Annual Report and Financial Statements 2020-2021

Sanctuary Group

Year at a Glance 2020/2021 Highlights

Group revenue
£765.4m
(0.3% growth)

Operating surplus margin
22.2%
Underlying operating surplus margin
21.8%

Resident engagement – Overall satisfaction with landlord: England
73.4%

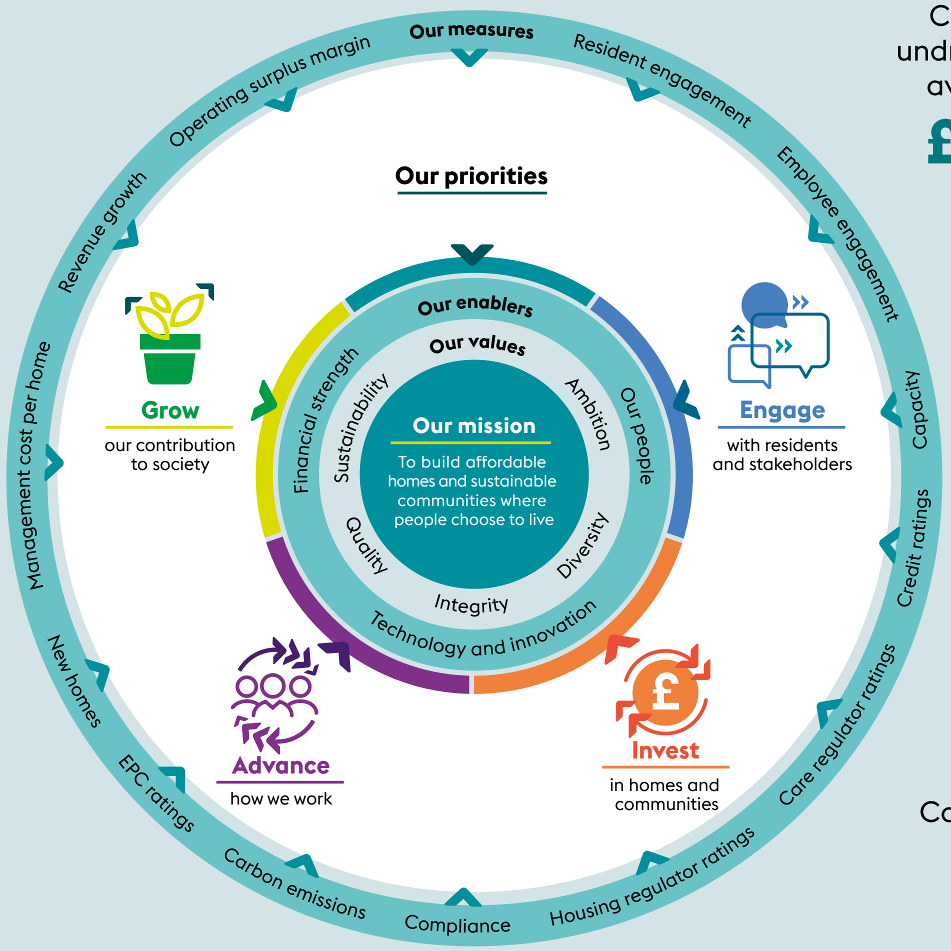
Employee engagement – Your Say engagement score
80%

Management cost per home
£397

Capacity – Cash, undrawn facilities and available security
£1,442m

New homes built
834

Credit ratings – Moody's
A2
Stable



Energy Performance Certificate ratings – Average rating
71

Credit ratings – Standard & Poor's
A+
Negative

Carbon emissions – Tonnes of CO_2e per employee
3.64

Care Quality Commission ratings – Sanctuary Care (Good or Outstanding)
86%

Compliance – Properties with valid gas safety certificate
99.7%

Housing regulator ratings
G1/V2

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

Care Inspectorate ratings – Scotland (Good, Very Good or Excellent)
75%

Sanctuary uses certain alternative performance measures throughout this report which, in the opinion of the Directors, aid the understanding of business performance or provide comparison with our peer group. These measures are presented on a consistent basis over time to assist in comparison of performance and are defined and/or reconciled in Appendix 3 on page 185 and the Value for Money statement on page 63.

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Icon key

Links to website

Please note some of the photographs included in this report were taken prior to the Covid-19 pandemic and before social distancing guidelines were introduced.

Group Chair and Group Chief Executive's Statement

The unprecedented challenges we have faced as a country over the last year in the Covid-19 pandemic have had a significant impact on Sanctuary's people, our residents, and our communities.

We have all been affected by this terrible virus, and we remember and pay tribute to the members of the Sanctuary team, residents and customers who tragically lost their lives.

But it has also been a year where we have tried to see the positives where we can and build on them. The sense of community, of people caring for one another, has been more palpable than ever.

We are immensely proud of the sheer dedication of the Sanctuary team who have continued to go above and beyond to support our residents and deliver exceptional services through these most testing of times. Staff on the frontline have gone to incredible lengths to protect our most vulnerable residents and deliver services during the pandemic. Balancing work and family commitments has not been easy, but the resilience and dedication shown by our people shines out and for that we are truly grateful. They have also adapted quickly and with enthusiasm to new ways of working which will help shape our future operating model, ensuring we can continue to deliver the best possible services to residents.

We are acutely aware of the impact this period has also had on the wellbeing of our teams and their families; staff engagement has been central to keeping everyone connected. We will continue to provide wellbeing support to staff as we move back to a more normal way of life and new working environment.

Despite the challenges presented by Covid-19, Sanctuary has been resilient. Our strong balance sheet, liquidity and surplus, alongside the commitment of our staff and our ability to quickly pivot our services in response to significant and swift change have enabled us to deliver business as usual. We have, of course, felt an impact on our surplus from the pandemic but took prompt action to mitigate some of the financial effects and have ensured that our business has continued, despite the pandemic.

We have also been able to help our communities be more resilient during this period, because of our strong national infrastructure combined with a local focus in our neighbourhoods, addressing the specific needs of residents.

In the last year our development activity has continued in communities across the country, with significant progress on major projects, including the multi-million-pound redevelopment of The Victoria in Glasgow, and we remain committed to building 15,000 new homes between 2020 and 2028. We have also grown our supported housing services with the purchase of nearly 300 homes from Accent Group, while ensuring the successful integration of properties from Notting Hill Genesis into Sanctuary Supported Living.

We also successfully completed the transfer of Thistle Housing Association in Toryglen, Glasgow. More than 92% of Thistle tenants supported the transfer in an independent ballot and we now deliver housing and services for more than 1,600 tenants and factored owners.

Our care and student operations have been affected by decreased occupancy levels as a result of the pandemic, but our financial strength as a large group with diverse business streams has allowed us to manage these challenges. Our housing business has remained strong, despite the challenges, which is testimony to our staff and highlights our residents recognise the value of their social housing. We expect the recovery to pick up pace over the coming year.

We have reviewed and updated our Corporate Strategy given the significant changes to our operating environment, but our mission and role in society remains the same.

We have re-doubled our focus on diversity and inclusion; recognising that the pandemic has exacerbated inequality, and that it's our job to be part of the change we want to see in the world. We strive to be, and remain, an inclusive employer.

Reducing our impact on the environment has also never been more important. We have therefore launched our new Environment and Climate Change Strategy which sets out the actions we are going to take to continue to reduce our carbon footprint on top of the progress we have made over the last 12 months.

Increased investment in technology over the last year means we have continued to meet virtually with colleagues and residents; however, we have missed visiting our communities, schemes and homes across England and Scotland and look forward to restarting these visits.

Looking to the future, localism and accountability were key themes to come from the Social Housing White Paper in November 2020.

Resident engagement is integral to everything we do which is why we are launching our biggest programme of resident engagement to date. 'A Conversation with Sanctuary' will seek the views of our tenants and will be expanding across the country this year after a successful pilot in 2020.

We will continue to listen to our residents, invest in our homes, build new housing, and deliver our mission as the country recovers from the pandemic. We are proud to lead an organisation that places residents at the heart of everything we do and we look forward to the next 12 months with optimism.

Andrew Manning-Cox
Group Chair

Craig Moule
Group Chief Executive

30 June 2021

Our Strategic Context

During the Covid-19 pandemic the majority of our 13,000 staff have been on the frontline – providing essential services to our housing residents, the vulnerable and the elderly.

From our care homes to our homeless shelters, across the length and breadth of England and Scotland, our people have continued to provide secure, decent housing and high-quality care and support services despite the most challenging of circumstances, underscoring the critical role of not-for-profit housing associations and care providers such as Sanctuary.

Beyond the pandemic, the crisis of affordability in housing remains, and quality is an ever-increasing focus, with a complex picture of building safety concerns. Leaseholders, tenants and the Government are relying on accountable, socially responsible and financially secure landlords to deliver remediation works quickly and effectively.

The demand for good quality, affordable care also will increase over the long-term although uncertainty of funding, rising overheads and current lower than average occupancy levels create a challenging environment.

We believe that we have a role to play in finding sustainable solutions to these challenges, working alongside the Government, local authorities, NHS commissioners and other charitable organisations to maintain and enhance the supply of high-quality and affordable housing and care.

As a not-for-profit organisation, we use our surplus to reinvest in our homes and communities, and to build more affordable housing, meaning we can put the needs of our residents first rather than the pursuit of increasing share prices and the interests of shareholders. If we did not make a surplus, we could not invest for the future and a Value for Money focus is a way to achieve this end.

Our Strategy

Our Corporate Strategy 2020-2023 sets out four key priorities to deliver our mission to build affordable homes and sustainable communities where people choose to live:

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

The successful delivery of our strategy is predicated on three enablers: our people, technology and innovation, and financial strength.

We launched our Corporate Strategy in March 2020, not long before the full scale of the Covid-19 pandemic became apparent. In light of that, we reviewed and updated it in October 2020. Interestingly, what we want to achieve hasn't changed – if anything the pandemic has given us greater motivation to go faster with many of our initiatives. But in some cases the 'how' has needed to be re-scoped so that we can take our services to our customers. We also refreshed our focus on equality, diversity and inclusion and our Environment and Climate Change Strategy.

Our priorities are supported by our Value for Money Strategy to ensure that we make the best use of every pound we spend. The decisions that we make when investing, advancing and growing are underpinned by the principle that we must optimise the value to our residents and customers in the context of our limited resources. The key performance indicators against which we measure Value for Money performance are included in the Value for Money section of this report.

Read our Corporate Strategy 2020-2023 at https://www.sanctuary-group.co.uk/about-us/our-corporate-strategy.

Our People

Our people make Sanctuary the success it is today. We employ over 13,000 people across the country who have shown tremendous resilience and adaptability in the face of change because of the Covid-19 pandemic.

Those staff on the frontline deserve immense credit for the way they have continued to go above and beyond to support our residents. Colleagues have made major sacrifices, including leaving family members and moving into care homes during the peaks of the pandemic to protect our elderly residents.

The safety and wellbeing of our staff and residents has been our priority through the pandemic. We have supported staff by choosing to furlough people who were unable to work, particularly for those self-isolating or shielding. Recognising the impact on furloughed staff, we topped up their salaries to ensure they received full pay. We claimed more furlough at the beginning of the pandemic, recognising the impact on services such as our Maintenance team who faced a significant period when they could not go into residents' homes, and when guidelines and best practice was shared we were able to safely return staff to work.

Staff engagement has been critical with the move to remote working for many of our employees. Not only has this been important to ensure the wellbeing of our people, but so staff feel connected and can share their experiences too. We continue to make Sanctuary a great place to work.

We launched our dedicated Parent Network over the last 12 months. The network was initiated by employees who share a passion for supporting working parents. It provides a supportive space which connects colleagues and gives parents and expectant parents a voice to share their life experiences and obtain a good work-life balance. Staff also have access to other networks including PRISM, which provides peer-to-peer support among staff who identify as sexually or gender diverse, and our Race Equality Network. We continue to develop other networks in line with our equality, diversity and inclusion commitments.

Staff Council remains our main channel for consultation between staff and management, allowing our colleagues to provide feedback on how our organisation is run. Information is shared and cascaded through elected representatives who meet regularly with management to have conversations about our operating environment.

Open conversations are encouraged between staff and managers at all levels, and members of our Executive team hold regular briefings, and question and answer sessions, with colleagues. We listen to the views of employees and use their honest feedback to help improve the way we work so we can continue to best serve our residents locally in our communities.

This was reflected in our staff engagement survey, Your Say. Despite the challenges we have faced, there was a marked increase in our engagement score, up five percentage points to 80%. There has also been clear progress with score increases in collaboration (20 percentage points), listening (12 percentage points), and most importantly advocate, with an 11 percentage point increase in staff saying they would tell family and friends Sanctuary is a great place to work.

We remain an Investors in People employer, reflecting our commitment to developing staff. During the last 12 months our development, care and corporate services operations had their silver status accreditation reconfirmed, while Sanctuary Housing achieved gold status.

Our Staff Awards scheme also allows us to celebrate the achievements of our people with colleagues encouraged to nominate those who have gone the extra mile to deliver exceptional services to our residents.

In line with our commitment to be an inclusive employer, we have developed a new Equality, Diversity and Inclusion Strategy, Inclusion for All, and have a refreshed focus on embedding an inclusive working environment, enabling us to continue to attract, recruit and develop the best talent.

Central to this is the continued learning opportunities for colleagues. Our Sanctuary Learning Academy has established new virtual training for staff across the organisation, which allows for the delivery of interactive and engaging learning for our people using the latest technologies and innovation. During the year over 43,000 (2020: over 53,000) training courses or webinars facilitated by the Learning Academy or through local training events were completed by Sanctuary staff, over 175,000 (2020: over 140,000) e-learning modules were completed, and 165 (2020: 294) staff completed qualifications recognised by the Regulated Qualifications Framework.

We have also continued to support our apprentices with mobile working, so they have been able to continue their important education alongside their day-to-day roles. We are currently supporting 142 (2020: 185) apprentices, with 65 (2020: 81) completing their apprenticeships during the year. Our graduate scheme and talent management programmes allow us to continue to attract and develop future leaders.

Case Study: Leaving Family to Care for Residents

When the Covid-19 pandemic was gathering momentum, Housekeeping Supervisor at Sanctuary Care's Juniper House Residential Care Home, Zoe Rira, wanted to be prepared in case staff needed time off or had to self-isolate.

Zoe, who also works as a care assistant, volunteered to do medication training so she could support at the home as a care team leader if needed.

In March 2020, when the country went into the first national lockdown, Zoe made the difficult decision to leave her husband and three children and move into Juniper House for a month, working and sleeping there.

She said: "It was hard not seeing the children, but the residents are also our family – it isn't just a job, it's also home. I felt I needed to be in the home to support the residents. I don't think I did anything special and would do it again! I wanted to give something back to the residents for everything they have done in their lives for us."

Zoe spent her days running the Housekeeping team, which involved the meticulous cleaning of every surface touched – from handrails to telephones, as well as other rigorous infection control procedures, laundry and stocking up personal protective equipment (PPE). She worked as a carer, delivering personal care and administering medication. She also devoted time to keep the residents company, whether simply chatting over a coffee or painting their nails.

Jo Butler, Regional Manager, said: "Zoe did an amazing job managing her team during an extremely difficult time. Her standards were, and are, always exceptional. She went above and beyond and provided invaluable support. She is conscientious and really ensured her team were supported through the period."

Zoe Rira, Housekeeping Supervisor

Technology and Innovation

With offices closed for most of the year and large parts of the organisation working primarily from home, technology undoubtedly played a pivotal role in the delivery of our services over the last 12 months. However, this did not detract from our ability to innovate and to continue to drive efficiency through our operations. In fact, over the last 12 months our investment into technology and innovation increased.

The strength and depth of our central Technology team meant we were able to quickly mobilise our national workforce and adapt to a new way of working in spite of the challenges posed by the pandemic, causing minimal disruption to the delivery of essential services. Alongside this we developed automated solutions to make Sanctuary more efficient and drive better Value for Money. We invested in data analytics to empower more people with the right information at the right time, in the right place to do their jobs.

In conjunction with our National Residents Scrutiny Panel, we began the development of an app for residents which will keep them informed about matters that are important and relevant. We have also progressed the technology agenda in our care operation. Our investment in this area over recent years proved vital during the pandemic, with our bespoke app kradle giving us up-to-date and real-time information making it easier for colleagues to maintain high-quality care for our residents despite unprecedented challenge. Meanwhile Radar, the system our staff use to report, investigate and manage events related to the health, safety and welfare of our staff and customers, enabled us to log, monitor and report on incidents, including Covid-19 incidents, quickly, dynamically and in real-time.

We have invested in automation and robotic software for our Accounts Receivable team. Now, when a remittance is received, the automation reads and interprets the data and posts the information to the correct customer account. This automation allows the Finance Officers to focus on resolving queries, reduces the time taken to process remittances and leads to more timely updates to customer account balances. This efficiency has enabled us to reduce staffing requirements by 40% over the last 12 months and, more importantly, positioned the Group for future growth opportunities.

We continue to develop and create a number of apps for frontline workers to enable a service that brings us closer to residents and supports the 'Us to You' model.

Looking forward, we're completing the roll-out of collaboration tools and systems to modernise how we manage content, ensuring all employees are connected to the right systems and hardware for their jobs.

Our focus now is to modernise our infrastructure to create agile, scalable technology platforms to enable the delivery of our Corporate Strategy and to make sure that we can source meaningful data that will support our future decisions, including predictive analytics that will drive future strategies.

Technology is also playing a role in community investment. We're working with suppliers to make sure all of our customers can be supported by a suitable and affordable connection. We'll also be seeking to develop our customer channels and enhance customer experience, working with our new Director of Customer Experience and Head of Brand and Digital.

Case Study: Modern Workplace

In line with Sanctuary's commitment to ensuring staff have the right tools and equipment to carry out their jobs effectively, we have carried out a business-wide hardware roll-out as part of our approach to a Modern Workplace.

Through the programme, all staff are being given access to technology equipment so they can carry out their roles in the office, at home, or remotely in any location such as a coffee shop.

The roll-out is ensuring staff have the right tools and are more connected to the business. Training is also provided to guide staff with the use of equipment and applications, where needed. Over 500 laptops were delivered to colleagues in the first two months of 2021, in addition to more than 1,000 during the previous year.

The modernisation work also includes upgrading software and the accessibility of the tools used by staff so they can continue to work flexibly, collaboratively and securely, and serve our communities effectively.

In addition to rolling out hardware to staff, we have provided support in communities across the country for those forced to deliver their services virtually. We provided 100 refurbished laptops to several schools in England and Scotland to help children with remote learning, while supporting local charities such as mental wellbeing charity Restore with a donation of laptops through our community investment work so they could continue to deliver their important support services to clients.

Faye Waddy, Income Officer

Financial Strength

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

Monitoring our Golden Rules facilitates the maintenance of our financial strength, ensuring we have the resilience to withstand sharp shocks to the economy and continue to deliver our services and serve our communities. Our financial strength is also built through an optimised funding structure and our continuous stress testing of our business plans against potential adverse events.

Further details about the Group's risk appetite and management of risk are given on page 22.

Our financial strength is further underpinned by:

Scale and Diversity

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

Operating Performance

Sanctuary's financial strength is underpinned by its strong operating performance. Sanctuary's overall operating margin is comparable to its peers, despite its significant level of care and support activities. When comparing social housing margins alone, Sanctuary is amongst the highest in its peer group; further details are included in the Value for Money review on page 70. The Group's operations are also highly cash generative, facilitating continued reinvestment in the existing business and enabling capacity for growth as well as mitigating the effects of economic or regulatory shocks.

Credit Worthiness and Capacity

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

Liquidity

Significant liquidity and facilities to draw upon ensure the Group is able to withstand any additional external challenges that arise from factors such as Brexit or Covid-19. At 31 March 2021, the Group had cash balances of £494.7 million and a further £365 million of undrawn facilities.

Debt Management

We match the maturity of our debt to the period over which our assets generate their net income. Volatility in cash out flows including debt service payments is reduced through maintaining a high proportion of fixed rate debt; 96% (2020: 82.7%) at year end. The Group also has a cross currency interest rate swap in place to hedge the risk of currency rate volatility in respect of US dollar denominated debt.

Stakeholders

As one of the largest housing associations and care providers in the UK, with a strong national presence and true local focus in communities, we play a critical role in the delivery of key services, including to many vulnerable groups of people. Many thousands of individuals are affected by the quality of service, care, and housing we provide, and it is right therefore that we operate under significant scrutiny from our stakeholders. It is a privilege to operate with charitable status, and we honour that with a deep sense of responsibility.

We actively engage our stakeholders, including customers, employees, MPs, local authorities, central Government, suppliers, commissioners of services, investors, and the media, in open, honest, and ongoing relationships. We proactively communicate our priorities and demonstrate that we consider issues from multiple perspectives. We make sure we deliver the right outcomes as an integral part of managing effective relationships with stakeholders and we work closely with them as a trusted partner to achieve shared goals.

Our Homes

As one of the UK's leading providers of housing, care and commercial services, we manage over 105,000 homes throughout England and Scotland, including general rented, retirement living, supported housing, student and key worker accommodation, and care homes.

We are committed to the development of new, high-quality housing of different tenures and continue to build new housing across a range of affordable rental and homeownership options. We also build a small proportion of properties for outright sale, which enables us to supplement the cost of building our affordable tenures. A detailed review of Sanctuary's development activity can be found on page 58.

As detailed in our Environment and Sustainability review on page 17, we are fully committed to decarbonisation of our homes and recognise the significant investment required to achieve this, not only through incorporating modern techniques and technologies into the design of our new build homes, but also through retrofit programmes for our existing homes.

Safety of Our Homes

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

While we have a relatively small number of high-rise buildings compared to our size, this is a key area of focus and so we have established a dedicated building safety programme, led by Sanctuary's Head of Building Safety. This programme will ensure we are well prepared for the Government's new building safety regime. We have signed up to the Building Safety Charter and are an active member of the National Housing Federation's Building Safety National Group.

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

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

- Reviewed the fire safety measures in all our high-rise buildings;
- Updated fire risk assessments and reviewed our existing evacuation plans;
- Launched a programme of retrofit sprinklers in all high-rise social housing accommodation in England; and
- Carried out remedial work to the cladding on the higher risk buildings we own, prioritising those that are at least 18 metres or six storeys tall.

As part of our long-term business planning we have set aside committed funding to fully remediate buildings over 11 metres in height over the next eight years.

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

We recognise the importance of communicating with our tenants about the safety of their homes and we have put in place additional mechanisms to engage and listen to residents. We became an early adopter of the National Housing Federation's Together with Tenants plan and launched our own consultation with residents about the fire safety information they want and how we can develop engagement strategies for their buildings that meet their needs. We are also fully embracing the Government's Social Housing White Paper and the metrics highlighted in the charter that keep residents informed about the place where they live.

Reinvestment in Our Homes

We continually reinvest in our existing asset base to make sure our homes offer a safe, comfortable and energy-efficient place for people to live. We maximise the use of our in-house maintenance and reinvestment services to deliver our reinvestment programme, ensuring compliance with Decent Homes and Scottish Housing Quality standards.

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

Capital spend on existing assets during the year, excluding remodelling, is summarised in the table below. These figures encapsulate planned reinvestment works and responsive capital works.

	Group	
	2021 £m	2020 £m
Responsive capital	14.9	16.0
Planned reinvestment	37.8	51.4
	52.7	67.4

Reinvestment works are lower this year due to lockdowns and access restrictions as a result of Covid-19. Activity is expected to increase for the 2022 year end, surpassing 2020 levels.

Further details of specific activities within each operating division are included in the Divisional Reviews on pages 42 to 61.

Property condition satisfaction metrics identified in the Government's Social Housing White Paper are shown below.

	Group	
	2021	2020
Resident satisfied that home is safe and secure	79.9%	n/a
Resident satisfaction - maintenance services	95.3%	93.8%

Homes in Management

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

	Group		Association	
	2021	2020	2021	2020
Social housing accommodation:				
General needs housing	53,866	52,767	45,744	45,795
General needs housing affordable rent	5,808	5,666	3,150	3,151
Supported housing accommodation	4,476	4,243	3,521	3,534
Supported housing affordable rent	101	123	3	2
Housing for older people	10,689	10,718	10,337	10,367
Housing for older people affordable rent	557	543	110	105
Social care homes	203	193	187	193
Key worker (social lets)	509	509	509	509
Shared ownership	3,460	3,375	2,592	2,608
Home ownership	7,636	6,740	4,946	4,847
Social housing leased outside Group tenancy	302	257	203	188
	87,607	**85,134**	**71,302**	**71,299**
Non-social housing accommodation:				
Student and key worker (non-social lets)	10,970	10,935	6,964	6,911
Registered care homes	5,453	5,453	2,133	2,176
Commercial	204	191	149	150
Market rented accommodation	90	94	80	84
Other non-social rental accommodation	320	320	-	-
Non-social leased housing	212	161	62	62
Non-social housing leased outside Group agreements	363	398	363	398
	17,612	**17,552**	**9,751**	**9,781**
Total homes in management	**105,219**	**102,686**	**81,053**	**81,080**

The increase in the number of social housing properties is due to the development of new homes, the purchase of 284 supported homes from Accent Group, and the transfer of 947 general needs homes and 786 factored properties from Thistle Housing Association.

At 31 March 2021, the Group had 5,130 (2020: 5,642) homes in development, with 2,855 (2020: 2,338) on-site.

The Group owns 991 homes that are managed by third parties (2020: 788).

Investing in Communities

As a national social housing provider with a strong local presence, community investment is a natural extension of our activities. We aim for the people that we house and support to be happy, and to feel part of and proud of their community.

Investing in our communities across the country is vital to ensuring the homes and estates where we operate are great places to live and residents feel empowered to bring positive change to their lives.

Community investment is the money, time, skills and expertise we invest to develop and support communities. Sanctuary works in partnership with hundreds of local community groups and charities to support a range of diverse projects which harness the talents of local people.

Our communities have faced immense challenges this year but we adapted our approach to continue to support residents and drive positive change across our neighbourhoods. This could not have been achieved without the incredible resilience of communities and partnership working between our staff and residents on a truly local level.

During the year, Sanctuary invested £1.4 million in communities (2020: £1.3 million), the majority of which was through community organisations, with £300 given through donations to charitable organisations (2020: £12,929). Sanctuary made no donations to political organisations (2020: none).

Daniel, who attended and now volunteers at Morningside Youth Club

Case Study: Morningside Youth Club

Over 200 young people from the Morningside and Gascoyne estates in Hackney took part in a summer programme of activities and workshops to strengthen their community connections.

Run by the Morningside Youth Club, which has worked with Sanctuary for more than 10 years, the programme aimed to build opportunities for young people during the summer, raise their aspirations for their neighbourhood and develop peer-to-peer support networks.

This was achieved through a range of activities targeting five to 19-year-olds including sport, volunteering opportunities, social enterprise, and advice on how the young people could better integrate themselves in the community.

The programme was launched during a period when the community had experienced several serious shooting incidents. Recognising the impact this may have on engagement and listening to residents, Morningside Youth Club adapted their plans to provide workshops on safeguarding, grooming and gangs.

The programme has had a significant positive impact on young people who reported increased confidence, and the ability to speak up for themselves and address issues that directly impact on their lives.

Young people targeted through the programme are also now more confident travelling between estates and venues, enabling them to develop and expand their friendship circles and engage in more local activities.

Environment and Sustainability

The UK faces the challenge of becoming a net zero-carbon economy by 2050 and decarbonisation of the housing sector forms an integral part of this. As a large employer, new-build developer, care home provider, and housing association with over 105,000 homes, tackling our environmental impact is of utmost importance.

In the past year, we have made considerable progress towards understanding and tackling Sanctuary's environmental impact. We recently launched our first Environment and Climate Change Strategy, which presents initial plans for action and achievements so far. Our future efforts will focus on five themes: assets, data, evaluation, people, and procurement. To be both ambitious and realistic, our strategy will be updated annually.

Sanctuary is embracing the UK Government's ambitious environmental targets and legislation, with objectives established to improve the energy efficiency of all social housing to EPC Band C by 2030, phase out gas heating from new-build properties by 2025 and to adopt new standards, such as EESSH 2 and Decent Homes 2.

It is likely that 2021 will be a defining year for sustainability. As Glasgow's COP26 climate talks approach, the ESG investment sector is growing exponentially, and a global green recovery is an important part of the roadmap out of Covid-19. While exciting developments are also planned in our Environment and Climate Change Strategy for the coming year, this is only the beginning of the journey for Sanctuary.

Sanctuary's energy consumption and associated carbon emissions are reported below in line with the Government's Streamlined Energy and Carbon Reporting (SECR) regulations.

Group	2021	2020
UK energy use		
Electricity (kWh)	66,113,102	70,310,337
Gas (kWh)	154,653,856	158,557,248
Transport (kWh)	26,737,625	36,690,373
Associated greenhouse gas emissions (GHG)		
Electricity (Tonnes of CO2e)	15,413	19,497
Gas (Tonnes of CO2e)	28,436	29,151
Transport (Tonnes of CO2e)	6,508	8,930
Intensity ratios		
Tonnes of CO2e per home in management	0.48	0.56
Tonnes of CO2e per employee	3.64	4.17

Group - Targets	2022	2021
Tonnes of CO2e per home in management	0.48 - 0.54	0.55
Tonnes of CO2e per employee	3.64 - 4.09	-

Sanctuary is responsible for heating and powering 99 care homes, 35 student accommodation complexes, 29 offices, and community centres. We also pay for some utilities for our general needs housing, retirement living, sheltered, and supported living schemes, covering communal facilities, offices, and external areas. Energy data, where relevant, was captured using consumption reports from our group gas and electricity providers.
Transport energy consumption relates to 1,239 commercial vans, 369 company cars, 40 minibuses, 24 trailers, and 1 plant vehicle. We also include business miles carried out by 671 staff in personal vehicles. Fuel and mileage data were collated using SAP Housing Management and Key2 Fleet Management software. Greenhouse gas emissions were calculated with the Department for Business, Energy & Industrial Strategy's 2020 Conversion Factors.

The analysis on the previous page involves Scope 1, 2, and aspects of Scope 3 emissions:

- Scope 1, direct emissions which Sanctuary controls, includes **fuel combustion in buildings and fleet.**
- Scope 2, indirect emissions which Sanctuary controls, includes **electricity consumed in buildings** but generated elsewhere.
- Scope 3 consists of indirect emissions over which we have limited control: in the Streamlined Energy and Carbon Reporting (SECR) approach used here, this is **expensed business mileage from personal vehicles**. More broadly however Scope 3 will ultimately be the most sizeable part of our carbon footprint, including any emissions that Sanctuary is responsible for but cannot control, such as from our supply chain or from our social housing.

Carbon Reduction Progress and Impact of Covid-19

This has undoubtedly been an unusual year of emissions reductions. Last year, we set out a target of an intensity ratio of 0.55 tonnes of CO2e per home in management for the coming year. Covid-19 restrictions on travel, office working, and operational activity have accelerated our progress in surpassing this target to achieve an intensity ratio of 0.48. We have also added a new intensity ratio to show how our key emissions reflect the number of employees working, driving, and operating within Sanctuary.

Fleet emissions decreased by **68%** in the initial lockdown period, saving **258 tonnes of CO2e** in April alone. Overall in 2020/2021, emissions from fleet and business mileage fell by **27%** compared to 2019/2020.

Business mileage decreased from roughly 1,200 tonnes of CO2e in 2019/2020 to **340 tonnes** in 2020/2021, a reduction of over **70%.**

Overall, our Group electricity emissions fell by **16%** across the whole year.

In comparison to travel in 2019/2020, Click Travel (our travel booking system) usage decreased by **85% in 2020/2021**, saving **428 tonnes of CO2e**.

Our student accommodation decreased its use of gas by **14%** in 2020/2021 compared to 2019/2020.

In comparison to printing in 2019/2020, 2020/2021 print usage decreased by **35%**, saving **over 7 million** sheets of paper.

From April to June 2020, West Bromwich, Dundee, and Woodview House office electricity emissions decreased by over **60%**.

Despite the continued growth of the organisation, our disclosed emissions show a **12.5% reduction** on the previous financial year, saving **7,000 tonnes of CO2e.**

We recognise that some of our emissions reductions have stemmed from restrictions which will continue to ease over the coming year as well as employees working from home and the positive impact of increased renewable generation in the UK electricity fuel mix within the conversion factors. However, many of our buildings have continued to operate throughout the UK lockdowns, including care homes, supported living schemes, communal areas where Sanctuary is responsible for utilities, and offices which remained open for employee wellbeing and essential work.

We will therefore be realistic about what is achievable following this unprecedented period, aiming to avoid unnecessary increases in emissions as we exit lockdown and setting a revised baseline in the coming year to understand what a 'new normal' will look like. Therefore, our target for 2022 is a range, rather than a set number. Emissions reductions will be achieved through appropriate and sustainable change initiatives, detailed in our new Environment and Climate Change Strategy.

Our Social Housing

Sanctuary's social housing represents our largest source of Scope 3 emissions. While it is not mandatory to include emissions from these homes in the above SECR declaration, we have included their footprint here for transparency about the extent of our indirect emissions and to show why their decarbonisation is a priority for our Environment and Climate Change Strategy. We also cannot ignore the importance of a warm and energy efficient home in reducing fuel poverty, benefitting the health and wellbeing of our residents as well as enabling them to live more sustainable lives.

The following calculation was developed in partnership with the Carbon Trust. It shows the emissions for our social housing, as of October 2020. The Carbon Trust also worked on our 2019/2020 Scope 1 and Scope 2 data to produce an overarching carbon footprint baseline, which is showcased separately in the Environment and Climate Change Strategy. If combined with this year's Scope 1 and 2 totals, our social housing would generate 80% of Sanctuary's total carbon emissions.

Carbon Footprint of the Homes We Provide	
Carbon Trust social housing footprint (Tonnes of CO2e of homes in management)	226,474

We recognise that our social housing will require significant investment to reach net zero carbon standards and that the design of our new-build homes must make sure they are fit for the future. Progress in delivering such changes is ongoing and includes:

- Through our whole-house retrofit programme, over 1,000 EPC band F and G properties have been improved to band C. Work on EPC band D and E properties is now ongoing.
- Our average EPC rating is now 71.2, compared to the sector average at 68 and national average for all housing in England at 60.
- We have installed almost 2,000 solar panels and solar thermal systems where possible on existing and new builds, generating energy and heating water for residents.
- Energiesprong and Passivhaus building techniques have been launched in Paignton (ZEBCat project) and Newfield Square (Craigbank project), creating low and zero carbon homes.
- We are piloting and rolling out innovative heating systems, such as air and ground source heat pumps, heat networks, hydrogen-ready boilers, and smart heating controls.
- We are researching how to implement sustainable, low carbon heating systems while supporting customers in fuel poverty.

Case Study: Net Carbon-Zero Homes for Paignton

The Zero Energy Buildings Catalyst (ZEBCat) project is a flagship pilot for Sanctuary. In partnership with Devon County Council, Energiesprong UK, Regen, North Devon Homes, and Exeter City Council, we have carried out innovative, zero-carbon retrofit works on eight Sanctuary properties. As a result, Sanctuary is one of the first UK landlords to demonstrate the Dutch Government's Energiesprong approach.

The Energiesprong approach requires net-zero annual energy consumption and no gas usage while delivering warm rooms and hot water every day. Industrialised, off-site retrofit processes reduce residential intrusion by avoiding decants and reduce job completion time to just 15 days.

Sanctuary's eight ZEBCat properties are heated by a Kensa shoebox ground source heat pump system. The homes also benefit from a highly insulated wall system, integrated triple-glazed windows and doors, and solar photovoltaics integrated into the roof. As stipulated by the Energiesprong approach, this guarantees long-term performance, energy savings, and minimal maintenance.

