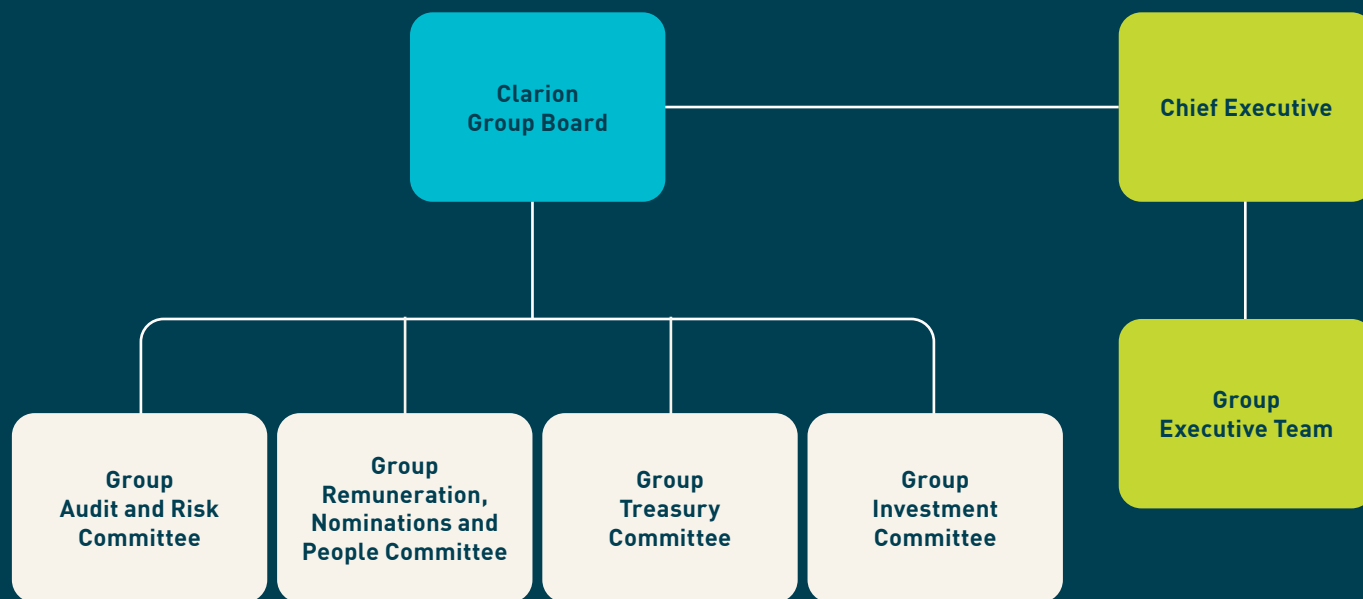
We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. This is part of our wider commitment to behaving ethically and with integrity.

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 the Clarion website.



## 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.

### Audit and Risk Committee

Advises the Group and subsidiary boards on the effectiveness of assurance arrangements across the group. It has oversight of the risk framework, advising the Group on the effectiveness of arrangements and receives reports on Conflicts of Interest for the Group.

### Remuneration, Nominations and People Committee

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

### Treasury Committee

Responsible for overseeing the Group's funding and treasury strategy including bank facilities, capital market transactions, financial derivatives, security structures and investor relations.

### Investment Committee

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

### Group Chief Executive

Responsible for managing the overall performance of the business and ensuring an effective and motivated leadership team is in place. The Chief Executive 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.

# REPORT OF THE REMUNERATION, NOMINATIONS AND PEOPLE COMMITTEE

## Membership of the Committee

Doris Olulode (Chair), Lord Barwell, David Avery, Amanda Metcalfe and Rachel Fletcher (appointed 1 September 2022)

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, 3 year terms. Where members have a particular expertise or skillset we may choose to extend the appointment for a further three years, reviewed at least annually. 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. The Committee also has responsibility for overseeing and monitoring the culture and behaviours of the organisation.

As a long term investor in homes and property we value the experience and knowledge 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 and beginning of 2022. In other years the Board conducts its own assessment with the Chairman 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 which encourage and promote a diverse workforce. We publish details of the gender pay gap for the two employing entities in the group.

**Doris Olulode,**  
Chair of Remuneration, Nominations and People Committee

# REPORT OF THE AUDIT AND RISK COMMITTEE

## Membership of the Committee

John Coghlan (Chair), Kirstin Baker, Graham Farrant, Tom Smyth and Aruna Mehta (retired 19 November 2022)

The Committee currently includes three non executive Group Board Members and one independent non executive member. We will shortly be appointing a member of the Clarion Housing Association board to the Committee following the retirement of Aruna Mehta in November 2022.

The Committee continues to meet regularly during the year and the 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. Members examine in detail the work of internal audit, and the risk framework, advising the Board of any new and emerging risks of which they 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 received regular updates on the cyber security incident which covered the impact to our business processes, containment and eradication work along with our business recovery plans. Since the incident, the Committee also has access to the Group Board's independent advisor who provides updates on the broader cyber landscape and helps assess the effectiveness of Clarion's position to respond to future threats. The Committee has played a key role in shaping Clarion's new IT security strategy and framework and has endorsed the adoption of the National Institute of Standards and Technology Cyber Security Framework.

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 external partners 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. This year the team have also reviewed property 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.

**John Coghlan,**  
Chair of Audit and Risk Committee

# REPORT OF THE TREASURY COMMITTEE

## Membership of the Committee

Tom Smyth (Chair), Maxim Sinclair, Kwok Liu, Clare Miller, Mark Hattersley and Aruna Mehta (retired 19 November 2022)

The role of the Committee is to assist the Group in discharging its responsibility in relation to treasury and financing activities. This 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 overseeing the refinancing of £300 million of our bank facilities, along with projects to prepay or restructure a number of legacy debt positions. The Committee also continued to review and advise upon the Groups liquidity and treasury policies, security position and the significant derivative portfolio.

**Tom Smyth,**  
Chair of Treasury Committee

# REPORT OF THE INVESTMENT COMMITTEE

## Membership of the Committee

Mark Hattersley (Chair), Clare Miller, Richard Cook, Rob Lane, Michelle Reynolds, Chris Hatfield, Paul Munday, Karima Fahmy and Andrew Murray

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 Developments Limited. The non executive members bring a wealth of experience in legal, finance and development.

During the year, the Committee has focussed on managing an uncertain external environment and has therefore taken a cautious approach to new scheme approvals. This has included additional contractor monitoring as the risk of contractor failure increases. The Committee has also been managing the impact of the changed planning environment and the implications of the requirement for a second staircase in higher rise developments.

**Mark Hattersley,**  
Chair of Investment Committee

# BOARD STATEMENT ON THE EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL FOR THE PERIOD ENDING 31 MARCH 2023

## 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 routinely self examines performance against;
- 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. 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 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;
- 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; and





- 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. Further work is being undertaken to identify, prioritise and make key enhancements to service delivery and make positive impacts for both customers and colleagues. Furthermore, we have an ongoing programme of work to heighten our cyber resilience and 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 2023. 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 2023 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 Parent Association and of the income and expenditure of the Group and Parent 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 Parent 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 and Parent 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 Group and Parent 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 Group and Parent 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 Group and Parent 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 2023/24 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

KPMG LLP have expressed their willingness to continue in office as the Group's auditor.

By order of the Board



**David Avery,**  
Group Chair

12 July 2023



# INDEPENDENT AUDITOR'S REPORT TO CLARION HOUSING GROUP LIMITED

## Opinion

We have audited the financial statements of Clarion Housing Group Limited ( the Association ) for the year ended 31 March 2023 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 the Group and Parent Association's affairs as at 31 March 2023 and of the income and expenditure of the Group and Parent Association for the year then ended; and
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014.

## 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 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 Board has prepared the financial statements on the going concern basis as it does not intend to liquidate the Group and Parent Association or to cease its operations, and as it has concluded that the Group and 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 its 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 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 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 and 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, we perform procedures to address the risk of management override of control, in particular the risk that Group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition due to the non complex nature of material revenue streams and the limited opportunity for management to manipulate revenue transactions.

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; 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 Board 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.

Firstly, 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.

Secondly, the Group is subject to many other laws and regulations where the consequences of non compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety and data protection laws, recognising the regulated nature of the Group's activities.

### *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 Board is responsible for the other information, which comprises the Annual Report and Strategic Report. 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 Group and Parent Association has not kept proper books of account; or
- the Group and Parent Association has not maintained a satisfactory system of control over its transactions; or
- the financial statements are not in agreement with the Group and Parent 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 66, the 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 Group and Parent 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 Group and Parent 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](http://www.frc.org.uk/auditorsresponsibilities).

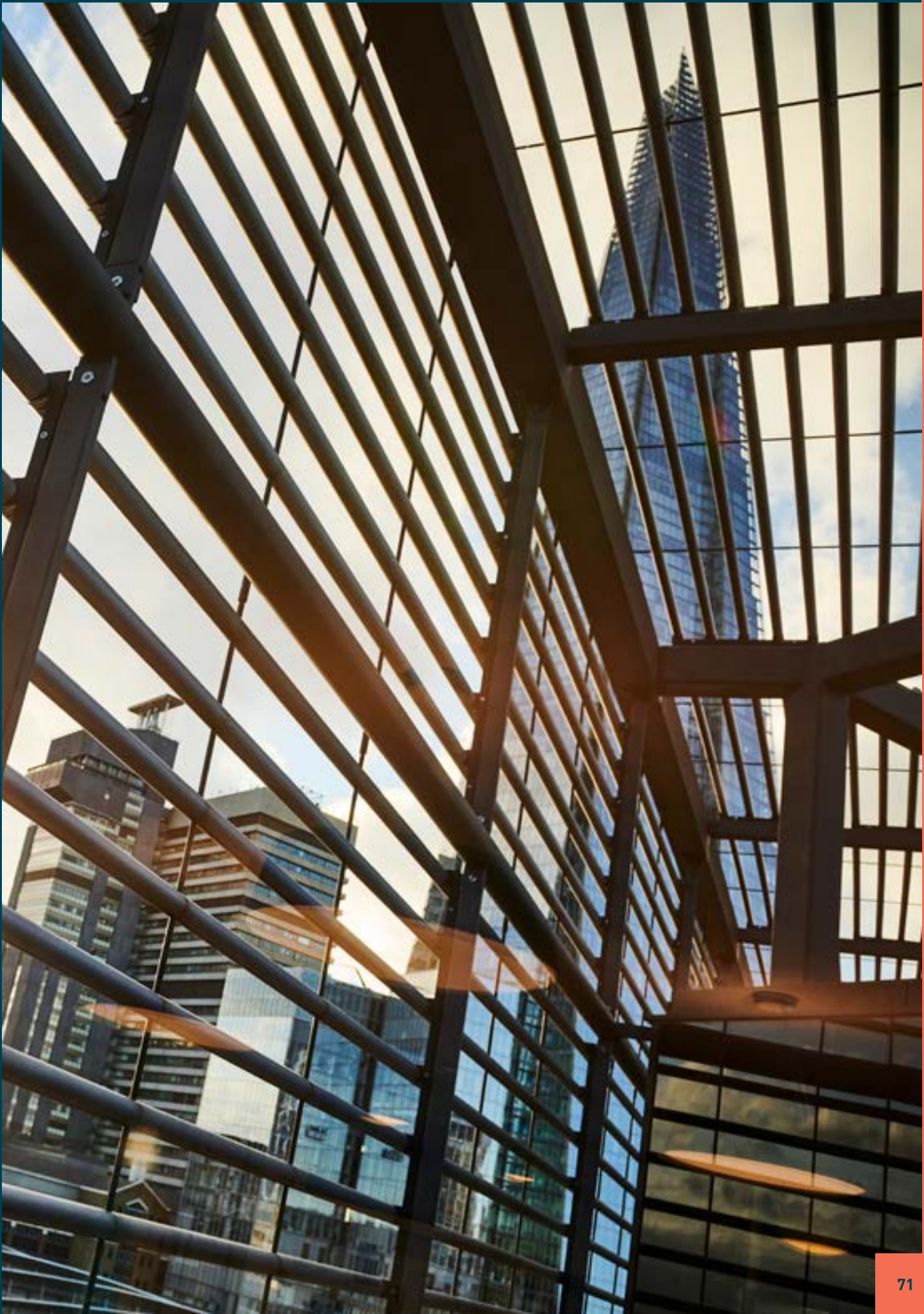
## The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Group and Parent Association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Group and Parent 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