Once retrofitted using this approach, a typical home will consume 4,300 kilowatt hours (kWh) of gas and electricity for heating, hot water, and running appliances annually: as the installed renewables are expected to generate 4,300 kWh of electricity, the overall result is a net carbon-zero home. On average, before the Energiesprong works, the properties would have each consumed 21,500 kWh of fuel a year.

Over the next 12 months, we will receive remote-monitored energy readings from the eight flats and will continue to seek tenant feedback through formal evaluation. So far, tenants have been extremely positive about their reduced fuel bills and warm homes.

"Pilots like **ZEBCat are significant and ambitious steps forward** on our road map to reaching our **environmental aims,** which include **achieving net zero and addressing fuel poverty** for Sanctuary residents**."** *Donna Williams, Sanctuary's Director - Sustainability and Climate Change*

Ethical Business

As a not-for-profit provider of housing, care and support, we are committed to conducting our business in an ethical and socially responsible manner. This means considering the social and environmental impacts of our decisions, not just the economic, and ensuring our operations are run efficiently.

Our surplus is used to reinvest in our homes and our communities, and with the impact of Covid-19 causing some of the biggest challenges communities have ever faced, our investment in these communities has been needed more than ever before. We work closely with communities to support residents and projects that amplify their voices and bring positive change to their lives. We aim to harness the skills of people whose unique contributions make their communities what they are, so together we can create long-term sustainable change.

Sanctuary takes a holistic approach to the term 'sustainability'. It is our mission to deliver affordable homes and sustainable communities where people choose to live. This means not only ensuring our homes are low carbon and warm to live in, but also supporting, empowering, and investing in the needs of our communities through our Community Investment and Neighbourhoods teams.

To drive sustainable, healthy communities, we deliver asset-based community development programmes, which focus on the individual needs of residents, and community organising projects, which embolden residents to become leaders within their own communities and organise action.

Responsible business is at the heart of Sanctuary's operations. We recognise, particularly in the aftermath of Covid-19, that strong environmental, social, and governance considerations must co-exist with responsible economic behaviour. To this end, we maximise social value through our supply chains: creating training and employment opportunities, improving biodiversity, and seeking suppliers who can provide innovative solutions for our communities and the environment. As an ethical organisation, we ensure our operations, services, and homes are inclusive of and accessible to all.

Slavery and Human Trafficking Statement

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

Equality, Diversity and Inclusion

We want to be a diverse, inclusive organisation where our people thrive and respond to the needs of our customers with fairness and empathy. Therefore, we have launched a new Equality, Diversity and Inclusion Strategy, Inclusion for All, that outlines how we plan to embed an inclusive environment for the benefit of both colleagues and customers over the next three years.

We have reviewed what we have achieved to date, through our previous scheme of Fairness for All, taken stock of current data, our regulators, and legislative requirements, as well as our partners' advice. We have also sought to listen to the different experiences and diverse voices of particular groups across our organisation. These conversations have deepened our understanding, strengthened our commitment to equality and diversity, and led us to conclude our focus should be on inclusion for all.

Risk Appetite, Principal Risks and Uncertainties

Risk Appetite

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

The trigger points provide a clear indicator of when remedial actions may need to be taken to avoid the Group breaching the risk appetite hurdles.

Included within the risk appetite metrics are financial measures and we call these our Golden Rules. These define the financial parameters that the Group will stay within. These are illustrated in the table below along with our performance against these rules for the year ended 31 March 2021.

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

*Alternative performance measures are defined and/or reconciled in Appendix 3 on page 185.

Emerging Risks – Climate Change

Decarbonisation of the housing sector forms an integral part of the Government's objectives of becoming a zero-carbon economy and tackling the effects of climate change. We recognise the part we have to play and have recently launched our first Environment and Climate Change Strategy which sets out actions to be taken to reduce our carbon footprint. As part of this strategy, we are assessing the risks that climate change will have on the Group along with the control mitigations we will put in place to reduce the residual risk to an acceptable level.

Principal Risks and Uncertainties

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

The principal risks affecting Sanctuary are set out on the following pages along with the type of risk, risk assessment rating, movement in gross risk during the year, and examples of current controls. The order in which they are presented does not represent a hierarchy of risk level.

Keys:

Risk Assessments:

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

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

Contingent Risks — **Prime Risks**

Impact					
High	Reputation **25**	**50**	**75**	**100**	**125**
	16	Pensions Funding **32** Programme and structural	Information security **48** Sales	Government policy **64**	Covid-19 **80**
Impact	**9**	Staffing **18**	Asset maintenance **27**	**36**	**45**
	4	**8**	**12**	**16**	**20**
Low	**1**	**2**	**3**	**4**	**5**
	Low		**Likelihood**		*High*

Risks to Monitor — **Risks to Manage**

Risk Scores:

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

Risk Types:

Type	Description
Strategic	Key matters for the Group Board level that impinge on the whole Group.
Financial	Threats to the financial viability of the Group.
Reputational	Loss of existing or potential business because the Group's character or quality has been called into question.
Operational	Threat to continuance of operations/risks to assets and staff.
Compliance	Failure to comply with statutory, regulatory or legal requirements.

Risk Details

1. Government Policy, Legislation and Regulation

Event: Failure to comply with or react to Government regulations or announcements.

Cause: A significant operational or legislative change.

Consequence(s): Impact on tenants' welfare, reputational damage to the Group or financial impacts such as cash flow deterioration, loss of income or additional expenditure.

	I	L	Score
Gross Risk	5	5	125
Residual Risk	4	4	64
Target Risk	4	4	64

Residual Risk Score Movement:

Timeframe: 2020-2025

Type: Strategic

Current Controls

Current Controls
Income services support to our tenants has been increased.
We are monitoring the impact of the Universal Credit roll-out on arrears and bad debts.
We are increasing the number of self-funders in our care homes to mitigate the New Living Wage cost pressures, together with re-negotiating social care contracts.
We have established strong internal Quality teams to maintain Care Quality Commission/Care Inspectorate compliance within care and supported living.
We maintain high standards of compliance, particularly health and safety, and react to any changes to policies or regulations.
We maintain the ability to switch some existing developments to affordable rent in line with recent Government announcements.
We maintain a higher level of capacity within the Group to cover, amongst other things, any changes in Government policy/legislation or regulations.
We have brought forward fire risk assessment actions and allocated funding for water sprinkler installation for the Group's high-rise properties.
Policies and procedures are in place to cover the increased requirements of General Data Protection Regulations (GDPR).
Additional spend on existing assets has been approved by Group Board to ensure funds are available for compliance/ regulatory changes arising from, for example, the Grenfell Tower inquiry.
A Building Safety Programme has been established to make sure the Group is fully prepared for any potential changes to building safety regulations.

Risk Details

2. Funding and Financial Viability

Event: A breach of lending covenant or failure to obtain new funding.

Cause: Failure to maintain appropriate credit rating or manage financial performance.

Consequence(s): Potential regulatory downgrade, greater cost of new borrowing or borrowing default.

	I	L	Score
Gross Risk	3	5	75
Residual Risk	4	2	32
Target Risk	4	2	32

Residual Risk Score Movement:

Timeframe: 2020-2025

Type: Financial

Current Controls

Current Controls
We retain high credit quality and ratings, enabling access to financial markets. We provide funders, rating agencies and regulators with key treasury reports, long-term business plans and sensitivity scenarios.
Financial updates for lenders are published on our website, as well as a sector website. Relationships with existing and potential funders are maintained to promote our activities and identify further funding sources.
Development programmes have capital requirement limits and commitments are monitored against total liquidity.
Committed developments are forward-funded via bond issues or bank facilities.
We make sure funding is in place, including shorter-term revolving credit facilities, to manage a more variable cash flow requirement for the 15,000-unit development plan to 2028.
We update longer-term projections, including cash flow requirements and multi-variance stress testing, regularly.
Unencumbered assets are monitored on a continual programme to support future funding requirements. Growth is tested against maintaining a minimum level of unencumbered assets of £500 million.
An annual funding strategy is approved by the Group Board at the same time as long-term projections are updated.
An asset and liability register is maintained to record all assets and liabilities within the Group.
Non-core funding is generally ring-fenced to specific assets with recourse to the rest of the Group limited to the level of the intra-Group funding committed to.
Strong relationships with the credit rating agencies are maintained in order to make sure the Group has robust credit ratings and therefore has access to lower cost funding.

Risk Details

3. Sales

Event: House sales fail to meet expectations.

Cause: Appraisals are based on incorrect assumptions, the housing market deteriorates, or development schemes are not delivered on time or budget.

Consequence(s): Financial loss and reputational damage.

	I	L	Score
Gross Risk	5	4	80
Residual Risk	4	3	48
Target Risk	4	3	48

Residual Risk Score Movement: « »

Timeframe: 2020-2023

Type: Financial

Current Controls

- Key assumptions and hurdle rates are set by Group Board which all project appraisals are required to achieve.
- Sales performance against original appraisal assumptions is reported to senior management and the Development Committee on a monthly basis. Future sales prices included in appraisals are amended accordingly.
- Management maintains the ability to freeze future capital commitments on new projects if expected sales are not being achieved and alter hurdle rates and assumptions for future housing for sale projects.
- We have the ability to switch unsold properties to other tenures, including social or market rental properties, if sales performance is below expectations.
- Stress testing is undertaken both on individual projects and projected development plans as a whole to identify the level of extended sales period and sales price decrease that can be sustained by the Group.
- Experience from sales occurring on the joint ventures with Linden Homes is used by Sanctuary's Sales teams.

Risk Details

4. Programme and Structural

Event: The Group suffers an operational or financial failure.

Cause: A failure to monitor and manage existing business streams or expansion.

Consequence(s): Impact on tenant welfare, performance, reputation, health and safety or financial viability.

	I	L	Score
Gross Risk	5	5	125
Residual Risk	4	2	32
Target Risk	4	2	32

Residual Risk Score Movement: « »

Timeframe: 2020-2025

Type: Operational

Current Controls

- Appropriate governance and project management structures are in place throughout the business, including tenant participation where appropriate.
- All business areas operate the Group's risk management process including risk and assurance maps.
- Any acquisition or expansion is financially mapped against the Group's existing business plans, including sensitivity analysis.
- External funding is structured generally to avoid reliance or impact from other areas of the Group's operations.
- All business areas have set budgets which are monitored at least monthly, with any variance explained.
- Central Services (which has a separate risk map) oversees consistency of such functions throughout the Group, such as Technology including Cyber Risk, Business Continuity, Health and Safety, and Financial Reporting.

Risk Details	Current Controls
5. Reputation	Key regulatory, tenant and contractual obligations are identified and managed to ensure compliance.
Event: Sanctuary's reputation is significantly damaged.	Due diligence is undertaken on new acquisitions to identify possible dilution of performance. Risks identified are managed or negotiated out.
Cause: Material operational failure, regulatory/legislative breach, or failure to deliver appropriate tenant services.	A Significant Incident Policy exists to detail the approach to such events and is managed by the Corporate Risk Manager to ensure consistency and appropriate risk management.
Consequence(s): Potential prosecution and impacts to financial viability.	Residential scrutiny is embedded in housing operations, including discussions relating to the standard of Sanctuary's properties with tenants and residents.
	Corporate Services assists and monitors the operations to reduce the risk of reputational damage.
Residual Risk Score Movement: « »	Regular dialogue takes place with key funders, investors, and the rating agencies.
Timeframe: 2020-2025	A Group whistleblowing policy is in place.
Type: Reputational	A central Communications department monitors all press output relating to Sanctuary, including social media, and can react quickly to any enquiries or negative publicity.

	I	L	Score
Gross Risk	5	3	75
Residual Risk	5	1	25
Target Risk	5	1	25

Risk Details	Current Controls
6. Asset Maintenance and Compliance	Sanctuary monitors the return on different asset types, which is used as a measure to identify and allocate investments.
Event: Sanctuary's assets are impaired, made obsolescent, or pose a health and safety risk to tenants and customers.	An annual review of Group assets is conducted to identify impaired assets or need for upgrades, including health and safety matters. Results of rolling stock condition surveys are reported to management and the Executives and factored into business plans.
Cause: Failure to monitor and invest appropriately in Sanctuary's assets or take tenants' needs into account.	The Group allocates annual capital sums for reinvestment purposes. Each capital commitment is assessed in terms of operational need, financial viability and compliance requirements and is subject to an appraisal to ensure Value for Money.
Consequence(s): Potential compliance breaches and associated prosecution, degradation of competitive ability and financial failure.	Sanctuary has robust systems in place to ensure compliance testing is undertaken on all required assets and processes to resolve matters identified in the testing process.
	Long-term voids are regularly reviewed and options recommended to the Executive Committee for approval.
	Complaints are tracked by Group Customer Services and those concerning the quality of properties are passed to the Asset Management team.
Residual Risk Score Movement: « »	Monthly reports are provided to senior management and the Executive Committee on spend and reinvestment to budget, while the performance of assets, including demand and voids, is monitored weekly via management reports.
Timeframe: 2020-2025	The Group Board has allocated £160 million of additional reinvestment expenditure, over that previously included within the business plan, over the next five years, including £10 million to cover the possibility of sprinkler installations in all the Group's high-rise buildings.
Type: Financial	Tenant requirements are monitored through customer satisfaction surveys and resident involvement.

	I	L	Score
Gross Risk	4	4	64
Residual Risk	3	3	27
Target Risk	3	3	27

Risk Details	Current Controls
7. Pensions **Event:** The Group defaults on its pension obligations. **Cause:** The Group fails to appropriately manage funding requirements. **Consequence(s):** Significant financial loss, reputational damage, or viability concerns.	Pension liabilities are reviewed with specialist advisers and strategies are developed to minimise deficit risks.
	Risk-sharing agreements with local authorities have been explored to protect against large unexpected, one-off payments.
	Significant new contracts are reviewed for the pension risks at the early stages of the bidding process.
Residual Risk Score Movement: « » **Timeframe:** 2020-2025 **Type:** Financial	Additional funding contributions from the Group are made following a financial assessment.
	Trustees of the Group's main defined benefit scheme have proposed a revised investment strategy to reflect run-off.

	I	L	Score
Gross Risk	4	4	64
Residual Risk	4	2	32
Target Risk	4	2	32

Risk Details	Current Controls
8. Staffing **Event:** Sanctuary fails to achieve its strategy or suffers operational failure. **Cause:** Failure to recruit, train and retain a workforce with the appropriate knowledge, skills, and experience at all levels. **Consequence(s):** Significant financial loss, reputational damage, or viability concerns.	Existing terms and conditions are regularly reviewed by senior management with advice from internal and external human resources (HR) professionals.
	Regular reports are made to the Executive Committee identifying key staffing indicators such as turnover, profiles and sickness.
	Group HR policies relating to recruitment, training, discipline, and conditions for staff set Sanctuary's requirements of all staff/managers.
	Dedicated HR professionals are assigned to each operation to provide advice on specific HR matters.
	Staff are recruited based on a competency framework to ensure they have the right skills for the job. Training arrangements are put in place when these are identified via 1-2-1 discussions and 'My Performance' is used to carry out ongoing performance appraisals.
Residual Risk Score Movement: « » **Timeframe:** 2020-2025 **Type:** Operational	A core brief cascade system and 1-2-1 meetings are in place to ensure appropriate levels of communication exist.
	Sanctuary is Investors in People accredited and has a Staff Council arrangement to allow views to be conveyed to management and vice versa. There is a dedicated Learning and Development team.

	I	L	Score
Gross Risk	5	4	100
Residual Risk	3	2	18
Target Risk	3	2	18

Risk Details

9. Information Security and Availability

Event: Loss of, or no access to, data or systems.

Cause: Failure to protect Sanctuary's technology, data and assets against unauthorised access.

Consequence(s): Prosecution, significant financial loss and reputational damage.

	I	L	Score
Gross Risk	5	5	125
Residual Risk	4	3	48
Target Risk	4	3	48

Residual Risk Score Movement:

Timeframe: 2020-2025

Type: Financial/Reputational

Current Controls

Current Controls
Sanctuary's Technology team specifies requirements for information security which are contained in Group-wide policies and procedures.
Access to premises and systems is controlled to enable the secure transfer of information for legitimate business purposes, including identity protection which detects unusual behaviour, such as unusual login activity, protecting user accounts from cloud compromise.
All staff are required to read and accept Sanctuary's Acceptable Usage policy and procedure and undertake mandatory training.
Sanctuary's Technology team deploys technical resources to automatically eliminate, as far as possible, attacks such as spam or phishing, including recently replaced anti-malware tools. This is backed by information campaigns, followed up with simulated phishing emails to measure the effectiveness of staff awareness.
Regular backups of systems and data are maintained and secured. This is supported by simulated recovery exercises.
Regular penetrative tests of existing controls are undertaken.
Sanctuary maintains strong relationships with other providers, and companies outside of the sector, in order to share information regarding both attempted and successful cyber attacks. This includes cyber liability insurance that covers crisis management teams, PR, legal and digital forensics, should any extra support be required.
Designated Officers for Data Protection are established across all areas to support the business in complying with data protection requirements.
We have a Cyber Incident Response Team (CIRT) which comprises key stakeholders from HR, Communications, Legal, Technology, Business Continuity, Service Desk, Care and Students. The CIRT meets quarterly to discuss incident response plans and held an awareness and simulated desktop workshop in November 2020 to rehearse responses.
Cyber Security Champions are in place in Technology teams, the Service Desk and the Customer Service Centre. These representatives attend Information Security team meetings to discuss security and feed to and from their teams. They also act as a first point of contact.

Risk Details

10. Covid-19

Event: A pandemic adversely impacts business operations and service delivery.

Cause: Failure to plan for pandemic effects or change working practices appropriately.

Consequence(s): Services and reputation are adversely impacted and there is potential for increased costs, reduced income, limited access to capital markets and financial failure, including covenant breach.

	I	L	Score
Gross Risk	5	5	125
Residual Risk	4	5	80
Target Risk	4	5	80

Residual Risk Score Movement:

Timeframe: 2020-2021

Type: Strategic/Financial/Reputational/Operational/ Compliance

Current Controls

Current Controls
Twice-weekly meetings are held between the Executive Committee to ensure that Sanctuary is adhering to the latest Government guidance and managing the business consequences, including a heat map of known and suspected cases. Prompt communication is then cascaded down, including regular meetings held between Heads of Service and Operational Leads to ensure services adhere to the latest guidance.
Recovery plans have been developed to allow services to be resumed as the lockdown is eased, including standard housing letting operations, non-emergency maintenance work and return to Sanctuary offices.
Staff availability is monitored and planned in order to make sure there is sufficient capacity at all times, including residual annual leave following initial cancellations.
Our intranet and external websites are kept up to date with the latest information and guidance, including a frequently asked questions section and a depository of risk assessments.
Non-essential business travel and classroom-based training has been cancelled. A number of courses have been replaced with online versions.
Close monitoring, forecasting and modelling of cash flows and covenants has been instigated with mitigation measures deployed to offset the impacts of the pandemic.
Leading key performance indicators are monitored by the Executive Committee weekly to measure impacts on potential areas of concern including arrears, occupancy, maintenance levels and staffing levels.
Staff following Government advice to self-isolate or social distance will be paid in full, regardless of their contractual entitlement. The Coronavirus Job Retention Scheme is being utilised where appropriate.
Staff have been provided with laptops, mobile equipment and appropriate software to ensure they have the ability to work from home.
Supplies of PPE have been purchased and distributed to adhere to revised risk assessment protocols.
There has been renegotiated and additional contracting with local authorities and the NHS; including emergency contracts for Covid-related 'relief' placements.
More flexible terms and cancellation policies for Sanctuary Students have been introduced for the academic year 2020/2021 in order to attract and retain students.
Covid-19 Finance Scrutiny Committee meetings were instigated to give greater scrutiny over financial performance, while weekly operational meetings were instigated between the Group Chief Executive and the Group Chair.

Group Finance Director's Review

Ed Lunt, Group Finance Director

Introduction

Despite the exceptional challenges presented by the Covid-19 pandemic, Group revenue has grown to £765.4 million; an increase of £2.4 million from the prior year. This increase has been driven by the Group's social housing business, which has remained strong in the face of the pandemic, along with the growth from recent acquisitions particularly in the supported living business. This has been partially offset by reduced occupancy in the Group's student accommodation, particularly in London where restrictions impacted international student travel. While the care business has out-performed the wider sector during the pandemic, occupancy has been impacted, which has adversely impacted revenue.

The Group operating surplus of £170.1 million is £16.1 million lower than the prior year (2020: £186.2 million), while the underlying operating surplus of £166.7 million*, adjusted to remove fixed asset sales surpluses and restructuring costs, represents a £15.9 million reduction from the prior year (2020: £182.6 million). The operating surplus from the Group's social housing business has seen strong growth with the RSH operating margin improving to 38.4%* (2020: 37.4%) representing the return of the CPI +1% rental indexation in England along with operational efficiencies. The overall temporary decline in Group operating surplus has been driven by the effects of the reduction in occupancy in the care and student businesses falling through to the bottom line. This has been compounded by increases in temporary staffing and infection control costs within the care business. Despite the unprecedented challenges the care business has achieved a positive EBITDA and remained cash generative at an operating level.

While the operating surplus contribution from development activity was down £3.7 million from the prior year, this was the result of lockdown restrictions being in place for the early part of the year and a different sales mix compared to the prior year. The Group's focus on rural locations within areas of high demand led to strong demand when lockdown measures eased with a solid pipeline for the year ahead.

The benefits of growth in the supported living business through acquisition and organic contract growth has delivered an increase of £2.1 million to operating surplus, with the margin increasing from 6.8% to 8.2%.

Surplus before tax of £46.9 million is £5.5 million lower than the prior year (2020: £52.4 million), with underlying surplus for the year of £39.0 million*, which is £18.4 million lower than the prior year (2020: £57.4 million). This was driven by the specific effects of Covid-19 on the care and student businesses, together with additional financing costs as the Group has sought to forward fund future development activity.

Despite the significant additional operational challenges faced this year, rent arrears improved to 3.16% (2020: 3.60%) and void losses only slightly declined to 1.6% (2020: 1.1%). Within the care business CQC scores improved to 86% (2020: 84%) and Sanctuary Supported Living CQC scores remained high at 98% (2020: 100%). These strong operational metrics have underpinned our financial performance and will continue to do so in the future.

We have revised working practices which has reduced costs and improved processes. Coupled with lowering discretionary spend these efficiencies have helped to mitigate the effects of the pandemic and will continue to deliver future benefits once the pandemic is over. Examples of this include automation in our central finance processes such as accounts payable and accounts receivable to enable touchless processing. We have commenced a rationalisation of our offices and lowered our facilities costs through investment in technology. We kept a keen eye on our cash flows resulting in healthy cash generated from operating activities of £218.5 million (2020: £244.2 million) with a solid 134.2% EBITDA MRI interest cover*. This demonstrates our ability to withstand shocks in the economy and allows us to confidently pursue reinvestment activities as well as develop new housing stock.

The Group exited the year with £494.7 million of cash (2020: £261.5 million) and undrawn facilities of £365 million (2020: nil), highlighting that we have strong liquidity. Our £1.4 billion of capacity (cash, undrawn facilities and available security), in conjunction with our strong investment grade credit ratings (A+ (Standard & Poor's) and A2 (Moody's)), is a further sign that we are well positioned to pursue our strategic objectives as well as mitigate the residual effects of the pandemic.

Overall, while the pandemic has had short-term adverse affects on parts of the business, the strong fundamentals of the Group's operating financial performance and position ensures the Group will be there for tenants, residents, and all our wider stakeholders over the long-term.

*Sanctuary uses certain alternative performance measures throughout this report which, in the opinion of the Directors, aid the understanding of business performance or provide comparison with our peer group. These measures are presented on a consistent basis over time to assist in comparison of performance and are defined and/or reconciled in Appendix 3 on page 185 and the Value for Money statement on page 63.

Five-Year Summary	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Statement of Comprehensive Income					
Revenue	765.4	763.0	735.4	708.1	670.9
Cost of sales and operating exp. (excl. restructuring)	(600.8)	(584.8)	(557.5)	(519.5)	(478.6)
Share of profit of joint ventures	2.1	4.4	3.1	0.5	0.1
Underlying operating surplus*	**166.7**	**182.6**	**181.0**	**189.1**	**192.4**
Restructuring costs	(1.8)	(2.6)	-	-	-
Other gains and losses	5.2	6.2	22.7	9.6	3.0
Operating surplus	**170.1**	**186.2**	**203.7**	**198.7**	**195.4**
Net gain from acquisitions	4.5	-	-	-	-
Fair value movement on derivatives	0.7	(0.1)	(0.1)	1.1	0.1
Net interest payable in respect of loans	(128.5)	(124.2)	(125.7)	(125.1)	(130.1)
Loan break costs	-	(8.6)	-	(1.3)	(4.0)
Other finance costs	0.1	(0.9)	(1.0)	(2.6)	(2.3)
Surplus for the year before tax	**46.9**	**52.4**	**76.9**	**70.8**	**59.1**
Surplus for the year before tax	**46.9**	**52.4**	**76.9**	**70.8**	**59.1**
Adjustments for:					
Restructuring costs	1.8	2.6	-	-	-
Other gains and losses	(5.2)	(6.2)	(22.7)	(9.6)	(3.0)
Net gain from acquisitions	(4.5)	-	-	-	-
Loan break costs	-	8.6	-	1.3	4.0
Underlying surplus for the year*	**39.0**	**57.4**	**54.2**	**62.5**	**60.1**
Statement of Financial Position					
Non-current assets	4,064.0	4,002.1	3,750.0	3,656.3	3,486.1
Current assets	753.1	457.5	337.8	286.4	283.9
	4,817.1	4,459.6	4,087.8	3,942.7	3,770.0
Current liabilities	585.7	239.3	254.1	295.0	278.2
Loans and borrowings and other payables	3,046.1	3,065.7	2,747.5	2,634.8	2,500.8
Provisions, pensions and derivatives	77.0	33.2	48.5	52.6	138.4
Reserves	1,108.3	1,121.4	1,037.7	960.3	852.6
	4,817.1	4,459.6	4,087.8	3,942.7	3,770.0
Statement of Cash Flows					
Operating surplus	170.1	186.2	203.7	198.7	195.4
Depreciation, amortisation and impairment	78.6	73.0	67.3	60.3	63.9
EBITDA	248.7	259.2	271.0	259.0	259.3
Working capital movements	(22.9)	(4.4)	(30.0)	(85.0)	(28.3)
Other adjustments	(7.3)	(10.6)	(25.8)	(10.1)	(9.6)
Cash generated from operating activities	218.5	244.2	215.2	163.9	221.4
Financing and returns on investments	(134.8)	(142.5)	(133.0)	(128.8)	(143.8)
Investing - capital expenditure and investment	(184.9)	(307.2)	(190.9)	(288.1)	(253.2)
Investing - capital grants and sales proceeds	65.8	59.0	85.0	55.7	136.2
Pension deficit payment	-	-	-	(40.0)	-
Net cash flow from financing activities	268.6	257.9	78.1	156.0	(128.3)
	233.2	111.4	54.4	(81.3)	(167.7)
Cash and cash equivalents at start of year	261.5	150.1	95.7	177.0	344.7
Cash and cash equivalents at end of year	494.7	261.5	150.1	95.7	177.0

*Sanctuary uses certain alternative performance measures throughout this report which, in the opinion of the Directors, aid the understanding of business performance or provide comparison with our peer group. These measures are presented on a consistent basis over time to assist in comparison of performance and are defined and/or reconciled in Appendix 3 on page 185 and the Value for Money statement on page 63. VFM Metrics defined by the Regulator of Social Housing (RSH) are highlighted grey in the following table.

Key Performance Indicators	2021	2020	2019	2018	2017
Satisfaction - monitoring quality of service					
Care - resident satisfaction %	96	96	96	97	98
Resident satisfaction - services %	73	80	81	83	83
Satisfaction - maintenance %	95	94	93	94	92
First stage complaints responded to on target %	68	92	94	90	85
Compliance - measurement against standards prescribed by regulating bodies					
Care Quality Commission rating % (Care)	86	84	81	82	85
Care Quality Commission rating % (SSL)	98	100	-	-	-
Care Inspectorate rating % (Scotland)	75	88	73	82	-
Properties with valid gas safety certificate %	99.7	99.9	99.9	99.6	99.9
RSH governance	G1	G1	G1	G1	G1
RSH viability	V2	V2	V1	V1	V1
Operational - evaluation of operational efficiency and effectiveness					
Occupancy - Sanctuary Care %	83	92	90	95	95
Occupancy - Student %	79	94	95	97	99
Rent arrears %	3.16	3.60	3.80	4.31	4.95
Homes in management	105,219	102,686	101,218	101,114	99,481
Void loss %	1.6	1.1	1.1	1.4	1.4
Group procurement savings (aggregate) £m	22.9	21.5	20.8	19.0	17.5
RSH social housing cost per unit £*	4,218	4,499	4,584	4,208	4,172
Average weekly fee rates - Care £	840	807	761	751	682
Debt - ability to service debt and secure funding					
Interest cover (excluding loan break costs) - times*	1.95	2.09	2.15	2.09	1.99
RSH EBITDA MRI interest cover %*	134.2	119.3	121.3	128.4	120.9
Gearing %*	49.6	50.6	49.3	49.6	47.3
RSH gearing %*	51.9	53.1	51.9	52.2	50.3
Capacity £m	1,442.0	1,408.8	1,131.1	1,024.1	1,059.6
% of debt under fixed interest rates	96.0	82.7	87.0	92.3	93.8
Standard & Poor's credit rating	A+	A+	A+	A+	A+
Moody's credit rating	A2	A2	A2	A2	A2
Profitability - measurement of financial performance					
Underlying operating surplus margin %*	21.8	23.9	24.6	26.7	28.7
RSH operating surplus margin (social) %*	38.4	37.4	38.5	40.1	41.8
RSH operating surplus margin (overall) %*	21.3	23.0	24.2	26.7	28.7
Operating costs as % of revenue*	74.8	73.0	72.9	71.4	68.7
Underlying net margin %*	5.1	7.5	7.4	8.8	9.0
Total divisional EBITDA £m*	250.6	260.1	260.8	266.8	269.5
Total divisional EBITDA %*	32.7	34.1	35.5	37.7	40.2
Maintenance - investment in assets and how efficiently they are maintained					
Average repair cost per home £	1,186	1,257	1,262	1,254	1,173
Reinvestment spend per home £	609	782	827	675	691
RSH reinvestment %*	3.4	4.0	3.1	6.3	4.0
Average cost per responsive repair £	139	122	119	115	118
Asset efficiency - the returns generated from the Group's assets					
RSH return on capital employed %*	2.7	3.1	3.5	3.5	3.7
Development - delivery of new properties					
Homes on-site and in development	5,130	5,642	6,002	6,019	4,686
RSH new supply delivered (social) %*	0.7	0.6	0.9	0.7	0.5
RSH new supply delivered (non-social) %*	0.3	0.1	0.1	0.1	0.1
Homes completed (excluding joint ventures and consortia)	620	604	941	773	456

Treasury

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

Cash and Liquidity Management

The cash position of the Group remains strong, with sufficient cash in hand and facilities to fund operations and capital expenditure through the next financial year and beyond, to act as a buffer. The Group generated £218.5 million of cash from operating activities (2020: £244.2 million). At 31 March 2021, the Group had a cash balance of £494.7 million (2020: £261.5 million).

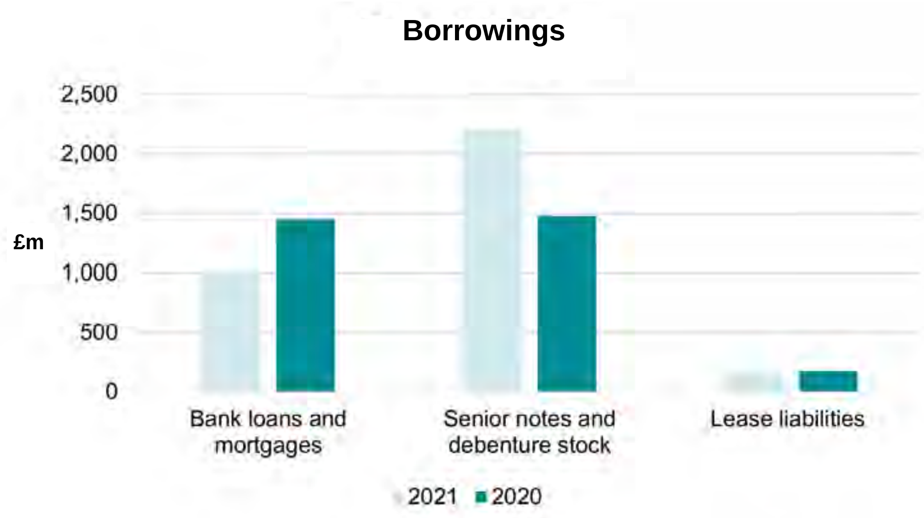
The Group manages liquidity by preparing and monitoring cash forecasts on a daily, weekly, monthly and longer-term basis to ensure that short and medium-term cash requirements are met. The forecasts are updated regularly to include sensitivity and scenario planning, ensuring that existing cash and available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

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

Debt Management

At 31 March 2021 the Group had total borrowings of £3,377.3 million (2020: £3,105.7 million), made up of bank loans, senior notes and debenture stock and lease liabilities.

Undrawn facilities at 31 March 2021 totalled £365 million (2020: Nil).

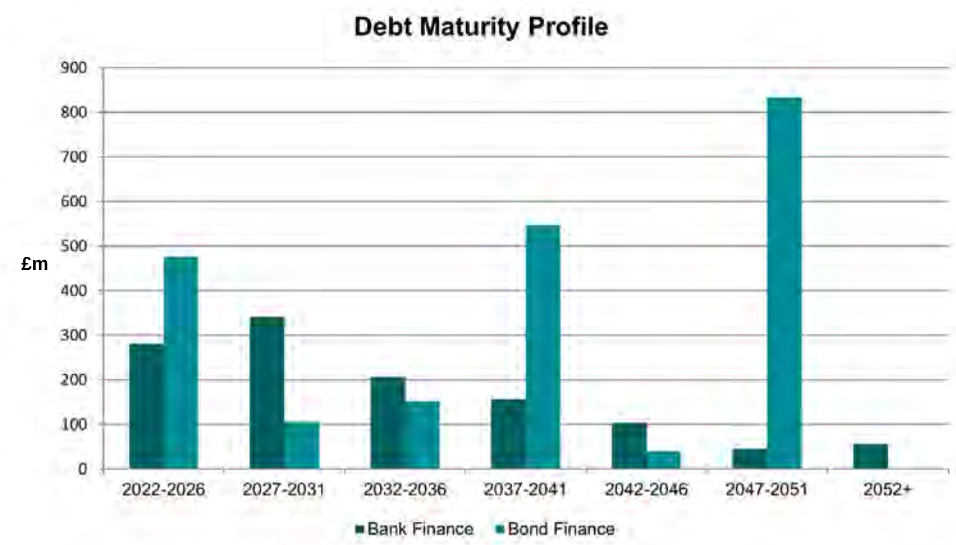


In the year to March 2021 the Group has raised £700 million of new facilities, including a £350 million 30-year secured bond at a coupon of 2.375%, issued in April 2020, demonstrating the confidence investors have in Sanctuary and its long-term strategic aims. The bond proceeds will support investment plans to enhance our current stock, develop new affordable homes, and deliver services in line with our social purpose of providing housing and care to those in need.

In addition, the Group put in place a further £350 million of facilities during the year, comprising a £40 million revolving credit facility, a £10 million loan, and £300 million from the Bank of England's Covid Corporate Financing Facility (CCFF). The Group accessed the CCFF in March 2020, but this has been subsequently repaid in May 2021.