19 July 2023



## Group Statement of Comprehensive Income

for the year ended 31 March 2023

	Notes	2023 £m	2022 £m
Turnover	4a	<b>1,007.8</b>	1,059.0
Cost of sales	4a	<b>(204.7)</b>	(273.4)
Operating costs	4a	<b>(638.6)</b>	(569.3)
Surplus on disposal of properties	4a	<b>96.0</b>	86.4
<b>Operating surplus</b>	4a	<b>260.5</b>	302.7
Surplus on disposal of other fixed assets	4a	<b>0.1</b>	–
Surplus on disposal of operations	17	<b>7.0</b>	–
Share of surplus of JCEAs	17	<b>5.3</b>	0.1
Gain on revaluation of investment properties	15	<b>4.7</b>	14.0
Interest receivable	7	<b>14.7</b>	8.9
Interest payable and financing costs	8	<b>(152.9)</b>	(141.1)
Loan breakage costs	8	<b>(44.8)</b>	(1.0)
Movement in fair value of financial instruments	9	<b>0.6</b>	2.8
<b>Surplus on ordinary activities before taxation</b>	10	<b>95.2</b>	186.4
Tax credit/(charge) on surplus on ordinary activities	11	<b>1.6</b>	(0.6)
<b>Surplus for the year</b>		<b>96.8</b>	185.8
Remeasurement of defined benefit pensions	28	<b>(28.3)</b>	38.5
Movement in fair value of financial instruments	9	<b>141.7</b>	110.0
<b>Total comprehensive income for the year</b>		<b>210.2</b>	334.3

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

**David Avery**  
Group Chair

**Mark Hattersley**  
Group Chief Financial Officer

**Louise Hyde**  
Company Secretary

12 July 2023



## Parent Statement of Comprehensive Income

for the year ended 31 March 2023

	Notes	2023 £m	2022 £m
Turnover	4a	72.5	65.8
Operating costs	4a	(69.8)	(64.2)
<b>Operating surplus</b>	4a	<b>2.7</b>	1.6
Interest receivable	7	32.7	24.2
Interest payable and financing costs	8	(35.4)	(25.1)
<b>Result/surplus on ordinary activities before taxation</b>		<b>-</b>	0.7
Tax charge on result/surplus on ordinary activities	11	-	-
<b>Result/surplus for the year</b>		<b>-</b>	0.7

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

**David Avery**  
Group Chair

**Mark Hattersley**  
Group Chief Financial Officer

**Louise Hyde**  
Company Secretary

12 July 2023

## Group Statement of Financial Position

as at 31 March 2023

	Notes	2023 £m	2022 £m
<b>Fixed assets</b>			
Goodwill and negative goodwill	12	14.3	(0.1)
Other intangible assets	13	66.9	69.3
Social housing properties	14	8,395.1	8,190.9
Investment properties	15	219.3	222.4
Non-housing fixed assets	16	26.9	33.9
Interests in JCEAs	17	185.5	181.7
Other fixed asset investments	18	11.1	11.4
		<b>8,919.1</b>	<b>8,709.5</b>
<b>Current assets</b>			
Stock	19	476.3	455.8
Debtors: amounts falling due within one year	20	114.0	113.7
Debtors: amounts falling due after one year	20	102.8	108.8
Current asset investments	21	107.9	115.8
Cash and cash equivalents		89.4	137.9
		<b>890.4</b>	<b>932.0</b>
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	22	(331.2)	(300.5)
<b>Net current assets</b>		<b>559.2</b>	<b>631.5</b>
<b>Total assets less current liabilities</b>			
		<b>9,478.3</b>	<b>9,341.0</b>
Creditors: amounts falling due after one year	23	(6,920.9)	(7,013.1)
Provisions for liabilities and charges	27	(43.6)	(24.3)
<b>Total net assets</b>		<b>2,513.8</b>	<b>2,303.6</b>
<b>Capital and reserves</b>			
Non-equity share capital	32	-	-
Cash flow hedge reserve		(77.4)	(219.1)
Income and expenditure reserve		2,591.2	2,522.7
<b>Total capital and reserves</b>		<b>2,513.8</b>	<b>2,303.6</b>

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

**David Avery**  
Group Chair

**Mark Hattersley**  
Group Chief Financial Officer

**Louise Hyde**  
Company Secretary

12 July 2023

## Parent Statement of Financial Position

as at 31 March 2023

	Notes	2023 £m	2022 £m
<b>Fixed assets</b>			
Other intangible assets	13	66.8	69.1
Non-housing fixed assets	16	12.4	14.9
Other fixed asset investments	18	45.6	42.4
		124.8	126.4
<b>Current assets</b>			
Debtors: amounts falling due within one year	20	25.7	24.8
Debtors: amounts falling due after one year	20	429.8	394.4
Cash and cash equivalents		72.3	122.7
		527.8	541.9
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	22	(111.1)	(165.4)
<b>Net current assets</b>		416.7	376.5
<b>Total assets less current liabilities</b>		541.5	502.9
Creditors: amounts falling due after one year	23	(510.2)	(472.3)
Provisions for liabilities and charges	27	(1.6)	(0.9)
<b>Total net assets</b>		29.7	29.7
<b>Capital and reserves</b>			
Non-equity share capital	32	–	–
Income and expenditure reserve		29.7	29.7
<b>Total capital and reserves</b>		29.7	29.7

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

**David Avery**  
Group Chair

**Mark Hattersley**  
Group Chief Financial Officer

**Louise Hyde**  
Company Secretary

12 July 2023

## Statements of Changes in Capital and Reserves

for the year ended 31 March 2023

### Group

	Non-equity share capital £m	Cash flow hedge reserve £m	Income and expenditure reserve £m	Total capital and reserves £m
At 31 March 2021	–	(329.1)	2,298.4	<b>1,969.3</b>
Surplus for the year ending 31 March 2022	–	–	185.8	<b>185.8</b>
Other comprehensive income for the year	–	110.0	38.5	<b>148.5</b>
At 31 March 2022	–	(219.1)	2,522.7	<b>2,303.6</b>
Surplus for the year ending 31 March 2023	–	–	96.8	<b>96.8</b>
Other comprehensive income for the year	–	141.7	(28.3)	<b>113.4</b>
<b>At 31 March 2023</b>	<b>–</b>	<b>(77.4)</b>	<b>2,591.2</b>	<b>2,513.8</b>

### Parent

	Non-equity share capital £m	Income and expenditure reserve £m	Total capital and reserves £m
At 31 March 2021	–	29.0	<b>29.0</b>
Surplus for the year ending 31 March 2022	–	0.7	<b>0.7</b>
At 31 March 2022	–	29.7	<b>29.7</b>
Result for the year ending 31 March 2023	–	–	<b>–</b>
<b>At 31 March 2023</b>	<b>–</b>	<b>29.7</b>	<b>29.7</b>

## Group Statement of Cash Flows

for the year ended 31 March 2023

	2023 £m	2023 £m	2022 £m	2022 £m
<b>Surplus for the year</b>		<b>96.8</b>		<b>185.8</b>
<i>Adjustment for working capital movements</i>				
Decrease in stock	50.5		92.9	
Increase in operating debtors	(18.1)		(3.9)	
Increase in operating creditors	12.8		3.4	
Pension contributions in excess of expense	(6.7)		(6.5)	
Payments to settle other provisions	(3.9)		–	
	<b>34.6</b>		85.9	
<i>Adjustment for non-cash items</i>				
Amortisation of government grants	(24.3)		(23.8)	
Deferred tax (credit)/charge	(1.6)		0.6	
Amortisation of intangible assets	11.8		10.2	
Depreciation charge	133.8		128.7	
Impairment charge	23.9		2.7	
Gain on revaluation of investment properties	(4.7)		(14.0)	
Other non-cash increase in provisions	1.5		3.0	
	<b>140.4</b>		107.4	
<i>Adjustment for financing or investment activities</i>				
Surplus on disposal of properties	(96.0)		(86.4)	
Surplus on disposal of other fixed assets	(0.1)		–	
Surplus on disposal of operations	(7.0)		–	
Share of (surplus)/deficit of JCEAs (excluding impairment)	(6.0)		1.8	
Net financing costs (excluding impairment)	177.7		130.4	
	<b>68.6</b>		45.8	
<b>Net cash from operating activities</b>		<b>340.4</b>		<b>424.9</b>
<b>Cash flows from investing activities</b>				
Proceeds from disposal of properties	179.7		156.9	
Proceeds from disposal of other fixed assets	1.9		0.2	
Interest received	14.7		8.9	
Purchase of subsidiary (net of cash acquired)	(16.1)		(8.5)	
Acquisition of intangible assets	(9.2)		(11.9)	
Investment in social housing properties	(444.1)		(530.8)	
Acquisition of non-housing fixed assets	(2.1)		(4.1)	
Investment in JCEAs	(40.1)		(27.1)	
Distributions from JCEAs	1.0		0.5	
Proceeds from disposal of other fixed asset investments	0.3		0.2	
Decrease in current asset investments	7.9		3.9	
Social housing property grants received	109.9		52.7	
Repayment of Recycled Capital Grant Fund	(3.3)		–	
Proceeds from disposal of operations (net of cash disposed)	17.8		(1.1)	
<b>Net cash from investing activities</b>		<b>(181.7)</b>		<b>(360.2)</b>

## Group Statement of Cash Flows (continued)

for the year ended 31 March 2023

	2023 £m	2023 £m	2022 £m	2022 £m
<b>Cash flows from financing activities</b>				
Interest paid	(180.6)		(174.9)	
Breakage costs	(44.8)		(1.0)	
Net borrowing of loans and bonds (notional)	19.2		127.3	
Discount on bond issues	–		(7.2)	
Capital transaction costs paid	(0.9)		(1.7)	
Payment of finance lease capital	(0.1)		(0.1)	
<b>Net cash from financing activities</b>		<b>(207.2)</b>		<b>(57.6)</b>
Net (decrease)/increase in cash and cash equivalents		<b>(48.5)</b>		<b>7.1</b>
Cash and cash equivalents at 1 April		<b>137.9</b>		<b>130.8</b>
<b>Cash and cash equivalents at 31 March</b>		<b>89.4</b>		<b>137.9</b>

See note 24 for the reconciliation of net debt.

# Notes to the Financial Statements

## for the year ended 31 March 2023

### 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

The financial statements have been prepared on a going concern basis which the Board considers to be appropriate for the following reasons.

The Board, after reviewing the Group’s and Parent’s budgets for 2023/24 and the Group’s medium-term financial position as detailed in the 30-year business plan, is of the opinion that, taking into account reasonably possible downside scenarios, including the impact of high inflation and the cost of living crisis, the Group and Parent have adequate resources to continue to meet their liabilities over the period of at least 12 months from the date of approval of the financial statements.

The Board believes that the Group and Parent have sufficient funding in place and expect the Group to be in compliance with its debt covenants, even in reasonably possible downside scenarios. The Parent is also part of the Group’s cash-pooling arrangement and so has the ability to raise cash for temporary trading gaps, thus enabling it to access adequate resources.

Consequently, the Board is confident that the Group and Parent will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore has prepared the financial statements on a going concern basis.

The Group, through its subsidiaries, has provided confirmation of support to Bonner Road LLP, Circle Housing Asset Design Limited, Clarion Regeneration 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, Leamington Waterfront LLP and Twyford Abbey NW10 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 2023 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.

#### Disclosure exemptions

The Parent has taken advantage of the exemptions in FRS 102 in respect of the following disclosures:

- the requirement to present a statement of cash flows and related notes; and
- financial instrument disclosures, including: categories of financial instruments; items of income, expense, gains or losses in respect of financial instruments; and, exposure to, and management of, financial risks.

#### 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.

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

continued

**1. Accounting policies (continued)****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	25-30 years
Doors	30-35 years
Electrics	30-35 years
Energy efficiency	30 years
External works	30 years
Kitchens	20-25 years
Lifts	15-25 years
Mechanical systems	20 years
Roofs – flat	15-25 years
Roofs – pitched	50-60 years
Windows	30-35 years
Other	5-25 years

"Other" includes components such as fire safety, 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 offices	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 ("ECLs").

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.

#### 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, such as breakage costs, 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, provided that the Group substantially retains the risks and rewards of ownership of (or interest in) the freehold.
- 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.

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

continued

**1. Accounting policies (continued)****Social housing properties, investment properties and stock (continued)**

- 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 than 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.

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.

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

continued

**1. Accounting policies (continued)****Derivative financial instruments and hedge accounting (continued)****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 adopted Interest Rate Benchmark Reform – Phase 2 (Aug-20), which enabled 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 2022, 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 £1,317.6 million. Were each of the UELs shorter by one year, this figure would be approximately £1,370.1 million, reducing the net book value of social housing properties by £52.5 million.

Conversely, included in liabilities is £2,257.3 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 £4.2 million, leading to a net reduction in assets of £48.3 million (1.9% of net assets).

### 2 The valuation of residential investment properties.

At the reporting date, the Group holds £170.6 million of residential investment properties, of which £166.0 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 £13.3 million;
- Market rents: a 10% fall in these would reduce the value of these properties by £6.9 million; and
- Discount rates: 7% has been used; increasing this by 0.5% would reduce the value of these properties by £3.4 million.

### 3 The fair value of derivative financial instruments.

At the reporting date, the Group has a £80.7 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 external market data at the reporting date, including Bank of England forecasts, plus an appropriate credit spread, giving a range of 2.60% to 4.55%. Decreasing this curve by 100 basis points would increase the net liability by £73.9 million (2.9% 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 assumptions used by the Group's schemes have been set by independent actuaries, reviewed by a second independent actuary appointed by the Group, and finally reviewed and signed off by management.

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 £5.2 million;
- Increasing the pension increase assumption by 0.1% would increase the obligation by £5.1 million; and
- Increasing the assumed life expectancy by 1 year would increase the obligation by £10.9 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. Additionally, it should be noted that as at 31 March 2023, 6 of the Group's 7 defined benefit schemes are in surplus, but this £29.8 million total asset has not been recognised (see note 28). Thus the increases in obligations above would initially have little impact on the pension liability recognised by the Group as they would mostly be offset by reducing the amount of the unrecognised surplus.

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

continued

**2. Significant judgements and accounting estimates – Group**  
(continued)**Accounting estimates** (continued)

## 5 The recoverability of current tenant arrears.

Included in 'Rent and service charges debtors' is £73.0 million which relates to current tenants. Excluding amounts covered by Housing Benefit or Universal Credit (which is expected to be received directly from the government) and also amounts owed by tenants who are freeholders or leaseholders (as larger arrears, such as for their share of communal repairs, may be secured against the properties they own) leaves £62.1 million to provide against.

Based on a review of the movement in the amounts owed in the past year, the Group has determined that a provision of 58% is required, or £36.0 million.

A 1% increase in the provision rate would increase the provision by £0.6 million.

## 6 The valuation of stock.

At the reporting date, the Group holds £149.8 million of social stock. Based on the sales margins in the year, this would generate £163.4 million of sales. Therefore, it is estimated that for the cost of this stock to be materially impaired, sales values would need to drop by around 18% in the following year.

The Group also holds £326.5 million of non-social stock. Based on the sales margins in the year, this would generate £353.8 million of sales. Therefore, it is estimated that for the cost of this stock to be materially impaired, sales values would need to drop by around 12% in the following year.

Forecasts released around the reporting date, by a number of mortgage lenders and estate agents, generally suggest that house prices may fall by around 5% to 10% in the following year. Therefore the Group does not consider that, overall, there is a significant risk of a material impairment.

During the year the Group impaired stock by £5.9 million. This largely relates to three schemes where the original contractor has gone insolvent.

## 3. Units managed and/or owned - Group

	At 1 April 2022	Adjustments	Units developed or newly-built units acquired	Units sold or demolished	Transfer to other Registered Providers	Other movements	At 31 March 2023
<b>Units managed</b>							
<b>Social housing</b>							
Social rent	74,892	(234)	133	(101)	(809)	89	<b>73,970</b>
Affordable rent	14,047	(6)	620	(7)	(119)	(52)	<b>14,483</b>
General needs	88,939	(240)	753	(108)	(928)	37	<b>88,453</b>
Supported	1,372	-	-	(20)	-	(118)	<b>1,234</b>
Housing for older people	6,629	-	-	-	(59)	(26)	<b>6,544</b>
Shared ownership	10,463	-	829	(78)	(104)	(93)	<b>11,017</b>
Care homes	12	-	-	-	-	-	<b>12</b>
Intermediate rent	476	-	-	-	-	(11)	<b>465</b>
Keyworker	952	-	-	-	-	(5)	<b>947</b>
Social leaseholders	10,162	(2)	5	(9)	(30)	106	<b>10,232</b>
Staff accommodation	96	(13)	-	-	-	-	<b>83</b>
<b>Social homes managed</b>	<b>119,101</b>	<b>(255)</b>	<b>1,587</b>	<b>(215)</b>	<b>(1,121)</b>	<b>(110)</b>	<b>118,987</b>
<b>Non-social housing</b>							
Market rent	749	105	-	-	-	(35)	<b>819</b>
Non-social leaseholders	5,010	(15)	-	-	-	(24)	<b>4,971</b>
<b>Homes managed</b>	<b>124,860</b>	<b>(165)</b>	<b>1,587</b>	<b>(215)</b>	<b>(1,121)</b>	<b>(169)</b>	<b>124,777</b>
<b>Non-housing</b>							
Garages and car parking spaces	10,324	40	9	(3)	(40)	(29)	<b>10,301</b>
Commercial leaseholders	327	7	8	-	-	-	<b>342</b>
Community centres	55	1	-	-	(1)	-	<b>55</b>
<b>Units managed</b>	<b>135,566</b>	<b>(117)</b>	<b>1,604</b>	<b>(218)</b>	<b>(1,162)</b>	<b>(198)</b>	<b>135,475</b>
<i>The figures above include</i>							
Social housing	240	(63)	-	-	-	-	<b>177</b>
Non-social housing	4,392	(3,162)	-	-	-	(83)	<b>1,147</b>
Non-housing	1	-	-	-	-	-	<b>1</b>
<b>Units managed but not owned</b>	<b>4,633</b>	<b>(3,225)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(83)</b>	<b>1,325</b>
<b>Units owned but not managed</b>							
Social housing	960	-	-	-	(12)	72	<b>1,020</b>
Non-social housing	1,425	97	258	-	-	(85)	<b>1,695</b>
Non-housing	4	4	-	-	-	-	<b>8</b>
<b>Units owned but not managed</b>	<b>2,389</b>	<b>101</b>	<b>258</b>	<b>-</b>	<b>(12)</b>	<b>(13)</b>	<b>2,723</b>

All supported and housing for older people units are used for social rent.

A review of Land Registry Titles owned by Grange Management (Southern) Limited has identified that 3,162 non-social leaseholder units managed by the company are also owned by it.