The weighted average duration of drawn debt across the Group is 16.8 years (2020: 17.2 years). Our funding strategy is designed to monitor the debt maturity profile and thereby manage the refinancing risk across the Group ensuring that there is not a concentration of refinancing risk in any 12-month period.

The Group is confident its financial strength will allow it to refinance existing loans and finance the current business plan commitments at competitive rates. The Group has limited refinancing risk of 22.5% (£759.4 million) of existing drawn loans in the next five years (2020: 22.1%, £680.2 million). The Group anticipates funding this through a mix of fixed and variable interest rate facilities, operating activities, cash generated from property sales and Government grants.



Covenant Compliance

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

Interest Rates

The Group operates an interest rate policy designed to reduce volatility in cash flow and debt service costs. Wherever possible, bank borrowing and long-term debt market facilities are structured to include interest payments on a fixed or hedged basis. The Group's policy is to ensure that a minimum of 75% of all debt is held on a fixed basis. At 31 March 2021, 96.0% of debt was fixed (2020: 82.7%) and 4.0% floating (2020: 17.3%).

Net finance costs on borrowings totalled £128.5 million (2020: £124.2 million before loan break costs); an increase of £4.3 million due to additional borrowing.

The Group's cost of borrowing has reduced to 3.91% (2020: 4.16%). Interest cover remains strong at 1.95 (2020: 2.09 before loan break costs). The EBITDA MRI interest cover 31 March 2021 was 134.2% (2020: 119.3%), which is well above the Golden Rule hurdle of 100%.

Sanctuary has one stand-alone interest rate swap, entered into as part of a legacy project finance arrangement, which swaps a variable interest rate to a fixed rate. At the reporting date, a £2.8 million liability (2020: liability of £3.5 million) was recognised in respect of this derivative financial instrument. The requirement to collateralise this derivative is limited to the assets already securitised under this ring-fenced arrangement.

At 31 March 2021, the Group had US dollar denominated debt with an aggregate value of \$80 million (2020: \$80 million). A cross currency interest rate swap is in place to hedge the risk of currency rate volatility in the future. This derivative is recognised at fair value on the Statement of Financial Position; an asset of £20.6 million at the reporting date (2020: asset of £41.5 million).

Property Securitisation

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

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

For all other secured borrowings, the Group undertakes regular revaluations of the security and (where funding arrangements allow) excess security is released from charge adding to the Group's pool of unencumbered assets, for future use as security. The available security makes up a significant part of our £1.4 billion of capacity (2020: £1.4 billion) (also includes cash and undrawn facilities), against the Group's Golden Rule hurdle of £500 million.

Credit Risk Management

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

The Beech, Chestnut Meadows

Business Reviews
Affordable Housing - Divisional Review

Affordable Housing	2021	2020 Restated**
Homes in management at the year end	81,109	78,724
Revenue (£m)	386.5	377.1
Divisional EBITDA (£m)*	209.9	199.1
Divisional EBITDA margin (%)*	54.3	52.8
Internal Maintenance team utilisation (%)	79.1	82.4
Social operating surplus % - VFM metric*	38.4	37.4
Capital investment (£m)	44.4	58.4

**The Group's operating segments are defined and reconciled in note 6 on page 129. Alternative performance measures are defined and/or reconciled in Appendix 3 on page 185.*

***Realignment of reporting divisions to reflect operational management saw extra care services moved from Affordable Housing to Supported Living from 1 April 2020; comparatives have been restated to allow comparability.*

Performance

The events of the last year have resulted in unprecedented challenges for our residents and communities, but through the dedication and commitment of our teams we were able to adapt to make sure we continued to provide essential services throughout the Covid-19 pandemic. We strived to address the specific needs of our residents and neighbourhoods to help make our communities more resilient, while supporting the wellbeing of our frontline staff who have continued to demonstrate immense devotion to supporting those in need.

Despite the additional challenges this year, revenue has increased. After four years of rent reductions in England, this year saw an increase in rents for existing homes which, together with additional revenue from new developments and acquired properties, has translated into improved Divisional EBITDA and Divisional EBITDA margin, enabling us to continue with our programme of reinvestment. Even with the added operational challenges faced this year, strong operational management has meant that rent arrears have reduced to 3.16% (2020: 3.60%) and increases in void losses have been constrained, with only a slight increase to 1.6% (2020: 1.1%).

Throughout this period we remained committed to our objective to expand our housing offering and, in addition to the development of new affordable homes, a transfer of assets from Thistle Housing Association to Sanctuary Scotland on 1 March 2021 resulted in an additional 947 general needs homes and 786 factored properties. Homes purchased from Notting Hill Genesis at the end of the prior year, on 30 March 2020, have now been fully integrated into the business.

The maintenance division has seen a slight decline in performance during the year as a result of ensuring our residents and their families, along with our own colleagues, have been kept safe during the pandemic. This is reflected in a reduction in the use of our internal maintenance staff to 79.1% (2020: 82.4%).

Future Plans

Sanctuary is committed to improving Value for Money and the affordable housing division will continue to identify and implement efficiencies in service delivery, including use of technology to support even more mobile working, internalisation of services where appropriate and improving administration and back office functions, with these savings reinvested back into frontline services. In March 2021 an office pilot was launched in the Midlands area to test moving away from larger traditional offices to more local office hubs situated in our communities so we are closer to our residents while offering a more flexible working environment for our colleagues. If the outcome of these pilots is successful the approach will be considered as part of an office strategy and will help to increase efficiencies across this division.

The division will maximise the use of the in-house maintenance and reinvestment services to successfully deliver the five-year reinvestment programme ensuring continued compliance with Decent Homes and Scottish Housing Quality standards. Utilising knowledge from asset performance and both residents and operations this will make sure our properties continue to offer a safe, comfortable and energy-efficient place for people to live, comply with the latest legislations on fire protection and health and safety, while helping to reduce fuel poverty and manage our carbon emissions.

The National Residents Scrutiny Panel and an external partner will complete a self-assessment against the Charter of Social Housing Residents, so as to put us in a strong position regarding consumer regulation and the anticipated changes which could emerge from the UK Government's Building and Fire Safety bills along with the Social Housing White Paper. A dedicated Building Safety team has been created to make sure Sanctuary has an even higher level of focus on making improvements, with the team set to grow and develop even further next year.

While ensuring the support, quality and value of our service remains relevant to our residents, the national roll-out of our major resident consultation exercise 'A Conversation with Sanctuary' was paused due to the pandemic. Despite this, a pilot was undertaken in our Rochford area where more than one-third of our residents gave us their views of our services and how we can improve. In evaluating the lessons learned from the pilot, we are identifying the most effective methods of engaging with residents on a national scale to emerge with clear, actionable insights, which will form a basis of our future service standards. By listening to our residents we can make sure the services provided are the right ones and to a quality and cost they expect.

Case Study: Being There for Residents During the Pandemic

During the Coronavirus pandemic our teams were on hand to make residents' lives easier.

We set up a Keeping in Touch call service to support residents staying at home alone. Housing and Neighbourhoods colleagues contacted all residents aged over 70 by phone to check on their wellbeing. The calls were positively received, with people welcoming a friendly voice calling to check how they were.

One resident told us: "I have to say how impressed I was to receive a call checking on my wellbeing and if I needed anything. Thank you."

We also set up a Food Parcel Delivery Service. Housing, Maintenance and Supported Living teams worked together to deliver the parcels, containing essential items, to our most vulnerable residents.

With support from our Facilities team, food parcels were put together and distributed to regional hubs across the country. Housing and Maintenance colleagues, along with other volunteers from across the business, then carried out local deliveries to make sure residents had the supplies they needed.

"It was a difficult time and **we were there** to try to **help residents** get through it"

Saqib Malik, Housing Officer

Business Reviews
Supported Living - Divisional Review

Supported Living	2021	2020 Restated**
Homes in management at the year end	6,677	6,421
Revenue (£m)	101.6	91.7
Divisional EBITDA (£m)*	8.3	6.2
Divisional EBITDA margin (%)*	8.2	6.8
Capital investment (£m)	6.7	1.6
Care Quality Commission rating (%)	98	100

**The Group's operating segments are defined and reconciled in note 6 on page 129. Alternative performance measures are defined and/or reconciled in Appendix 3 on page 185.*

***Realignment of reporting divisions to reflect operational management saw extra care services moved from Affordable Housing to Supported Living from 1 April 2020; comparatives have been restated to allow comparability.*

Performance

Our Sanctuary Supported Living (SSL) operation provides care, support and accommodation to a wide range of customers across England, along with telecare solutions and assisted technology. SSL is committed to supporting the delivery of Sanctuary's mission and corporate priorities, which are mirrored and reflected as appropriate in SSL's Operational Plan. SSL delivers services to a large and diverse customer base including five key client types. These being older people (trading as Sanctuary Retirement Living, including Extra Care and Home Care), people with disabilities, people with mental health issues, homeless people, and young people. To deliver to this diverse range of customers we recognise the need to have clear and comprehensive plans for developing and nurturing a wide pool of skilled employees.

The division has seen year on year growth in homes in management, revenue, EBITDA and EBITDA margin. This has been achieved through organic growth, acquisitions and the realisation of efficiencies due to the increased scale of the business. The acquisition of over 800 properties from Notting Hill Genesis (NHG) on 30 March 2020, of which 460 were supported housing properties, has delivered new contract wins in line with the business plan.

On 15 March 2021, SSL completed the purchase of 284 supported homes from Accent Group, located largely in the North West, North East, Yorkshire and the Humber, safeguarding the future of vital housing and support services to thousands of vulnerable people. The portfolio comprises schemes providing varying levels of support to a range of client groups including homeless people, young people, domestic abuse victims, and people with learning disabilities and mental health needs.

Capital investment has increased significantly from £1.6 million to £6.7 million driven by remodelling of SSL buildings. The main investments included the remodelling of Shaftesbury Court, Trowbridge (£1.6 million), the conversion of Rocky Hill Terrace in Maidstone from sheltered accommodation into affordable housing (£0.8 million), and a roof replacement at Millbrook House, Ely (£0.4 million).

The pandemic has had a significant impact on the delivery of services during this financial year including the need for all staff to use PPE when working with vulnerable people. In response to the pandemic, SSL has accessed all available funding sources and guidance to support the continuation of a sustainable service delivery in view of the additional costs incurred in areas such as PPE provision.

In response to Covid-19 operationally, SSL has increased the use of technology within services to overcome isolation and loneliness throughout the pandemic including the impacts of lockdowns. This has enabled staff to continue to provide high-quality services throughout the pandemic. All staff have been provided with PPE throughout the pandemic and all Government guidance has been adapted to suit each service type and shared through a cascade communication process. Staff wellbeing has been paramount throughout the year to ensure individual resilience. Mental health training sessions have been made available and wellbeing information regularly updated and signposted throughout the year. SSL immediately reviewed risk assessments and business continuity plans at the start of the pandemic and has regularly revised these throughout the year. To this end, all essential services have been maintained and positive feedback has been received from commissioners of services commending us on how the services have responded to this crisis.

To make sure that the customer's voice is heard Sanctuary Supported Living carries out an annual satisfaction survey across all of its customers. This helps to ensure that the services are designed to meet the needs of individuals. This demonstrates the commitment to engage with all residents and stakeholders, acting upon feedback and continuing to improve the services which are offered.

Electronic care and support planning across SSL services have been enhanced with the roll-out of the inform system, an electronic care and support system used by NHG prior to transfer to SSL. This system has been reviewed and adapted to ensure it is fit for purpose in SSL and has been more widely rolled out within SSL since the stock acquisition. The inform system does not cover registered care services and the pilot electronic care plan (iPlanit) in registered care services is being reviewed further to ensure it meets the requirements of the services before it is rolled out more widely. Electronic care and support planning systems enable management dashboards of individual needs and risks to be managed on a desktop basis providing better governance of service delivery. They also ensure that each individual using the service has a clear understanding of how the service will deliver care and support to meet their individual needs.

SSL prides itself on the delivery of high-quality services and this is demonstrated by 100% of all Care Quality Commission rated services being 'Good' or 'Outstanding', with five services rated as 'Outstanding'.

Representation at the National Residents Scrutiny Panel (NRSP) for the Group has been enhanced by the inclusion of a Sanctuary Supported Living resident representative on this panel for the first time. This demonstrates the value Sanctuary places on supported housing for vulnerable people.

Future Plans

SSL has a growth strategy which is underpinned by bidding for new services, organic business development, and the acquisition of existing housing stock and services, and is evident through the two recent acquisitions of NHG and Accent stock. SSL remains committed to supporting as many vulnerable people across the country as possible and will continue to thoroughly review all new growth opportunities. These opportunities will be measured against internal hurdle rates and use comprehensive due diligence (in the case of acquisitions) to ensure operational safety and financial viability.

Resident
Michael Tidd

Case Study: Smiling Penguins Teach Residents about Social Distancing

Staff from Sanctuary Supported Living's New Milton scheme, which is dedicated to supporting people with learning disabilities, used a unique project to explain social distancing.

The team were inspired by the film 'Madagascar' to help residents understand the Covid-19 crisis and demonstrate how to stay safe.

Using the catchphrase of the penguins in the film – 'Just smile and wave' – staff developed a learning resource based on a 'Smiley the penguin' model as guidance for social distancing.

Everyone at the service truly took the story to heart, with the concept of Smiley teaching residents how to distance themselves from others while staying friendly, as well as providing opportunities to get involved in art initiatives and video making.

Alison Notman, Local Service Manager and inventor of Smiley the penguin, said: "Some of our residents are naturally outgoing and will greet people by hugging and touching them, so Smiley has really helped us to explain something that could have been very difficult for them. The project has really given our residents choice and control in shaping their service."

> "Our aim is to **involve** all the **residents** in deciding on **activities and events** – after all, this is **their home, not just 'a home'**"

Business Reviews
Care - Divisional Review

Care	2021	2020
Number of bed spaces in management at the year end	5,201	5,201
Revenue (£m)	188.7	194.1
Divisional EBITDA (£m)*	10.1	21.7
Divisional EBITDA margin (%)*	5.4	11.2
Care Quality Commission rating (England) %	86	84
Care Inspectorate rating (Scotland) %	75	88
Average weekly rates (£)	840	807
Occupancy % - average for the year	83	92
Capital investment (£m)	10.7	12.1

**The Group's operating segments are defined and reconciled in note 6 on page 129. Alternative performance measures are defined and/or reconciled in Appendix 3 on page 185.*

Performance

At Sanctuary Care, we are proud to have been delivering care to older people for 22 years and currently manage 99 care homes across England and Scotland. Our devoted teams across all our homes are here to enrich the lives of all; our residents and their families, our staff, and the communities in which we operate. The last 12 months have showcased the value of what we do and how we do it, especially as we continued to enrich lives and navigate through the Covid-19 pandemic.

The pandemic has had a significant impact on the older persons care sector. We were not alone in experiencing regional occupancy declines from quarter one of the year and, despite a short recovery period, occupancy was further impacted in the final quarter. Notwithstanding the challenges we have faced, our occupancy has consistently remained above industry averages. The industry has also faced unprecedented cost increases because of the Covid-19 pandemic.

Reflected in Sanctuary Care's 2021 numbers is an element of Government funding, provided to the whole older persons care sector, to support with additional infection control measures as well as staff and resident testing. This funding allowed us to support our frontline teams who were unable to work due to shielding requirements, with not only the Government funded support for furloughed staff but a top up of wages to the full pre-pandemic level. Infection control funding allowed us to support all staff with actual or suspected Covid-19 to self-isolate at home on full pay and reduce the risk of infection being brought into our homes. A combination of this funding support and an optimisation of staff numbers and mix of grades have partially mitigated the financial impact on the business; though a fairly fixed cost base, the reduced occupancy and additional cost pressures have ultimately resulted in a reduced EBITDA and EBITDA margin for the year. However, the care business still achieved a positive EBITDA and we have the cash and resources available to continue to reinvest in our homes.

Through all this, our devotion to enriching lives and providing quality care has never faltered. We have continued to maintain strong quality ratings with sector regulators despite the challenges, with 86% of all services in England rated as 'Good' or 'Outstanding' and 75% of services in Scotland, reinforcing our position as one of the leading providers of elderly persons care services. The current year Scottish ratings reflect additional care homes that were acquired near the end of the prior year and were not included in the comparative average ratings.

While the pandemic was not a part of our operations plan for 2020/2021, we have been encouraged to see that although our strategies have been stretched and tested, they have not been fundamentally changed, even if some plans have been delayed. We have been flexible and agile in response to challenges which has enabled us to find and implement a number of innovative solutions over the past year, which in turn have empowered all our teams to work and communicate differently, but more importantly to still learn and grow. For example, during the past year we have continued to develop kradle, our in-house electronic care planning app, as well as both our electronic medication administration records (eMAR) and staff communications with the Kronos Dimensions app. We have also implemented a virtual learning programme during 2020, which has provided greater flexibility for staff to undertake mandatory and personal development training, ensuring that we continue to develop and support our workforce, while delivering quality and safe care.

As a result of Covid-19 we have actively supported all staff and residents to take up the opportunity to be vaccinated to enable us to operate a safe working and living environment. We have made various changes to organisational policies to further mitigate the ongoing impact of Covid-19 and we will continue to evolve these practices in line with advice from the Government, Department of Health and Social Care (DHSC) and Public Health England (PHE).

Future Plans

We look forward to continuing to drive our plans and ideas forward for 2021/2022 with our strong reputation of being a quality care provider for all, delivered by a committed, passionate, and highly skilled team. The next 12 months will be focused on the recovery of our occupancy levels following the impact of the pandemic. Analysts for the sector are forecasting a sustained recovery during the next financial year, with recovery of occupancy levels to pre-pandemic levels as early as quarter three of 2021/2022, driven by pent up demand and the impact of the vaccination programme.

The ongoing wellbeing of our staff is of critical importance to us and during the coming financial year we will be engaging with our teams to gain their insight and feedback into how we can shape and evolve our future wellbeing strategy, to make sure it meets their needs, adds value, and ultimately supports wellbeing and staff retention.

During 2021/2022 we will continue to evolve our nursing strategy with the recruitment of quality nurses from the UK and overseas; increase the number of staff undertaking the nurse associate development programme; increase access to clinical training opportunities; and see the implementation of our new preceptorship programme for newly qualified nurses. These programmes run alongside our enhanced learning and development offer for all staff, including leadership development, and supporting the Government's kickstart programme to attract 18 to 24-year-olds to the social care sector with access to training and qualifications.

We are also excited about further development and roll-out of technologies which will not only improve our staff experience, but align processes to our scalable business model, enhancing stable foundations and enabling further growth.The social care sector finds itself in challenging times, however Sanctuary Care is well placed to influence the solutions, to continue to grow and enrich the lives of many more people. We have an exciting year ahead of us, reflecting on and building on the experiences of 2020/2021, with a strong platform for success and growth as we look forward.

Case Study: Sanctuary Care Nurse Wins Prestigious Award

Sanctuary Care Nurse Adefolake Olatunde, who works at Riverlee Residential and Nursing Home in London, has won a prestigious Nursing Times Workforce Award.

Adefolake came out top from six finalists in the Overseas Nurse of the Year category, all of whom worked for the NHS.

Originally from Nigeria, Adefolake received high praise from the judges for the significant impact of her work for Sanctuary Care.

She was recognised for her incredible practical and emotional support to many overseas nurses who have come to England to work in Sanctuary Care's London homes – helping them to settle into a new life, find their way around the capital city, and even devoting time on her days off to help them prepare for exams they need to take to work in the country.

Judges said Adefolake was a 'role model to all overseas nurses'.

Nurse
Adefolake
Olatunde

"Adefolake is a truly **inspirational person** who goes **above and beyond** to deliver the **best possible support** to our **overseas nursing colleagues** and truly **enriches their lives"**

Business Reviews
Student and Market Rented - Divisional Review

Student and Market Rented	2021	2020
Homes in management at the year end	12,232	12,340
Revenue (£m)	49.8	56.7
Divisional EBITDA (£m)*	21.5	29.1
Divisional EBITDA margin (%)*	43.2	51.3
Occupancy - Student (%)	79	94
Capital investment (£m)	3.2	8.2

**The Group's operating segments are defined and reconciled in note 6 on page 129. Alternative performance measures are defined and/or reconciled in Appendix 3 on page 185.*

Performance

It has been an unprecedented year for the higher education sector and the country's student population due to the restrictions and additional challenges brought about by Covid-19, but Sanctuary's student division has remained resilient and outperformed expectations set at the beginning of the pandemic.

Even though almost all universities closed their campuses for face-to-face teaching for a large part of the year and were using online learning instead, 79% of Sanctuary's student accommodation continued to be let.

Demand from international students, especially across Sanctuary's London properties, was lower, but we saw increased booking levels from the UK domestic market. Sanctuary Students' online operating platform helped protect booking levels and allowed the operational teams to deliver improvements, including enabling online induction and scheduling of arrival slots.

As a consequence of reduced occupancy levels, revenue was lower than the prior year. As volatility in the market stabilised and clarity was established as to when students would return, we were able to crystallise certain cost savings, which were achieved through managing discretionary spend, reducing variable overheads and pausing non-essential recruitment. However, a relatively high fixed cost base and an increase in arrears due to student economic hardship meant that, despite these savings, EBITDA and EBITDA margin were lower than the prior year, though they surpassed scenarios modelled in the early stages of the pandemic.

Understanding the risk to the business, income uncertainties, and managing the supply chain disruptions caused by the efforts to contain the spread of Covid-19 meant that Sanctuary Students prioritised the completion of already committed fire safety improvement works, while deferring cyclical capital investment works due to disruption and inventory shortages by third parties.

Our top priority remains the health, safety and welfare of our residents and employees while continuing to deliver services for our residents. For a large number of students our properties were their only or primary residence. Our buildings remained open and staffed and, like many other businesses, Covid-19 protective measures were introduced to support both staff and students.

We fully recognise the challenges faced by students over the last year. As one measure of support we have provided students with access to Health Assured services, our Employee Assistance Programme, at no cost. This is a free, confidential support service for our students, which can be used 24 hours a day, where students can talk in confidence about any mental health concerns they may be feeling during these unprecedented times.

Future Plans

There's no denying that the Covid-19 pandemic has had a major impact on higher education globally, with students having to rely on online learning over recent months. However, despite universities investing in online learning, the consensus among students is that it cannot replace the on-campus experience. Going to university is no longer just about learning, but an experience.

Student accommodation provides an essential service and is countercyclical, meaning that if there is a prolonged economic downturn people will likely go back to university or stay there longer. In fact, the sector was one of the few to show resilience during the 2008 financial downturn. Despite the current short-term challenges, the longer-term outlook remains positive.

World-class universities remain attractive to international, EU and domestic students studying in the United Kingdom. The UK is the second most popular destination for international students, and we now see evidence that conditions in the higher education sector are stabilising and note that the Government is targeting an 80,000 increase in international student numbers by 2030, aided by the introduction of a new two-year post-study visa.

While the longer-term outlook remains positive, a number of short-term challenges remain with a later booking cycle expected due to the pandemic.

Uncertainties remain about each institution's approach to face-to-face teaching and blended learning, the impact of the UK's exit from the European Union and subsequent replacement of the Erasmus European Student Exchange Programme with the international Turing Scheme. The availability and price of international travel from across the globe could further impact the demand for on-campus student accommodation.

Despite these uncertainties, there is much to look forward to; students will return to universities. Our post-Covid-19 recovery agenda will focus on maximising occupancy levels to be sustainable in the long-term and contribute to Sanctuary's business plan. For many tenants, this will be their first time living away from home, and Sanctuary's housing provides them with a safe, secure environment to make that transition between leaving home and true independent living.

Key themes for the year ahead will be our students' wellbeing and supporting their mental health. The clear message from the Government and customers is that people are interested in the environment and sustainability and the safety and security of tenants.

Significant challenges in higher education persist with teaching online and international travel restrictions. Still, looking to the year ahead, it is expected that more than 50% of over 18 to 21-year-olds will go into higher education, and when combined with increasing numbers in this age group, it is positive news.

"Developing our **digital journey** enables our customers to **use an automated system** that offers them a **seamless process**"

Case Study: Customer Journeys Enhanced by Self-Service Technology

Online customer journeys have been further enhanced through the development of the operation's accommodation management system.

The software, supplied by Kinetic Solution and supported in collaboration with Sanctuary's Technology team, provides a one-system solution for applications, contracts, payments and operational management for customers in the students and key worker areas within the operation.

New technology developments have enabled self-service through the implementation of functionality that delivers pre-arrival online inductions, repair reporting, welfare requests and parcel management.

The improvements mean previously paper-based processes have moved to modern online and technical-based systems, ensuring that the processes are more efficient and removing administrative workload. This enables the business to progress at pace in an increasingly competitive and demanding market by implementing modern workplace initiatives to improve the customer experience, business information, accountability and control; as well as identifying and incorporating opportunities and improvements across our operation.

Victor Ajayi and Serena Lee

Business Reviews
Development - Divisional Review

Development Sales	2021	2020
Revenue (£m)	37.0	40.4
Cost of sales (£m)	(30.0)	(29.7)
Divisional EBITDA (£m)*	7.0	10.7
Gross margin (%)*	18.9	26.5
Homes completed in the year**	620	604
Housing sales***	185	203
Homes on-site and in development at the year end	5,130	5,642
Funding for development		
Expenditure contracted (£m)	365.2	317.0
Authorised expenditure not contracted (£m)	258.1	463.8
Total (£m)	623.3	780.8

**The Group's operating segments are defined and reconciled in note 6 on page 129. Alternative performance measures are defined and/or reconciled in Appendix 3 on page 185.*
***Excluding joint ventures and consortia ***Includes First Tranche sales*

Performance

This financial year has been a period of adaptation and transformation for the Development team. Our prime focus has been to support our customers throughout the pandemic by helping them into their new homes as soon as possible and ensuring an effective Customer Care function despite social distancing restrictions. We launched a digital first approach that has seen sales on several sites launch virtually as well as deliver improvements to our customer journey enabling more services to be conducted online. The roll-out of Microsoft Teams functionality across the entire Development department has aided collaboration and helped us to feel connected to our colleagues, even as offices closed, enabling a consistent service to be delivered to our customers.

Revenue, EBITDA and gross margin have all reduced slightly this year. Covid-19 has had an impact on the construction industry, resulting in a reduced number of practical completions and thus on potential sales that could have been achieved in the year. However, the temporary suspension of stamp duty ensured that market downturn was constrained. The reduction in sales revenue and margin year on year was driven by a combination of a reduced number of units sold and the mix of schemes for sale. In particular, the prior year benefitted from two high performing schemes that had above average margins. Nevertheless, despite this reduction, the 18.9% margin achieved was still very healthy.

Overall, performance against our sales strategy remains strong; demand has been high and we have achieved margins on sales in line with expectations. We completed 620 properties for rental or sale during the year, slightly more than the year before, and helped 185 customers to purchase new homes, of which 114 were shared ownership properties and 71 outright sales properties. We also saw the successful launch of high-profile sites such as Bullwood Gardens, Hockley, and Watling Gate, Sittingbourne.

The year end stock position saw a slight increase year on year from £9.3 million (48 units) to £9.6 million (50 units); of the 50 units in stock 34 are reserved or exchanged.

The majority of Sanctuary's development pipeline consists of houses in semi-rural and suburban locations, for which there is currently more demand than urban apartments. The geographical spread of our portfolio across England and into Scotland also means that the Group is not exposed to any particular market or region. We entered financial year 2021/2022 in a strong position with 40% forward sold, meaning that 40% of plots forecast to sell within the year have already been reserved or exchanged.

This year has also seen an increase in our use of Modern Methods of Construction with 1,346 properties under construction using these techniques, including 110 homes on our Drakes Broughton development in Worcestershire. This site is being delivered by our in-house construction arm and is using a closed panel timber frame system and other off-site manufacturing techniques to deliver homes for rent, shared ownership, and open market sale.

Future Plans

Two years into our current 15,000-unit, 10-year programme, we have identified nearly 6,000 plots and, as we near the end of the 2016-2021 Affordable Homes Programme, we are looking for new opportunities to deliver affordable homes throughout England. We will also continue to deliver more affordable homes within our Scottish development programme, which has delivered 1,510 affordable homes over the past five years. Starting the construction of the first phase of our flagship Victoria Hospital site based in Glasgow was a highlight of 2020, delivering 135 new affordable homes.

During 2021/2022 we expect to see the first completions at Millbrook Square, Barnet, and to launch sales on a further 22 new sites. Although the market outlook in the wake of Covid-19 is uncertain, Sanctuary has a strong sales pipeline and supply chain and we will continue to show the adaptability that has served the development programme well during the last 12 months.

Work progresses at our Barne Barton regeneration in Plymouth where planning has been submitted. We will continue to engage with residents on what the regeneration means both for their community and themselves and hope to be able to start work on the first phase before the end of the financial year 2021/2022.

We are also looking to introduce new sustainability standards for our properties including low carbon heating solutions and finding ways to improve the biodiversity of the spaces we build. This is all part of our approach to going beyond simply building homes. In the places where we develop, we regenerate neighbourhoods and support community projects, as well as creating jobs and training opportunities through our programme known as MORE. So far the MORE programme has seen us support 214 apprenticeships as well as deliver a range of initiatives to support our local communities.

Case Study: Delivering Beautiful New Homes in Padstow

Hawkers Reach is a unique development of 71 brand new homes set in the idyllic location of Padstow in Cornwall. The selection of 2, 3 and 4-bedroom homes are finished to a high standard, with their striking New England design adding a fresh look to the sought-after town.

This £19 million development provided homes for rent, shared ownership and open market sale. Work started on the development in 2018 with the last properties handed across in autumn 2020.

Senior Development Manager, Alison Olds, said: "Hawkers Reach has been a really exciting project for all of us at Sanctuary. It hasn't been without its challenges but we knew that delivering an affordable element within such a prime development was a priority for local people so that is what we did."

"It has been an **amazing step** for us onto the **property ladder…**The house is a **lovely layout** in a **quiet location** and we're **very happy here."** *Shared Ownership customer at Hawkers Reach, Padstow*

Value for Money

The delivery of Value for Money is essential to our success in building affordable homes and sustainable communities where people choose to live. It is also central to our Corporate Strategy's priorities to **engage, invest, advance**, and **grow**, and builds on our values of ambition, diversity, integrity, quality, and sustainability.

Responsibility for delivering Value for Money starts with the Group Board, which ensures our approach is strategic, comprehensive and aligned to our objectives. Underpinning the strategic objectives are our financial Golden Rules and our rigorous approach to financial management, including detailed budgets, longer-term financial plans, and cost reduction targets. These are monitored through a variety of channels including operational management budgets, monthly financial performance reports to the Executive Committee and to every Group Board, and quarterly treasury reports to the Group Audit and Risk Committee. The Group Board is ultimately responsible for approving all budgets and financial forecasts. Value for Money is considered in every decision made by the Group Board, subsidiary boards, Executive Committee and Development Committee.

Our Value for Money Principles

Our Value for Money principles are:

Economy - Achieving the best value from our inputs, that is, when items were purchased did we get them for the best possible value?

Efficiency - Maximising the outputs for a given level of inputs, that is, how good are we at creating the output?

Effectiveness - Ensuring the outputs deliver the desired outcome, that is, was what we delivered at the correct standard and did it achieve the desired outcome?

Equity - Ensuring the distribution of resources is equitable, that is, are our services equally available to, and did they reach, all the people that they are intended for?

Covid-19 Impact on Value for Money

Covid-19 has impacted every part of Sanctuary and delivering Value for Money while optimising our four key Value for Money principles has been more challenging during the pandemic. However, our mission remains the same and we continue to embed Value for Money in all activities to ensure optimal benefit.

Monitoring Our Performance

We analyse our performance in four areas: assets, resources, structures and processes, and customers. In monitoring our Value for Money performance, we utilise key performance indicators that assess the overall success of our Value for Money activities over time and in comparison to other organisations. Benchmarking with other organisations allows us some insight into what constitutes excellent performance. By reviewing and applying this learning, we are continually challenging and improving our performance and achieving economy, efficiency, effectiveness, and equity.

Our housing benchmarking group (also referred to as peer group) includes organisations either of a similar size or with activities of a similar nature to our own. However, none of these organisations have a similar-sized care or student portfolio, making meaningful comparisons difficult. Because information for 2020/2021 is not available at the time of preparing the annual reports, benchmarking information is presented for 2019/2020. For divisional benchmarking, relevant peer groups include large care providers and student accommodation providers.

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

Corporate Strategy

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

Engage

Engage residents
We are embarking on our most ambitious listening exercise, 'A Conversation with Sanctuary', to understand from our residents how we can maximise the effectiveness of our future stock investment.

Engage stakeholders
We actively engage our stakeholders, including MPs, local authorities, central Government, investors and the media, in open, honest and ongoing relationships. This helps us to effectively deliver the right outcomes.

Invest

Invest in our homes
Sanctuary will always prioritise investing in existing homes before building new homes, ensuring the equitable use of our resources for existing customers.

Invest in safety
All of our residents should feel and be safe in their homes. Working with residents, we have established a Building Safety programme to oversee our response to evolving best practice around fire safety, ensuring that we respond effectively and efficiently.

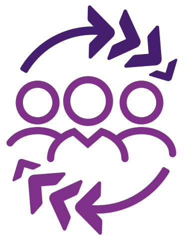
Invest in frontline employees
We operate in more than 250 local authorities nationwide and aim to deliver a genuinely local service. To effectively achieve this, we will invest in our frontline Housing teams as we believe the role of the Housing Officer is key to ensuring a high-quality service.

Invest in efficiencies
We recognise that we have limited resources, so need to balance delivering efficiencies without compromising frontline services.

Invest in regeneration
Regenerating neighbourhoods is an effective way to improve lives for residents and create sustainable communities.

Invest in our communities
Through our community investment we work towards creating a more equitable society by tackling challenges such as worklessness, poverty and exclusion.

Advance



Advance decarbonisation
Sanctuary recognises the climate emergency and fully supports the drive towards a low carbon economy. We embrace advances in effective and economic low carbon technologies and, along with Abri, Anchor Hanover, Home Group and Hyde Group, have recently formed the Greener Futures Partnership to create solutions for developing more affordable and sustainable homes while lowering emissions in existing homes.

Advance accessibility
We will develop further tools to make it easier to access our services online to make our services more equitable for all customers.

Advance care technology
We are rolling out an electronic medication management system for efficient medical delivery to our residents.

Grow

Growing our homes
We have a proud history as a developer of social housing. We are continuously appraising opportunities to develop equitable social housing in the right areas at an economical cost.

Growing our supported housing
We recognise the value of supported housing and believe it is critical in an equitable society to make sure everyone has the opportunity to live independently and fulfil their potential.

Growing our care
As a not-for-profit provider of care, we are driven to provide a high quality rated service at an economical cost for residents.

Key Achievements

Over the last year Sanctuary has delivered the following key Value for Money activities:

Assets
We have delivered 834 homes this year, 214 through joint ventures and consortia, including 665 economical affordable housing properties. While this is lower than expected due to the effects of the pandemic, we remain fully committed to delivering affordable housing and communities in which people choose to live.

Customers
We completed the transfer of Thistle Housing Association on 1 March 2021, safeguarding the homes of residents and increasing the efficiency of our expanded Glasgow housing operations.

Structures and Processes
We have successfully consolidated 21 entities acquired through our purchase of Embrace Care, providing a more effective operating structure and reducing back office costs.

Resources
We raised £350 million of new funding at the start of the year at an annual interest cost of only 2.4%, demonstrating our ability to raise competitively priced long-term funding to deliver our objectives.

Areas of Key Focus

The Group is focusing on the following key areas to improve Value for Money in the forthcoming year:

Assets
The pandemic has introduced new ways of working and we will continue to consider the number and type of offices that we require in order to deliver cost-effective services, rationalising them where appropriate and investing in new technology to connect with our customers.