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

continued

**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 on disposal £m	2023 Operating surplus/ (deficit) £m	Turnover £m	2022 Operating surplus/ (deficit) £m
<b>Social housing activities</b>							
<b>Social housing lettings (note 4b)</b>	<b>738.8</b>	-	<b>(594.1)</b>	-	<b>144.7</b>	707.2	191.8
<b>Shared ownership first tranche sales</b>	<b>121.0</b>	<b>(109.5)</b>	<b>(1.4)</b>	-	<b>10.1</b>	150.1	15.9
<b>Other social housing activities</b>							
Care and support services	13.6	-	(8.2)	-	<b>5.4</b>	11.6	5.5
Development for other landlords	-	-	-	-	-	0.3	0.3
Development costs not capitalised/written off	-	-	(1.7)	-	<b>(1.7)</b>	-	(3.8)
Community investment	3.0	-	(16.8)	-	<b>(13.8)</b>	4.1	(12.2)
Other	2.1	-	(3.6)	-	<b>(1.5)</b>	3.4	(11.5)
<b>Total</b>	<b>18.7</b>	-	<b>(30.3)</b>	-	<b>(11.6)</b>	19.4	(21.7)
<b>Surplus on disposal of social housing properties</b>	-	-	-	<b>95.8</b>	<b>95.8</b>	-	86.5
<b>Total social housing activities</b>	<b>878.5</b>	<b>(109.5)</b>	<b>(625.8)</b>	<b>95.8</b>	<b>239.0</b>	876.7	272.5



	Turnover £m	Cost of sales £m	Operating costs £m	Surplus on disposal £m	2023 Operating surplus/ (deficit) £m	Turnover £m	2022 Operating surplus/ (deficit) £m
<b>Non-social housing activities</b>							
<b>Property sales</b>							
Open market sales	98.6	(88.0)	(3.0)	–	7.6	157.3	15.0
Leaseholder reprovion	7.2	(7.2)	–	–	–	–	–
<b>Total</b>	<b>105.8</b>	<b>(95.2)</b>	<b>(3.0)</b>	<b>–</b>	<b>7.6</b>	<b>157.3</b>	<b>15.0</b>
<b>Other non-social housing activities</b>							
Market rent lettings	9.0	–	(2.8)	–	6.2	8.5	5.1
Garage lettings	3.0	–	(0.9)	–	2.1	3.2	2.7
Commercial lettings	3.9	–	(1.6)	–	2.3	3.8	3.2
Other	7.6	–	(4.5)	–	3.1	9.5	4.3
<b>Total</b>	<b>23.5</b>	<b>–</b>	<b>(9.8)</b>	<b>–</b>	<b>13.7</b>	<b>25.0</b>	<b>15.3</b>
<b>Surplus/(deficit) on disposal of investment properties</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>0.2</b>	<b>0.2</b>	<b>–</b>	<b>(0.1)</b>
<b>Total non-social housing activities</b>	<b>129.3</b>	<b>(95.2)</b>	<b>(12.8)</b>	<b>0.2</b>	<b>21.5</b>	<b>182.3</b>	<b>30.2</b>
<b>Total social and non-social housing activities</b>	<b>1,007.8</b>	<b>(204.7)</b>	<b>(638.6)</b>	<b>96.0</b>	<b>260.5</b>	<b>1,059.0</b>	<b>302.7</b>
<b>Analysis of disposals</b>							
Social housing properties	188.5	(81.3)	(11.4)	95.8	95.8	156.7	86.5
Investment properties	3.6	(3.4)	–	0.2	0.2	7.7	(0.1)
Other fixed assets	1.9	(1.8)	–	0.1	0.1	0.2	–

Other other social housing activities in the prior year includes £7.1 million incurred as a result of leaseholder buybacks at Clare House. As it was not probable that future economic benefits would flow to the Group as a result of acquiring these properties, their cost was included in operating costs.

#### Parent

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

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

continued

**4. Turnover, cost of sales, operating costs, surplus/deficit on disposal of properties and operating surplus/deficit (continued)****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 2023 £m	Total 2022 £m
<b>Income</b>						
Rent receivable net of identifiable service charges	562.0	38.3	49.7	15.5	<b>665.5</b>	637.7
Service charge income	19.7	8.7	9.0	9.1	<b>46.5</b>	40.8
Amortisation of government grants	20.0	2.0	1.7	0.6	<b>24.3</b>	23.8
Other revenue grants/income	-	-	-	2.5	<b>2.5</b>	4.9
<b>Turnover from social housing lettings</b>	<b>601.7</b>	<b>49.0</b>	<b>60.4</b>	<b>27.7</b>	<b>738.8</b>	707.2
<b>Expenditure</b>						
Management	(89.4)	(9.7)	(8.4)	(2.7)	<b>(110.2)</b>	(94.1)
Service charge costs	(30.3)	(13.4)	(14.0)	(14.0)	<b>(71.7)</b>	(68.4)
Routine maintenance	(142.5)	(11.4)	(0.5)	(3.1)	<b>(157.5)</b>	(137.1)
Planned maintenance	(62.8)	(2.6)	(0.3)	(1.4)	<b>(67.1)</b>	(61.4)
Major works expensed	(22.7)	(0.8)	(0.1)	(2.9)	<b>(26.5)</b>	(29.0)
Bad debts	(17.3)	(1.7)	(1.3)	(0.5)	<b>(20.8)</b>	(6.9)
Depreciation of housing properties	(116.5)	(8.1)	-	(1.9)	<b>(126.5)</b>	(119.2)
Impairment of housing properties: (charge)/credit	(4.9)	-	(7.7)	-	<b>(12.6)</b>	2.6
Lease costs	(0.2)	-	-	-	<b>(0.2)</b>	(0.2)
Other costs	(0.4)	-	-	(0.6)	<b>(1.0)</b>	(1.7)
<b>Operating costs on social housing lettings</b>	<b>(487.0)</b>	<b>(47.7)</b>	<b>(32.3)</b>	<b>(27.1)</b>	<b>(594.1)</b>	(515.4)
<b>Operating surplus on social housing lettings</b>	<b>114.7</b>	<b>1.3</b>	<b>28.1</b>	<b>0.6</b>	<b>144.7</b>	191.8
<b>Void losses</b>	<b>8.6</b>	<b>3.6</b>	<b>-</b>	<b>3.0</b>	<b>15.2</b>	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 the current year due to the Cyber incident impacting the Group's ability to carry out repairs and re-let properties.

**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:

	2023 Number	2022 Number
FTEs	<b>3,772</b>	3,673

FTEs are based on a standard working week, which varies between 35 and 40 hours, but is 36 hours for most employees. All staff are employed by subsidiaries.

	2023 £m	2022 £m
<b>Staff costs</b>		
Wages and salaries	<b>162.6</b>	147.1
Compensation for loss of office	<b>0.4</b>	0.2
Social security costs	<b>17.2</b>	14.7
Pension costs	<b>10.1</b>	9.2
	<b>190.3</b>	171.2

## 6. Key management personnel

Key management personnel is defined as the members of the Group Board and/or the Group Executive Team.

Unless otherwise stated, remuneration includes salaries, performance-related pay, fees, benefits-in-kind, compensation for loss of office and pension contributions, as applicable. Amounts disclosed reflect the total remuneration receivable from the Clarion Housing Group and also include any amounts receivable in respect of other directorships held within the Group as well as any amounts receivable in respect of membership of Group committees.

Remuneration payable was as follows:

	2023 £'000	2022 £'000
<b>Non-Executive Directors</b>		
Fees and other benefits	277	274
<b>Executive Directors</b>		
Salary and other benefits	2,187	2,044
Pension contributions, or pay in lieu thereof, in respect of services as directors	105	101
	2,292	2,145
	2,569	2,419
	2023 £	2022 £
Remuneration of highest paid Director (excluding pension contributions, or pay in lieu thereof)	427,892	369,438
Pension contributions, or pay in lieu thereof, in respect of the highest paid Director	19,098	18,816

The highest paid Director did not take their bonus in the year ended 31 March 2022.

The Chief Executive Officer is not a member of any Group pension scheme, instead receiving pay in lieu of pension contributions, through normal payroll remuneration.

Banding for key management personnel whose total remuneration exceeded £60,000 per annum is as follows:

	2023 Number	2022 Number
£120,000 to £129,999	1	1
£230,000 to £239,999	1	2
£240,000 to £249,999	1	-
£250,000 to £259,999	-	1
£280,000 to £289,999	1	-
£290,000 to £299,999	-	1
£300,000 to £309,999	-	2
£310,000 to £319,999	2	-
£320,000 to £329,999	1	-
£380,000 to £389,999	-	1
£440,000 to £449,999	1	-
<b>Total</b>	<b>8</b>	<b>8</b>

## 7. Interest receivable

	Group		Parent	
	2023 £m	2022 £m	2023 £m	2022 £m
Interest receivable on bank deposits	4.2	0.4	1.6	0.1
Interest receivable on finance leases	1.0	0.1	-	-
Interest receivable from Group undertakings	-	-	31.1	24.1
Interest receivable from JCEAs	9.3	8.4	-	-
Other interest receivable	0.2	-	-	-
	<b>14.7</b>	<b>8.9</b>	<b>32.7</b>	<b>24.2</b>

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

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**8. Interest payable and financing costs, and loan breakage costs**

	<b>Group</b>		<b>Parent</b>	
	<b>2023 £m</b>	<b>2022 £m</b>	<b>2023 £m</b>	<b>2022 £m</b>
Interest payable on loans	<b>46.0</b>	23.3	-	-
Interest payable on bonds and similar instruments	<b>112.5</b>	108.9	-	-
Interest payable on derivatives	<b>16.6</b>	34.9	-	-
Interest payable on finance leases	<b>0.8</b>	0.5	-	-
Interest payable to Group undertakings	-	-	<b>35.2</b>	25.0
Interest payable relating to pensions (see note 28)	<b>0.3</b>	1.1	-	-
Impairment of loan to contractor	<b>4.7</b>	-	-	-
Other interest payable	<b>1.0</b>	0.3	-	-
Other charges	<b>4.6</b>	7.6	<b>0.2</b>	0.1
	<b>186.5</b>	176.6	<b>35.4</b>	25.1
Interest payable capitalised	<b>(33.6)</b>	(35.5)	-	-
	<b>152.9</b>	141.1	<b>35.4</b>	25.1

During the year Latimer Developments Limited (“Latimer”), a member of the Group, agreed to provide up to £6 million of support to the contractor for one of the company’s development schemes. As this contractor is in financial difficulties, any support provided in this manner is not expected to be recovered, and so Latimer has expensed the support as it is paid. Even so, Latimer believes that providing this support is preferable to allowing the contractor to collapse, as doing so would further delay the scheme and increase the overall cost of development even further.

Support payments are made into a Project Bank Account which is controlled by Latimer, so that the funds are only used to pay costs relating to this particular development scheme, and are not available for any of the contractor’s other costs.

	<b>Group</b>		<b>Parent</b>	
	<b>2023 £m</b>	<b>2022 £m</b>	<b>2023 £m</b>	<b>2022 £m</b>
Loan breakage costs	<b>44.8</b>	1.0	-	-

During the year, the Group completed a debt portfolio rationalisation project which strengthens the Group’s credit position going forward. The one-off breakage costs above were incurred as a result.