Customers
Through 'A Conversation with Sanctuary', we will engage with our residents to understand how we can deliver our stock investment programme as effectively and equitably as possible.

Through partnership with Centrica, we will improve the energy efficiency in nearly 600 homes by fitting them with air source heat pumps and smart meters.

Structures and Processes
We will realise the benefit of our ongoing back office efficiency transformation programme, which includes transactional finance automation and greater in-house provision of legal services.

Resources
We will continue to provide our staff with up-to-date technology and collaboration tools, allowing effective communication across the organisation and ensuring we recruit and retain the best possible staff.

We will increase the number of repairs delivered through our internal maintenance service.

Understanding Our Performance

Sanctuary Group's key performance indicator results for 2021 and 2020 are colour-coded as follows:

- Exceeded target (2021)/outperformed peer group (2020)
- Within 10% of target (2021)/within 10% of peer group (2020)
- More than 10% short of target (2021)/ more than 10% short of peer group (2020)

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

Assets

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

Value for Money, Asset Management and Development: Our Strategic Objectives

Achieving Value for Money through our asset management processes means investment in our existing homes, ensuring they are safe and decent, and advancing their quality through maximising energy efficiency. We do this through:

- Delivering **economic, effective** and timely maintenance and compliance services, including with our dedicated Building Safety team;
- Ensuring optimal **efficiency** and **effectiveness** of assets, including identifying remedies for under-performing assets; and
- Improving energy and environmental **efficiency** ratings.

Achieving Value for Money through our development programme means investment in regeneration and growth through new shared ownership, affordable rented and social rented homes with the help of proceeds from homes built for sale. We believe this is an equitable development model.

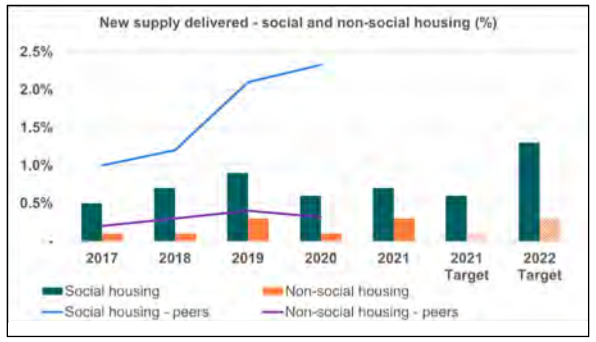
Value for Money Key Performance Indicators: Assets

The reinvestment metric is 3.4% for 2021, only 0.5% lower than target despite Covid-19 causing delays to work.

The target for 2022 is 6.2% and assumes a return to normal development and maintenance delivery.

ROCE is 2.7% for 2021, in line with the target. A significant factor is the inclusion of gains and losses on disposal of fixed asset properties causing fluctuations.

The target for 2022 is 2.8%, with the increase to be driven by operating efficiencies.



New supply (social) is 0.7% for 2021, 0.1% higher than target despite the impact of Covid-19. The target increases in 2022 to 1.3% as we work towards delivering homes as part of our 2021-2026 Affordable Homes Programme commitments.

New supply (non-social) is 0.3% for 2021, 0.2% higher than target despite the impact of Covid-19. The target for 2022 is 0.3% due to increased outright sales as part of our mixed tenure development.

	Sanctuary Group 2021 Actual	Sanctuary Group 2021 Target	Sanctuary Group 2020 Actual	Peer Group Average 2020 Actual	Sanctuary Group 2022 Target
Investment per property in existing properties (£)	609	484	782	764	851
Reinvestment (%)*	3.4	3.9	4.0	6.7	6.2
Return on Capital Employed (%)*	2.7	2.7	3.1	3.2	2.8
New supply delivered – social (%)*	0.7	0.6	0.6	2.3	1.3
New supply delivered – non-social (%)*	0.3	0.1	0.1	0.3	0.3
Number of new homes completed including through joint ventures and consortia	834	605	816	n/a	1,644
Number of new homes sold	185	138	203	n/a	356

**RSH metrics*
Alternative performance measures are defined and/or reconciled in Appendix 3 on page 185.

Investment per Property in Existing Properties

Sanctuary invested more in its homes in 2020 than its peers and while there are a number of drivers of reinvestment, one of the key factors will be our unique stock mix which includes higher than average levels of supported housing, student accommodation and care homes. Our investment per property declined this year as a result of the pandemic which severely restricted access to our residents' homes, but the 2022 target demonstrates that we expect a return to normal service levels next year.

New Homes Delivered and New Homes Sold

Sales of newly built homes, both outright sale and shared ownership, generated £37 million of income, with a gross margin of 18.9%, compared to £40.4 million in 2020 which generated a margin of 26.5%. The number of homes sold in 2021 was greater than target due to excess buyer demand and the stamp duty holiday driving a buoyant housing market. As with our reinvestment and new supply delivered metrics, the completions and sales targets for 2022 reflect the expected recovery from Covid-19.

Resources

Our resources include our operational and financing income and our people. They are impacted by our procurement practices.

Value for Money and Resources: Our Strategic Objectives

Achieving Value for Money when managing our resources means investment in frontline staff, generating economies and efficiencies. Practically, this involves: efficiency through optimising income collection; economy in how much of that income we need to spend while maintaining and improving the effectiveness and equity of our services; and attracting the best staff through our fair and equitable employment practices.

Value for Money Key Performance Indicators: Operational Resources

Headline social housing cost per unit is £4,218 for 2021, a decrease of £281 on 2020 due to lower management and maintenance costs during the pandemic. Our cost per unit of £4,499 in 2020 was slightly higher than our peer group average, driven by our greater proportion of supported living services which have a relatively high cost base.

The target for 2022 is £4,725 per unit, driven by additional reinvestment and maintenance expenditure as accessibility to customers' homes improves.

Overall operating margin reflects the inclusion of activities such as care that are labour intensive and generate lower margins. The margin for 2021 is 21.3%, 0.5% lower than target, predominantly due to lower care and student occupancies. The target for 2022 is 21.0%. Our margin in 2020 was in line with our peers, despite our relatively high proportion of activities such as care.

Operating margin social housing lettings is 2.2% above the 2021 target of 36.2%, driven by reduced maintenance spend. The target for 2022 is 38.0%. Our margin in 2020 was well above our peers, demonstrating our ability to deliver efficient housing services.

	Sanctuary Group 2021 Actual	Sanctuary Group 2021 Target	Sanctuary Group 2020 Actual	Peer Group Average 2020 Actual	Sanctuary Group 2022 Target
Headline social housing cost per unit (£)*	4,218	4,471	4,499	4,311	4,725
Operating margin – social housing lettings (%)*	38.4	36.2	37.4	31.1	38.0
Operating margin – overall (%)*	21.3	21.8	23.0	23.1	21.0
Void loss (%)	1.6	1.2	1.1	1.5	1.4
Average cost per responsive repair (£)	139	113	122	n/a	122
Chief Executive pay per unit (£)	2.97	3.04	2.92	4.71	3.18

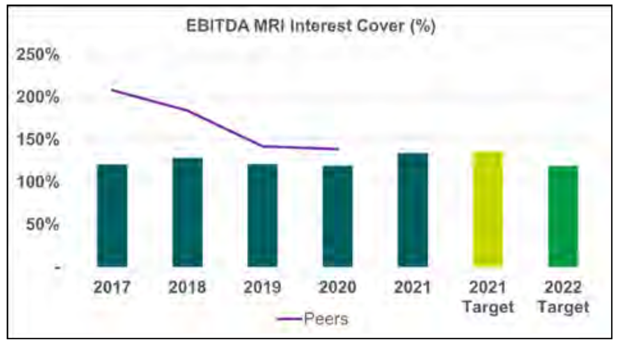
**RSH metric*

Alternative performance measures are defined and/or reconciled in Appendix 3 on page 185.

Other Resource Metrics

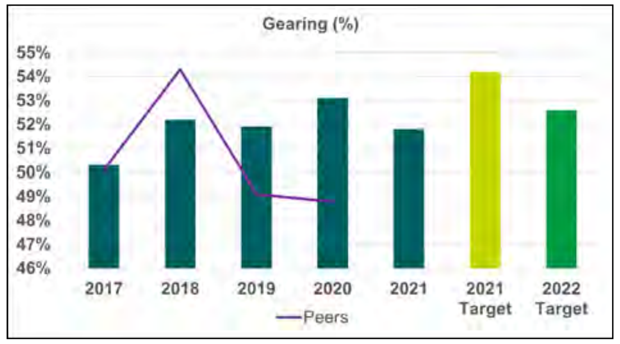
Void loss is greater than target as a result of the pandemic. Covid-19 restrictions impacted the volume of work that could be done on any particular property at one time, limiting our ability to efficiently re-let empty homes.

The average cost of a responsive repair has increased as a result of the pandemic, with our maintenance staff unable to operate as efficiently under social distancing guidelines.



EBITDA MRI interest cover is 134.2% in 2021, lower than the target of 136.3% due to the proactive decision to invest an additional £10.9 million in existing stock in the year.

The target for 2022 is 118.7%. The reduction is largely due to additional reinvestment spend partially offset by additional efficiencies.



Gearing is 51.9%, which is 2.3% lower than target and a decrease from 53.1% in 2020. The reduction reflects lower capital expenditure during the pandemic.

The target for 2022 is 52.6% due to increased development and reinvestment spend.

	Sanctuary Group 2021 Actual	Sanctuary Group 2021 Target	Sanctuary Group 2020 Actual	Peer Group Average 2020 Actual	Sanctuary Group 2022 Target
EBITDA MRI interest cover (%)*	134.2	136.3	119.3	138.9	118.7
Proportion of fixed rate debt (%)	96.0	n/a	82.7	83.7	n/a
Interest cover (Sanctuary metric)**	1.95	1.76	2.09	2.21	2.03
Cost of borrowing (%)	3.91	n/a	4.16	3.94	n/a
Gearing (%)*	51.9	54.2	53.1	48.8	52.6

**RSH metric **Excludes loan break costs*

Alternative performance measures are defined and/or reconciled in Appendix 3 on page 185.

Interest Cover

Interest cover can be calculated in many different ways, but the methods used here show us achieving a lower interest cover than our peer group. This is a reflection of several factors, most notably our extensive history of development and the associated costs of financing those programmes, together with our decision to maintain a relatively high level of fixed debt, reducing volatility in our cash flow and debt servicing requirements. Our peers, on average, do not maintain as high a level of fixed rate debt. Further information on our approach to treasury management can be found in the Group Finance Director's Review and note 23 to the Financial Statements (financial instruments and risk management).

Interest Cover (Sanctuary Metric)

This is our preferred method because it is consistent with our lenders' calculations; it makes no adjustment for capitalised major repairs. It is expressed as the number of times our operating surplus (before depreciation) can cover our net interest costs.

Cost of Borrowing

The improvement in the cost of borrowing is the result of the current low interest rates on variable rate facilities along with lower fixed rates where debt has been refinanced.

Structures and Processes

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

Value for Money and Structures and Processes: Our Strategic Objectives

Achieving Value for Money through our structures and processes means investment in the most efficient, economic and effective corporate, operational and governance structures and processes and applications of technology. Our governance structure is described on pages 74 to 85.

Our Corporate Structure

As at 31 March 2021, Sanctuary Group comprises 56 entities with a variety of purposes including social housing activities, student accommodation operations, care home management and special purpose financing vehicles. We have also invested in five joint ventures which are building new homes. During 2021 we have successfully consolidated 21 entities acquired through our purchase of Embrace Care, providing a more effective operating structure and reducing back office costs. Our structure ring-fences non-social housing activities, including development, to protect social housing activities from the added risks of commercial activities. By ensuring transparency in our structure, we facilitate the delivery of Value for Money for all of our customers.

Our Operational Structure

Our operations focus on distinct social and non-social business areas which enables us to build up specialist skills and knowledge and thereby deliver Value for Money services to all our customers. Our operational activities are supported by our award-winning Corporate Shared Service Centre, maximising the benefits of our employees working in a modern office environment, while delivering a Value for Money solution to the provision of back office functions. During the year we have fully automated our accounts receivable and accounts payable procedures, enabling touchless processing of invoices and receipts.

Our Governance Structure and Processes

The risk and return profiles of each of our operations are very different. When making decisions, our Group Board therefore has to carefully consider the balance of risks and rewards for residents, customers and service users, our impact on society and across the Group. Our Group Board also considers the potential Value for Money gains of alternative commercial, organisation and delivery structures.

Our Technology

Our Technology function is committed to delivering a highly productive environment where technology empowers everyone to achieve more and never gets in their way, which has been more important than ever over the last year. See our Technology and Innovation section on page 10.

Value for Money Key Performance Indicators: Structures and Processes

	Sanctuary Group 2021 Actual	Sanctuary Group 2021 Target	Sanctuary Group 2020 Actual	Peer Group Average 2020 Actual	Sanctuary Group 2022 Target
Rent arrears (%)	3.2	n/a	3.6	3.7	n/a
Number of statutory entities (excluding joint ventures)	56	n/a	59	n/a	n/a
Employee survey engagement score (%)	80	n/a	75	n/a	n/a
Internal maintenance service utilisation (%)	79.1	80.0	82.4	n/a	84.0

Rent arrears have reduced for the fourth year in a row despite the harsh external economic climate, demonstrating our effective income collection process.

The number of statutory entities in the Group has fallen over the year due to the rationalisation of dormant entities no longer required. The number of entities will fall significantly during 2022 once the formal dissolution of 21 former Embrace Care entities has been confirmed by Companies House.

Our employee engagement score has increased year on year, demonstrating that despite the pandemic our staff have been able to effectively communicate and collaborate due to our efficient roll-out of home working technology.

The level of reactive maintenance performed by our internal teams has marginally decreased due to the logistics of operating safely under Covid-19. We expect utilisation to increase in 2022.

Customers

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

Value for Money and Our Customers: Our Strategic Objectives

Delivering Value for Money for our customers includes engagement with our customers, listening to their needs and responding appropriately which ensures our services are effective and equitable. We also invest in communities and advance the quality of our services through accessibility and care technology.

Resident Engagement

We believe our residents should play an active part in driving improvement and changes through our organisation. We recognise that every day our residents give us information about the condition of our homes, communities and performance of our services. It is our role to capture that information and map it against our quantitative performance data to best inform investment decisions. To be able to have confidence in our understanding of our performance, we survey approximately 10,000 residents each year regarding their experiences and satisfaction with services.

To further enhance our engagement with residents, we will launch an ambitious listening exercise which was due for launch in 2020 but was delayed due to the pandemic. 'A Conversation with Sanctuary' will canvas the views of a significant number of customers so that we can better understand the biggest challenges they face, and how we may be able to support them and their communities.

Value for Money Key Performance Indicators: Customers

	Sanctuary Group 2021 Actual	Sanctuary Group 2021 Target	Sanctuary Group 2020 Actual	Peer Group Average 2020 Actual	Sanctuary Group 2022 Target
Resident satisfaction – overall (%)	73.4	85	80.4	n/a	80
Resident satisfaction – maintenance (%)	95.3	95	93.8	n/a	95
Maintenance completed on time – urgent and routine (%)	92.7	95	92.5	n/a	78
Sanctuary Care CQC rating (% good or better)	86	100	84	n/a	100
Sanctuary Supported CQC rating (% good or better)	98	100	100	n/a	100
Care Inspectorate Scotland rating (% good or better)	75	100	88	n/a	100

Our residents' overall satisfaction has declined during the year, most notably for our elderly residents who were disproportionately impacted by the isolation that Covid-19 caused. We set up a Keeping in Touch call service to support these residents and our Housing and Neighbourhoods teams contacted all residents aged over 70 by phone to check on their wellbeing.

Our residents' satisfaction with our maintenance service has increased, driven by the level of maintenance works orders that have been completed on time. Unfortunately, we expect the level of orders completed on time to fall this year as we complete non-urgent jobs that have had to be put on temporary hold due to the pandemic.

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

Governance

Sanctuary has a group structure, in which Sanctuary Housing Association (the Association) is the parent company. The Association was established on 5 May 1969 and is a Registered Society (19059R).

Sanctuary is governed by the Board of the Association (the Group Board) which comprises eight non-executive members, the Group Chief Executive, Craig Moule, and two co-opted members.

The Role of the Group Board

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

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

Andrew Manning-Cox talking to resident Alma Brockhill

The Group Board:

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

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

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

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

Trudi Elliott CBE, BSc Econ (Law and Econs), MRTPI, FAcSS
Group Vice Chair and Chair of Group Housing Committee
Trudi Elliott is a Chartered Town Planner and was formerly a lawyer, practising in both the public and private sectors. In April 2018 Trudi was appointed by the Ministry of Housing, Communities and Local Government as the Chair of the Planning Inspectorate for England and Wales. Trudi is a visiting Professor in planning and land economy at Henley Business School, University of Reading, and a Fellow of the Academy of Social Sciences. Prior to this Trudi was Chief Executive of the Royal Town Planning Institute; Director of the Government Office for the West Midlands; Chief Executive of West Midlands Regional Assembly (Regional Planning Body); Director of Local Government Practice (West Midlands); and Chief Executive of Bridgnorth District Council.

Trudi has considerable experience across the civil service, local Government, charity, and private sector, and she has a strong track record of partnership working and delivery. Trudi sits on the Oxford Joint Planning Law Conference Committee (ending September 2021); the University of Warwick Estates Committee (ending July 2021); is Patron of the Commonwealth Association of Planners; is a Commissioner of UK2070, an inquiry into regional inequalities; and is a Trustee of Community Transport Wyre Forest.

Elwyn Roberts MA, FCA
Chair of Group Audit and Risk Committee and Chair of Remuneration Committee
Elwyn Roberts has an Engineering Sciences degree from Cambridge University and qualified as a Chartered Accountant with Deloitte Haskins and Sells in 1982. He became a partner in the multinational professional services firm PricewaterhouseCoopers LLP (PwC) in 1990 and specialised in Audit and Assurance services in both the private and public sectors. He retired from the PwC partnership in December 2011. While at PwC, Elwyn was involved in developing the firm's housing association client portfolio in Wales and the South West. He also advised a range of organisations in the charity and not-for-profit sector and was appointed to the Charity Commission's national working party for the development of the Statement of Recommended Practice for Accounting and Reporting by Charities (SORP - 2000).

Elwyn led and had responsibility for developing PwC's Regional Risk Assurance practice in the Midlands, focusing on governance, risk, compliance and controls. He advised a range of clients on corporate governance and enterprise risk management matters. Between 2015 to 2018, he was an independent non-executive director at Jaguar Land Rover India Limited where he chaired the Audit Committee and served on the company's Nomination and Remuneration Committee. He is also a Trustee of a Cardiff-based charity that provides support grants to a range of charitable organisations.

Denise Plumpton BSc (Hons), CERTIoD
Group Board Member
Denise Plumpton is currently Senior Independent Director of Think Active CSW and Chair of its Audit and Governance Committee. Denise was a non-executive director within NHS primary care for 11 years (2007 to 2018) and chaired the Finance and Performance Committee there. From 2009 to 2015 Denise was a non-executive director at Centro, where she was Chair of the Audit, Risk and Governance Committee.

Since 2010 Denise has worked as an Independent Strategic Consultant advising and directing companies to improve their performance, in particular focusing on developing and delivering strategy, and enhancing customer service and process efficiency. Prior to this, Denise was Director of Information at the Highways Agency; IT Director at Sendo Group; Group IT Director at TNT UK and Ireland; and Chief Information Officer/Director for Powergen PLC.

Arvinda Gohil BA (Hons)
Group Board Member
Arvinda Gohil is Chief Executive of Central YMCA, the first ever YMCA set up in 1844. Central YMCA provides programmes and support in education, training, health, and wellbeing. She was previously Chief Executive of Community Links, a social action and advocacy charity based in East London. She has worked in the not-for-profit and charitable sector all of her working life, including as Chief Executive of Emmaus UK. Prior to this, she ran her own consultancy for five years, specialising in governance, leadership, and equalities. Previous roles include Membership Services Director at the National Housing Federation; Assistant Director for Regulation at the Housing Corporation; and Chief Executive of two Black-led housing associations – Unity where she was a founder, and Inquilab. Her career started in housing and her first role was running a women's refuge specifically to support Black and Asian women. Arvinda has also worked in South Africa where she assisted in developing a social housing model.

As an experienced non-executive, Arvinda is currently Chair of The Peel, a charity that has been building a connected community in Clerkenwell since 1898.

James Thallon MA, MBBS, MBA, DRCOG, DCH, MRCGP
Group Board Member
James Thallon is an experienced senior NHS clinical leader and a practising GP. James has worked in clinical commissioning since 2003, eventually becoming Medical Director for Kent, Surrey, and Sussex for NHS England and in 2018/2019 he was Acting Regional Medical Director for NHS England South East. At the end of 2019, James returned to General Practice at Acle Medical Partnership on the Norfolk Broads. As part of this role James is an Honorary Senior Lecturer at the University of East Anglia, teaching clinical skills to second year medical students. He also advises general practices in difficulty.

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

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

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

Alok Bhalla BA (Hons) Economics, MBA
Group Board Member

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

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

Ed Lunt BA (Hons), CA
Group Finance Director and Co-opted Group Board Member

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

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

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

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

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

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

Membership Details	Group Board	Group Audit and Risk Committee	Group Housing Committee	Nominations Committee	Remuneration Committee	Succession Planning Committee**	Covid-19 Finance Scrutiny Committee
Andrew Manning-Cox*	Chair (8/8)	-	-	Chair (1/1)	-	Chair (0/0)	Chair (8/8)
Craig Moule	✓ (8/8)	-	-	Lead Officer (1/1)	Lead Officer (4/4)	Lead Officer (0/0)	Lead Officer (8/8)
Trudi Elliott	Vice Chair (8/8)	-	Chair (4/4)	✓ (1/1)	-	✓ (0/0)	-
Elwyn Roberts	✓ (8/8)	Chair (5/5)	-	✓ (1/1)	Chair (4/4)	✓ (0/0)	✓ (8/8)
Denise Plumpton	✓ (8/8)	✓ (5/5)	-	✓ (1/1)	✓ (4/4)	✓ (0/0)	✓ (8/8)
Arvinda Gohil	✓ (7/8)	-	✓ (2/4)	✓ (1/1)	-	✓ (0/0)	-
James Thallon	✓ (5/5)	-	-	✓ (0/0)	✓ (2/2)	✓ (0/0)	-
Ian Chisholm	✓ (4/5)	✓ (2/2)	-	✓ (0/0)	-	✓ (0/0)	-
Alok Bhalla	✓ (4/5)	-	-	✓ (0/0)	-	✓ (0/0)	-
Ed Lunt	✓ (8/8)	Lead Officer (5/5)	-	-	-	-	✓ (8/8)
Nicole Seymour	✓ (8/8)	-	-	-	-	-	-

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

**The Succession Planning Committee is currently dormant.

Member attendance at committee meetings is also included in the table above. This is shown as (number of meetings attended in year/number of meetings held in year).

Code of Governance

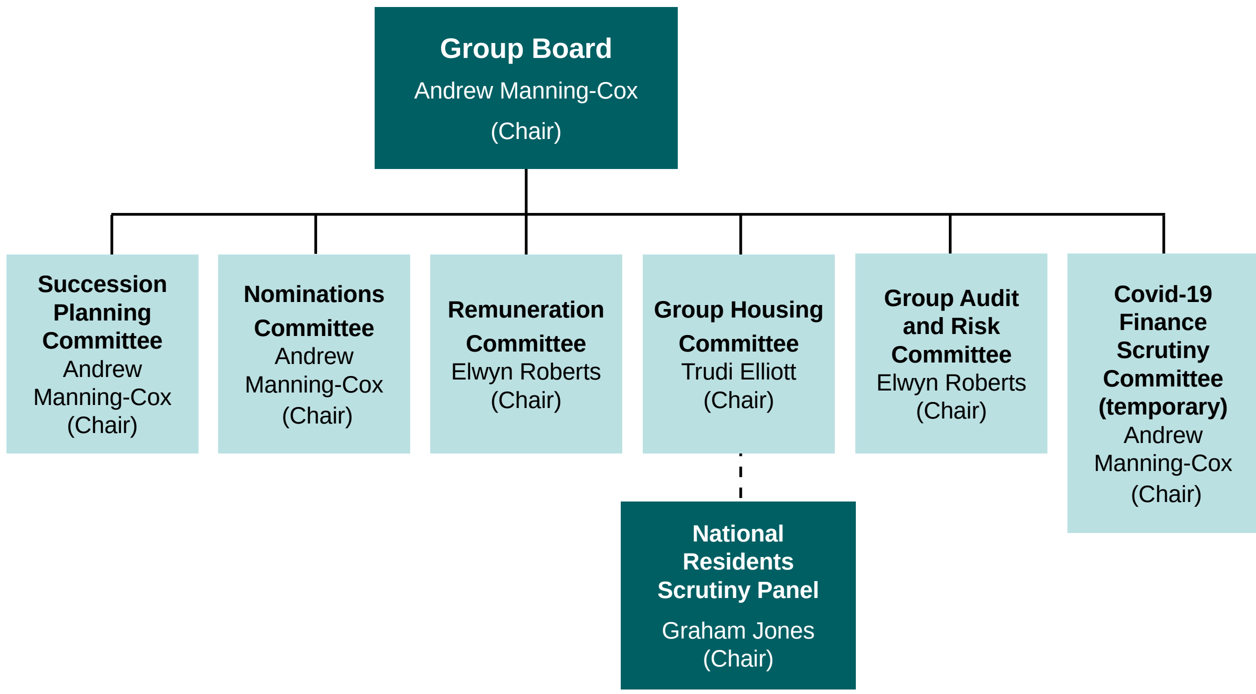
The Group Board considers that the Group and its Registered Provider subsidiaries comply with the provisions of the National Housing Federation's Code of Governance 2015. In addition, all non-Registered Provider subsidiaries also comply with relevant provisions of the Code. The Group intends to adopt the National Housing Federation's Code of Governance 2020 following a period of transition.

Subsidiary Boards

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

Committees of the Group Board

Sanctuary has the following committee structure in place.



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

The role of Group Audit and Risk Committee is detailed below:

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

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

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

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

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

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

Internal and External Audit
KPMG LLP (KPMG) provides external audit services and PricewaterhouseCoopers LLP (PwC) performs internal audit services. The Group Audit and Risk Committee has approved a policy in relation to the nature of non-audit work undertaken by PwC and KPMG. The Chair of the Group Audit and Risk Committee must approve the work. There is an annual review of the provision of, and fees for, non-audit services as part of the Group Audit and Risk Committee's review of the services provided by PwC and KPMG. There is currently a procurement tender exercise being undertaken for our external audit services; this has been scheduled for 2021/2022 in line with our procurement framework.

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

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

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

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

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

The Succession Planning Committee:
a) In collaboration with the Group Chief Executive, develops candidate profiles and qualifications (including experience, competencies and personal characteristics) to meet the leadership needs of the organisation taking into account its strategic plan;
b) In collaboration with the Group Chief Executive, identifies and evaluates internal candidates against the profile, including state of readiness to assume a larger role;
c) Agrees with the Group Chief Executive on development opportunities to be provided to identified candidates to overcome deficiencies in experience and/or education, as well as opportunities to increase exposure to the Group Board in business and social settings;
d) Considers the appointment of external advisers to support succession planning, to include identification of external candidates, as well as appointment of advisers to support any selection and recruitment process;
e) Evaluates external candidates identified by the Group Chief Executive, members of the Committee or recruitment exercise, and benchmark against internal candidates;
f) Performs functions listed above in collaboration with the Group Chief Executive

at least annually and updates as needed;

g) Presents results of this work to the Group Board annually for review and discussion;

h) Identifies and recommends to the Group Board a permanent Group Chief Executive; and

i) Replaces, whether in emergency situations or for planned transition, as appropriate.

*The Succession Planning Committee is currently dormant.

Nominations Committee

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

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

The Nominations Committee:

a) Considers the suitability of candidates put forward by the Group Board for election to the Group Board by the shareholding membership; and

b) Provides feedback to the Group Board on its nominees, being mindful of any regulatory requirements and the need to ensure that the governing body has a wide range of skills, experience, and sufficient diversity to be able to maintain effective control of the organisation.

Remuneration Committee

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

The Remuneration Committee:

a) Determines and agrees with the Group Board the framework for the remuneration of Sanctuary Group Executive Directors;

b) Sets remuneration for the Group Executive and Directors;

c) Determines targets for performance-related pay schemes operated by the Association in respect of each Group Executive Director;

d) Determines the policy and scope of pension arrangements for each Group Executive Director;

e) Determines, within the terms of the agreed framework, the total individual remuneration package of each Group Executive Director including, where appropriate, bonuses and incentive payments;

f) Monitors the structure and level of remuneration for senior management where senior management is defined as being those reporting directly to the Group Chief Executive;

g) Ensures that in relation to the Group Executive Directors and senior management, contractual terms on termination and any payments made, are fair to the individual and the Association, that failure is not rewarded and that the duty to mitigate loss is fully recognised;

h) Considers employment conditions elsewhere in the Group and across the sector when determining annual salary increases for Executive Directors' pay;

i) Is aware of, and advises on, any major changes in employee benefit structures throughout the Group;

j) Agrees the policy for authorising claims for expenses from the Group Chief Executive;

k) Has exclusive responsibility for establishing the selection criteria, the selection and appointment of, and the setting of the Terms of Reference for, any remuneration consultants who advise the Committee;

l) Makes a statement in the Annual Report about its activities; the membership of the Committee, number of Committee meetings and attendance over the course of the year;

m) Conducts an annual review, or as and when needed, of the Terms of Reference to reflect any changes in regulatory requirements;

n) Gives due regard to the contents of associated guidance issued by the Regulators and the National Housing Federation and ensures that the provisions regarding disclosure of remuneration, including pensions, as set out in the Directors' Remuneration Report Regulations 2002 and the UK Corporate Governance Code (each as may be subsequently amended), are fulfilled. Where the Remuneration Committee decides not to comply with the requirements of the Combined Code it will explain the rationale for its decision; and

o) Reviews the Non-Executive Director remuneration annually and recommends to the Group Board, taking external advice where appropriate.

Covid-19 Finance Scrutiny Committee

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

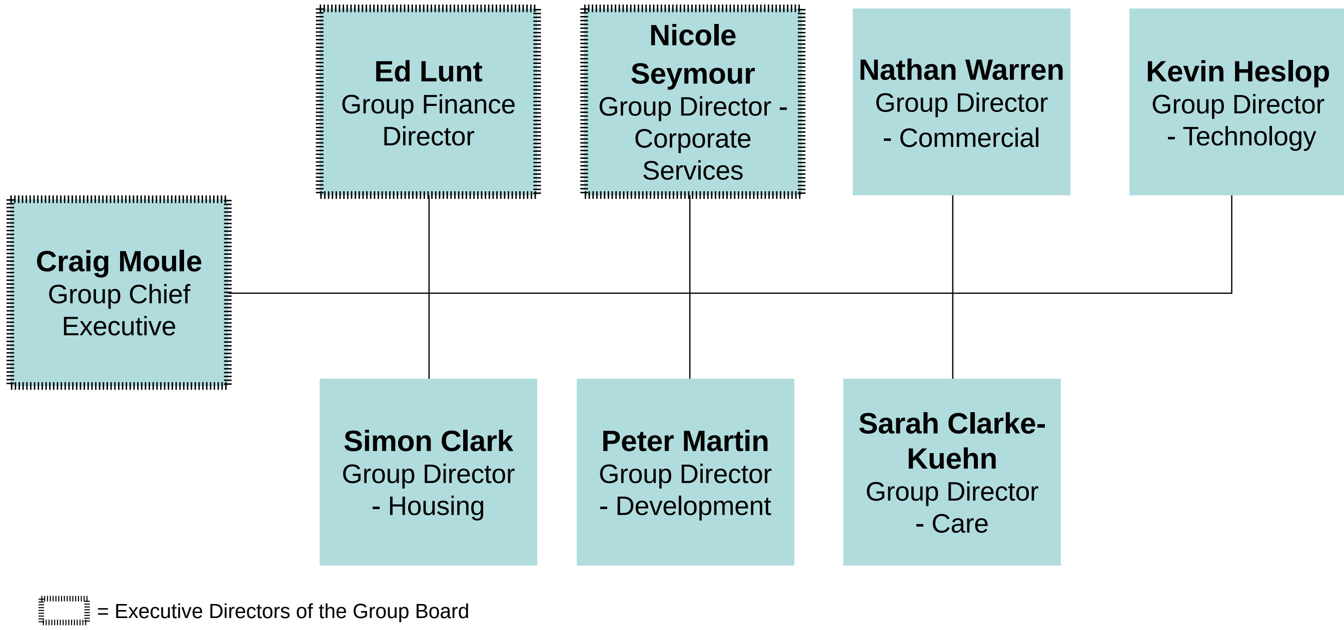
The Covid-19 Finance Scrutiny Committee:

a) Monitors Sanctuary's cash flow and budget;

b) Scrutinises Sanctuary's financial performance; and

c) Reports and makes recommendations to the Group Board.

Executive Management



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

Group Executives

Craig Moule BSc (Hons)
Group Chief Executive

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

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

Ed Lunt BA (Hons), CA
Group Finance Director and Co-opted Group Board Member

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

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

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

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

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

Nathan Warren BA (Hons), FCCA, MBA, C-DIR
Group Director - Commercial

As Group Director - Commercial, Nathan Warren is responsible for introducing and managing investment opportunities, including joint ventures, partnerships, and divestments as part of Sanctuary's growth and restructuring activities. Nathan is also chair of Sanctuary's Equality, Diversity and Inclusion Group.

Before joining Sanctuary, Nathan spent his career working in the private sector with FTSE listed Rolls-Royce PLC, chartered accountancy practice Grant Thornton, and an international oil and defence group. During his time with Sanctuary, Nathan has led a number of our operations and worked on corporate planning and business improvement and development activities.

Kevin Heslop BA (Hons)
Group Director - Technology

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

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

Simon Clark BA (Hons)
Group Director - Housing

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

With over 30 years' experience in social housing, Simon began his career with Sanctuary in 2007 as Managing Director of Rochford Housing Association, before taking on a wider Group role. In his current position, he is responsible for driving improvements in service delivery resulting in increased productivity, more effective working and increasing customer satisfaction.

Peter Martin BA, DipHsg, LLM
Group Director - Development

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

Prior to this role, Peter was appointed as Senior Development Manager for Sanctuary Scotland, promoted to Head of Development Services, and then appointed Director of Sanctuary Cumbernauld. This followed 25 years working in the housing sector.

Sarah Clarke-Kuehn BA (Hons)
Group Director - Care

As Group Director - Care, Sarah Clarke-Kuehn is responsible for Sanctuary's care services. Sarah joined Sanctuary in 2011 as Head of Finance - Housing and Communities and since then has undertaken a number of roles including Director of Housing Operations, Commercial Services Director, and Operations Director for Sanctuary Supported Living.

Sarah is a qualified management accountant, who started her career at London International Group (FMCG) and progressed from manufacturing into the service sector with RWE npower.

Internal Controls

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

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

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

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

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

On behalf of the Group Board, the Group Audit and Risk Committee has reviewed the effectiveness of the systems of internal control in existence in the Group for the year ended 31 March 2021 and is not aware of any material changes at the date of signing the Financial Statements.

Going Concern

The Group Board's assessment of the Group and the Association's ability to continue as a going concern is based on consideration of cash flow forecasts that have been updated to 31 March 2023 and have been subjected to severe, but plausible, downside sensitivities which include incorporating further adverse effects of Covid-19 from increased infection rates and additional lockdowns. Further details are given in note 1 to the Financial Statements on pages 102 to 103.

Having assessed the principal risks as set out on pages 22 to 33, the above mentioned sensitivities and other matters discussed in connection with the Viability Statement below, the Group Board considers that the Group and the Association have adequate resources to remain in operation for the foreseeable future, have sufficient cash to meet their needs for the foreseeable future and will continue to meet all borrowing covenants. The Group Board has therefore continued to adopt the going concern basis in preparing the Financial Statements.

Viability Statement

During the year the Group Board has assessed the viability of the Group in line with the business plan. This assessment has been made through the business planning process which takes account of both the Group's current position and its principal risks, which are detailed on pages 22 to 33.

The Group Board has determined that the period to 31 March 2024 is an appropriate period over which to provide its Viability Statement. While the Group Board believes that Sanctuary will be viable over a much longer period, this period has been chosen as it has a much greater degree of certainty.

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

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

These risks include the expected impact of welfare reform on our tenants, further reductions in social rents, uncertainty around Brexit, and the impact of Covid-19.

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

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

The Group Board can also confirm that it has complied with the Governance and Financial Viability Standard set out by the RSH. During the year, the RSH gave Sanctuary Group ratings for Governance and Viability of G1 and V2 respectively (2020: G1 and V2).

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

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

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

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

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

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

The Group Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that its Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is responsible for such internal control as it determines necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Group and the Association and to prevent and detect fraud and other irregularities.

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

Disclosure of Information to Auditor

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

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

Independent Auditor

A resolution concerning the appointment of the auditor will be proposed at the next Annual General Meeting.

By order of the Group Board.

Nicole Seymour
Secretary
30 June 2021
Registered office: Sanctuary House, Chamber Court, Castle Street, Worcester, WR1 3ZQ

Independent Auditor's Report
to Sanctuary Housing Association

1. Our Opinion is Unmodified

We have audited the Financial Statements of Sanctuary Housing Association ('the Association') for the year ended 31 March 2021 which comprise the Group and Association Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows, and the related notes, including the accounting policies in note 1, and appendices 1, 2 and 3.

In Our Opinion:

- The Financial Statements give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2021 and of the Group's and Association's income and expenditure for the year then ended;
- The Group Financial Statements have been properly prepared in accordance with international accounting standards;
- The Association Financial Statements have been properly prepared in accordance with international accounting standards;
- The Group and Association Financial Statements comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- The Group and Association Financial Statements have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis For Opinion

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

We were first appointed as auditor by the Directors on 28 November 2014. The period of total uninterrupted engagement is for the seven financial years ended 31 March 2021. We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to public interest entities. No non-audit services prohibited by that standard were provided.

Overview		
Materiality: Group Financial Statements as a whole		£7.5m (2020: £7.0m) 1.0% (2020: 1.0%) of revenue
Coverage		91% (2020: 90%) of Group revenue
Key audit matters		**vs 2020**
Recurring risks	Care property impairment	◂ ▸
	Post-retirement benefits obligation	◂ ▸

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

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

	The Risk	Our Response
Care Property Impairment (Group asset value 2021: £291.2 million; 2020: £299.5 million; Impairment charge 2021: £2.7 million; 2020: £nil; Association asset value 2021: £108.7 million; 2020: £121.6 million; Impairment charge 2021: £nil; 2020: £nil) Refer to pages 105 and 113 (accounting policy) and page 138 (financial disclosures).	**Subjective Estimate:** The Group and Association hold care property at depreciated cost under IAS 16. In line with IAS 16 and IAS 36, the Group undertakes an annual review to identify any indication of impairment. Where such an indication exists, the carrying value of the property is compared to an estimate of the value in use of that property or the fair value less costs of disposal. The estimated recoverable amount is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows. Auditor judgement is required to assess whether the Directors' overall estimate, taking into account key occupancy level assumptions, falls within an acceptable range. The effect of these matters is that, as part of our risk assessment, we determined that care property impairment has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Financial Statements as a whole. The Financial Statements (note 12) disclose the range of reasonable outcomes for those properties where a trigger was identified.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: **Sector knowledge:** Assessing, through inquiry of operational finance personnel, inspection of year end financial information and assessment of external evidence, whether any trigger events have arisen which would indicate a possible impairment based on our knowledge of current market conditions. Our sector knowledge response included reviewing the impact of Covid-19 on management's judgements up to the point of our audit report. **Benchmarking assumptions:** Comparing the growth rate applied by the Group to externally derived data and assessing it with reference to historical growth rates achieved. **Benchmarking assumptions:** Challenging the key inputs used in the calculation of the discount rates used by the Group, including comparisons with external data sources and comparator group data. **Historical comparisons:** Evaluating the Group's forecasting accuracy by comparing prior year forecast cash flows to those cash flows currently being achieved. **Assessing forecasts:** Challenging finance and operational personnel where forecast cash flows are significantly higher than current levels or do not reflect known or probable changes in the business environment. **Sensitivity analysis:** Performing our own sensitivity analysis on the assumptions noted above. **Assessing transparency:** Assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflect the risks inherent in the valuation. **Our Results** We found the carrying amount of care property to be acceptable (2020: acceptable).

	The Risk	Our Response
Post-Retirement Benefits Obligation (Group 2021: £517.8 million; 2020: £402.7 million; Association 2021: £485.0 million; 2020: £378.5 million) Refer to pages 105 and 120 (accounting policy) and pages 163 to 169 (financial disclosures).	**Subjective Estimate:** The valuation of the post-retirement benefits obligation involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Group and Association's pension liability could have a significant effect on the financial position of the Group and Association. Auditor judgement is required to assess whether the Directors' overall estimate, taking into account key discount rate assumptions, key inflation rate assumptions and key mortality rate assumptions, falls within an acceptable range. The effect of these matters is that, as part of our risk assessment, we determined that post-retirement benefits obligation has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Financial Statements as a whole. The Financial Statements (note 28) disclose the range estimated by the Group.	We performed the tests below rather than seeking to rely on any of the Group's controls because the nature of the balance is such that we would expect to obtain audit evidence primarily through the detailed procedures described. Our procedures included: **Benchmarking assumptions:** Challenging, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data. **Assessing transparency:** Considering the adequacy of the Group's disclosures in respect of the sensitivity of the deficit to these assumptions. **Our Results** We found the estimate of the post-retirement benefits obligation to be acceptable (2020: acceptable).

We continue to perform procedures over the impact of uncertainties due to the UK exiting the European Union and the carrying value of property held in inventory. Following the trade agreement between the UK and the EU, and the end of the EU-exit implementation period, the nature of these uncertainties has changed. We continue to perform procedures over material assumptions in forward looking assessments such as going concern, however, we no longer consider the effect of the UK's departure from the EU to be a separate key audit matter.

The carrying value of property held in inventory has been removed as a key audit matter; as part of our reassessment of risks at the year end audit, we noted that the estimate is not materially sensitive to a change in net realisable value assumptions.

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

Materiality for the Group Financial Statements as a whole was set at £7.5 million (2020: £7.5 million), determined with reference to a benchmark of total Group revenue of which it represents 1% (2020: 1%). We consider revenue to be more appropriate than a profit-based benchmark as the Association is a not-for-profit organisation, therefore the focus is on revenue and any surplus generated is variable, with any surpluses reinvested in the Group.

Materiality for the Association's Financial Statements as a whole was set at £4.4 million (2020: £4.5 million), determined with reference to a benchmark of Association total revenue, of which it represents 1% (2020: 1%).

Performance materiality was set at 75% (2020: 75%) of materiality for the Financial Statements as a whole, which equates to £5.6 million (2020: £5.6 million) for the Group and £3.3 million (2020: £3.4 million) for the Association. We applied this percentage in our determination of performance materiality because we did not identify any factors indicating an elevated level of risk.

We agreed to report to the Group Audit and Risk Committee any corrected or uncorrected identified misstatements exceeding £0.38 million (2020: £0.38 million), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's 56 (2020: 59) reporting components, we subjected 9 (2020: 8) to full scope audits for Group purposes.

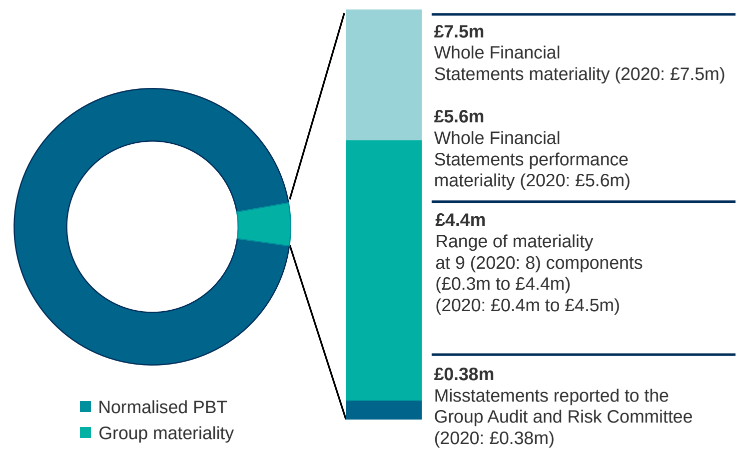
The components within the scope of our work accounted for the percentages illustrated opposite. The Group team approved the component materialities, which ranged from £0.3 million to £4.4 million (2020: £0.4 million to £4.5 million), having regard to the mix of size and risk profile of the Group across the components.

The remaining 9% (2020: 10%) of total Group revenue, and 4% (2020: 4%) of total Group assets is represented by 47 (2020: 51) reporting components, none of which individually represented more than 1% (2020: 1%) of any of total Group revenue or total Group assets. For these residual components, we performed analysis at an aggregated Group level to re-examine our assessment that there were no significant risks of material misstatement within these.

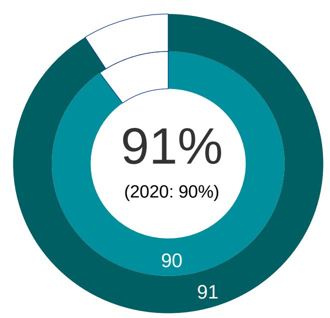
The audit of all components, including the Association, were completed by the Group engagement team.

Total Group revenue
£765.4m (2020: £763.0m)

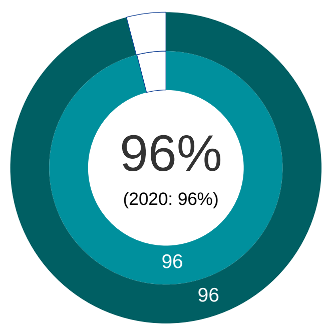
Group materiality
£7.5m (2020: £7.5m)



Total Group revenue



Total Group assets



Key

Full scope for Group audit purposes 2021

Full scope for Group audit purposes 2020

Residual components

4. Going Concern

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

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

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

Our Conclusions Based on This Work:

- We consider that the Directors' use of the going concern basis of accounting in the preparation of the Financial Statements is appropriate;
- We have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or Association's ability to continue as a going concern for the going concern period; and
- We have nothing material to add or draw attention to in relation to the Directors' statement in note 1 to the Financial Statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Association's use of that basis for the going concern period, and we found the going concern disclosure in note 1 to be acceptable.

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

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

Identifying and Responding to Risks of Material Misstatement Due to Fraud

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

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

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

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

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

We did not identify any additional fraud risks.

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

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

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

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

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

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

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

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

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

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement.

We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

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

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

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

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

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

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

We have nothing to report in these respects.

8. Respective Responsibilities

Directors' Responsibilities

As explained more fully in their statement set out on page 88, the Directors are responsible for: the preparation of the Financial Statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities

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

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

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

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

M. Froom

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

Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

30 June 2021

Statement of Comprehensive Income for the Year Ended 31 March 2021

	Notes	Group 2021 £m	Group 2020 £m	Association 2021 £m	Association 2020 £m
INCOME STATEMENT					
Continuing operations					
Revenue	2	765.4	763.0	437.0	454.1
Cost of sales	4	(30.0)	(30.1)	(1.2)	(7.9)
Operating expenditure	4	(572.6)	(557.3)	(327.2)	(335.9)
Other gains and losses	7	5.2	6.2	4.3	5.8
Other income	3	-	-	5.5	19.8
Share of profit of joint ventures	32	2.1	4.4	-	-
Operating surplus		**170.1**	**186.2**	**118.4**	**135.9**
Net gain from acquisitions	33	4.5	-	-	-
Finance income	9a	2.9	3.6	6.4	7.2
Finance costs	9b	(130.6)	(137.4)	(91.0)	(100.7)
Surplus before tax		**46.9**	**52.4**	**33.8**	**42.4**
Taxation	10	(0.2)	0.8	-	-
Surplus for the year from continuing operations		**46.7**	**53.2**	**33.8**	**42.4**
OTHER COMPREHENSIVE INCOME					
Items that will not be reclassified subsequently to income or expense:					
Remeasurement of defined benefit pension scheme liability	27,28	(45.0)	14.8	(46.8)	16.0
Equity investments at fair value through other comprehensive income – net change in value	14,27	(0.1)	(0.5)	(0.1)	(0.5)
Items that may be reclassified subsequently to income or expense:					
Cash flow hedges – changes in fair value	27	(13.0)	16.3	(13.0)	16.3
Cost of hedging reserve – changes in fair value	27	(1.7)	(0.1)	(1.7)	(0.1)
Other comprehensive income for the year		**(59.8)**	**30.5**	**(61.6)**	**31.7**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(13.1)**	**83.7**	**(27.8)**	**74.1**

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

The notes and appendices on pages 102 to 188 form part of these Financial Statements.

Statement of Financial Position as at 31 March 2021

	Notes	Group 31 March 2021 £m	Group 31 March 2020 £m	Association 31 March 2021 £m	Association 31 March 2020 £m
ASSETS					
Non-current assets:					
Intangible assets	11	57.7	62.0	51.7	56.0
Property, plant and equipment	12	3,664.5	3,559.0	2,537.3	2,527.5
Investment property	13	247.7	260.3	151.2	148.8
Deferred tax assets	24	4.9	5.1	-	-
Derivative financial assets	15	20.6	41.5	20.6	41.5
Investments in subsidiaries	32	-	-	87.7	87.9
Equity accounted investments	32	2.2	4.4	-	-
Other investments	14	24.4	24.3	24.3	24.1
Trade and other receivables	16,17	42.0	45.5	137.5	64.9
		4,064.0	4,002.1	3,010.3	2,950.7
Current assets:					
Trade and other receivables	16,17	91.9	83.2	107.2	177.4
Contract assets	2	-	0.3	-	0.3
Inventory	18	164.7	112.3	0.6	18.8
Assets classified as held for sale	19	1.8	0.2	0.2	0.2
Cash and cash equivalents	30	494.7	261.5	5.1	1.9
		753.1	457.5	113.1	198.6
TOTAL ASSETS		**4,817.1**	**4,459.6**	**3,123.4**	**3,149.3**
LIABILITIES					
Current liabilities:					
Trade and other payables	20	195.1	155.4	90.9	77.7
Contract liabilities	2	43.5	30.8	23.1	19.7
Current tax liabilities		-	0.4	-	0.2
Loans and borrowings	21,22	336.2	47.9	29.1	40.3
Provisions	25	10.9	4.8	4.6	2.4
		585.7	239.3	147.7	140.3
Non-current liabilities:					
Trade and other payables	20	4.4	7.3	3.8	5.3
Loans and borrowings	21,22	3,041.1	3,057.8	1,740.5	1,789.3
Deferred tax liabilities	24	0.6	0.6	-	-
Derivative financial liabilities	15	2.8	3.5	-	-
Retirement benefit obligations	28	69.1	25.9	68.6	23.8
Provisions	25	5.1	3.8	-	-
		3,123.1	3,098.9	1,812.9	1,818.4
TOTAL LIABILITIES		**3,708.8**	**3,338.2**	**1,960.6**	**1,958.7**
EQUITY					
Equity attributable to owners of the parent:					
Ordinary shares	26	-	-	-	-
Cash flow hedge reserve	27	4.7	17.7	4.6	17.6
Cost of hedging reserve	27	(0.7)	1.0	(0.7)	1.0
Revaluation reserve	27	(0.1)	0.1	(0.1)	0.1
Restricted reserves	27	4.8	2.2	4.6	2.2
Retained earnings	27	1,099.6	1,100.4	1,154.4	1,169.7
TOTAL EQUITY		**1,108.3**	**1,121.4**	**1,162.8**	**1,190.6**
TOTAL EQUITY AND LIABILITIES		**4,817.1**	**4,459.6**	**3,123.4**	**3,149.3**

The notes and appendices on pages 102 to 188 form part of these Financial Statements.

The Financial Statements were authorised and approved by the Board on 30 June 2021 and signed on its behalf by:

Andrew Manning-Cox
Group Chair

Ed Lunt
Group Board Member, Group Finance Director

Nicole Seymour
Group Board Member, Secretary

Statement of Changes in Equity for the Year Ended 31 March 2021

Group	Share capital	Revenue reserve	Restricted reserves	Revaluation reserve	Cash flow hedge reserve	Cost of hedging reserve	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2019	-	1,033.8	0.2	1.2	1.4	1.1	1,037.7
Surplus for the year	-	53.2	-	-	-	-	53.2
Other comprehensive income	-	14.8	-	(0.5)	16.3	(0.1)	30.5
Total comprehensive income	**-**	**68.0**	**-**	**(0.5)**	**16.3**	**(0.1)**	**83.7**
Transfer of VRTB proceeds	-	(2.0)	2.0	-	-	-	-
Transfer of gain on disposal of equity investments	-	0.6	-	(0.6)	-	-	-
Total transfers	**-**	**(1.4)**	**2.0**	**(0.6)**	**-**	**-**	**-**
At 31 March 2020	**-**	**1,100.4**	**2.2**	**0.1**	**17.7**	**1.0**	**1,121.4**
At 1 April 2020	-	1,100.4	2.2	0.1	17.7	1.0	1,121.4
Surplus for the year	-	46.7	-	-	-	-	46.7
Other comprehensive income	-	(45.0)	-	(0.1)	(13.0)	(1.7)	(59.8)
Total comprehensive income	**-**	**1.7**	**-**	**(0.1)**	**(13.0)**	**(1.7)**	**(13.1)**
Transfer of VRTB proceeds	-	(2.6)	2.6	-	-	-	-
Transfer of gain on disposal of equity investments	-	0.1	-	(0.1)	-	-	-
Total transfers	**-**	**(2.5)**	**2.6**	**(0.1)**	**-**	**-**	**-**
At 31 March 2021	-	1,099.6	4.8	(0.1)	4.7	(0.7)	1,108.3

Association	Share capital	Revenue reserve	Restricted reserves	Revaluation reserve	Cash flow hedge reserve	Cost of hedging reserve	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2019	-	1,112.7	0.2	1.2	1.3	1.1	1,116.5
Surplus for the year	-	42.4	-	-	-	-	42.4
Other comprehensive income	-	16.0	-	(0.5)	16.3	(0.1)	31.7
Total comprehensive income	**-**	**58.4**	**-**	**(0.5)**	**16.3**	**(0.1)**	**74.1**
Transfer of VRTB proceeds	-	(2.0)	2.0	-	-	-	-
Transfer of gain on disposal of equity investments	-	0.6	-	(0.6)	-	-	-
Total transfers	**-**	**(1.4)**	**2.0**	**(0.6)**	**-**	**-**	**-**
At 31 March 2020	**-**	**1,169.7**	**2.2**	**0.1**	**17.6**	**1.0**	**1,190.6**
At 1 April 2020	-	1,169.7	2.2	0.1	17.6	1.0	1,190.6
Surplus for the year	-	33.8	-	-	-	-	33.8
Other comprehensive income	-	(46.8)	-	(0.1)	(13.0)	(1.7)	(61.6)
Total comprehensive income	**-**	**(13.0)**	**-**	**(0.1)**	**(13.0)**	**(1.7)**	**(27.8)**
Transfer of VRTB proceeds	-	(2.4)	2.4	-	-	-	-
Transfer of gain on disposal of equity investments	-	0.1	-	(0.1)	-	-	-
Total transfers	**-**	**(2.3)**	**2.4**	**(0.1)**	**-**	**-**	**-**
At 31 March 2021	-	1,154.4	4.6	(0.1)	4.6	(0.7)	1,162.8

The notes and appendices on pages 102 to 188 form part of these Financial Statements.

Statement of Cash Flows for the Year Ended 31 March 2021

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
CASH FLOWS FROM OPERATING ACTIVITIES				
Surplus for the year	46.7	53.2	33.8	42.4
Adjustments for:				
Depreciation, amortisation and impairment	78.6	73.0	57.7	58.3
Surplus on sale of property, plant and equipment	(5.0)	(6.2)	(4.1)	(5.8)
Surplus on sale of investments	(0.2)	-	(0.2)	-
Share of profits in joint venture	(2.1)	(4.4)	-	-
Net gain from acquisitions	(4.5)	-	-	-
Net finance costs	127.7	133.8	84.6	93.5
Tax expense/(credit)	0.2	(0.8)	-	-
	194.7	195.4	138.0	146.0
Cash generated before working capital movements	241.4	248.6	171.8	188.4
Changes in:				
Trade and other receivables	(3.2)	(5.5)	16.3	(18.0)
Trade and other payables	31.1	8.1	16.0	1.5
Inventories	(52.4)	(1.7)	18.2	2.6
Provisions	1.6	(5.3)	0.4	(5.1)
	(22.9)	(4.4)	50.9	(19.0)
Cash generated from operating activities	218.5	244.2	222.7	169.4
Interest paid	(135.7)	(143.7)	(85.9)	(96.2)
Tax paid	(0.3)	-	-	-
Net cash inflow from operating activities	**82.5**	**100.5**	**136.8**	**73.2**
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	0.9	1.2	0.7	0.7
Proceeds from sale of property, plant and equipment	11.6	19.7	9.5	16.9
Proceeds from sale of investments	0.8	3.3	0.8	3.3
Acquisition and construction of property, plant and equipment, investment property and software	(185.5)	(245.8)	(72.4)	(99.4)
Acquisition of subsidiaries and other business combinations, net of cash acquired (note 33)	(6.4)	(61.0)	-	(20.3)
Acquisition of other investments	(0.8)	(1.1)	(0.9)	(1.1)
Capital grants received	53.4	36.0	-	-
Dividends received from joint ventures	4.3	3.2	-	-
Loans to joint ventures	3.8	(2.5)	3.8	(2.5)
Loans to other Group entities	-	-	(20.7)	(7.2)
Net cash outflow from investing activities	**(117.9)**	**(247.0)**	**(79.2)**	**(109.6)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from loans and borrowings	642.7	485.0	87.2	193.0
Repayment of borrowings	(374.1)	(227.1)	(141.6)	(169.8)
Net cash flow from financing activities	**268.6**	**257.9**	**(54.4)**	**23.2**
Net increase/(decrease) in cash and cash equivalents	**233.2**	**111.4**	**3.2**	**(13.2)**
Cash and cash equivalents 1 April 2020	261.5	150.1	1.9	15.1
Cash and cash equivalents 31 March 2021	**494.7**	**261.5**	**5.1**	**1.9**

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

The notes and appendices on pages 102 to 188 form part of these Financial Statements.

Notes to the Financial Statements

1. Principal Accounting Policies

General Information

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

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

Basis of Accounting

The Group's and Association's Financial Statements (the Financial Statements) have been prepared and approved by the Directors in accordance with international accounting standards in conformity with the requirements of applicable law (IFRS). They are also prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, Schedule 1 to the Housing and Regeneration Act 2008 and The Accounting Direction for private registered providers of social housing 2019. Additional guidance is taken from the Statement of Recommended Practice: Accounting by Registered Social Housing Providers 2018 (the SORP) where this does not conflict with IFRS.

Alternative Performance Measures

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

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

APMs are used for the following reasons:

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

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

Going Concern

The Group's operations, together with the factors likely to affect its future performance and financial position, are set out in the Strategic Report and Directors' Report on pages 6 to 89.

The Group manages its exposure to risk and this activity is reviewed and scrutinised by the Group Audit and Risk Committee. The principal risks to the Group, key controls and mitigating factors are discussed in detail on pages 22 to 33.

Information about the Group's approach to treasury management can be found in the Group Finance Director's Review on pages 34 to 40 and also within note 23 to the Financial Statements (financial instruments and risk management).

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

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

The Group Board's assessment of the Group and the Association's ability to continue as a going concern is based on consideration of cash flow forecasts that have been updated to 31 March 2023 and have been subjected to severe but plausible downside sensitivities which include incorporating further adverse effects of Covid-19 from increased infection rates and additional lockdowns. Sensitivities include reductions in rent, reduced debt recoverability and a fall in occupancy levels.

Significant liquidity and facilities to draw upon ensure the Group is able to withstand any additional external challenges that arise from factors such as Covid-19. At 31 March 2021, the Group had cash balances of £494.7 million and a further £365 million of undrawn facilities.

Borrowing covenants are constantly monitored as part of the Group's Golden Rules, to ensure that they will continue to be met based on latest projections. Further details are given on page 22.

Having assessed the principal risks as set out on pages 22 to 33, the other matters discussed in connection with the viability statement on page 87 and the severe but plausible downside sensitivities, the Group Board considers that the Group and the Association have adequate resources to remain in operation for the foreseeable future, have sufficient cash to meet needs for the foreseeable and will continue to meet all borrowing covenants. The Group Board has therefore continued to adopt the going concern basis in preparing the Financial Statements.

Covid-19

The Covid-19 outbreak is considered a principal risk for Sanctuary. However, as detailed on page 33, the Group acted swiftly to put controls in place to mitigate the effects as far as possible. As a result of these controls, and through its strong asset base and liquidity position, Sanctuary has been well placed to absorb the negative impacts that the pandemic has had on its business streams.

The Group's affordable housing business has continued to perform strongly. An increase in rents for existing homes, together with additional revenue from new developments and acquired properties, has translated into overall growth, despite the added operational challenges faced this year. The Group's supported living business has also performed well, even with the impact that the pandemic had on delivery of services, and improved results have been achieved through organic growth, acquisitions and realisation of efficiencies.

The development business has experienced a period of adaption and transformation. Covid-19 has had an impact on the construction industry, resulting in a reduced number of practical completions and thus on potential sales that could have been achieved in the year. However, overall, performance against sales strategy remains strong; demand has been high and margins achieved on sales have been in line with expectations. The current environment has not changed long-term goals, with a strong sales pipeline and a supply chain intact.

The biggest impact of Covid-19 has been on the Group's care and student businesses. Reduced occupancy levels in care homes have been compounded by increases in temporary staffing and infection control costs. However, despite these unprecedented challenges the care business achieved a positive EBITDA and remained operationally cash generative.

The student business, which has a high fixed cost base, experienced a reduction in occupancy due to the closure of university campuses for face-to-face learning for a large portion of the year. However, 79% of Sanctuary's student accommodation continued to be let during this time. The desire of students to return to campus and the increase in future opportunities for international students mean the long-term outlook remains positive in a resilient market.

As detailed within the going concern section above, in order to assess the Group's ability to continue as a going concern, cash flow forecasts covering a period to 31 March 2023 have been subjected to severe, but plausible, downside sensitivities which include incorporating further adverse effects of Covid-19 from increased infection rates and additional lockdowns.

The Group has also considered whether any adjustments are required to balances within the Financial Statements due to Covid-19; in particular, the effects have been incorporated into property impairment testing and the review of inventory carrying value and have been considered when establishing expected credit loss provisions for receivables.

IFRSs Not Yet Applied

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

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

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

Critical Accounting Judgements

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

Classification of Property

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

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

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

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

Critical Accounting Estimates and Assumptions

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

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

Retirement Benefit Obligation Valuations

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

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

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

Impairment of Care Home Property Assets

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

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

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

Other Accounting Judgements, Estimates and Assumptions

Provisions and Contingent Liabilities

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

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

Inventory Carrying Value

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

Specific procedures for assessing development projects include:

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

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

Fair Value of Acquired Assets and Liabilities Assumed in Business Combinations

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

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

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

Expected Credit Losses on Trade Receivables and Contract Assets

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

Revenue

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

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

Fair Value Measurement

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

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

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

Basis of Consolidation

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

Subsidiaries

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

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

Joint Arrangements

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

Application of the Equity Method to Joint Ventures

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

Transactions Eliminated on Consolidation

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

Goodwill Arising on Business Combinations

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

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

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

Investments Treated as Non-Current Assets

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

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

Revenue

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

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

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

Contract assets arise when the Group has rights to consideration in exchange for goods or services that have transferred to a customer, but those rights are conditional on something other than the passage of time. Amounts due in relation to construction contracts have been classified within contract assets since entitlement to consideration is conditional upon reaching agreed stages of works. Where construction contracts are loss making IAS 37 is applied to assess whether the contract is onerous and, if it is, to measure the provision, which is presented separately.

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

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

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

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

Non-Capital Grants

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

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

Intangible Assets – Software

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

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

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

Property, Plant and Equipment and Depreciation

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

Land and Buildings

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

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

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

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

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

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

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

Offices, Plant and Equipment

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

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

Investment Property

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

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

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

Shared Ownership Property

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

Capitalised Borrowing Costs and Capitalised Staff Costs

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

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

Social Housing Grant (SHG) and Other Public Grant

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

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

Recycled Capital Grant Fund and Disposal Proceeds Fund

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

Impairment

Financial Assets

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

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

- Financial assets measured at amortised cost
- Contract assets measured at amortised cost.

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

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

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

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

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

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

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

Non-Financial Assets

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

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

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

Impairment Testing – Property

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

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

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

Fair value is deemed to be the market value of the property based on its existing use. For social housing properties this is existing use value – social housing (EUV-SH); for non-social housing property, open market valuations are used.

For social housing properties a measure of VIU permitted by the SORP is the depreciated replacement cost (DRC) of the property. To determine the DRC, the Group uses information on current and recently completed developments in order to establish a build cost relevant to the property being tested, based on size, location, and other factors.

For non-social housing properties, VIU is calculated using an assessment of discounted future cash flows.

Impairment Testing – Goodwill and Other Intangible Assets

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

Inventories

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

Assets Classified as Held for Sale

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

Leases

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

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

This policy is applied to contracts entered into, or changed, on or after 1 April 2019.

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

As a Lessee

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

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

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

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

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

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

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

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

Short-Term Leases and Leases of Low-Value Assets

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

As a Lessor

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

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

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

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

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

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

Financial Instruments

Recognition and Initial Measurement

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

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

Classification and Subsequent Measurement

a) Financial Assets

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

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

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

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

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

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

Business Model Assessment

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

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

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

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

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

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

b) Financial Liabilities

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

Derecognition

a) Financial Assets

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

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

b) Financial Liabilities

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

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

Derivative Financial Instruments and Hedge Accounting

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

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

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

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

Cash Flow Hedges

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

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

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

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

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

Financing Costs

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

Leasehold Service Charge Sinking Funds

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

Retirement Benefits

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

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

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

2. Revenue

Nature of Goods and Services and Revenue Recognition

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

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

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

Disaggregation of Revenue

In the following tables, revenue is disaggregated by major products and services using the same headings as the note prepared to meet the requirements of the Accounting Direction for private registered providers of Social Housing 2019 (Appendices 1 and 2) and reconciled to the Group's operating segments (note 6).

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

Year ended 31 March 2020 – Group restated*	Affordable housing	Supported living	Care	Student & market rented	Development property sales	All other segments	Total
	£m	£m	£m	£m	£m	£m	£m
Revenue recognised over time							
Income from social housing lettings	364.3	42.5	-	4.2	-	-	**411.0**
Home ownership and managed properties	6.3	1.0	-	-	-	-	**7.3**
Supported registered services	-	11.0	-	-	-	-	**11.0**
Supporting People contract income	0.1	25.4	-	-	-	-	**25.5**
Other social housing income	0.3	5.3	-	0.2	-	-	**5.8**
Student lettings, facilities management and commercial	2.1	-	-	52.3	-	-	**54.4**
Care homes	-	-	194.1	-	-	-	**194.1**
External maintenance services	3.3	-	-	-	-	-	**3.3**
Domiciliary	-	6.5	-	-	-	-	**6.5**
Non-social housing development contracts	-	-	-	-	-	0.5	**0.5**
Other development income	-	-	-	-	-	0.3	**0.3**
Other non-social housing income	0.7	-	-	-	-	2.2	**2.9**
Total revenue over time	**377.1**	**91.7**	**194.1**	**56.7**	**-**	**3.0**	**722.6**
Revenue at a point in time							
Shared ownership first tranche sales	-	-	-	-	17.1	-	**17.1**
Non-social housing property sales	-	-	-	-	23.3	-	**23.3**
Total revenue at a point in time	**-**	**-**	**-**	**-**	**40.4**	**-**	**40.4**
Total revenue from external customers	**377.1**	**91.7**	**194.1**	**56.7**	**40.4**	**3.0**	**763.0**
Less lease income	-	(4.8)	-	(6.7)	-	-	(11.5)
Revenue from contracts with customers	**377.1**	**86.9**	**194.1**	**50.0**	**40.4**	**3.0**	**751.5**

*Realignment of reporting divisions to reflect operational management saw extra care services moved from Affordable Housing to Supported Living from 1 April 2020; comparatives have been restated to allow comparability. As required by IFRS 8, comparative information has been restated as indicated by "restated" throughout these Financial Statements. The revision does not result in any change to the consolidated Group results.

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

Year ended 31 March 2020 – Association restated*	Affordable housing	Supported living	Care	Student & market rented	Development property sales	All other segments	Total
	£m	£m	£m	£m	£m	£m	£m
Revenue recognised over time							
Income from social housing lettings	311.1	35.9	-	4.2	-	-	**351.2**
Home ownership and managed properties	5.8	0.5	-	-	-	-	**6.3**
Supporting People contract income	0.1	13.0	-	-	-	-	**13.1**
Other social housing income	0.2	5.5	-	0.2	-	-	**5.9**
Student lettings, facilities management and commercial	-	-	-	31.8	-	-	**31.8**
Non-social housing development contracts	-	-	-	-	-	0.5	**0.5**
Other development income	-	-	-	-	-	0.3	**0.3**
Management charges (intra-Group)	-	-	-	-	-	27.1	**27.1**
Other non-social housing income	-	-	-	-	-	8.8	**8.8**
Total revenue over time	**317.2**	**54.9**	**-**	**36.2**	**-**	**36.7**	**445.0**
Revenue at a point in time							
Shared ownership first tranche sales	-	-	-	-	1.6	-	**1.6**
Non-social housing property sales	-	-	-	-	7.5	-	**7.5**
Total revenue at a point in time	**-**	**-**	**-**	**-**	**9.1**	**-**	**9.1**
Total revenue from external customers	**317.2**	**54.9**	**-**	**36.2**	**9.1**	**36.7**	**454.1**
Less lease income	-	(4.6)	-	(1.3)	-	-	(5.9)
Revenue from contracts with customers	**317.2**	**50.3**	**-**	**34.9**	**9.1**	**36.7**	**448.2**

*Realignment of reporting divisions to reflect operational management saw extra care services moved from Affordable Housing to Supported Living from 1 April 2020; comparatives have been restated to allow comparability. As required by IFRS 8, comparative information has been restated as indicated by "restated" throughout these Financial Statements. The revision does not result in any change to the consolidated Group results.

Contract Balances

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

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Contract receivables (included in trade and other receivables)				
Tenant rental receivables (note 16)	11.2	12.6	8.5	9.8
Other trade receivables (note 16)	21.5	20.1	4.5	7.0
Accrued income (note 16)	15.2	10.5	3.7	3.0
	47.9	43.2	16.7	19.8
Contract assets				
Amounts recoverable on construction contracts	-	0.3	-	0.3
	-	0.3	-	0.3
Contract liabilities				
Payments received in advance	(30.2)	(21.9)	(17.8)	(15.9)
Deferred income	(13.3)	(8.9)	(5.3)	(3.8)
	(43.5)	**(30.8)**	**(23.1)**	**(19.7)**

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

3. Other Income

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Gift aid	-	-	5.5	19.8
	-	**-**	**5.5**	**19.8**

4. Surplus for the Year

Cost of sales relates to the cost of properties sold in the ordinary course of business as well as costs associated with construction contracts revenue. Expenditure relating to the provision of services, which forms the majority of the Group's activities, is shown within operating expenditure.