**9. Movement in fair value of financial instruments – Group**

	2023 £m	2022 £m
<b>Included in income and expenditure</b>		
<b>Fair value gains on</b>		
Borrowings treated as fair value hedging items	11.9	9.1
Derivatives treated as cash flow hedging instruments – ineffective	1.3	3.5
	<b>13.2</b>	<b>12.6</b>
<b>Fair value losses on</b>		
Derivatives treated as fair value hedging instruments	(11.9)	(9.1)
Amortisation of cash flow hedge reserve relating to a prematured derivative	(0.7)	(0.7)
	<b>(12.6)</b>	<b>(9.8)</b>
	<b>0.6</b>	<b>2.8</b>
	<b>2023 £m</b>	<b>2022 £m</b>
<b>Included in other comprehensive income</b>		
<b>Fair value gains on</b>		
Derivatives treated as cash flow hedging instruments – effective	141.0	109.3
Amortisation of cash flow hedge reserve relating to a prematured derivative	0.7	0.7
	<b>141.7</b>	<b>110.0</b>

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

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

continued

## 10. Surplus/result on ordinary activities before taxation

	Group		Parent	
	2023 £m	2022 £m	2023 £m	2022 £m
<b>Surplus/result on ordinary activities before taxation is stated after charging/(crediting):</b>				
<b>Amortisation</b>				
Negative goodwill	(0.5)	-	-	-
Other intangible assets	12.3	10.2	12.1	9.9
	11.8	10.2	12.1	9.9
<b>Depreciation</b>				
Social housing properties	126.5	119.2	-	-
Non-housing fixed assets	7.3	9.5	5.2	7.0
	133.8	128.7	5.2	7.0
<b>Impairment</b>				
Social housing properties	12.6	(2.6)	-	-
Non-housing fixed assets	-	3.4	-	-
Interests in JCEAs	0.7	(1.9)	-	-
Stock	5.9	3.8	-	-
Loan to contractor	4.7	-	-	-
	23.9	2.7	-	-
Operating lease rentals	11.7	10.6	5.5	5.9
	Group		Parent	
	2023 £m	2022 £m	2023 £m	2022 £m
<b>Auditor's remuneration (exclusive of VAT)</b>				
- for statutory audit services	0.7	0.5	0.2	0.1
- for other services	-	0.1	-	0.1
	0.7	0.6	0.2	0.2

## 11. Taxation

	Group		Parent	
	2023 £m	2022 £m	2023 £m	2022 £m
<b>Analysis of (credit)/charge in period</b>				
<b>Current tax</b>				
Current tax on income for the period	-	-	-	-
<b>Deferred tax</b>				
Origination and reversal of timing differences	(0.5)	0.7	-	-
Change in tax rate	(1.1)	(0.1)	-	-
	(1.6)	0.6	-	-
	(1.6)	0.6	-	-
Recognised in income and expenditure	(1.6)	0.6	-	-

The tax charge for the Group for the period is less than 19% (2022: less than 19%), the rate of corporation tax in the UK. The tax charge for the Parent for the period is equal to 19% (2022: less than 19%), the rate of corporation tax in the UK. The differences are explained below:

	Group		Parent	
	2023 £m	2022 £m	2023 £m	2022 £m
<b>Reconciliation of tax recognised in income and expenditure</b>				
Surplus/result on ordinary activities before taxation	95.2	186.4	-	0.7
<b>Tax charge at 19% (2022: 19%)</b>	18.1	35.4	-	0.1
<b>Effects of</b>				
Charitable surpluses not taxed	(19.6)	(34.6)	-	(0.1)
Expenses not deductible for tax purposes	3.5	1.0	-	-
Depreciation in excess of capital allowances	0.1	-	-	-
Gift Aid relating to current year profits and paid in-year	(0.4)	-	-	-
Gift Aid expected to be paid in following 9 months	(1.2)	(1.2)	-	-
Deferred tax asset not recognised on losses carried forward	0.3	-	-	-
Deferred tax asset now recognised on prior year losses	(1.3)	-	-	-
Remeasurement of deferred tax due to change in UK tax rate	(1.1)	(0.1)	-	-
Other	-	0.1	-	-
	(1.6)	0.6	-	-

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

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

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

continued

**11. Taxation (continued)**

	Group		Parent	
	2023 £m	2022 £m	2023 £m	2022 £m
<b>Deferred tax</b>				
<b>Deferred tax assets</b>				
Unused tax losses	<b>7.3</b>	5.9	-	-
<b>Deferred tax liabilities</b>				
Unrealised gains on revaluation of investment properties	<b>(2.1)</b>	(2.3)	-	-
	<b>5.2</b>	3.6	-	-

For tax losses at 31 March 2023 which are expected to be utilised against profits made in the following year, the related deferred tax asset is included in debtors falling due within one year. For those losses where the timing of future profits is uncertain, the deferred tax assets are 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. This deferred tax is included in provisions.

All deferred tax assets and liabilities as at 31 March 2023 are calculated using 25% (2022: 25% with the exception of deferred tax assets included in debtors falling due within one year which were calculated using 19%).



**12. Goodwill and negative goodwill – Group**

	2023 £m	2022 £m
Goodwill	14.3	0.4
Negative goodwill	–	(0.5)
	14.3	(0.1)
		£m
<b>Goodwill</b>		
At 1 April 2022		0.4
Recognised on acquisitions		13.9
<b>At 31 March 2023</b>		<b>14.3</b>

Bonner Road LLP (“Bonner Road”) was previously a jointly-controlled entity between the Group and Crest Nicholson (“Crest”), with the Group accounting for its 50% as ‘Interests in JCEAs’. In May 2022, the Group acquired the other 50% of Bonner Road, generating £13.9 million of goodwill, and bringing 100% of the LLP’s assets and liabilities into the consolidation on a line-by-line basis.

	Book Value £m	Adjustments £m	Fair value £m
Social housing properties	–	13.0	13.0
Stock	59.9	(40.9)	19.0
<b>Total identifiable net assets</b>	<b>59.9</b>	<b>(27.9)</b>	<b>32.0</b>

Bonner Road accounted for the land and related works it owned as stock, and the Group has determined the fair value to be £32.0 million on the basis that it acquired the other 50% from Crest for £16.0 million. The Group intends to use this land for developing social and non-social housing and so has split its value between social housing properties and stock on the basis of this intended use.

	£m
Existing loan from the Group to Bonner Road	37.4
Share of Bonner Road’s net liabilities already equity accounted for by the Group	(7.6)
Consideration for Crest’s loan to Bonner Road	16.0
Directly attributable costs	0.1
<b>Total consideration</b>	<b>45.9</b>

Following acquisition, Bonner Road has not contributed any material amounts to the Group Statement of Comprehensive Income.

The remaining £0.4 million of 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.

	£m
<b>Negative goodwill</b>	
At 1 April 2022	(0.5)
Amortisation	0.5
<b>At 31 March 2023</b>	<b>–</b>

Negative goodwill related to the acquisition of Latimer Green Lanes Limited (“LGL”). It was fully released to cost of sales during the year as a result of LGL selling the majority of its stock.

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

continued

**13. Other intangible assets**  
Group

	Enterprise resource planning system £m	Other computer software £m	Total £m
<b>Cost</b>			
At 1 April 2022	78.4	39.2	<b>117.6</b>
Additions	–	9.9	<b>9.9</b>
Disposals	–	(3.9)	<b>(3.9)</b>
<b>At 31 March 2023</b>	<b>78.4</b>	<b>45.2</b>	<b>123.6</b>
<b>Amortisation</b>			
At 1 April 2022	(28.9)	(19.4)	<b>(48.3)</b>
Amortisation charge for the year	(8.3)	(4.0)	<b>(12.3)</b>
Eliminated on disposals	–	3.9	<b>3.9</b>
<b>At 31 March 2023</b>	<b>(37.2)</b>	<b>(19.5)</b>	<b>(56.7)</b>
<b>Net book value</b>			
<b>At 31 March 2023</b>	<b>41.2</b>	<b>25.7</b>	<b>66.9</b>
Net book value			
At 31 March 2022	49.5	19.8	69.3

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
<b>Cost</b>			
At 1 April 2022	78.4	35.7	<b>114.1</b>
Additions	–	9.8	<b>9.8</b>
Disposals	–	(0.6)	<b>(0.6)</b>
<b>At 31 March 2023</b>	<b>78.4</b>	<b>44.9</b>	<b>123.3</b>
<b>Amortisation</b>			
At 1 April 2022	(28.9)	(16.1)	<b>(45.0)</b>
Amortisation charge for the year	(8.3)	(3.8)	<b>(12.1)</b>
Eliminated on disposals	–	0.6	<b>0.6</b>
<b>At 31 March 2023</b>	<b>(37.2)</b>	<b>(19.3)</b>	<b>(56.5)</b>
<b>Net book value</b>			
<b>At 31 March 2023</b>	<b>41.2</b>	<b>25.6</b>	<b>66.8</b>
Net book value			
At 31 March 2022	49.5	19.6	69.1

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

## 14. Social housing properties – Group

	Completed		Under construction		Total £m
	Rental-only £m	Shared ownership £m	Rental-only £m	Shared ownership £m	
<b>Cost</b>					
At 1 April 2022	7,636.2	1,229.9	257.8	297.4	<b>9,421.3</b>
Construction/redevelopment of properties	–	–	191.8	124.2	<b>316.0</b>
Acquisition of Bonner Road (see note 12)	–	–	4.5	2.0	<b>6.5</b>
Works to completed properties	145.9	–	–	–	<b>145.9</b>
Other additions	13.4	–	–	–	<b>13.4</b>
Properties completing construction	178.0	163.3	(178.0)	(163.3)	–
Transfers of land undergoing regeneration	(0.4)	–	0.4	–	–
Change of tenure	–	–	(0.7)	0.7	–
Transfer from/(to) investment properties	6.0	–	(1.6)	–	<b>4.4</b>
Transfer from interests in JCEAs (see note 12)	–	–	4.5	2.0	<b>6.5</b>
Transfer to stock	(19.9)	(3.1)	(22.1)	(5.8)	<b>(50.9)</b>
Components replaced	(13.6)	–	–	–	<b>(13.6)</b>
Transfer to other private Registered Providers (“RPs”)	(62.7)	(17.7)	–	–	<b>(80.4)</b>
Other disposals/write-offs	(8.1)	(22.8)	(0.3)	(0.3)	<b>(31.5)</b>
<b>At 31 March 2023</b>	<b>7,874.8</b>	<b>1,349.6</b>	<b>256.3</b>	<b>256.9</b>	<b>9,737.6</b>
<b>Depreciation and impairment</b>					
At 1 April 2022	(1,217.8)	(12.6)	–	–	<b>(1,230.4)</b>
Depreciation charge for the year	(126.5)	–	–	–	<b>(126.5)</b>
Impairment charge for the year	–	–	(4.9)	(7.7)	<b>(12.6)</b>
Eliminated on components replaced	13.6	–	–	–	<b>13.6</b>
Eliminated on transfers to other private RPs	11.6	–	–	–	<b>11.6</b>
Eliminated on other disposals/write-offs	1.5	0.3	–	–	<b>1.8</b>
<b>At 31 March 2023</b>	<b>(1,317.6)</b>	<b>(12.3)</b>	<b>(4.9)</b>	<b>(7.7)</b>	<b>(1,342.5)</b>
<b>Net book value</b>					
<b>At 31 March 2023</b>	<b>6,557.2</b>	<b>1,337.3</b>	<b>251.4</b>	<b>249.2</b>	<b>8,395.1</b>
Net book value					
At 31 March 2022	6,418.4	1,217.3	257.8	297.4	8,190.9

Completed properties with a combined net book value of £4,107.5 million (2022: £4,241.5 million) are held as security against debt and derivatives (see notes 24 and 26), £14.3 million (2022: £14.3 million) of which relates to assets held under finance leases.