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
The surplus is arrived at after charging/(crediting):				
Cost of sales				
Cost of inventories recognised as an expense	30.0	29.7	1.2	7.5
Cost of construction contracts	-	0.4	-	0.4
Operating expenditure				
Rented and sheltered bad debts (note 23)	3.5	3.3	2.7	2.9
Other bad debts (note 23)	3.0	2.5	1.4	0.9
Amortisation of intangible assets (software) (note 11)	10.1	9.8	10.1	9.8
Depreciation of property, plant and equipment (note 12)	61.5	59.7	47.1	46.6
Impairment of property, plant and equipment (note 12)	2.7	-	-	-
Depreciation of investment property (note 13)	2.2	2.8	0.5	1.9
Impairment of investment property (note 13)	1.1	0.7	-	-
Impairment of assets classified as held for sale (note 19)	1.0	-	-	-
Non-capital grants offset against operating expenditure	14.5	-	2.5	-
Other gains and losses				
Surplus on sale of property, plant and equipment (note 7)	5.0	6.2	4.1	5.8
Surplus on sale of investments (note 7)	0.2	-	0.2	-

5. Auditor's Remuneration

Auditor's remuneration (excluding VAT) for audit and non-audit services comprises:

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Fees payable to the Association's auditor and its associates for the audit of these Financial Statements	0.4	0.4	0.4	0.4
Fees payable to the Association's auditors for other services to the Group:				
The audit of the Association's subsidiaries	0.2	0.2	-	-
Total audit fees	**0.6**	**0.6**	**0.4**	**0.4**
Other assurance services	0.2	0.2	0.2	0.2
Total non-audit fees	**0.2**	**0.2**	**0.2**	**0.2**
Total audit and non-audit fees	**0.8**	**0.8**	**0.6**	**0.6**

The above shows fees paid to the Group's external statutory auditor.

Amounts receivable by the Association's auditor and its associates in respect of the audit of Financial Statements of associated pension schemes totals £11,000 (2020: £11,000).

Other assurance services relate to regulatory reviews, a bond issue and the audit of service charge accounts.

6. Operating Segments

The Group's reportable segments are based on its operational divisions which offer distinguishable services, are managed separately and are regularly assessed by the chief operating decision maker, identified as the Executive Committee, comprising the Group Chief Executive, the Group Finance Director and the Group Director – Corporate Services.

Operating division results include items directly attributable to the segment, together with apportioned centralised costs. Central costs are allocated based on a number of factors including headcounts, desk spaces, asset values and turnover within each of the respective operations.

Information relating to each reportable segment is set out below:

2021	Affordable housing	Supported living	Care	Student & market rented	Development sales	All other segments**	Intra-Group eliminations	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	386.5	101.6	188.7	49.8	37.0	1.8	-	765.4
Internal maintenance income	124.4	-	-	-	-	-	(124.4)	-
Internal maintenance costs	(124.4)	-	-	-	-	-	124.4	-
Cost of sales	-	-	-	-	(30.0)	-	-	(30.0)
Operating costs	(176.6)	(93.3)	(178.6)	(28.3)	-	(8.0)	-	(484.8)
Divisional EBITDA* **	**209.9**	**8.3**	**10.1**	**21.5**	**7.0**	**(6.2)**	**-**	**250.6**
Depreciation	(40.7)	(7.0)	(10.0)	(6.4)	-	(1.3)	-	(65.4)
Impairment	-	-	(3.7)	(1.1)	-	-	-	(4.8)
Reportable segment surplus	**169.2**	**1.3**	**(3.6)**	**14.0**	**7.0**	**(7.5)**	**-**	**180.4**
Corporate central overheads****								(15.8)
Share of profits of joint ventures								2.1
Underlying Group operating surplus								**166.7**
Restructuring costs								(1.8)
Other gains and losses								5.2
Total Group operating surplus								**170.1**

2020 restated*	Affordable housing	Supported living	Care	Student & market rented	Development sales	All other segments**	Intra-Group eliminations	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Revenue from external customers	377.1	91.7	194.1	56.7	40.4	3.0	-	763.0
Internal maintenance income	140.7	-	-	-	-	-	(140.7)	-
Internal maintenance costs	(140.7)	-	-	-	-	-	140.7	-
Cost of sales	-	-	-	-	(29.7)	(0.4)	-	(30.1)
Operating costs	(178.0)	(85.5)	(172.4)	(27.6)	-	(9.3)	-	(472.8)
Divisional EBITDA* **	**199.1**	**6.2**	**21.7**	**29.1**	**10.7**	**(6.7)**	**-**	**260.1**
Depreciation	(41.2)	(6.4)	(8.0)	(7.6)	-	(1.4)	-	(64.6)
Impairment	-	-	-	(0.7)	-	-	-	(0.7)
Reportable segment surplus	**157.9**	**(0.2)**	**13.7**	**20.8**	**10.7**	**(8.1)**	**-**	**194.8**
Corporate central overheads****								(16.6)
Share of profits of joint ventures								4.4
Underlying Group operating surplus								**182.6**
Restructuring costs								(2.6)
Other gains and losses								6.2
Total Group operating surplus								**186.2**

Divisional EBITDA %	Affordable housing	Supported living	Care	Student & market rented	Development sales	Total
2021	54.3%	8.2%	5.4%	43.2%	18.9%	32.7%
2020 restated *	52.8%	6.8%	11.2%	51.3%	26.5%	34.1%

*Realignment of reporting divisions to reflect operational management saw extra care services moved from Affordable Housing to Supported Living from 1 April 2020; comparatives have been restated to allow comparability. As required by IFRS 8, comparative information has been restated as indicated by "restated" throughout these Financial Statements. The revision does not result in any change to the consolidated Group results.

**Other segments comprises sundry external income and associated costs and development administration costs.

***Divisional EBITDA is defined as segment surplus with office and equipment depreciation and software amortisation costs removed. Other gains and losses have not been attributed across divisions. Further information explaining alternative performance measures is included in Appendix 3.

****Included within corporate central overheads is depreciation of £8.4 million (2020: £7.7 million).

Details of the Group's operating divisions are included in the Business Reviews on pages 42 to 61.

7. Other Gains and Losses

Group

2021	Right to buy/ acquire	Subsequent staircasing	Disposal of surplus properties	Other fixed assets	Fixed asset investments	Total 2021
	£m	£m	£m	£m	£m	£m
Proceeds	4.2	5.6	1.1	0.7	0.8	12.4
Cost of disposals	(3.2)	(2.6)	(0.5)	(0.3)	(0.6)	(7.2)
	1.0	3.0	0.6	0.4	0.2	5.2

2020	Right to buy/ acquire	Subsequent staircasing	Disposal of surplus properties	Other fixed assets	Fixed asset investments	Total 2020
	£m	£m	£m	£m	£m	£m
Proceeds	11.3	5.5	2.1	0.8	0.8	**20.5**
Cost of disposals	(8.0)	(2.7)	(1.8)	(1.0)	(0.8)	**(14.3)**
	3.3	2.8	0.3	(0.2)	-	**6.2**

Association

2021	Right to buy/ acquire	Subsequent staircasing	Disposal of surplus properties	Other fixed assets	Fixed asset investments	Total 2021
	£m	£m	£m	£m	£m	£m
Proceeds	4.2	3.6	1.0	0.7	0.8	10.3
Cost of disposals	(3.2)	(1.3)	(0.5)	(0.4)	(0.6)	(6.0)
	1.0	2.3	0.5	0.3	0.2	4.3

2020	Right to buy/ acquire	Subsequent staircasing	Disposal of surplus properties	Other fixed assets	Fixed asset investments	Total 2020
	£m	£m	£m	£m	£m	£m
Proceeds	11.1	4.0	0.9	0.9	0.8	**17.7**
Cost of disposals	(7.8)	(1.7)	(0.5)	(1.1)	(0.8)	**(11.9)**
	3.3	2.3	0.4	(0.2)	-	**5.8**

Cost of disposals includes the carrying amount of assets prior to disposal and other related disposal costs.

Subsequent staircasing relates to shared ownership properties, where the tenant owners have purchased an additional stake in the property from the Group/Association. This is treated as a gain or loss on asset disposal based on guidance from the SORP that does not conflict with IFRS.

8. Key Management Remuneration and Employee Information

Key Management Personnel

Members of the Board of Directors and Executive Committee are deemed to be key management personnel.

Emoluments of the Group Board for the financial year was as follows:

	2021	2020
	£'000	£'000
Salary and benefits in kind – Executive Board Directors	730	684
Pension contributions and payments in lieu of pension contributions – Executive Board Directors	70	64
	800	748
Salary – Non-Executive Board Directors	190	194
Benefits in kind – Non-Executive Board Directors	-	-
	990	**942**

The emoluments (excluding pension contributions and analogous payments) of the Group Board Directors and Executive Committee were:

		Salary	Benefits excluding pension contributions and payments in lieu of pension contributions	Total	Pension contributions and payments in lieu of pension contributions
		£'000	£'000	£'000	£'000
Executive Board Members at 31 March 2021 and those served during the year					
Craig Moule	Group Chief Executive	312	16	**328**	47
Ed Lunt	Group Finance Director	223	13	**236**	12
Nicole Seymour	Group Director – Corporate Services	155	11	**166**	11

		Salary	Other benefits	Total
		£'000	£'000	£'000
Non-Executive Board Members				
Andrew Manning-Cox	Group Chair	45	-	**45**
Robert McComb	Vice Chair (resigned 22 September 2020)	12	-	**12**
Trudi Elliott	Vice Chair (appointed 22 September 2020)	24	-	**24**
Denise Plumpton	Non-Executive Board Director	20	-	**20**
Elwyn Roberts	Non-Executive Board Director	25	-	**25**
Gareth Tuckwell	Non-Executive Board Director	12	-	**12**
Arvinda Gohil	Non-Executive Board Director	20	-	**20**
James Thallon (appointed 22 September 2020)	Non-Executive Board Director	12	-	**12**
Alok Bhalla (appointed 22 September 2020)	Non-Executive Board Director	10	-	**10**
Ian Chisholm (appointed 22 September 2020)	Non-Executive Board Director	10	-	**10**
Other members of the Executive				
Operating division Directors		927	65	**992**

The emoluments of the highest paid Executive Group Board Director (excluding payments in lieu of pension contributions) were £328,000 (2020: £316,000).

Key Management Personnel – Expenses

In addition to the emoluments detailed on page 131, key management personnel were reimbursed for expenses necessarily incurred in the conduct of their duties amounting to £7,680 (2020: £14,365).

Employee Information

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Employee (including Directors) costs charged during the year amounted to:				
Wages and salaries	293.5	270.7	94.9	64.1
Social security costs	25.1	23.1	8.9	6.3
Other pension costs	11.6	10.5	5.3	3.8
	330.2	304.3	109.1	74.2

	Group		Association	
	2021 Number	2020 Number	2021 Number	2020 Number
The average monthly number of persons (including Directors) employed during the year expressed in full-time equivalents was:				
Site-based staff	7,437	7,162	789	641
Office-based staff	2,862	2,940	2,125	1,371
	10,299	10,102	2,914	2,012

Full-time equivalents have been calculated based on hours worked compared to the standard level of working hours per week for an equivalent employee in the same business area.

Loans totalling £15,653 (2020: £15,251) have been made to employees for tools and travel season tickets. All loans are interest bearing at a commercial rate with terms varying between one and five years.

Senior Pay Banding

In the year, the following number of staff within the social housing part of the business, expressed in full-time equivalents, were paid remuneration (including pensions) of over £60,000:

	2021 Number	2020 Number
£60,000-£69,999	98	72
£70,000-£79,999	50	50
£80,000-£89,999	38	26
£90,000-£99,999	22	18
£100,000-£109,999	8	4
£110,000-£119,999	6	7
£120,000-£129,999	5	1
£130,000-£139,999	2	2
£140,000-£149,999	4	2
£170,000-£179,999	2	2
£190,000-£199,999	-	2
£200,000-£209,999	1	1
£210,000-£219,999	1	1
£220,000-£229,999	2	2
£240,000-£249,999	2	-
£360,000-£369,999	-	1
£370,000-£379,999	1	-
	242	191

9. Finance Income and Costs

a) Finance Income

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Interest received and receivable from:				
Short-term cash deposits	1.5	1.9	1.3	1.4
Listed investments	0.5	0.4	0.5	0.4
Other interest	0.9	1.3	4.6	5.4
	2.9	3.6	6.4	7.2

b) Finance Costs

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Bank loans, overdrafts and other loans:				
Repayable within five years by instalments	16.1	26.1	12.0	21.3
Repayable wholly or partly in more than five years	113.4	105.9	76.3	76.2
Interest in respect of right-of-use assets	9.7	10.4	3.2	3.2
Less: amounts transferred to housing properties in the course of construction within PPE and inventory	(7.8)	(6.0)	(0.4)	(0.9)
	131.4	136.4	91.1	99.8
Fair value (gain)/loss on derivative financial instruments	(0.7)	0.1	-	-
Finance (income)/costs of defined benefit pension schemes	(0.1)	0.9	(0.1)	0.9
	130.6	137.4	91.0	100.7

Included within bank loans, overdrafts and other loans repayable wholly or partly in more than five years is £1.4 million (2020: £1.5 million) in respect of premium and discount amortisation for the Group and £1.1 million (2020: £1.1 million) for the Association.

During the year the Group has recorded £nil (2020: £8.6 million) and the Association has recorded £nil (2020: £8.6 million) in respect of loan break and associated costs.

10. Taxation on Surplus on Ordinary Activities

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Corporation tax:				
Current year	-	-	-	-
Adjustments in respect of prior year	-	-	-	-
Current tax charge	-	-	-	-
Deferred tax credits:				
Increase in tax rate from 17% to 19%	-	(0.5)	-	-
Temporary timing differences	0.2	(0.3)	-	-
	0.2	(0.8)	-	-
Total tax charge/(credit)	**0.2**	**(0.8)**	**-**	**-**

A significant proportion of the Group's activities occurs in Group entities recognised by Her Majesty's Revenue and Customs as exempt charities for tax purposes and is therefore not liable to corporation tax on surpluses.

The current tax result for the year is lower (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%) for the Group and Association. The differences are explained below:

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Surplus before tax	46.9	52.4	33.8	42.4
	46.9	52.4	33.8	42.4
Surplus before tax multiplied by the main rate of corporation tax in the UK of 19% (2020: 19%)	8.9	10.0	6.4	8.1
Effects of:				
Activities which are exempt from taxation	(8.9)	(10.0)	(6.4)	(8.1)
Prior year taxation adjustment	-	-	-	-
Total current tax charge	**-**	**-**	**-**	**-**

Factors affecting future tax charge:

Following the enactment of the Finance Act 2020, the rate of corporation tax will remain at 19% for 2021/2022 and 2022/2023. The Finance Bill 2021 proposes that from April 2023, the rate of corporation tax will increase to 25% for profits over £250,000.

11. Intangible Assets

Group	Goodwill	Software (external)	Software (internal)	Total
	£m	£m	£m	£m
Cost				
At 1 April 2019	5.6	92.4	3.1	101.1
Additions	0.3	3.0	3.6	6.9
Transfer from property, plant and equipment	-	0.6	-	0.6
At 31 March 2020	5.9	96.0	6.7	108.6
At 1 April 2020	5.9	96.0	6.7	108.6
Additions	-	4.7	0.7	5.4
Transfer from property, plant and equipment	-	0.4	-	0.4
At 31 March 2021	5.9	101.1	7.4	114.4
Amortisation and impairment				
At 1 April 2019	-	36.7	0.1	36.8
Amortisation for the year	-	9.8	-	9.8
At 31 March 2020	-	46.5	0.1	46.6
At 1 April 2020	-	46.5	0.1	46.6
Amortisation for the year	-	10.1	-	10.1
At 31 March 2021	-	56.6	0.1	56.7
Net book amount at 31 March 2021	**5.9**	**44.5**	**7.3**	**57.7**
Net book amount at 31 March 2020	5.9	49.5	6.6	62.0
Net book amount at 1 April 2019	5.6	55.7	3.0	64.3

Association	Goodwill	Software (external)	Software (internal)	Total
	£m	£m	£m	£m
Cost				
At 1 April 2019	-	92.4	3.1	95.5
Additions	-	2.9	3.6	6.5
Transfer from property, plant and equipment	-	0.6	-	0.6
At 31 March 2020	-	95.9	6.7	102.6
At 1 April 2020	-	95.9	6.7	102.6
Additions	-	4.7	0.7	5.4
Transfer from property, plant and equipment	-	0.4	-	0.4
At 31 March 2021	-	101.0	7.4	108.4
Amortisation and impairment				
At 1 April 2019	-	36.7	0.1	36.8
Amortisation for the year	-	9.8	-	9.8
At 31 March 2020	-	46.5	0.1	46.6
At 1 April 2020	-	46.5	0.1	46.6
Amortisation for the year	-	10.1	-	10.1
At 31 March 2021	-	56.6	0.1	56.7
Net book amount at 31 March 2021	**-**	**44.4**	**7.3**	**51.7**
Net book amount at 31 March 2020	-	49.4	6.6	56.0
Net book amount at 1 April 2019	-	55.7	3.0	58.7

In accordance with the policies set out in note 1, goodwill was tested for impairment at the year end. No impairment was found or recorded in respect of goodwill.

12. Property, Plant and Equipment

Group	Land and buildings	Land and buildings shared ownership	Plant and equipment	Offices	Under construction	Shared ownership under construction	Total
	£m	£m	£m	£m	£m	£m	£m
Cost							
Balance at 1 April 2019	5,150.3	138.8	105.9	68.6	119.7	24.7	5,608.0
Recognition of right-of-use assets on initial application of IFRS 16	19.8	-	-	4.6	-	-	24.4
Adjusted balance at 1 April 2019	5,170.1	138.8	105.9	73.2	119.7	24.7	5,632.4
Right-of-use assets recognised	0.3	-	-	0.1	-	-	0.4
Acquisitions	70.6	-	-	-	-	-	70.6
Additions	72.1	-	18.4	0.3	114.4	27.5	232.7
Transfer to completed land and buildings	63.8	11.8	-	-	(63.8)	(11.8)	-
Transfer to investment property	(16.4)	-	-	-	-	-	(16.4)
Transfer to intangible assets	-	-	(0.6)	-	-	-	(0.6)
Right-of-use assets derecognised	(3.6)	-	-	-	-	-	(3.6)
Disposals	(15.2)	(2.8)	(5.3)	(0.2)	-	-	(23.5)
Balance at 31 March/1 April 2020	5,341.7	147.8	118.4	73.4	170.3	40.4	5,892.0
Acquisitions	39.1	-	-	0.7	-	-	39.8
Additions	60.3	-	14.7	-	110.5	15.8	201.3
Transfer to completed land and buildings	66.2	17.0	-	-	(66.2)	(17.0)	-
Transfer between PPE categories	14.5	2.6	(0.6)	(11.2)	(5.1)	(0.2)	-
Transfer (to)/from investment property	(3.8)	-	0.3	-	-	-	(3.5)
Transfer to intangible assets	-	-	(0.4)	-	-	-	(0.4)
Transfer from/(to) inventory	0.8	-	-	-	(8.9)	(9.0)	(17.1)
Transfer to assets held for sale	(2.6)	-	-	-	-	-	(2.6)
Other transfers	-	-	-	-	(1.6)	(0.7)	(2.3)
Reclassification between grant, depreciation and cost	20.2	-	-	-	1.1	-	21.3
Disposals	(12.5)	(2.6)	(3.8)	-	-	-	(18.9)
Balance at 31 March 2021	5,523.9	164.8	128.6	62.9	200.1	29.3	6,109.6
Depreciation and impairment							
Balance at 1 April 2019	309.1	2.6	54.1	20.4	-	-	386.2
Depreciation charge for the year	42.5	0.5	13.5	3.2	-	-	59.7
Disposals	(8.0)	(0.1)	(4.4)	(0.2)	-	-	(12.7)
Balance at 31 March/1 April 2020	343.6	3.0	63.2	23.4	-	-	433.2
Depreciation charge for the year	45.0	0.6	14.2	1.7	-	-	61.5
Impairment	2.7	-	-	-	-	-	2.7
Transfer between PPE categories	2.0	0.2	0.1	(2.3)	-	-	-
Transfer from investment property	(19.2)	-	(0.1)	-	-	-	(19.3)
Reclassification between grant, depreciation and cost	(1.4)	-	-	-	-	-	(1.4)
Disposals	(10.1)	(0.1)	(3.8)	-	-	-	(14.0)
Balance at 31 March 2021	362.6	3.7	73.6	22.8	-	-	462.7
Social Housing Grant							
Balance at 1 April 2019	1,302.2	38.2	-	-	11.9	5.1	1,357.4
Additions	-	-	-	-	18.8	0.8	19.6
Transfer to completed land and buildings	8.8	0.8	-	-	(8.8)	(0.8)	-
Disposals	(2.1)	(0.8)	-	-	-	-	(2.9)
Balance at 31 March/1 April 2020	1,308.9	38.2	-	-	21.9	5.1	1,374.1
Acquisitions	8.4	-	-	-	-	-	8.4
Additions	-	-	-	-	13.7	-	13.7
Transfer to completed land and buildings	11.1	-	-	-	(11.1)	-	-
Transfer between PPE categories	(3.5)	3.3	-	-	0.2	-	-
Transfer from investment property	1.2	-	-	-	-	-	1.2
Reclassification between grant, depreciation and cost	22.0	-	-	-	1.1	-	23.1
Disposals	(1.2)	-	-	-	-	-	(1.2)
Balance at 31 March 2021	1,346.9	41.5	-	-	25.8	5.1	1,419.3
Other grant							
Balance at 1 April 2019	452.7	4.0	-	-	48.2	-	504.9
Additions	-	-	-	-	20.9	-	20.9
Transfer to completed land and buildings	13.0	-	-	-	(13.0)	-	-
Disposals	(0.1)	-	-	-	-	-	(0.1)
Balance at 31 March/1 April 2020	465.6	4.0	-	-	56.1	-	525.7
Acquisitions	5.0	-	-	-	-	-	5.0
Additions	0.5	-	-	-	35.0	-	35.5
Transfer to completed land and buildings	15.5	-	-	-	(15.5)	-	-
Transfer between PPE categories	1.8	-	-	-	(1.8)	-	-
Transfer from investment property	1.5	-	-	-	-	-	1.5
Other transfers	-	-	-	-	(4.2)	-	(4.2)
Reclassification between grant, depreciation and cost	(0.4)	-	-	-	-	-	(0.4)
Balance at 31 March 2021	489.5	4.0	-	-	69.6	-	563.1
Net book value							
31 March 2021	**3,324.9**	**115.6**	**55.0**	**40.1**	**104.7**	**24.2**	**3,664.5**
31 March 2020	3,223.6	102.6	55.2	50.0	92.3	35.3	3,559.0
1 April 2019	3,086.3	94.0	51.8	48.2	59.6	19.6	3,359.5

Included in the amounts disclosed above is care property with a carrying value of £291.2 million (2020: £299.5 million).

Association	Land and buildings	Land and buildings shared ownership	Plant and equipment	Offices	Under construction	Shared ownership under construction	Restated total
	£m	£m	£m	£m	£m	£m	£m
Cost							
Balance at 1 April 2019	3,950.0	84.9	95.3	55.7	9.4	1.7	4,197.0
Recognition of right-of-use assets on initial application of IFRS 16	19.5	-	-	4.4	-	-	23.9
Adjusted balance at 1 April 2019	3,969.5	84.9	95.3	60.1	9.4	1.7	4,220.9
Right-of-use assets recognised	0.3	-	-	0.1	-	-	0.4
Acquisitions	6.2	-	-	-	-	-	6.2
Additions	56.9	-	16.6	0.2	0.2	0.4	74.3
Transfer to completed land and buildings	3.3	1.1	-	-	(3.3)	(1.1)	-
Transfer to investment property	(2.3)	-	-	-	-	-	(2.3)
Transfer to intangible assets	-	-	(0.6)	-	-	-	(0.6)
Right-of-use assets derecognised	(3.6)	-	-	-	-	-	(3.6)
Disposals	(14.4)	(1.7)	(5.4)	(0.2)	-	-	(21.7)
Balance at 31 March/1 April 2020	4,015.9	84.3	105.9	60.2	6.3	1.0	4,273.6
Additions	44.9	-	12.9	-	3.0	0.1	60.9
Transfer to completed land and buildings	0.7	-	-	-	(0.7)	-	-
Transfer from investment property	1.5	-	-	-	-	-	1.5
Transfer from/(to) inventory	0.7	-	-	-	5.0	-	5.7
Transfer to intangible assets	-	-	(0.4)	-	-	-	(0.4)
Transfer between PPE categories	(0.2)	0.2	-	-	0.1	(0.1)	-
Intra-Group transfers	-	-	0.1	0.5	(4.0)	(0.7)	(4.1)
Disposals	(11.4)	(1.3)	(4.1)	-	-	-	(16.8)
Balance at 31 March 2021	4,052.1	83.2	114.4	60.7	9.7	0.3	4,320.4
Depreciation and impairment							
Balance at 1 April 2019	242.4	2.1	50.3	15.4	-	-	310.2
Depreciation charge for the year	31.3	0.3	12.3	2.7	-	-	46.6
Disposals	(8.7)	-	(4.4)	(0.2)	-	-	(13.3)
Balance at 31 March/1 April 2020	265.0	2.4	58.2	17.9	-	-	343.5
Depreciation charge for the year	32.5	0.3	12.6	1.7	-	-	47.1
Intra-Group transfers	(0.4)	-	-	0.2	-	-	(0.2)
Disposals	(8.7)	(0.1)	(3.7)	-	-	-	(12.5)
Balance at 31 March 2021	288.4	2.6	67.1	19.8	-	-	377.9
Social Housing Grant							
Balance at 1 April 2019	1,209.3	31.8	-	-	0.9	-	1,242.0
Additions	-	-	-	-	-	0.5	0.5
Transfer to completed land and buildings	0.6	0.5	-	-	(0.6)	(0.5)	-
Disposals	(2.1)	(0.7)	-	-	-	-	(2.8)
Balance at 31 March/1 April 2020	1,207.8	31.6	-	-	0.3	-	1,239.7
Additions	-	-	-	-	0.9	-	0.9
Transfer from investment property	0.9	-	-	-	-	-	0.9
Disposals	(1.0)	-	-	-	-	-	(1.0)
Balance at 31 March 2021	1,207.7	31.6	-	-	1.2	-	1,240.5
Other grant							
Balance at 1 April 2019	159.7	3.3	-	-	-	-	163.0
Additions	-	-	-	-	-	-	-
Disposals	(0.1)	-	-	-	-	-	(0.1)
Balance at 31 March/1 April 2020	159.6	3.3	-	-	-	-	162.9
Additions	0.5	-	-	-	-	-	0.5
Transfer from investment property	1.3	-	-	-	-	-	1.3
Balance at 31 March 2021	161.4	3.3	-	-	-	-	164.7
Net book value							
31 March 2021	**2,394.6**	**45.7**	**47.3**	**40.9**	**8.5**	**0.3**	**2,537.3**
31 March 2020	2,383.5	47.0	47.7	42.3	6.0	1.0	2,527.5
1 April 2019	2,338.6	47.7	45.0	40.3	8.5	1.7	2,481.8

Included in the amounts disclosed above is care property with a carrying value of £108.7 million (2020: £121.6 million).

Annual Impairment Review

The Group annually reviews properties for indicators of potential impairment. Assets that reveal indicators are then subjected to further impairment tests using the methods described in note 1 and below. The Group has determined that for the purposes of impairment testing, each property, together with associated operating assets, is a cash-generating unit.

Social housing assets are considered to have indicators of impairment when they have been vacant for a period of ninety days or longer. In the current and prior year, the carrying value of social housing properties identified with indicators of potential impairment was not material to the Group or Association and so further impairment tests were not deemed necessary.

Care homes are assessed for indicators of impairment based on a balanced scorecard that encapsulates measurement of regulatory ratings, occupancy, fee types and other metrics that relate to quality or operational performance. For the year ended 31 March 2021, 21 (2020: 17) care homes were identified as having indicators of potential impairment and so further tests were carried out for these assets.

Impairment is recognised when the carrying amount exceeds the recoverable amount. Recoverable amounts are the higher of fair value less costs of disposal, and value-in-use.

For care homes, where there was an indicator of impairment, value-in-use was calculated from cash flow projections based on detailed five-year forecasts; the forecasts were then extrapolated to perpetuity using long-term growth rates of 2%. Management used a discount rate of 6.6% (2020: 6.5%) which reflects a market participant rate and the risks specific to the assets. Fair value was determined with the assistance of independent, professional valuers, where appropriate; valuations were calculated using sustainable EBITDARM and an EBITDARM multiple.

To the extent possible, cash flows incorporate the effects of Covid-19, though as these effects are considered to be constrained to the relatively short-term no adjustment has been made to discount rates or long-term growth rates.

Following these reviews, an impairment of £2.7 million was recognised for care homes within the Group, no impairment was recognised for the Association (2020: no impairment recognised for the Group and Association).

Value-in-use calculations require a number of assumptions to be made. The impact of changes in these primary assumptions in isolation is set out below for the care homes where detailed testing was carried out due to indicators of impairment.

Change in estimate	(Increase)/decrease in impairment risk
	£m
Discount rate – increase of 1 percentage point	(1.8)
Discount rate – decrease of 1 percentage point	0.9
Occupancy % – increase of 2 percentage points	0.9
Occupancy % – decrease of 10 percentage points	(16.2)
Terminal growth rate – increase of 1 percentage point	0.9
Terminal growth rate – decrease of 1 percentage point	(1.3)

To mitigate risk of impairment the Group continually reinvests in its assets. Where instances of under-performance or under-utilisation are evident, focused initiatives are employed to improve operational effectiveness and increase occupancy levels.

Assets Pledged as Security

Property with a pre-grant carrying amount of £3,321.2 million (2020: £3,379.3 million) in the Group and £2,469.3 million (2020: £2,490.7 million) in the Association has been pledged to secure borrowings.

13. Investment Property

	Group	Association
	£m	£m
Cost		
Balance at 1 April 2019	299.7	164.7
Recognition of right-of-use assets on initial application of IFRS 16	12.4	4.8
Adjusted balance at 1 April 2019	312.1	169.5
Additions	8.2	4.8
Transfer from property, plant and equipment	16.4	2.3
Balance at 31 March/1 April 2020	336.7	176.6
Additions	3.8	2.2
Transfer from/(to) property, plant and equipment	3.5	(1.5)
Balance at 31 March 2021	344.0	177.3
Depreciation and impairment		
Balance at 1 April 2019	61.4	15.4
Depreciation charge for the year	2.8	1.9
Impairment	0.7	-
Balance at 31 March/1 April 2020	64.9	17.3
Depreciation charge for the year	2.2	0.5
Impairment	1.1	-
Transfer from property, plant and equipment	19.3	-
Balance at 31 March 2021	87.5	17.8
Social Housing Grant		
Balance at 1 April 2019	6.3	6.0
Balance at 31 March/1 April 2020	6.3	6.0
Transfer to property, plant and equipment	(1.2)	(0.9)
Balance at 31 March 2021	5.1	5.1
Other grant		
Balance at 1 April 2019	5.2	4.5
Balance at 31 March/1 April 2020	5.2	4.5
Transfer to property, plant and equipment	(1.5)	(1.3)
Balance at 31 March 2021	3.7	3.2
Net book value		
31 March 2021	**247.7**	**151.2**
31 March 2020	260.3	148.8
1 April 2019	226.8	138.8

Included in the amounts disclosed above is student property with a carrying value of £227.1 million for the Group (2020: £236.0 million) and £132.3 million for the Association (2020: £127.8 million).

Annual Impairment Review

The Group annually reviews investment properties for indicators of potential impairment. Assets that reveal indicators are then subjected to further review. The Group has determined that for the purposes of impairment testing, each property, together with associated operating assets and any asset-specific provisions, is a cash-generating unit.

Commercial property is considered to have indicators of impairment if it is vacant or if there has been a significant decline in market value. For the year ended 31 March 2021 no commercial property was identified as having indicators of potential impairment.

Student accommodation is considered to have indicators of impairment when there are low levels of occupancy or where there has been a decline in occupancy during the year. For the year ended 31 March 2021 20 (2020: 11) student properties were identified as having indicators of potential impairment.

Impairment is recognised when the carrying amount exceeds the recoverable amount. Recoverable amounts are the higher of fair value less costs of disposal, and value in use.

Where there was an indicator of impairment, value in use was calculated from cash flow projections based on detailed three-year forecasts; the forecasts were then extrapolated using long-term growth rates of 2%. Management used region specific discount rates ranging between 6.0% and 9.0% (2020: 4.5% and 7.0%) which reflects a market participant rate and the risks specific to the assets. Fair value was determined with the assistance of independent, professional valuers where appropriate.

To the extent possible, cash flows incorporate the effects of Covid-19, though as these effects are considered to be constrained to the relatively short-term no adjustment has been made to discount rates or long-term growth rates.

As a result of these reviews, an impairment of £1.1 million was recognised for student accommodation within the Group during the year (2020: £0.7 million); no impairment was recognised in the Association (2020: £nil). No impairment was recognised in the Group or Association in relation to commercial property (2020: £nil).

Value-in-use calculations require a number of assumptions to be made. The impact of changes in these primary assumptions in isolation is set out below for the investment properties where detailed testing was carried out due to indicators of impairment.

Change in estimate	(Increase)/decrease in impairment risk
	£m
Discount rate – increase of 1 percentage point	-
Discount rate – decrease of 1 percentage point	-
Occupancy % – increase of 2 percentage points	-
Occupancy % – decrease of 10 percentage points	(0.3)
Terminal growth rate – increase of 1 percentage point	-
Terminal growth rate – decrease of 1 percentage point	-

To mitigate risk of impairment the Group continually reinvests in its assets. Where instances of under-performance or under-utilisation are evident, focused initiatives are employed to improve operational effectiveness and increase occupancy levels.

Fair Value of Investment Property

The estimated fair value of the investment property is £472.2 million (2020: £470.4 million) for the Group and £294.9 million (2020: £294.1 million) for the Association. Of this fair value, £411.3 million (2020: £441.8 million) for the Group and £294.9 million (2020: £270.1 million) for the Association has been determined by Directors' valuations and may contain a material uncertainty regarding the impact that Covid-19 might have on the future real estate market.

Restrictions

At 31 March 2021, there were no restrictions on the realisability of investment property or the remittance of income and proceeds of disposal for the Group or Association (2020: none).

Assets Pledged as Security

Investment property with a pre-grant carrying amount of £43.0 million (2020: £46.1 million) in the Group and £20.6 million (2020: £20.7 million) in the Association has been pledged to secure borrowings.

Items Recognised in the Statement of Comprehensive Income

Rental income from investment property during the year amounted to £31.4 million (2020: £40.3 million) for the Group and £17.3 million (2020: £20.8 million) for the Association.

The majority of the rental income detailed above relates to student property which is let on a short-term basis.

Details of future minimum lease payments receivable in respect of non-cancellable operating leases are shown in note 22.

Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the year amounted to £29.2 million (2020: £29.2 million) for the Group and £15.7 million (2020: £15.8 million) for the Association.

Direct operating expenses (including repairs and maintenance) arising from investment property that did not generate rental income during the year amounted to £nil (2020: £nil) for both the Group and Association.

14. Other Investments

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
FVOCI – equity investment				
Listed investments	10.8	10.7	10.7	10.5
	10.8	10.7	10.7	10.5
Carried at amortised cost				
Unlisted investments	13.6	13.6	13.6	13.6
Homebuy				
- Investment	1.5	1.5	-	-
- Grant	(1.5)	(1.5)	-	-
	13.6	13.6	13.6	13.6
Total other investments	**24.4**	**24.3**	**24.3**	**24.1**

The Directors believe that the carrying value of other investments is supported by their underlying net assets. The historical cost of the Group's listed investments is £10.9 million (2020: £10.6 million). The historical cost of the Association's listed investments is £10.5 million (2020: £9.8 million). These investments comprise gilt edged stock and other Registered Provider debenture stocks, which are held in accordance with the terms of certain Group loans. The security trustee has a charge over these investments.

The unlisted investments represent cash reserves held as security against borrowings either as required under the terms of the loan agreements or as substitutes for charges on stock. These reserves cannot be utilised for any purpose other than servicing the associated debt.

Reconciliation of Movement in Listed Investments

	Group £m	Association £m
As at 1 April 2019	11.1	11.0
Additions	0.9	0.8
Disposal	(0.8)	(0.8)
Revaluations	(0.5)	(0.5)
As at 31 March 2020	10.7	10.5
As at 1 April 2020	10.7	10.5
Additions	0.8	0.9
Disposal	(0.6)	(0.6)
Revaluations	(0.1)	(0.1)
As at 31 March 2021	**10.8**	**10.7**

See note 23 for further details.

15. Derivative Financial Instruments

Fair value of derivative assets	Group and Association	
	2021 £m	2020 £m
US Private Placement foreign exchange swap	20.6	41.5
	20.6	**41.5**

The derivative financial instrument represents the fair value of the currency related swap in place to hedge the foreign currency risk arising from interest and principal payments. It relates to $80 million 5.83% senior notes issued in April 2007 and due in 2037 (US private placement).

Fair value of derivative liabilities	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Interest rate swap	(2.8)	(3.5)	-	-
	(2.8)	**(3.5)**	**-**	**-**

The derivative financial instrument represents the fair value of an interest rate swap drawn under a facility agreement dated September 2002; this was put in place to hedge the interest rate risk arising from a variable rate loan.

Further details of derivative financial instruments are provided in note 23.

16. Trade and Other Receivables

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Current:				
Tenant rental receivables (note 23d)	11.2	12.6	8.5	9.8
Other trade receivables (note 23d)	21.5	20.1	4.5	7.0
Amounts due from subsidiary undertakings	-	-	59.2	126.7
Prepayments	18.9	19.1	12.4	12.7
Accrued income	15.2	10.5	3.7	3.0
Amounts due under lease receivable (note 17)	0.9	0.9	-	-
Other receivables	24.2	20.0	18.9	18.2
	91.9	83.2	107.2	177.4
Non-current:				
Amounts due under lease receivable (note 17)	11.4	12.5	-	-
Amounts due from subsidiary undertakings	-	-	106.9	31.8
Amounts due from joint venture	30.6	33.0	30.6	33.1
	42.0	45.5	137.5	64.9
Total trade and other receivables	**133.9**	**128.7**	**244.7**	**242.3**

Tenant rental receivables are stated net of a provision of £4.8 million for the Group (2020: £3.5 million) and £3.9 million for the Association (2020: £3.0 million). Further information on rental receivables is contained in note 23d.

Other trade receivables are stated net of a provision of £7.9 million for the Group (2020: £5.4 million) and £2.9 million for the Association (2020: £1.6 million). Further information on other trade receivables is contained in note 23d.

17. Lease Receivable

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Land and buildings:				
Under one year	0.9	0.9	-	-
In the second to fifth year inclusive	1.7	2.4	-	-
In more than five years	9.7	10.1	-	-
	12.3	**13.4**	**-**	**-**

The amounts receivable in respect of leases relate to an agreement between ASK (Greenwich) Limited and the Royal Borough of Greenwich. The amounts to be received are based upon repayment schedules agreed by the relevant parties. All amounts are expected to be received over the next 14 years.

18. Inventory

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Materials and consumables	1.4	1.6	-	-
Properties held for sale – completed	9.6	9.3	0.4	2.3
Properties held for sale – under construction	153.7	101.4	0.2	16.5
Total inventory	**164.7**	**112.3**	**0.6**	**18.8**

	Group £m	Association £m
Properties held for sale as at 1 April 2020	110.7	18.8
Additions	65.5	0.1
Transfer from/(to) property, plant and equipment	17.1	(5.7)
Transfer to subsidiaries	-	(11.4)
Disposals – property sales	(30.0)	(1.2)
Properties held for sale as at 31 March 2021	**163.3**	**0.6**

Within the Group and Association, no inventories have been written off or written down to net realisable value during the year (2020: none).

Included within properties held for sale for the Group are £3.6 million (2020: £2.6 million) completed shared ownership properties and £20.8 million (2020: £26.6 million) shared ownership properties under construction.

Included within properties held for sale for the Association are £nil (2020: £0.8 million) completed shared ownership properties and £0.2 million (2020: £0.7 million) shared ownership properties under construction.

A detailed year end review of all development projects was carried out, taking into account the effects of Covid-19, to assess the carrying value of property inventories and identify if there were any instances where this was in excess of net realisable value.

On the basis of both third-party commentary and an internal view on sales values and build costs, the following baseline sensitivities were adopted, reflecting the different perceived risks attached to projects dependent on their build status:

- -5% on selling price and +0% on build cost for schemes on-site; and
- -5% on selling price and +3% on build cost for schemes not yet on-site.

Based on this review, with the adopted sensitivities, the indicated impairment was £1.1 million (2020: £0.6 million). It was concluded that no adjustment to the carrying value of inventory was required, based on materiality. If selling prices were to fall by 10%, then potential impairment would increase to £8.5 million (2020: £4.0 million).

19. Assets Classified as Held for Sale

	Group	Association
	£m	£m
At 1 April 2020	0.2	0.2
Transfer from property, plant and equipment	2.6	-
Impairment	(1.0)	-
At 31 March 2021	**1.8**	**0.2**

20. Trade and Other Payables

	Group		Association	
	2021	2020	2021	2020
	£m	£m	£m	£m
Current:				
Trade payables	23.0	16.3	7.8	8.0
Amounts owed to subsidiary undertakings	-	-	14.5	6.7
Other taxation and social security payable	5.3	5.2	3.0	2.0
Other payables	15.0	12.2	2.9	3.1
Accruals	123.3	96.7	35.1	33.6
Future maintenance on home ownership schemes	23.1	19.7	22.4	19.2
Recycled capital grant fund (a)	5.4	5.3	5.2	5.1
	195.1	155.4	90.9	77.7
Non-current:				
Recycled capital grant fund (a)	4.2	5.6	3.8	5.3
Other payables	0.2	1.7	-	-
	4.4	7.3	3.8	5.3
Total Trade and Other Payables	**199.5**	**162.7**	**94.7**	**83.0**

All social housing and other capital grants are potentially repayable to the issuing body. The potential liability is recognised through the balances held as the recycled capital grant fund.

(a) Recycled Capital Grant Fund

	Group	Association
	£m	£m
Recycled capital grant fund at 1 April 2020	10.9	10.4
Grants recycled	1.4	1.2
Transfers from other Private Registered Providers	2.2	-
New build	(2.5)	(0.2)
Transfers to other Private Registered Providers	(2.4)	(2.4)
Recycled capital grant fund at 31 March 2021	**9.6**	**9.0**

21. Loans and Borrowings

	Group		Association	
	2021	2020	2021	2020
	£m	£m	£m	£m
Current:				
Senior notes and debenture stock	316.0	5.7	16.0	5.7
Bank loans and overdrafts	16.4	38.5	4.1	27.2
Net lease liability (note 22)	3.8	3.7	1.6	1.5
Amounts owed to Group companies	-	-	7.4	5.9
	336.2	47.9	29.1	40.3
Non-current:				
Senior notes and debenture stock	1,881.9	1,476.9	568.2	590.7
Bank loans and mortgages	989.2	1,408.1	361.0	365.7
Net lease liability (note 22)	170.0	172.8	45.3	46.6
Amounts owed to Group companies	-	-	766.0	786.3
	3,041.1	3,057.8	1,740.5	1,789.3
Total loans and borrowings	**3,377.3**	**3,105.7**	**1,769.6**	**1,829.6**

On 26 May 2021, the Group repaid £300 million of short-term debt obtained in the form of commercial papers through the Covid Corporate Financing Facility (CCFF).

Based on the lender's earliest repayment date, borrowings fall due as follows:

Group	Leases £m	Other borrowings £m	Total £m
Due within one year	3.8	332.4	336.2
Due in more than one year but less than two years	3.4	32.0	35.4
Due in more than two years but less than five years	10.4	377.7	388.1
Due in more than five years	156.2	2,461.4	2,617.6
	173.8	**3,203.5**	**3,377.3**

Association	Leases £m	Other borrowings £m	Total £m
Due within one year	1.6	27.5	29.1
Due in more than one year but less than two years	1.2	25.8	27.0
Due in more than two years but less than five years	3.0	293.7	296.7
Due in more than five years	41.1	1,375.7	1,416.8
	46.9	**1,722.7**	**1,769.6**

The Group recorded security on loans with charges on property totalling £2,661.3 million (2020: £2,716.2 million) at the reporting date. It also recorded security for the one year's interest payments and final principal instalment in the form of debt service reserves for loans totalling £195.6 million (2020: £202.2 million). Borrowings are stated net of £15.9 million set up costs (2020: £14.8 million). Further details on interest rates are contained in note 23a.

The Association recorded security on loans with charges on property totalling £1,383.0 million (2020: £1,436.8 million) at the reporting date. It also recorded security for the one year's interest payments and final principal instalment in the form of debt service reserves for loans totalling £195.6 million (2020: £202.2 million). Borrowings are stated net of £11.1 million set up costs (2020: £11.1 million).

22. Leases

Lessee Arrangements

The Group leases a significant number of residential and commercial properties. Typical residential leases most commonly run from periods of between 100 and 999 years. Commercial leases typically run on shorter leases up to 99 years in duration. Leases will be typically appraised prior to expiry of the initial term of the contract or at the next break opportunity. A decision to either terminate or renew the lease will be undertaken. Leases that pass the initial term without a decision will continue in a holdover period until resolved.

Right-of-Use Assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see note 12).

Right-of-Use Assets Included Within Property, Plant and Equipment

Group	Land and buildings £m	Offices £m	Total £m
Cost			
Balance as at 1 April 2020	28.6	6.0	34.6
Transfer between PPE categories	0.4	(0.2)	0.2
Additions	0.6	-	0.6
Derecognition of right-of-use assets	(1.5)	-	(1.5)
Balance as at 31 March 2021	28.1	5.8	33.9
Depreciation and impairment			
Balance as at 1 April 2020	1.3	0.8	2.1
Depreciation charge for the year	1.9	0.2	2.1
Transfer between PPE categories	(0.1)	-	(0.1)
Balance as at 31 March 2021	3.1	1.0	4.1
Net Book Value			
31 March 2021	**25.0**	**4.8**	**29.8**
31 March 2020	27.3	5.2	32.5

Association	Land and buildings £m	Offices £m	Total £m
Cost			
Balance as at 1 April 2020	28.3	5.8	34.1
Additions to right-of-use assets	0.3	-	0.3
Balance as at 31 March 2021	28.6	5.8	34.4
Depreciation and impairment			
Balance as at 1 April 2020	1.2	0.8	2.0
Depreciation charge for the year	1.6	0.2	1.8
Balance as at 31 March 2021	2.8	1.0	3.8
Net Book Value			
31 March 2021	**25.8**	**4.8**	**30.6**
31 March 2020	27.1	5.0	32.1

The Group derecognised a right-of-use asset during the year following the purchase of the freehold of the property. No gain or loss has been recognised in respect of the derecognition of the lease and right-of-use asset.

Amounts Recognised in the Statement of Comprehensive Income

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Interest on lease liabilities	9.7	10.4	3.2	3.2
Depreciation charge for right-of-use assets	2.1	2.1	1.8	2.0
	11.8	**12.5**	**5.0**	**5.2**

Amounts Recognised in the Statement of Cash Flows

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Total cash outflow for leases	13.2	13.8	4.7	5.5
	13.2	**13.8**	**4.7**	**5.5**

Rent Reviews

Around 40% of the Group's leases have rent reviews within their terms. These reviews rely on information such as inflation indexes and market rates at the time of the review. These future increases (and occasional decreases) in rents payable will not be recognised in the right-of-use assets and lease liabilities until they become effective.

Lease Liabilities

Undiscounted lease payments to be made under lease arrangements fall due as shown below.

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Land and buildings:				
Under one year	12.9	12.9	4.5	4.6
In the second to fifth year inclusive	50.4	50.3	15.4	16.2
In more than five years	329.6	341.6	108.2	111.5
Total gross payments	392.9	404.8	128.1	132.3
Financing costs	(219.1)	(228.3)	(81.2)	(84.2)
Net lease liability	**173.8**	**176.5**	**46.9**	**48.1**

The present value of amounts payable under leases is as follows:

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Land and buildings:				
Under one year	3.8	3.7	1.6	1.5
In the second to fifth year inclusive	13.8	14.0	4.2	4.8
In more than five years	156.2	158.8	41.1	41.8
	173.8	**176.5**	**46.9**	**48.1**

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent payments.

Lessor Arrangements

It has been determined that contracts of residential occupation, which include social housing tenancies and student licences, do not meet the definition of a lease under IFRS 16. These arrangements are treated as revenue contracts under IFRS 15. A small proportion of the Group's income is derived from commercial arrangements that do meet the definition of a lease under IFRS 16 and these are discussed further below.

The Group undertakes an assessment of the financial and operational viability of any potential lessee for a new lease and as such will determine the most appropriate lease terms to put in place. Negotiation of these lease terms will consider the most appropriate terms to ensure they are not unduly onerous or prohibitive and ensure any value continues to be realised or enhanced from the property.

There are no variable lease payments that do not depend on an index or a rate.

The Group has operating leases in both its Supported Living and Student and Market Rented divisions. During the year ended 31 March 2021, income from operating leases was £11.8 million for the Group (2020: £11.5 million) and £8.5 million for the Association (2020: £5.9 million).

Amounts receivable under operating leases are due as follows:

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Under one year	7.9	8.4	4.6	4.9
Between one and two years	4.7	7.9	4.5	4.5
Between two and three years	4.4	5.9	4.3	4.3
Between three and five years	7.6	8.3	7.3	7.9
In more than five years	47.2	50.1	44.8	49.0
	71.8	**80.6**	**65.5**	**70.6**

23. Financial Instruments and Risk Management

Financial Risk Management Objectives and Policies

The Group's treasury function is responsible for the management of funds and control of the associated risks. Other financial risks, for example tenant rental arrears, are the responsibility of other teams within the Group's finance function. Treasury and finance activities are governed in accordance with the Board approved policy and the management of associated risks is reviewed and approved by the Group Audit and Risk Committee. There is further explanation of the Group's approach to risk management in the Strategic Report and Directors' Report.

Where financial instruments are measured in the Statement of Financial Position at fair value, disclosure of fair value measurements by level is required, in accordance with the following fair value measurement hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Group's financial instruments include:

Financial Assets

Financial assets at amortised cost	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Unlisted investments (note 14)	13.6	13.6	13.6	13.6
Rental receivables (note 16)	11.2	12.6	8.5	9.8
Other trade receivables (note 16)	21.5	20.1	4.5	7.0
Other receivables (note 16)	24.2	20.0	18.9	18.2
Amounts due on construction contracts (note 2)	-	0.3	-	0.3
Amounts due from subsidiary undertakings (note 16)	-	-	166.1	158.5
Amounts due from joint venture (note 16)	30.6	33.0	30.6	33.1
Lease receivable (note 17)	12.3	13.4	-	-
Cash and cash equivalents	494.7	261.5	5.1	1.9
	608.1	374.5	247.3	242.4

The Group's investments in the Statement of Financial Position were £24.4 million at 31 March 2021 (2020: £24.3 million). Of this value, £10.8 million (2020: £10.7 million) was classed as FVOCI and £13.6 million (2020: £13.6 million) was classed as held at amortised cost. The Association's investments in the Statement of Financial Position were £24.3 million at 31 March 2021 (2020: £24.1 million). Of this value, £10.7 million (2020: £10.5 million) was classed as FVOCI and £13.6 million (2020: £13.6 million) was classed as held at amortised cost.

Of the above balance held at amortised cost, rental receivables, finance lease receivables, amounts due from subsidiary undertakings, amounts due from joint venture and other receivables totalling £99.8 million (2020: £99.1 million) for the Group and £228.6 million (2020: £226.6 million) for the Association derive from current and non-current trade and other receivables balances on the Statement of Financial Position.

Trade and other receivables totalled £133.9 million at 31 March 2021 (2020: £128.7 million) for the Group and £244.7 million at 31 March 2021 (2020: £242.3 million) for the Association. Prepayments and accrued income balances of £34.1 million (2020: £29.6 million) for the Group and £16.1 million (2020: £15.7 million) for the Association are not considered to fall within the definition of a financial asset.

Financial assets at FVOCI	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Listed investments (note 14)	10.8	10.7	10.7	10.5

All significant inputs required to value investments held at FVOCI are observable and, as such, the Group has classified them as Level 1.

Financial Liabilities

As at 31 March 2021, the Group and Association's financial liability balances were as follows:

Financial liabilities at amortised cost – current	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Debt finance excluding set up costs	334.0	45.9	28.5	39.7
Trade payables (note 20)	23.0	16.3	7.8	8.0
Net lease liability (note 22)	3.8	3.7	1.6	1.5
Amounts due to subsidiary undertakings (note 20)	-	-	14.5	6.7
Other payables (note 20)	43.4	37.1	28.3	24.3
	404.2	103.0	80.7	80.2

Other payables include other tax and social security, other payables, future maintenance on home ownership schemes and Social Housing Grant and other grants in advance. Current trade and other payables as disclosed in the Statement of Financial Position totalled £195.1 million (2020: £155.4 million) for the Group and £90.9 million (2020: £77.7 million) for the Association. The difference between the Statement of Financial Position and the amounts disclosed above is £128.7 million (2020: £102.0 million) for the Group and £40.3 million (2020: £38.7 million) for the Association and relates to balances that are not considered to fall within the definition of a financial liability. Debt finance consists of loans and borrowings and is presented above before deduction of set up costs.

Financial liabilities at amortised cost – non-current	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Debt finance excluding set up costs	2,885.4	2,898.1	1,705.3	1,752.9
Net lease liability (note 22)	170.0	172.8	45.3	46.6
Other payables (note 20)	0.2	1.7	-	-
	3,055.6	3,072.6	1,750.6	1,799.5

Non-current trade and other payables as disclosed in the Statement of Financial Position totalled £4.4 million (2020: £7.3 million) for the Group and £3.8 million (2020: £5.3 million) for the Association. Of these amounts, £0.2 million (2020: £1.7 million) in the Group is considered to fall within the definition of a financial liability while £nil (2020: £nil) is considered to fall within this definition in the Association.

Total current and non-current other financial liabilities at 31 March 2021 were £3,459.8 million (2020: £3,175.6 million) for the Group and £1,831.3 million (2020: £1,879.7 million) for the Association. All significant inputs required to value the above instruments are observable and, as such, the Group has classified them as Level 2.

Financial liabilities at FVPL	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Derivative financial instruments – interest rate swap (note 15)	2.8	3.5	-	-
	2.8	3.5	-	-

The derivative financial instrument relating to an interest rate swap valued at FVPL was entered into by the Group under a facility agreement dated September 2002. Fair value movements totalling £0.7 million (2020: (£0.1) million movement) for the Group and £nil (2020: £nil) for the Association are shown as a credit or (debit) to the Income Statement (note 9).

The purpose of the derivative financial instrument is to hedge the interest rate risk associated with the variability of cash flows on variable rate loans.

All significant inputs required to value the above interest rate swap are observable and, as such, the Group has classified them as Level 2.

Valuation

Balances are valued in accordance with note 1 Principal Accounting Policies – Financial Instruments. Fair value equates to book value except in the following cases:

Derivative financial instruments are measured at fair value.

The fair value of the cross currency derivative financial instruments is arrived at by discounting future cash flows associated with each swap and comparing, for each swap, the cumulative total discounted sterling future cash flows with the total discounted dollar future cash flows translated at the year end exchange rate. The swap rate data used for discounting the flows is provided to the Group by external advisers.

The fair value of the interest rate swap is arrived at by discounting the fixed leg and variable leg cash flows using interpolated yield curves provided to the Group by external advisers.

Listed investments are measured at fair value. The fair value equates to the market value of these listed investments at the reporting date.

Senior notes and debenture stock, bank loans and mortgages, and net lease liabilities are measured at book value. However, fair value can be calculated and these are disclosed in note 23a. The variance between the fair value and the book value of the Group and Association's long-term borrowings is driven by the discount rates and weighted average life of the fixed rate financial liabilities, which is 16.8 years (2020: 17.2 years) for the Group and 16.2 years (2020: 16.5 years) for the Association.

Loans denominated in foreign currency are translated at year end exchange rates.

Analysis of Risks

a) Interest Rate Risk and Exposure

Interest rate risk is defined as the risk that interest rates may change in the future materially affecting the Group's liabilities and cash flows. The interest rate exposure of the Group and Association net debt at 31 March 2021 after hedging instruments was:

	Group		Association	
	£m	%	£m	%
Fixed rate financial liabilities	3,241.2	96.0	1,731.0	97.8
Floating rate financial liabilities	136.1	4.0	38.6	2.2
	3,377.3	**100.0**	**1,769.6**	**100.0**

The cost of borrowing of the Group fixed rate financial liabilities is 4.05% (2020: 4.81%) and for the Association 4.80% (2020: 5.20%). The cost of borrowing of the Group's total financial liabilities is 3.91% (2020: 4.16%) and for the Association 4.90% (2020: 4.90%). The weighted average life of fixed rate financial liabilities for the Group is 16.8 years (2020: 17.2 years) and for the Association is 16.2 years (2020: 16.5 years). The Group operates an interest rate policy designed to minimise interest cost and reduce volatility in cash flow and debt service costs. Group borrowings currently comprise 96.0% fixed rate debt (2020: 82.7%) and 4.0% floating rate debt (2020: 17.3%). Association borrowings comprise 97.8% fixed rate debt (2020: 94.7%) and 2.2% floating rate debt (2020: 5.3%).

The Group's cash flow interest rate risk relates to:

- Variable rate financial instruments which are subject to rate changes – a 10% increase in interest costs would result in an additional charge to the Statement of Comprehensive Income of £0.1 million (2020: £0.9 million).
- Fixed rate financial instruments where benefits of interest rate reductions are lost – a 0.25% rate reduction would result in a lost benefit of £8.0 million (2020: £6.3 million).

A comparison of the book value to fair value of the Group's and Association's long-term borrowings at 31 March 2021 is set out below.

	Group		Association	
	2021 Book value £m	2021 Fair value £m	2021 Book value £m	2021 Fair value £m
Senior notes and debenture stock (note 21)	2,197.9	2,529.6	584.2	726.8
Bank loans and mortgages (note 21)	1,005.6	1,216.1	365.1	515.9
Net lease liability (notes 21, 22)	173.8	173.8	46.9	46.9
Amounts owed to Group companies (note 21)	-	-	773.4	1,071.9
	3,377.3	**3,919.5**	**1,769.6**	**2,361.5**

The following methods and assumptions have been applied in determining the value of the financial instruments in the table above.

(i) The book value of loans with a maturity of less than one year is assumed to equate to their carrying value. They have therefore not been included in the above table.
(ii) The fair value of loans greater than one year is established by utilising discounted cash flow valuation models or listed market prices where available.
(iii) The fair value of balances shown above at a variable rate of interest is assumed to approximate to their book value.

For the balances at 31 March 2021, the range of discount rates used was 0.86% to 1.96% (2020: 1.19% to 1.34%).

The fair values of the swaps at the year end would decrease by the following amounts, if an increase of 1% occurred:

Group	Liability	Statement of Comprehensive Income
	£m	£m
In sterling swap rates only	(0.6)	0.6

Interest rate risk applies to debt finance.

Management considers the sensitivity analysis in relation to the remaining interest rate swaps not included above to be not material.

b) Currency Rate Risk and Exposure

Currency rate risk is the risk that foreign currency arrangements that the Group has entered into will be adversely affected by exchange rate movements. Hedging is defined as the practice of offsetting such risks and the organisation applies such practices. The hedge put in place by the organisation removes completely the currency risk, as explained below.

In 2007 the Group borrowed $80 million through an issue of senior notes at an interest rate of 5.83% repayable in 2037. The foreign currency funds have been swapped through derivative financial instruments with the counterparty of the arrangement described above.

The amounts at the reporting date relating to items designated as hedged items were as follows.

	Carrying value of hedging instrument	Line item in the Statement of Financial Position where the hedging instrument is located	Change in value of the hedging instrument recognised in OCI	Costs of hedging recognised in OCI
	£m		£m	£m
Foreign currency risk	20.6	Derivative financial assets	13.0	1.7

The fair values of the swaps and loans at the year end, if an increase in interest rates of 1% occurred, are:

Group	Asset	Income Statement	Cash flow hedge reserve
	£m	£m	£m
In both dollar and sterling swap rates	(2.0)	-	(2.0)
In sterling swap rates only	7.8	-	7.8
In dollar swap rate only	(9.8)	-	(9.8)
In the year end exchange rate	(0.9)	-	(0.9)
In the year end exchange rate and in the dollar and sterling swap rates	(2.9)	-	(2.9)

Association	Asset	Income Statement	Cash flow hedge reserve
	£m	£m	£m
In both dollar and sterling swap rates	(2.0)	-	(2.0)
In sterling swap rates only	7.8	-	7.8
In dollar swap rate only	(9.8)	-	(9.8)
In the year end exchange rate	(0.9)	-	(0.9)
In the year end exchange rate and in the dollar and sterling swap rates	(2.9)	-	(2.9)

Currency rate risk applies to the derivative financial instruments balance and underlying loans denominated in dollars.

c) Liquidity Risk

Liquidity risk is the risk that the Group will fail to be able to access liquid funds, either through:

- Lack of available facilities; or
- Lack of secured, but available, facilities; or
- Lack of identification of need to draw on available facilities.

The treasury function ensures the above risks are managed by preparing cash forecasts on a daily and longer-term basis to ensure that short and longer-term requirements are known. The forecasts are cautious in the approach and are constantly updated to allow for sensitivity in assumptions. These are reported to the Group Finance Director on a fortnightly basis. The forecasts identify when drawdowns on existing facilities are required and when existing facilities expire. Further facilities are negotiated and secured well in advance of them being needed for drawdown.

The treasury function also manages a database of the Group's stock in order to identify unencumbered stock for security of new facilities. A programme of valuations is maintained to ensure that optimum value is gained from the Group's secured properties. These systems ensure that facilities are available to the Group which are secured and available to draw on as required.

The Group's liquidity policy is to maintain sufficient liquid resources to cover cash flow requirements and fluctuations in funding to enable the Group to meet its financial obligations.

The Group has not defaulted on any of its loan arrangements in the year.

Liquidity risk applies to cash and all payables balances.

Contractual Cash Flows for All Financial Liabilities

The following is an analysis of the anticipated contractual cash flows including interest and finance charges payable for the Group and Association's financial liabilities on an undiscounted basis. For the purpose of this table, debt is defined as bank loans, mortgages, deferred finance, bonds and debenture stock. Interest is calculated based on debt held at 31 March.

At 31 March 2021 – Group	Debt	Interest on debt	Lease liabilities	Other liabilities not in net debt	Interest on hedge accounted derivatives	Total
	£m	£m	£m	£m	£m	£m
Due less than one year	(333.3)	(129.8)	(12.9)	(66.4)	(2.8)	(545.2)
Between one and two years	(31.8)	(127.7)	(12.6)	(0.2)	(2.8)	(175.1)
Between two and three years	(188.1)	(120.0)	(12.6)	-	(2.7)	(323.4)
Between three and four years	(85.8)	(120.4)	(12.6)	-	(2.7)	(221.5)
Between four and five years	(101.7)	(115.5)	(12.6)	-	(2.7)	(232.5)
Greater than five years	(2,421.8)	(1,539.0)	(329.6)	-	(27.3)	(4,317.7)
Gross contractual cash flows	**(3,162.5)**	**(2,152.4)**	**(392.9)**	**(66.6)**	**(41.0)**	**(5,815.4)**

At 31 March 2020 – Group	Debt	Interest on debt	Lease liabilities	Other liabilities not in net debt	Interest on hedge accounted derivatives	Total
	£m	£m	£m	£m	£m	£m
Due less than one year	(44.3)	(127.8)	(12.9)	(53.4)	(2.9)	(241.3)
Between one and two years	(183.2)	(124.3)	(12.8)	(1.7)	(2.8)	(324.8)
Between two and three years	(83.6)	(120.6)	(12.5)	-	(2.8)	(219.5)
Between three and four years	(190.5)	(111.4)	(12.5)	-	(2.7)	(317.1)
Between four and five years	(163.2)	(111.0)	(12.5)	-	(2.7)	(289.4)
Greater than five years	(2,206.8)	(1,409.1)	(341.6)	-	(30.0)	(3,987.5)
Gross contractual cash flows	**(2,871.6)**	**(2,004.2)**	**(404.8)**	**(55.1)**	**(43.9)**	**(5,379.6)**

At 31 March 2021 – Association	Debt	Interest on debt	Lease liabilities	Other liabilities not in net debt	Interest on hedge accounted derivatives	Total
	£m	£m	£m	£m	£m	£m
Due less than one year	(27.5)	(89.5)	(4.5)	(50.6)	(2.3)	(174.4)
Between one and two years	(25.5)	(87.7)	(4.1)	-	(2.3)	(119.6)
Between two and three years	(120.3)	(81.7)	(3.8)	-	(2.3)	(208.1)
Between three and four years	(79.8)	(80.8)	(3.8)	-	(2.3)	(166.7)
Between four and five years	(91.7)	(76.9)	(3.7)	-	(2.3)	(174.6)
Greater than five years	(1,344.9)	(892.1)	(108.2)	-	(26.1)	(2,371.3)
Gross contractual cash flows	**(1,689.7)**	**(1,308.7)**	**(128.1)**	**(50.6)**	**(37.6)**	**(3,214.7)**

At 31 March 2020 – Association	Debt	Interest on debt	Lease liabilities	Other liabilities not in net debt	Interest on hedge accounted derivatives	Total
	£m	£m	£m	£m	£m	£m
Due less than one year	(38.6)	(91.4)	(4.6)	(39.0)	(2.3)	(175.9)
Between one and two years	(35.5)	(90.0)	(4.5)	-	(2.3)	(132.3)
Between two and three years	(25.5)	(88.0)	(4.1)	-	(2.3)	(119.9)
Between three and four years	(120.3)	(81.4)	(3.8)	-	(2.3)	(207.8)
Between four and five years	(80.8)	(80.3)	(3.8)	-	(2.3)	(167.2)
Greater than five years	(1,438.7)	(915.5)	(111.5)	-	(28.3)	(2,494.0)
Gross contractual cash flows	**(1,739.4)**	**(1,346.6)**	**(132.3)**	**(39.0)**	**(39.8)**	**(3,297.1)**

d) Credit Risk

Credit risk applies to all debtor balances and to debt finance. The risk falls into two categories: financial and operational.

Financial

It is the Group's policy not to take or place funds with any financial institution which is not accepted as a counterparty in the Group's Financial Regulations. Such counterparties are approved by the Board but only on the achievement of the desired credit agency rating. The maximum exposure with a single funder is £335.0 million as at 31 March 2021 (2020: £338.0 million).

The Group manages credit risk by carrying out monthly credit checks on all counterparties from which the Group either sources funds or places deposits, also allowing the Group to assess whether there has been a significant increase in credit risk at the reporting date. The financial credit risk is mitigated to some extent by the existence of borrowing facilities with such counterparties.

Twelve-month probabilities of default (PD) are based on historical credit loss data supplied by the rating agency Moody's. Assets measured at amortised cost or FVOCI were subject to a 12-month ECL allowance, none of these assets were credit impaired. Largely due to the low credit risk of the financial assets held, there has been no expected credit loss recognised at 31 March 2021.

Operational

The majority of the operational debt at any given time relates to tenants and non-tenants of the Group. These debts are reported to management on a weekly basis and recovery of debts is coordinated through subsidiary and regional management teams. Performance of debt recovery is reviewed monthly by the Executive Committee.

Tenant Rental Receivable Arrears

Gross tenant rental arrears due as at 31 March 2021 totalled £16.0 million (2020: £16.1 million) for the Group and £12.4 million (2020: £12.8 million) for the Association. Most of this balance was past due as the majority of tenancy agreements state that the rent is due in advance. The age of these arrears was as follows:

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Less than 30 days	7.9	8.4	6.1	6.7
30 to 60 days	2.3	1.5	1.7	1.2
60 to 90 days	1.6	1.0	1.3	0.7
More than 90 days	4.2	5.2	3.3	4.2
Balance as at 31 March	**16.0**	**16.1**	**12.4**	**12.8**

In the Group there is an expected credit loss allowance against £4.8 million (2020: £3.5 million) of this balance leaving a net rental arrears balance of £11.2 million (2020: £12.6 million) (see note 16). In the Association there is an expected credit loss allowance against £3.9 million (2020: £3.0 million) of this balance leaving a net rental arrears balance of £8.5 million (2020: £9.8 million) (see note 16).

Tenant Rental Receivable Arrears Expected Credit Loss

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Balance as at 1 April	3.5	6.1	3.0	5.1
Provided in the year	4.5	5.0	3.6	4.3
Released in the year	(1.0)	(1.7)	(0.9)	(1.4)
Amounts written off	(2.2)	(5.9)	(1.8)	(5.0)
Balance as at 31 March	**4.8**	**3.5**	**3.9**	**3.0**

Under IFRS 9, loss allowances for trade receivables are measured at an amount equal to lifetime Expected Credit Losses (ECLs). Lifetime ECLs are a probability-weighted estimate of credit losses that result from all possible default events over the expected life of a financial instrument.

Other Trade Receivables

Gross other trade receivables balances as at 31 March 2021 totalled £29.4 million (2020: £25.5 million) for the Group and £7.4 million (2020: £8.6 million) for the Association. The age of gross other trade receivables balances was as follows:

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Less than 30 days	19.5	13.0	1.2	4.2
30 to 60 days	1.3	5.7	0.5	1.1
60 to 90 days	1.3	1.3	0.6	0.8
More than 90 days	7.3	5.5	5.1	2.5
Balance as at 31 March	**29.4**	**25.5**	**7.4**	**8.6**

In the Group there is an expected credit loss allowance against £7.9 million (2020: £5.4 million) of this balance leaving a net other trade receivables balance of £21.5 million (2020: £20.1 million) (see note 16). In the Association there is an expected credit loss allowance against £2.9 million (2020: £1.6 million) of this balance leaving a net other trade receivables balance of £4.5 million (2020: £7.0 million) (see note 16).

Other Trade Receivables Expected Credit Loss

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Balance as at 1 April	5.4	3.0	1.6	0.7
Provided in the year	5.0	3.5	1.7	1.2
Released in the year	(2.0)	(1.0)	(0.3)	(0.3)
Amounts written off	(0.5)	(0.1)	(0.1)	-
Balance as at 31 March	**7.9**	**5.4**	**2.9**	**1.6**

The Group provides for specific categories of sundry receivable balances and specific sundry receivable balances where the likelihood of settlement in full or in part is unlikely.

Contract Assets

Contract assets of £nil (2020: £0.3 million) do not have any associated expected credit losses.