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

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**15. Investment properties - Group**

	Residential properties £m	Non-residential properties £m	Freeholds £m	Total £m
At 1 April 2022	170.1	44.2	8.1	<b>222.4</b>
Transfer from/(to) social housing properties	(6.0)	1.6	-	<b>(4.4)</b>
Disposals	-	(3.4)	-	<b>(3.4)</b>
Revaluation	6.5	(0.4)	(1.4)	<b>4.7</b>
<b>At 31 March 2023</b>	<b>170.6</b>	<b>42.0</b>	<b>6.7</b>	<b>219.3</b>

All residential properties, the majority of the non-residential properties, and all freeholds were valued as at 31 March 2023 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 non-residential properties has been estimated internally, using Savills' valuation results as a guide, as £5.5 million (2022: £5.2 million).

Investment properties with a combined fair value of £152.1 million (2022: £152.0 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
<b>Cost</b>				
At 1 April 2022	42.0	29.1	28.3	<b>99.4</b>
Additions	0.1	1.3	0.7	<b>2.1</b>
Disposals	(9.7)	(0.4)	(0.5)	<b>(10.6)</b>
<b>At 31 March 2023</b>	<b>32.4</b>	<b>30.0</b>	<b>28.5</b>	<b>90.9</b>
<b>Depreciation and impairment</b>				
At 1 April 2022	(24.3)	(17.6)	(23.6)	<b>(65.5)</b>
Depreciation charge for the year	(1.2)	(4.0)	(2.1)	<b>(7.3)</b>
Eliminated on disposals	7.7	0.6	0.5	<b>8.8</b>
<b>At 31 March 2023</b>	<b>(17.8)</b>	<b>(21.0)</b>	<b>(25.2)</b>	<b>(64.0)</b>
<b>Net book value</b>				
<b>At 31 March 2023</b>	<b>14.6</b>	<b>9.0</b>	<b>3.3</b>	<b>26.9</b>
Net book value				
At 31 March 2022	17.7	11.5	4.7	33.9

During the year £1.8 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
<b>Cost</b>				
At 1 April 2022	3.2	24.6	27.4	<b>55.2</b>
Additions	–	1.4	0.7	<b>2.1</b>
Transfers from other Group members	–	1.0	–	<b>1.0</b>
Disposals	–	(0.2)	–	<b>(0.2)</b>
<b>At 31 March 2023</b>	<b>3.2</b>	<b>26.8</b>	<b>28.1</b>	<b>58.1</b>
<b>Depreciation</b>				
At 1 April 2022	(2.2)	(15.4)	(22.7)	<b>(40.3)</b>
Depreciation charge for the year	(0.2)	(2.9)	(2.1)	<b>(5.2)</b>
Transfers from other Group members	–	(0.4)	–	<b>(0.4)</b>
Eliminated on disposals	–	0.2	–	<b>0.2</b>
<b>At 31 March 2023</b>	<b>(2.4)</b>	<b>(18.5)</b>	<b>(24.8)</b>	<b>(45.7)</b>
<b>Net book value</b>				
<b>At 31 March 2023</b>	<b>0.8</b>	<b>8.3</b>	<b>3.3</b>	<b>12.4</b>
Net book value				
At 31 March 2022	1.0	9.2	4.7	14.9

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

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**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:

	2023 £m	2022 £m
Turnover	66.2	26.9
Cost of sales	(54.2)	(21.3)
<b>Operating surplus</b>	<b>12.0</b>	5.6
Interest payable	(6.0)	(7.4)
Impairment (charge)/reversal	(0.7)	1.9
<b>Surplus for the year</b>	<b>5.3</b>	0.1
Assets	229.9	236.4
Liabilities	(206.8)	(295.3)
<b>Net assets/(liabilities)</b>	<b>23.1</b>	(58.9)
Investment in JCEAs	162.4	240.6
<b>Interest in JCEAs</b>	<b>185.5</b>	181.7

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: sales of Affordable properties are accounted for at zero-margin, eligible interest costs are capitalised and prepaid marketing costs are expensed as incurred.

Included in ‘Investment in JCEAs’ are loans from the Group totalling £159.0 million (2022: £237.8 million) which are impaired by £1.8 million (2022: £4.4 million).

In July 2022, the Group formally waived £48.8 million of its loan to Linden/Downland Graylingwell LLP (“Graylingwell”), converting it to equity.

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 £40.3 million (2022: £27.2 million) and £nil is included in creditors at the reporting date (2022: £nil).

During the year, the Group received profit distributions of £1.0 million from its JCEAs (2022: £0.5 million).

In June 2022, the Group disposed of its interest in Hadley Goodmayes LLP (equity and loans) for a surplus of £7.0 million.

**18. Other fixed asset investments**  
**Group**

	2023 £m	2022 £m
Equity loans including HomeBuy	10.6	11.0
Other investments	0.5	0.4
	<b>11.1</b>	11.4

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**

	2023 £m	2022 £m
Investment in subsidiaries	45.6	42.4

During the year the Parent purchased a further £3.2 million of Igloo Insurance PCC Limited (Cell ASG2)’s shares, at par.

## 19. Stock – Group

	Under construction		Completed properties		Total £m
	Social £m	Non-social £m	Social £m	Non-social £m	
At 1 April 2022	128.6	226.6	67.5	33.1	<b>455.8</b>
Additions	51.0	89.7	–	–	<b>140.7</b>
Acquisition of Bonner Road (see note 12)	1.0	8.5	–	–	<b>9.5</b>
Impairment charge for the year	(5.2)	(0.7)	–	–	<b>(5.9)</b>
Properties completed	(81.4)	(105.9)	81.4	105.9	–
Change of tenure	(3.0)	3.0	–	–	–
Transfer from social housing properties	0.2	27.7	3.1	19.9	<b>50.9</b>
Transfer from interests in JCEAs (see note 12)	1.0	8.5	–	–	<b>9.5</b>
Properties sold	–	–	(94.4)	(89.8)	<b>(184.2)</b>
<b>At 31 March 2023</b>	<b>92.2</b>	<b>257.4</b>	<b>57.6</b>	<b>69.1</b>	<b>476.3</b>

## 20. Debtors

	Group		Parent	
	2023 £m	2022 £m	2023 £m	2022 £m
<b>Amounts falling due within one year</b>				
Rent and service charge debtors	<b>108.2</b>	77.6	–	–
Impairment	<b>(71.2)</b>	(50.8)	–	–
	<b>37.0</b>	26.8	–	–
Amounts due from Group undertakings: loans and cash pooling	–	–	<b>7.3</b>	9.5
Local authority housing transfers	<b>5.2</b>	6.0	–	–
Amounts due from Group undertakings: interest	–	–	<b>0.1</b>	0.1
Prepayments and accrued income	<b>37.3</b>	29.0	<b>8.5</b>	7.1
Deferred tax assets (see note 11)	–	3.0	–	–
Amounts due from Group undertakings: trading	–	–	<b>9.1</b>	6.1
VAT debtor	<b>3.1</b>	5.5	<b>0.3</b>	0.1
Social housing property grants debtor	<b>18.4</b>	32.4	–	–
Other debtors	<b>13.0</b>	11.0	<b>0.4</b>	1.9
	<b>114.0</b>	113.7	<b>25.7</b>	24.8
<b>Amounts falling due after one year</b>				
Finance lease debtors	<b>1.9</b>	1.9	–	–
Amounts due from Group undertakings: loans	–	–	<b>429.8</b>	394.4
Local authority housing transfers	<b>91.6</b>	96.0	–	–
Derivative financial assets (see note 26)	<b>2.0</b>	8.0	–	–
Deferred tax assets (see note 11)	<b>7.3</b>	2.9	–	–
	<b>102.8</b>	108.8	<b>429.8</b>	394.4

Included in 'Rent and service charges debtors' are gross social housing rent arrears of £104.2 million (2022: £74.3 million), which are impaired by £69.5 million (2022: £49.6 million).

Rents and service charges debtors relating to former tenants total £35.2 million and are provided for in full (2022 : £29.7 million).

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

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**21. Current asset investments – Group**

	2023 £m	2022 £m
Collateral deposits	101.2	108.1
Cash held on deposit	6.7	7.7
	<b>107.9</b>	115.8

Collateral deposits represent cash that the Group has placed with its commercial lenders and derivative counterparties. This mitigates their exposure to the Group, for example if the derivative fair values are 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, £6.0 million (2022: £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	
	2023 £m	2022 £m	2023 £m	2022 £m
<b>Debt (see note 24)</b>				
Bank overdraft	–	–	–	0.4
Bank loans and bonds	45.3	44.0	–	–
Obligations under finance leases	0.1	0.1	–	–
Amounts due to Group undertakings: loans and cash pooling	–	–	98.7	131.0
	<b>45.4</b>	44.1	<b>98.7</b>	131.4
<b>Capital grants (see note 25)</b>				
Social housing property grants	24.3	23.8	–	–
Recycled Capital Grant Fund	16.5	13.5	–	–
	<b>40.8</b>	37.3	–	–
<b>Other creditors</b>				
Trade creditors	17.5	12.8	1.4	1.9
Local authority housing transfers	5.2	6.0	–	–
Derivative financial liabilities (see note 26)	0.1	–	–	–
Interest creditor	36.4	37.2	–	–
Amounts due to Group undertakings: interest	–	–	0.1	0.1
Rents and service charges received in advance	35.5	35.7	–	–
Other accruals and deferred income	132.1	105.4	6.6	5.5
VAT creditor	0.2	3.7	–	–
Other taxation and social security	4.4	4.8	–	–
Amounts due to Group undertakings: trading	–	–	1.2	22.5
Other creditors	13.6	13.5	3.1	4.0
	<b>245.0</b>	219.1	<b>12.4</b>	34.0
	<b>331.2</b>	300.5	<b>111.1</b>	165.4

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	
	2023 £m	2022 £m	2023 £m	2022 £m
<b>Debt (see note 24)</b>				
Bank loans and bonds	4,464.9	4,459.0	-	-
Obligations under finance leases	7.2	7.1	-	-
Amounts due to Group undertakings: loans	-	-	510.2	472.3
	<b>4,472.1</b>	<b>4,466.1</b>	<b>510.2</b>	<b>472.3</b>
<b>Capital grants (see note 25)</b>				
Social housing property grants	2,233.0	2,185.7	-	-
HomeBuy grants	9.0	9.3	-	-
Recycled Capital Grant Fund	14.8	14.5	-	-
	<b>2,256.8</b>	<b>2,209.5</b>	<b>-</b>	<b>-</b>
<b>Other creditors</b>				
Local authority housing transfers	91.6	96.0	-	-
Derivative financial liabilities (see note 26)	82.6	219.1	-	-
Other creditors	17.8	22.4	-	-
	<b>192.0</b>	<b>337.5</b>	<b>-</b>	<b>-</b>
	<b>6,920.9</b>	<b>7,013.1</b>	<b>510.2</b>	<b>472.3</b>

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

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**24. Debt analysis – Group**

	2023 £m	2022 £m
<b>Debt is repayable as follows:</b>		
Due within one year	45.4	44.1
Due between one and two years	45.6	42.6
Due between two and five years	251.6	217.3
Due after more than five years	4,174.9	4,206.2
	<b>4,517.5</b>	<b>4,510.2</b>

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.

	2023 £m	2022 £m
<b>Notional amounts drawn</b>		
Clarion Funding PLC		
– Note issuance	1,750.0	1,750.0
Clarion Treasury Limited		
– Loans	1,428.3	1,368.7
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	1.3	41.7
– Finance leases	5.4	5.5
Your Lifespace Limited		
– Finance leases	1.2	1.2
	<b>4,471.2</b>	<b>4,452.1</b>
<b>Accounting adjustments</b>		
Fair value adjustment due to		
– Acquisitions of Mercian Housing Association Limited and Russet Homes Limited	11.2	12.3
– Hedging of private placement	(11.0)	0.9
Effective interest rate adjustment	46.1	44.9
	<b>46.3</b>	<b>58.1</b>
	<b>4,517.5</b>	<b>4,510.2</b>

The fair value adjustment relating to acquisitions is amortised over the life of the related loans and £1.1 million has been released in this period (2022: £1.0 million).

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
<b>Maturity of notional amounts drawn</b>					
Term	35.1	36.1	169.8	1,000.4	<b>1,241.4</b>
Revolver	7.9	7.9	23.7	147.4	<b>186.9</b>
Bond	–	–	–	2,885.0	<b>2,885.0</b>
Private placement	–	–	50.0	100.0	<b>150.0</b>
Finance lease	0.1	0.2	1.2	5.1	<b>6.6</b>
Other	0.5	0.6	0.2	–	<b>1.3</b>
<b>At 31 March 2023</b>	<b>43.6</b>	<b>44.8</b>	<b>244.9</b>	<b>4,137.9</b>	<b>4,471.2</b>
At 31 March 2022	42.2	41.2	211.3	4,157.4	4,452.1
	Within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	Total £m
<b>Maturity of facilities (notional amounts)</b>					
Term	35.1	36.1	169.8	1,000.4	<b>1,241.4</b>
Revolver	10.2	10.2	631.0	477.4	<b>1,128.8</b>
Bond	–	–	–	2,885.0	<b>2,885.0</b>
Private placement	–	–	50.0	100.0	<b>150.0</b>
Finance lease	0.1	0.2	1.2	5.1	<b>6.6</b>
Other	0.5	0.6	0.2	–	<b>1.3</b>
<b>At 31 March 2023</b>	<b>45.9</b>	<b>47.1</b>	<b>852.2</b>	<b>4,467.9</b>	<b>5,413.1</b>
At 31 March 2022	48.8	197.7	630.9	4,572.6	5,450.0
	At 1 April 2022 £m	Cash flows £m	Changes in fair value £m	Other non-cash changes £m	At 31 March 2023 £m
<b>Analysis of changes in net debt</b>					
Cash and cash equivalents	137.9	(48.5)	–	–	<b>89.4</b>
Debt	(4,510.2)	(18.2)	11.9	(1.0)	<b>(4,517.5)</b>
Derivatives	(211.1)	–	130.4	–	<b>(80.7)</b>
<b>Net debt</b>	<b>(4,583.4)</b>	<b>(66.7)</b>	<b>142.3</b>	<b>(1.0)</b>	<b>(4,508.8)</b>

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

continued

**24. Debt analysis – Group (continued)**

	Fixed rate £m	Floating rate £m	Total £m
<b>Analysis of financial instruments by type of interest (notional amounts)</b>			
Term	856.6	384.8	<b>1,241.4</b>
Revolver	–	186.9	<b>186.9</b>
Bond	2,885.0	–	<b>2,885.0</b>
Private placement	–	150.0	<b>150.0</b>
Finance lease	6.6	–	<b>6.6</b>
Other	1.3	–	<b>1.3</b>
<b>Borrowings at 31 March 2023</b>	<b>3,749.5</b>	<b>721.7</b>	<b>4,471.2</b>
Cash and cash equivalents	(1.2)	(88.2)	<b>(89.4)</b>
Collateral and other deposits	(6.0)	(101.9)	<b>(107.9)</b>
<b>Cash and deposits at 31 March 2023</b>	<b>(7.2)</b>	<b>(190.1)</b>	<b>(197.3)</b>
<b>Net borrowings at 31 March 2023</b>	<b>3,742.3</b>	<b>531.6</b>	<b>4,273.9</b>
Net borrowings at 31 March 2022	3,835.4	363.0	4,198.4

As at 31 March 2023, the Group's debt has a weighted average maturity of 15 years (2022: 15 years) and a weighted average cost of 3.96% (2022: 3.64%). The weighted average cost during the year, inclusive of breakage costs, was 5.19% (2022: 4.11%). In order to minimise the Group's exposure to variable interest rate risk, 88% 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 (2022: 91%).

**25. Capital grants – Group**

	HomeBuy grants £m	Social housing property grants £m	
At 1 April 2022	9.3	2,209.5	
New grant recognised	–	95.9	
Amortisation income	–	(24.3)	
Recycled on disposals (net of amortisation)	(0.3)	(4.8)	
Disposals not required to be recycled	–	(19.0)	
<b>At 31 March 2023</b>	<b>9.0</b>	<b>2,257.3</b>	
Amounts falling due within one year	–	24.3	
Amounts falling due after one year	9.0	2,233.0	
	<b>9.0</b>	<b>2,257.3</b>	
	HE £m	GLA £m	Total £m
<b>Recycled Capital Grant Fund</b>			
At 1 April 2022	11.3	16.7	<b>28.0</b>
Additions to fund due to disposals	3.1	2.8	<b>5.9</b>
Interest accrued	0.3	0.4	<b>0.7</b>
Repayment of grant to HE and/or the GLA	–	(3.3)	<b>(3.3)</b>
<b>At 31 March 2023</b>	<b>14.7</b>	<b>16.6</b>	<b>31.3</b>
Amounts falling due within one year			16.5
Amounts falling due after one year			14.8
			<b>31.3</b>
Amounts three years old or older which may need to be repaid	6.0	4.0	<b>10.0</b>

## 26. Financial instruments - Group

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

	2023 £m	2022 £m
<b>Notional</b>		
Option	-	50.0
Pay fixed	856.6	734.9
Receive fixed	100.0	100.0
	<b>956.6</b>	<b>884.9</b>
<b>Fair value</b>		
Option	-	(7.0)
Pay fixed (asset)	2.0	7.1
Pay fixed (liability)	(71.7)	(212.1)
Receive fixed (asset)	-	0.9
Receive fixed (liability)	(11.0)	-
	<b>(80.7)</b>	<b>(211.1)</b>

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:

	2023 £m	2022 £m
Due within one year	3.1	20.8
Due between one and two years	4.8	14.3
Due between two and five years	28.6	50.9
Due after five years	77.2	167.4
	<b>113.7</b>	<b>253.4</b>

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 (2022: 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 IFRS 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.

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

continued

**27. Provisions for liabilities and charges**

	<b>Group</b>		<b>Parent</b>	
	<b>2023 £m</b>	<b>2022 £m</b>	<b>2023 £m</b>	<b>2022 £m</b>
Net pension liabilities	<b>36.5</b>	14.6	-	-
Deferred tax liabilities	<b>2.1</b>	2.3	-	-
Other	<b>5.0</b>	7.4	<b>1.6</b>	0.9
	<b>43.6</b>	24.3	<b>1.6</b>	0.9

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

**Group**

	<b>Deferred tax liabilities £m</b>	<b>Other £m</b>	<b>Total £m</b>
<b>Deferred tax liabilities and other provisions</b>			
At 1 April 2022	2.3	7.4	<b>9.7</b>
Additions	-	3.6	<b>3.6</b>
Amounts utilised	-	(3.9)	<b>(3.9)</b>
Unused amounts reversed	(0.2)	(2.1)	<b>(2.3)</b>
<b>At 31 March 2023</b>	<b>2.1</b>	<b>5.0</b>	<b>7.1</b>

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

Other provisions includes, amongst other amounts, £1.2 million for dilapidations at leased offices that the Group has decided to vacate (2022: £0.8 million), £1.0 million for repairs and compensation resulting from damage to a gas pipeline at one of the Group's estates (2022: £nil), £0.8 million for costs associated with the decant of Clare House, including leaseholder buybacks (2022: £4.6 million) and £0.2 million for an arrangement with Thames Water for collecting water and service charges (2022: £1.2 million).

**Parent**

	<b>Other £m</b>
<b>Other provisions</b>	
At 1 April 2022	0.9
Additions	1.2
Amounts utilised	(0.1)
Unused amounts reversed	(0.4)
<b>At 31 March 2023</b>	<b>1.6</b>

Other provisions includes, amongst other amounts, £1.2 million for dilapidations at leased offices that the Parent has decided to vacate (2022: £0.8 million).

## 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 2022
Clarion Housing Group Pension Scheme	30 September 2021
Downland Housing Association Pension & Assurance Scheme	31 March 2021
Kent County Council Pension Fund	31 March 2022
London Borough of Merton Pension Fund	31 March 2022
Norfolk County Council Superannuation Fund	31 March 2022
Surrey County Council Pension Fund	31 March 2022

With the exception of the Clarion scheme, the other six schemes are in surplus as at 31 March 2023, but this combined surplus of £29.8 million has not been recognised as an asset for a number of reasons:

- i. In the case of the five local government schemes, this is chiefly that active membership of all of these LGPS arrangements is relatively low and has the potential to cease within the next 12 months (subject to consultation and agreement with staff and representatives). The Group commenced this consultation prior to 31 March 2023.
- ii. In the case of the Downland scheme, this is because the Group is unlikely to receive any material economic benefit from the provisional FRS 102 surplus calculated as at 31 March 2023. The reason being that the status of the scheme in terms of membership, ongoing funding contributions and trustee's discretion regarding the use of surplus means that there is limited reasonable expectation that the Group would be able to recover any material surplus either through reduced future contributions or by receiving a refund.

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

During the period the Group exited both the London Borough of Bromley Pension Fund and the London Pensions Fund Authority Pension Fund. These schemes were in surplus at the time of their respective exits, but these surpluses were not recognised as they were not considered to be recoverable and so the schemes were held at £nil; additionally, no cessation payments were due as a result of these exits, and so there was no cost to the Group.

The Group was notified in 2021 by the Trustee of the Clarion scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding whether some of these changes were made in accordance with the Trust's governing documentation. The Trustee is seeking clarification from the Court on these items, and this process is ongoing and unlikely to be resolved before the end of 2024 at the earliest. It is estimated that this could potentially increase the value of the scheme's liabilities by around 5%. This is an estimate only and is subject to change depending on the outcome of the court case and more detailed calculations on scheme data. Until the Court's direction is received, it is unknown whether the full (or any) increase in liabilities will apply and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this.

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:

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

continued

**28. Pensions (continued)**

Reconciliation of opening and closing pension assets and liabilities:

	Group	
	2023 £m	2022 £m
<b>Fair value of scheme assets</b>		
At the beginning of the year	448.1	429.6
Scheme admin expenses	(0.5)	–
Cessation of schemes	(40.7)	–
Interest income	11.0	9.0
Actual return on scheme assets less interest income	(130.9)	14.4
Pension surplus (assets in excess of obligation) not recoverable	(32.8)	(4.0)
Contributions by employer	10.9	10.6
Contributions by members	0.5	0.5
Benefits paid	(11.9)	(12.0)
<b>At the end of the year</b>	<b>253.7</b>	<b>448.1</b>
<b>Defined benefit obligation</b>		
At the beginning of the year	462.7	488.1
Current service cost	3.7	4.1
Cessation of schemes	(40.7)	–
Interest expense	11.3	10.1
Actuarial gains in respect of liabilities	(135.4)	(28.1)
Contributions by members	0.5	0.5
Benefits paid	(11.9)	(12.0)
<b>At the end of the year</b>	<b>290.2</b>	<b>462.7</b>
<b>Net pension liabilities</b>	<b>(36.5)</b>	<b>(14.6)</b>

Amounts credited/(charged) to the Income Statement:

	Group	
	2023 £m	2022 £m
<b>Operating costs</b>		
Scheme admin expenses	(0.5)	–
Current service cost	(3.7)	(4.1)
	(4.2)	(4.1)
<b>Interest payable relating to pensions</b>		
Interest income	11.0	9.0
Interest expense	(11.3)	(10.1)
	(0.3)	(1.1)
	(4.5)	(5.2)

Gains/(losses) recognised in other comprehensive income:

	Group	
	2023 £m	2022 £m
<b>Actuarial gains/(losses)</b>		
Actual return on scheme assets less interest income	(130.9)	14.4
Actuarial gains in respect of liabilities	135.4	28.1
	4.5	42.5
Pension surplus (assets in excess of obligation) not recoverable	(32.8)	(4.0)
	(28.3)	(38.5)



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

	Group	
	2023 £m	2022 £m
Equities	76.4	160.5
Liability-Driven Investments ("LDI")	62.2	94.7
Gilts and other bonds	43.4	46.8
Private credit	22.7	23.6
Property	22.0	33.3
Liquid alternatives	17.6	42.1
Cash	9.5	8.7
Other	29.7	42.4
	283.5	452.1
Pension surplus (assets in excess of obligation) not recoverable	(29.8)	(4.0)
	253.7	448.1
<b>Actual return</b>	<b>(119.9)</b>	23.4

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

	Group	
	2023	2022
Inflation	2.9%-3.2%	3.2%-3.9%
Future salary increases	3.5%-4.0%	3.7%-5.0%
Future pension increases	2.9%-3.2%	3.2%-3.9%
Discount rate	4.8%-4.9%	2.6%-2.8%
Retiring today – male	21.0-21.9	21.1-22.8
Retiring today – female	23.2-24.1	23.4-25.3
Retiring in twenty years – male	21.9-23.3	22.4-24.6
Retiring in twenty years – female	24.6-26.0	24.9-27.2

## 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, £413.2 million of grant has been credited to reserves to date through amortisation (2022: £398.6 million). The timing of any future repayment, if any, is uncertain.

The Group has a contingent liability in relation to defects found at 2,543 other properties (2022: 1,447 properties). For 57 of these properties, a formal liability assessment has been made, totalling £0.4 million (2022: 76 properties, £0.5 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 initially entered into a Standstill Agreement suspending time until 1 June 2023. The Association has since extended these Standstill Agreements or entered into protective proceedings. The likelihood of any liability and its timing remains very much uncertain.

### Parent

The Parent has no contingent assets/liabilities.

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

continued

**30. Capital commitments – Group**

	2023 £m	2022 £m
Contracted for but not provided for in the financial statements	<b>573.5</b>	728.2
Authorised by the Board but not contracted for	<b>3,368.0</b>	3,394.7
	<b>3,941.5</b>	4,122.9

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

The figures above include £946.0 million (2022: £799.0 million) for the Group's share of the capital commitments of its JCEAs.

At the reporting date the Group had £89.4 million of cash and cash equivalents and £941.9 million of undrawn funding. The remaining £2,910.2 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. The Group's £3 billion European Medium Term Note programme did not make any issues during the year (2022: £300 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	
	2023 £m	2022 £m	2023 £m	2022 £m
Within the next year	<b>6.9</b>	7.9	<b>5.3</b>	5.1
Between one and five years' time	<b>14.6</b>	15.6	<b>12.0</b>	13.6
Later than five years' time	<b>0.5</b>	0.2	<b>0.5</b>	–
	<b>22.0</b>	23.7	<b>17.8</b>	18.7

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

	Group		Parent	
	2023 £m	2022 £m	2023 £m	2022 £m
Within the next year	<b>0.7</b>	0.7	–	–
Between one and five years' time	<b>4.3</b>	4.1	–	–
Later than five years' time	<b>14.2</b>	14.8	–	–
	<b>19.2</b>	19.6	–	–

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

	Group		Parent	
	2023 £m	2022 £m	2023 £m	2022 £m
<b>Obligations under finance leases</b>				
Amounts falling due within one year	<b>0.1</b>	0.1	–	–
Amounts falling due after one year	<b>7.2</b>	7.1	–	–
	<b>7.3</b>	7.2	–	–
Interest payable to be recognised in future periods	<b>11.9</b>	12.4	–	–
	<b>19.2</b>	19.6	–	–

**32. Non-equity share capital**

	2023 £	2022 £
<b>Shares of £1 issued and fully paid</b>		
At the beginning of the year	13	15
Movement during the year	1	(2)
<b>At the end of the year</b>	<b>14</b>	<b>13</b>

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.

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

continued

**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:				
<b>Registered Provider (Public Benefit Entity)</b>				
Clarion Housing Association Limited	-	7686	-	4865
<b>Property maintenance or management</b>				
Clarion Response Limited	04129615	-	-	-
Grange Management (Southern) Limited	08351375	-	-	-
<b>Registered charities (Public Benefit Entities)</b>				
Circle Anglia Foundation Limited	01832817	-	326681	-
Clarion Futures	07156509	-	1135056	-
<b>Treasury vehicles</b>				
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	-	-	-
<b>Property development</b>				
Affinity Sutton Investments Limited	07466271	-	-	-
Affinity Sutton Professional Services Limited	07068999	-	-	-
Bonner Road LLP	0C401099	-	-	-
Broomleigh Regeneration Limited	06494492	-	-	-
Circle Housing Asset Design Limited	08822471	-	-	-
Clarion Regeneration Limited	09042606	-	-	-
Downland Regeneration Limited	06456605	-	-	-
Latimer Cocoa Works LLP	0C419999	-	-	-
Latimer (Tendring Colchester Borders Garden Community) Developments Limited	12429722	-	-	-
Latimer Developments Limited	05452017	-	-	-
Latimer Green Lanes Limited	012398V	-	-	-
Latimer Kirkstall Limited	11909078	-	-	-
Latimer Media City Limited	11850531	-	-	-
Latimer Storrington Limited	11894235	-	-	-
Latimer Twyford Abbey Limited (1)	11775770	-	-	-
Latimer Weyburn Works Limited	11474914	-	-	-
Leamington Waterfront LLP	0C318351	-	-	-
Twyford Abbey NW10 LLP	0C446467	-	-	-
Your Lifespace Limited	02998648	-	-	-

(1) Formerly Latimer Otford West Limited

Full name	Company	FCA Registered Society	Charity Commission	Regulator of Social Housing
<b>Property management</b>				
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 (54%)	11772660	-	-	-
Garway Court (Tredegar) Management Limited	5575222	-	-	-
Islington Wharf Ancoats Management Limited	14936051	-	-	-
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	-	-	-
Waterfront (Warwick) Management Company Limited	06371938	-	-	-
<b>Other</b>				
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:

**Insurance vehicle**

Igloo Insurance PCC Limited (Cell ASG2)	53462	-	-	-
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The Group is a member of the following JCEs. It also owns 50% of each:

**Property development**

72 Farm Lane Developments LLP	OC379893	-	-	-
261 City Road Developments LLP	OC360210	-	-	-
Bellway Latimer Cherry Hinton LLP	OC435634	-	-	-
Bovis Latimer (Sherford) LLP	OC423820	-	-	-
Circle Hill LLP	OC397177	-	-	-
Countryside Clarion (Eastern Quarry) LLP	OC420693	-	-	-
Durkan Latimer Eddington LLP	OC434668	-	-	-
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	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	OC437512	-	-	-
Ramsden Regeneration LLP	OC352417	-	-	-
Vistry Latimer Collingtree LLP	OC429233	-	-	-
Wilmington Regeneration LLP	OC352419	-	-	-

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

continued

**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 Mace Develop Latimer (Stevenage) Plot K LLP	OC439892 OC439894	- -	- -	- -
Mayfield Market Towns Limited has the following 100% subsidiary: Mayflower Residential Limited	11193327	-	-	-

All of the above entities are incorporated in England and Wales with the exception of Igloo Insurance PCC Limited (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.

Direct costs are allocated to specific legal entities, across housing management, property development and community investment areas. The remaining central overheads are then apportioned across all entities based on their levels of operating costs.

The recharges/(credits) were as follows:

	2023 £m	2022 £m
Affinity Sutton Professional Services Limited	0.3	0.6
Clarion Futures	0.4	1.1
Clarion Housing Association Limited ("CHA")	70.0	62.6
Grange Management (Southern) Limited	0.1	0.1
Latimer Developments Limited	1.3	1.3
Latimer Weyburn Works Limited	-	(0.2)
Old Ford Homes Limited	0.1	-
	<b>72.2</b>	<b>65.5</b>

During the year, Clarion Response Limited ("Response") transferred its trade and assets to CHA. The recharges for CHA above include amounts charged to both CHA and Response in both the current and prior years.

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.

# GENERAL CORPORATE INFORMATION

## Board

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

## Executive Team

Clare Miller  
Richard Cook  
Mark Hattersley  
Catrin Jones  
Rob Lane  
Michelle Reynolds  
Han Ley Tang (appointed 5 June 2023)  
Catherine Thomas  
  
Ian Woosey (resigned 30 April 2023)

## Company Secretary

Louise Hyde

## Auditors

KPMG LLP  
15 Canada Square  
London E14 5GL

## Registered Office

Level 6,  
6 More London Place,  
Tooley St, London  
SE1 2DA



**CLARION**  
HOUSING GROUP

## Clarion Housing Group

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6 More London Place  
Tooley Street  
London  
SE1 2DA

 [clarionhg.com](https://clarionhg.com)

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 [@clarion.housing](https://www.instagram.com/clarion.housing)

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.