Summary of Credit Risk

The maximum credit risk at 31 March 2021 and 2020 was as follows:

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Investments (note 14)	24.4	24.3	24.3	24.1
Derivative financial instruments (note 15)	20.6	41.5	20.6	41.5
Receivables	99.8	99.4	228.6	226.9
Cash and cash equivalents	494.7	261.5	5.1	1.9
	639.5	**426.7**	**278.6**	**294.4**

e) Concentration Risk

Concentration risk is defined as the risk associated with a reliance on transactions that carry a similar risk profile. Management determines concentrations of risk through its standard risk management procedures, as detailed in the Strategic Report and Directors' Report.

Management considers the Group's main concentration of risk to be within rent and service charge arrears. The shared characteristic of this concentration is the social demographic of the client base that can be linked to lower credit quality. However, the arrears are from a number of types of tenancy:

- Rental
- Sheltered housing
- Supported housing
- Care homes
- Students
- Commercial tenants
- Shared ownership
- Home ownership.

A reduced level of risk is associated with shared ownership and home ownership residents.

The maximum exposure to this risk is equal to the tenant rental arrears balance (net of expected credit loss) at 31 March 2021, £11.2 million (2020: £12.6 million) for the Group and £8.5 million (2020: £9.8 million) for the Association.

Information on the Group's spread of lenders is explained in note 23d.

f) Market Rate Risk

Market risk applies to listed investments. Listed investments are exposed to fluctuations in market values that are outside the Group's control. Listed investments at 31 March 2021 totalled £10.8 million (2020: £10.7 million) in the Group and £10.7 million (2020: £10.5 million) in the Association. The Group mitigates this risk by carrying out credit checks on all counterparties and investing only in those counterparties that achieve the desired credit agency rating. This is also explained in note 23d.

g) Collateral Pledged

The Group holds debt servicing reserves if, and as, required by the various lenders. These are disclosed and described in note 14.

h) Collateral Held

The Group does not hold any significant collateral.

i) Capital

The Group considers its capital balances to be share capital (note 26) and reserves (note 27). The revaluation reserve balance is entirely governed by market rates for listed investments. The revenue reserve is formed of Group surpluses and deficits from each year since the Group's formation and it also contains gains on business combinations that have arisen following the acquisition of subsidiaries. Acquisitions of social housing businesses that are in substance the gift of one business to another are treated as non-exchange transactions. The fair value of the gift of the recognised assets and liabilities is treated as a gain or loss in the Statement of Comprehensive Income.

None of these capital balances has a significant degree of active management, other than in the case of current year Income Statement movement that contributes to revenue reserves. There are restrictions on the Group in the use of £0.2 million (2020: £0.2 million) in relation to Carr-Gomm which was acquired by the Group in 2010 and then transferred its engagements to the Association on 31 March 2011, and £4.6 million (2020: £2.0 million) relating to Voluntary Right to Buy scheme surpluses (see note 27 regarding restricted reserves).

24. Deferred Tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Deferred Tax Assets

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
As at 1 April	5.1	4.3	-	-
Increase in tax rate from 17% to 19%	-	0.5	-	-
Temporary timing differences	(0.2)	0.3	-	-
As at 31 March	**4.9**	**5.1**	**-**	**-**
Comprising:				
Trading losses carried forward	4.4	4.5	-	-
Interest rate swap derivative	0.5	0.6	-	-
	4.9	**5.1**	**-**	**-**

The interest rate swap derivative is held in ASK (Greenwich) Limited.

Deferred Tax Liabilities

A deferred tax liability exists within ASK (Greenwich) Limited, a 100% owned subsidiary of the Association.

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
As at 1 April	0.6	0.6	-	-
Credit to Income Statement	-	-	-	-
As at 31 March	**0.6**	**0.6**	**-**	**-**

This balance relates to timing differences on taxation of a unitary charge. Unitary charge refers to amounts due from the Royal Borough of Greenwich under the terms of a project agreement.

25. Provisions for Liabilities and Charges

Group	Onerous contracts	Property related	Employee related	Other provisions	Total
	£m	£m	£m	£m	£m
At 1 April 2020	2.9	5.7	-	-	8.6
Re-classification of provisions	(0.2)	(3.8)	-	4.0	-
Provided in the year	2.7	0.1	1.0	3.2	7.0
Acquisitions (note 33)	-	1.5	0.2	2.1	3.8
Utilised during the year	(0.1)	(0.2)	(0.2)	-	(0.5)
Released during the year	-	(0.5)	-	(2.4)	(2.9)
At 31 March 2021	**5.3**	**2.8**	**1.0**	**6.9**	**16.0**
Ageing of provisions – expected utilisation					
At 31 March 2021					
Under one year	1.2	1.8	1.0	6.9	10.9
Over one year	4.1	1.0	-	-	5.1
At 31 March 2020					
Under one year	0.2	4.6	-	-	4.8
Over one year	2.7	1.1	-	-	3.8

Association	Onerous contracts	Property related	Employee related	Other provisions	Total
	£m	£m	£m	£m	£m
At 1 April 2020	-	2.4	-	-	2.4
Re-classification of provisions	-	(2.4)	-	2.4	-
Provided in the year	-	-	1.0	3.6	4.6
Utilised during the year	-	-	-	-	-
Released during the year	-	-	-	(2.4)	(2.4)
At 31 March 2021	**-**	**-**	**1.0**	**3.6**	**4.6**
Ageing of provisions – expected utilisation					
At 31 March 2021					
Under one year	-	-	1.0	3.6	4.6
Over one year	-	-	-	-	-
At 31 March 2020					
Under one year	-	2.4	-	-	2.4
Over one year	-	-	-	-	-

Onerous Contract Provisions

Provisions have been made for onerous lease contracts on leased buildings and other onerous contracts. The provisions are being unwound over the remaining term of the contracts, the last of which will be fully utilised by 31 March 2047.

Property Related Provisions

Property provisions relate to the running and maintenance of buildings owned and leased; they have not been discounted because the difference between the balances above and discounted equivalents are not material.

Employee Related Provisions

Employee provisions are being held in respect of employee benefits relating to the year ending 31 March 2021.

Other Provisions

Provisions have been made for potential legal or contractual costs that will not be covered by the Group's insurance policies.

26. Share Capital

	Group and Association	
Each member holds one share of £1 in the Association	2021	2020
	£	£
Allotted, issued and fully paid:		
At 1 April	29	28
Issued during the year	3	2
Redeemed during the year	(1)	(1)
At 31 March	**31**	**29**

Each share carries voting rights but not rights to dividends, distributions on winding up or rights of redemption. Share issues and redemptions are as a result of changes to the membership of the Association.

27. Reserves

Group	Revenue reserve	Restricted reserves	Revaluation reserve	Cash flow hedge reserve	Cost of hedging reserve	Total
	£m	£m	£m	£m	£m	£m
At 1 April 2019	1,033.8	0.2	1.2	1.4	1.1	1,037.7
Surplus for the year	53.2	-	-	-	-	53.2
Actuarial gain on pension schemes	14.8	-	-	-	-	14.8
Revaluation of listed investments	-	-	(0.5)	-	-	(0.5)
Gain/(loss) on hedge instrument	-	-	-	16.3	(0.1)	16.2
Transfer of VRTB proceeds	(2.0)	2.0	-	-	-	-
Transfer of gain on disposal of equity investments	0.6	-	(0.6)	-	-	-
At 31 March 2020	1,100.4	2.2	0.1	17.7	1.0	1,121.4
At 1 April 2020	1,100.4	2.2	0.1	17.7	1.0	1,121.4
Surplus for the year	46.7	-	-	-	-	46.7
Actuarial loss on pension schemes	(45.0)	-	-	-	-	(45.0)
Revaluation of listed investments	-	-	(0.1)	-	-	(0.1)
Gain/(loss) on hedge instrument	-	-	-	(13.0)	(1.7)	(14.7)
Transfer of VRTB proceeds	(2.6)	2.6	-	-	-	-
Transfer of gain on disposal of equity investments	0.1	-	(0.1)	-	-	-
At 31 March 2021	**1,099.6**	**4.8**	**(0.1)**	**4.7**	**(0.7)**	**1,108.3**

Association	Revenue reserve	Restricted reserves	Revaluation reserve	Cash flow hedge reserve	Cost of hedging reserve	Total
	£m	£m	£m	£m	£m	£m
At 1 April 2019	1,112.7	0.2	1.2	1.3	1.1	1,116.5
Surplus for the year	42.4	-	-	-	-	42.4
Actuarial loss on pension schemes	16.0	-	-	-	-	16.0
Revaluation of listed investments	-	-	(0.5)	-	-	(0.5)
Gain/(loss) on hedge instrument	-	-	-	16.3	(0.1)	16.2
Transfer of VRTB proceeds	(2.0)	2.0	-	-	-	-
Transfer of gain on disposal of equity investments	0.6	-	(0.6)	-	-	-
At 31 March 2020	1,169.7	2.2	0.1	17.6	1.0	1,190.6
At 1 April 2020	1,169.7	2.2	0.1	17.6	1.0	1,190.6
Surplus for the year	33.8	-	-	-	-	33.8
Actuarial loss on pension schemes	(46.8)	-	-	-	-	(46.8)
Revaluation of listed investments	-	-	(0.1)	-	-	(0.1)
Gain/(loss) on hedge instrument	-	-	-	(13.0)	(1.7)	(14.7)
Transfer of VRTB proceeds	(2.4)	2.4	-	-	-	-
Transfer of gain on disposal of equity investments	0.1	-	(0.1)	-	-	-
At 31 March 2021	**1,154.4**	**4.6**	**(0.1)**	**4.6**	**(0.7)**	**1,162.8**

Restricted Reserves

Within both the Group and the Association, £0.2 million (2020: £0.2 million) of the reserves acquired with Carr-Gomm remain restricted in application.

For the year ending March 2021, £2.6 million of revenue reserves (2020: £2.0 million) in the Group and £2.4 million in the Association (2020: £2.0 million) has been restricted relating to surpluses made on asset sales as part of the Voluntary Right to Buy scheme. Funds are made up of the receipts from the discounted sale, plus compensation for the discount given. These funds are restricted in use and must be spent on new supply social housing properties on a one-for-one replacement basis.

Revaluation Reserve

The revaluation reserve comprises cumulative net changes in fair value of equity securities designated at fair value through other comprehensive income (FVOCI).

Cash Flow Hedge Reserve

The cash flow hedge reserve comprises the effective portion of cumulative net changes in the fair value of hedging instruments used in cash flow hedges.

Cost of Hedging Reserve

The cost of hedging reserve reflects gains or losses on the portion excluded from the designated hedging instrument that relates to the forward element of forward contracts. It is initially recognised in OCI and accounted for similarly to gains or losses in the cash flow hedge reserve.

28. Retirement Benefits

The Group participates in 16 (2020: 15) funded defined benefit pension schemes. All schemes' assets are held in separate funds administered by the trustees of each scheme.

Local Government Pension Schemes

Where the underlying assets and liabilities of the defined benefit schemes can be separately identified the Group recognises in full the schemes' surpluses or deficits on the Statement of Financial Position. Where it is not possible to separately identify the share of the underlying assets and liabilities of a defined benefit scheme, an amount is charged to the Statement of Comprehensive Income that represents the contributions payable in the year.

The Association and its subsidiaries are admitted bodies into the below local Government pension schemes, participation in which is accounted for on a defined benefit pension scheme basis:

Scheme name	Group admitted body	Employer contributions	Range of member contributions	Liability recognised
Cambridgeshire County Council Pension Fund	Sanctuary Housing Association	46.3%	5.5% to 9.9%	Yes
London Borough of Greenwich Pension Fund	Sanctuary Housing Association	18.5%	5.5% to 9.9%	Yes
Oxfordshire County Council Pension Fund	Sanctuary Housing Association	37.3%	5.5% to 9.9%	Yes
Essex County Council Pension Fund	Sanctuary Housing Association	24.3%	5.5% to 9.9%	Yes
Devon County Council Pension Fund	Sanctuary Housing Association	25.3%	5.5% to 9.9%	Yes
Strathclyde Pension Fund	Sanctuary Scotland Housing Association	22.5%	5.5% to 11.2%	Yes
Warwickshire County Council Pension Fund	Sanctuary Care Property (1) Limited	45.3%	5.5% to 9.9%	Yes
North East Scotland Pension Fund	Sanctuary Scotland Housing Association	23.7%	5.5% to 11.5%	Yes
Cheshire County Council Pension Fund	Sanctuary Housing Association	23.0% to 34.0%	5.5% to 9.9%	Yes

Participation in the following local Government pension schemes is accounted for on a defined contribution pension scheme basis:

Scheme name	Group admitted body	Employer contributions	Range of member contributions	Liability recognised
North Yorkshire County Council Pension Fund	Sanctuary Housing Association	7.0%	5.5% to 9.9%	Contributions only
Shropshire County Council Pension Fund	Sanctuary Housing Association	19.2%	5.5% to 9.9%	Contributions only
City of Westminster Local Government Pension Scheme	Sanctuary Housing Association	32.2%	5.5% to 9.9%	Contributions only
Merseyside Pension Fund	Sanctuary Housing Association	20.8%	5.5% to 9.9%	Contributions only

The contribution rates above are applicable to both 2021 and 2020 for all local Government schemes.

IAS 19 Employee Benefits

The financial assumptions used to calculate scheme liabilities under IAS 19 Employee Benefits in respect of defined benefit schemes are as follows:

	2021	2020
All schemes	%	%
Inflation	3.30	2.60
Rate of increase in salaries for next two years	2.90	1.70
Rate of increase in salaries thereafter	2.90	1.70
Rate of increase for pensions in payment	2.90	1.70
Rate of increase for deferred pensions	3.30	2.60
Discount rate	2.00	2.35

On 25 November 2020, HM Treasury and the UK Statistics Authority released their joint response to the consultation on reform to retail price index (RPI) methodology. This confirmed that RPI will be aligned with CPIH (consumer price index including owner occupiers' housing costs) from February 2030. To reflect this, the Group has changed the approach to setting the CPI inflation assumption, resulting in a 1.0% per annum deduction to RPI inflation for the period up to 2030 and 0.0% per annum for the period from 2030. This leads to a single equivalent average deduction of 0.4% per annum from the RPI inflation assumption to derive the CPI inflation assumption. Changes in the approach to the setting of RPI and CPI assumptions are reported as a change in financial assumptions in the following tables.

The assumptions for mortality rates are based on 109% of the Continuous Mortality Investigation of the Institute and Faculty of Actuaries (CMI) S3PA tables (2020: 96% S2PA tables) with future improvements based on the CMI 2020 model (2020: CMI 2019) with a long-term improvement of 1.25% per annum for both males and females. Based on these assumptions, the average future life expectancies at age 65 are:

	Males	Females
Current pensioners	21.7 years	24.0 years
Future pensioners	23.0 years	25.5 years

Changes in mortality assumptions are reported as changes in demographic assumptions in the following tables.

The fair value of assets in the scheme, split between quoted and unquoted investments, is as follows:

Group

	2021		2021		2020		2020	
	£m Quoted	£m Unquoted	£m Total	%	£m Quoted	£m Unquoted	£m Total	%
Equities	84.0	10.8	94.8	21.0	86.2	5.6	91.8	22.7
Bonds	209.3	9.3	218.6	48.4	174.5	8.0	182.5	45.0
Property	24.5	7.4	31.9	7.1	11.8	6.5	18.3	4.5
Other	87.4	18.5	105.9	23.5	94.3	18.4	112.7	27.8
Total value of assets	**405.2**	**46.0**	**451.2**	**100.0**	**366.8**	**38.5**	**405.3**	**100.0**

Association

	2021		2021		2020		2020	
	£m Quoted	£m Unquoted	£m Total	%	£m Quoted	£m Unquoted	£m Total	%
Equities	69.0	4.0	73.0	17.5	72.6	3.3	75.9	20.0
Bonds	206.7	8.0	214.7	51.5	171.8	7.4	179.2	47.1
Property	23.4	6.0	29.4	7.1	10.9	5.1	16.0	4.2
Other	83.3	16.2	99.5	23.9	92.7	16.6	109.3	28.7
Total value of assets	**382.4**	**34.2**	**416.6**	**100.0**	**348.0**	**32.4**	**380.4**	**100.0**

Reconciliation of the effect of the asset ceiling:

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Net asset ceiling at 1 April	(19.4)	(0.3)	(18.0)	-
Derestriction/(restriction) of Strathclyde Pension Fund surplus	0.5	(0.7)	-	-
Restriction of Warwickshire County Council Pension Fund surplus	(0.9)	(0.4)	-	-
Derestriction/(restriction) of the Sanctuary Housing Association Final Salary Scheme surplus	15.7	(15.7)	15.7	(15.7)
Derestriction/(restriction) of the Cheshire Pension Fund surplus	2.2	(2.2)	2.2	(2.2)
Restriction of the Essex Pension Fund surplus	(0.1)	(0.1)	(0.1)	(0.1)
Net asset ceiling at 31 March	**(2.0)**	**(19.4)**	**(0.2)**	**(18.0)**

Scheme assets/(liabilities) are reflected in the Statement of Financial Position:

	Group		Association	
	2021 £m	2020 £m	2021 £m	2020 £m
Present value of employer assets	451.2	405.3	416.6	380.4
Present value of funded liabilities	(517.6)	(402.5)	(484.8)	(378.3)
Net funding in funded plans	(66.4)	2.8	(68.2)	2.1
Present value of unfunded liabilities	(0.2)	(0.2)	(0.2)	(0.2)
Pension asset/(liability) before restrictions	(66.6)	2.6	(68.4)	1.9
Effect of net asset ceiling	(2.0)	(19.4)	(0.2)	(18.0)
Recognition of minimum funding requirements	(0.5)	(9.1)	-	(7.7)
Net pension liability	**(69.1)**	**(25.9)**	**(68.6)**	**(23.8)**

An analysis of the expense reflected in the Statement of Comprehensive Income:

	Group 2021 £m	Group 2020 £m	Association 2021 £m	Association 2020 £m
Amount charged to operating surplus:				
Current service cost	(1.7)	(2.1)	(1.5)	(2.0)
Past service cost	-	-	-	-
Expenses	(0.4)	(0.4)	(0.4)	(0.4)
Effect of settlements	-	-	-	-
Total charged to operating surplus	(2.1)	(2.5)	(1.9)	(2.4)
Amount charged to finance cost:				
Interest income on plan assets	9.4	9.2	8.9	8.6
Interest cost on defined benefit obligations	(9.3)	(10.1)	(8.8)	(9.5)
Total amount credited/(charged) to finance cost	0.1	(0.9)	0.1	(0.9)
Total amount charged to the Income Statement	**(2.0)**	**(3.4)**	**(1.8)**	**(3.3)**
Amounts recognised in other comprehensive income:				
Remeasurement gains and losses:				
Return on plan assets excluding interest	38.5	2.0	34.7	3.2
Experience gains	3.8	8.9	3.2	8.9
Other remeasurement gains/(losses)	2.4	(0.3)	-	-
Changes in financial assumptions	(118.7)	42.0	(112.5)	39.3
Changes in demographic assumptions	3.0	(10.1)	2.3	(9.7)
Effect of movement in net asset ceiling	17.4	(19.1)	17.8	(18.0)
Movement in IFRIC 14 minimum funding obligation	8.6	(8.6)	7.7	(7.7)
Total remeasurement gains/(losses)	(45.0)	14.8	(46.8)	16.0
Total amounts recognised in other comprehensive income	**(45.0)**	**14.8**	**(46.8)**	**16.0**

Reconciliation of the opening and closing balances of the present value of scheme liabilities:

	Group 2021 £m	Group 2020 £m	Association 2021 £m	Association 2020 £m
Opening defined benefit obligation	402.7	445.3	378.5	418.5
Acquisitions (note 33)	3.7	-	-	-
Revised opening defined benefit obligation	406.4	445.3	378.5	418.5
Current service cost	1.7	2.1	1.5	2.0
Interest cost	9.3	10.1	8.8	9.5
Contributions by employees	0.3	0.3	0.3	0.3
Experience gains	(3.6)	(8.9)	(3.2)	(8.9)
Changes in financial assumptions	118.7	(42.0)	112.5	(39.3)
Changes in demographic assumptions	(3.0)	10.1	(2.3)	9.7
Net benefits paid (including expenses)	(12.0)	(14.3)	(11.1)	(13.3)
Closing defined benefit obligation	**517.8**	**402.7**	**485.0**	**378.5**

During April 2021, the Trustee of the Sanctuary Housing Association Final Salary Pension Scheme completed a review regarding the application of historic changes to scheme member benefits. The review found that, in some cases, changes to benefits provided by the scheme may have been implemented at a time or in a way that may not be in accordance with scheme rules. In response to the review, the Trustee will be seeking direction from the courts, on behalf of scheme employers, on how to interpret these rules. Should the courts direct that some changes were made in a way not permitted by the scheme rules, this could give rise to an increase in member benefits and an additional liability for the Group. While the likelihood, timing and amount of this additional liability is uncertain, the scheme's actuaries have estimated that any potential additional obligation in respect of this scheme will not be material to the Group. Due to the uncertainty surrounding this review, the pension obligations stated in the Financial Statements do not reflect any additional liability that may arise from this review, that is not expected to complete until 2023.

Reconciliation of opening and closing balances of the fair value of the scheme assets:

	Group 2021 £m	Group 2020 £m	Association 2021 £m	Association 2020 £m
Opening fair value of the scheme assets	405.3	404.7	380.4	378.4
Acquisitions (note 33)	3.3	-	-	-
Revised opening fair value of the scheme assets	408.6	404.7	380.4	378.4
Expenses	(0.4)	(0.4)	(0.4)	(0.4)
Effect of settlements	-	-	-	-
Interest income on plan assets	9.4	9.2	8.9	8.6
Return on plan assets excluding interest	38.5	2.0	34.7	3.2
Other remeasurement gains/(losses)	2.4	(0.3)	-	-
Contributions by employer	4.2	4.1	3.8	3.6
Contributions by employees	0.3	0.3	0.3	0.3
Experience gains	0.2	-	-	-
Net benefits paid (including expenses)	(12.0)	(14.3)	(11.1)	(13.3)
Closing fair value of the scheme assets	**451.2**	**405.3**	**416.6**	**380.4**

The total and cumulative remeasurements recognised in other comprehensive income:

	Group 2021 £m	Group 2020 £m	Association 2021 £m	Association 2020 £m
Net actuarial remeasurements recognised in year	(71.0)	42.5	(72.3)	41.7
Net cumulative actuarial remeasurements	(82.9)	(11.9)	(80.1)	(7.8)

Remeasurement gains and losses are broken down as follows:

	Group 2021 £m	Group 2020 £m	Association 2021 £m	Association 2020 £m
Return on plan assets excluding interest	38.5	2.0	34.7	3.2
Experience gains	3.8	8.9	3.2	8.9
Other remeasurement gains/(losses)	2.4	(0.3)	-	-
Changes in financial assumptions	(118.7)	42.0	(112.5)	39.3
Changes in demographic assumptions	3.0	(10.1)	2.3	(9.7)
Total remeasurement (losses)/gains	**(71.0)**	**42.5**	**(72.3)**	**41.7**

History of consolidated defined benefit schemes in Statements of Financial Position, before recognition of the net asset ceiling or IFRIC 14 minimum funding obligations:

Group	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Defined benefit obligations	(517.8)	(402.7)	(445.3)	(433.1)	(471.7)
Scheme assets	451.2	405.3	404.7	390.9	343.7
(Deficit)/surplus	**(66.6)**	**2.6**	**(40.6)**	**(42.2)**	**(128.0)**

Association	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Defined benefit obligations	(485.0)	(378.5)	(418.5)	(406.8)	(443.6)
Scheme assets	416.6	380.4	378.4	366.1	319.5
(Deficit)/surplus	**(68.4)**	**1.9**	**(40.1)**	**(40.7)**	**(124.1)**

The Group expects to contribute the following amounts to the defined benefit schemes during the year ended 2022:

	£m
Cheshire County Council Pension Fund	1.2
Sanctuary North West Housing Association	1.2
Cambridgeshire County Council	0.7
Warwickshire County Council	0.3
North East Scotland	0.1
London Borough of Greenwich	0.1
Strathclyde Pension Fund	0.1
Essex County Council Pension Fund	0.1
	3.8

Assumption Sensitivity Analysis

The impact of a 0.1 percentage point movement in the primary assumptions (longevity: one year) on the defined benefit obligations as at 31 March 2021 is set out below:

2021	Group Movement £m	Association Movement £m
Discount rate +0.1%	(10.6)	(10.2)
Discount rate -0.1%	10.4	10.0
Rate of inflation +0.1%	8.7	8.3
Rate of inflation -0.1%	(8.3)	(8.2)
Life expectancy +1 year	20.2	19.1
Life expectancy -1 year	(20.2)	(19.1)

The above sensitivity analyses are based on isolated changes in each assumption, while holding all other assumptions constant. In practice, this is unlikely to occur, and there is likely to be some level of correlation between movements in different assumptions. In addition, these sensitivities relate only to potential movement in the defined benefit obligations.

The assets, held by the schemes, are to some extent designed to mitigate the full impact of these movements so that the movements in the defined benefit obligations shown above would, in practice, be partly offset by movements in asset valuations.

However, the above sensitivities are shown to illustrate at a high level the scale of sensitivity of the defined benefit obligations to key actuarial assumptions.

The same actuarial methods have been used to calculate these sensitivities as are used to calculate the relevant Statement of Financial Position values, and have not changed compared to the previous period.

The Group's share of total assets in participating Local Government Pension Schemes ranges from between less than 0.05% to less than 0.95% of fund value.

The Asset values of the Group for the Local Government Pension Schemes are reported using estimated asset allocations prepared by each scheme Actuary. This Asset value is calculated at each triennial valuation per scheme. Thereafter, it is rolled forward to accounting dates using suitable estimates for investment returns, contributions received and benefits paid out. Each employer's share of the Fund is individually tracked.

Contributions which Sanctuary Group pays to the Funds are allocated entirely to its identified asset share and are not spread in any way. Asset allocations are also produced using bid values where necessary.

A sensitivity analysis to reflect a plus or minus 5% movement in asset values in Local Government Pension schemes equates to plus or minus £7.2 million (2020: £6.0 million).

Defined Benefit Schemes – Risk Factors

Through its various post-employment pension schemes, the Group is exposed to a number of risks, the most significant of which are detailed below. The Group's focus is on managing the cash demands which the various pension plans place on the Group, rather than Statement of Financial Position volatility in its own right. For funded schemes, cash requirements are generally determined by funding valuations which are performed on a different basis from accounting valuations.

Asset volatility: Plan liabilities are calculated using discount rates set with reference to bond yields (although the discount rate methodology differs for accounting and funding purposes). If plan assets deliver a return which is lower than the discount rate, this will create or increase a plan deficit.

The Group's various pension plans hold a significant proportion of equities and similar 'growth assets', which are expected to out-perform bonds in the long-term, albeit at the risk of short-term volatility. As the pension schemes mature, with a shorter time horizon to cope with volatility, the scheme trustees and administering authorities will gradually reduce holdings of growth assets in favour of increased matching assets (bonds and similar). In the meantime, the Group considers that equities and similar assets are an appropriate means of managing pension funding requirements, given the long-term nature of the liabilities and the strength of the Group to withstand volatility.

Changes in bond yields: A decrease in bond yields will typically increase scheme liabilities (and vice-versa), although this will be offset partially by an increase in the value of bonds held in the asset portfolios of the various plans. The effect of changes in bond yields is more pronounced in less well funded schemes where there is less potential for offsetting movements in asset values.

Inflation risk: As the Group's pension obligations are linked to inflation, higher inflation expectations will lead to higher liabilities, although caps are in place to protect against unusually high levels of inflation. The asset portfolio includes some inflation-linked bonds to provide an element of protection against this risk.

Member longevity: As the Group's post-employment obligations are generally to provide benefits for the life of the member, increases in life expectancy will result in an increase in scheme liabilities (and vice versa).

The mortality rate is based on publicly available mortality tables for the specific country. Covid-19 has caused a short term increase in deaths in the UK but the excess deaths to date have not generally had a material impact on UK pension scheme liabilities. The future impact of Covid-19 on long term mortality improvements is currently uncertain with potential adverse implications of delayed medical interventions and "long Covid", along with potential positive implications if the surviving population is less "frail" or the pandemic causes improved healthcare initiatives and lifestyle changes. Overall, the Group believes there is insufficient evidence to require an explicit adjustment to the mortality assumption for Covid-19 at this time.

National Health Service Pension Scheme

The Association is a direction body employer of the National Health Service Pension Scheme (NHS Pension Scheme). The NHS Pension Scheme is an unfunded occupational scheme backed by the Exchequer, which is open to all NHS staff and qualifying employees of other approved organisations.

Employers and employees pay contributions based on a percentage of pensionable pay. Every four years the Government Actuary conducts a full actuarial review and recommends contribution rates in their valuation report to the Secretary of State for Health.

The Association contributes at a rate of 14.3% of pensionable salaries (2020: 14.3%). Members contribute at a rate of between 5.6% and 9.3% of pensionable salary.

Defined Contribution Schemes

The Group participates in defined contribution schemes for members of staff. The cost of the defined contribution schemes amounts to £8.6 million (2020: £8.1 million). As at the year end there was £0.7 million of accrued contributions due for payment after the year end (2020: £0.9 million).

29. Capital Commitments

	Group 2021 £m	Group 2020 £m	Association 2021 £m	Association 2020 £m
Expenditure contracted	365.2	321.9	2.8	91.0
Authorised expenditure not contracted	258.1	463.8	62.4	69.7
	623.3	785.7	65.2	160.7

For the Group, of the £623.3 million (2020: £785.7 million) of capital commitments at 31 March 2021, £81.1 million (2020: £137.1 million) will be financed by grant and other public finance.

For the Association, of the £65.2 million (2020: £160.7 million) of capital commitments at 31 March 2021, £9.1 million (2020: £26.3 million) will be financed by grant and other public finance.

The Group is confident its financial strength will allow it to refinance existing loans and finance the current business plan commitments at competitive rates. The Group anticipates funding this through a mix of fixed and variable interest rate facilities, cash generated from property sales, operating activities and Government grants.

30. Notes to the Statement of Cash Flows

Cash and Cash Equivalents

	Group 2021 £m	Group 2020 £m	Association 2021 £m	Association 2020 £m
Cash and cash equivalents per Statement of Financial Position	494.7	261.5	5.1	1.9
Cash and cash equivalents per Statement of Cash Flows	494.7	261.5	5.1	1.9

Cash and cash equivalents at the end of the reporting period can be reconciled to the related items in the Statement of Financial Position as shown above.

Reconciliation of Liabilities Arising from Financing Activities

Group	At 1 April 2020	Cash flows	Acquisitions (note 33)	Non-cash changes: Foreign exchange movement	Non-cash changes: Fair value changes	Non-cash changes: Other non-cash changes	At 31 March 2021
	£m	£m	£m	£m	£m	£m	£m
Short-term borrowings	(44.2)	372.3	-	-	-	(660.5)	(332.4)
Long-term borrowings	(2,885.0)	(642.7)	(10.0)	6.3	-	660.3	(2,871.1)
Lease liabilities	(176.5)	1.8	-	-	-	0.9	(173.8)
Derivative financial instruments	38.0	-	-	-	(20.2)	-	17.8
Total liabilities from financing activities	**(3,067.7)**	**(268.6)**	**(10.0)**	**6.3**	**(20.2)**	**0.7**	**(3,359.5)**

Non-cash movements on derivative financial instruments relate to the fair value movement of foreign exchange (£20.9 million negative movement) and interest rate derivatives (£0.7 million positive movement).

Group	At 1 April 2019	Cash flows	Non-cash changes: Foreign exchange movement	Non-cash changes: Fair value changes	Non-cash changes: Other non-cash changes	At 31 March 2020
	£m	£m	£m	£m	£m	£m
Short-term borrowings	(73.5)	224.6	-	-	(195.3)	(44.2)
Long-term borrowings	(2,591.9)	(485.0)	(3.0)	-	194.9	(2,885.0)
Lease liabilities	(145.5)	2.5	-	-	(33.5)	(176.5)
Derivative financial instruments	18.9	-	-	19.1	-	38.0
Total liabilities from financing activities	**(2,792.0)**	**(257.9)**	**(3.0)**	**19.1**	**(33.9)**	**(3,067.7)**

Non-cash movements on derivative financial instruments relate to the fair value movement of foreign exchange (£19.2 million positive movement) and interest rate derivatives (£0.1 million negative movement).

Other non-cash changes reflect progression in the ageing of borrowings due after more than one year to less than one year, the amortisation of premiums and discounts recognised on issue of bonds and in the case of lease liabilities, the recognition, de-recognition and revaluation of right-of-use assets and corresponding lease liabilities. Foreign exchange movement relates to the retranslation of dollar denominated loan notes at the year end spot rate.

Association	At 1 April 2020	Cash flows	Non-cash changes: Foreign exchange movement	Non-cash changes: Fair value changes	Non-cash changes: Other non-cash changes	At 31 March 2021
	£m	£m	£m	£m	£m	£m
Short-term borrowings	(38.8)	139.9	-	-	(128.6)	(27.5)
Long-term borrowings	(1,742.7)	(87.2)	6.3	-	128.4	(1,695.2)
Lease liabilities	(48.1)	1.7	-	-	(0.5)	(46.9)
Derivative financial instruments	41.5	-	-	(20.9)	-	20.6
Total liabilities from financing activities	**(1,788.1)**	**54.4**	**6.3**	**(20.9)**	**(0.7)**	**(1,749.0)**

Non-cash movements on derivative financial instruments relate to the fair value movement of foreign exchange (£20.9 million negative movement) derivatives.

Association	At 1 April 2019	Cash flows	Non-cash changes: Foreign exchange movement	Non-cash changes: Fair value changes	Non-cash changes: Other non-cash changes	At 31 March 2020
	£m	£m	£m	£m	£m	£m
Short-term borrowings	(38.7)	167.4	-	-	(167.5)	(38.8)
Long-term borrowings	(1,714.4)	(193.0)	(2.9)	-	167.6	(1,742.7)
Lease liabilities	(24.8)	2.4	-	-	(25.7)	(48.1)
Derivative financial instruments	22.3	-	-	19.2	-	41.5
Total liabilities from financing activities	**(1,755.6)**	**(23.2)**	**(2.9)**	**19.2**	**(25.6)**	**(1,788.1)**

Non-cash movements on derivative financial instruments relate to the fair value movement of foreign exchange (£19.2 million positive movement) derivatives.

Other non-cash changes reflect progression in the ageing of borrowings due after more than one year to less than one year, the amortisation of premiums and discounts recognised on issue of bonds and in the case of lease liabilities, the recognition, de-recognition and revaluation of right-of-use assets and corresponding lease liabilities. Foreign exchange movement relates to the retranslation of dollar denominated loan notes at the year end spot rate.

31. Related Party Transactions

Related party transactions between members of the Board and the entities within the Group are disclosed in the Board's Report and note 8.

Trading

During the year, the Association recharged costs incurred on behalf of other Group undertakings. Such costs include the Group audit fees and the recharging of Central Services costs including finance, information systems, human resources, office costs and management.

These recharges are agreed by management and are based on relevant information such as occupancy of offices, asset base and employee details.

The Association received gift aid from its subsidiary undertakings during the year of:

Entity	2021 £m	2020 £m
ASK (Greenwich) Limited	1.3	(0.3)
Beech Grove Homes Limited	1.6	4.0
Sanctuary Care Limited	-	7.9
Sanctuary Care (R) Limited	-	2.9
Sanctuary Maintenance Contractors Limited	0.5	0.7
Sanctuary Treasury Limited	0.1	0.1
Spiral Developments Limited	2.0	4.5

The Association also receives capital grants on behalf of other Group undertakings. These are transferred through intra-Group transactions into the relevant entity which owns the property the grant relates to.

At the reporting date, the Association had the following trading balances with non-RSH regulated Group undertakings:

Entity	2021 £m	2020 £m
ASK (Greenwich) Limited	3.3	1.1
Avenue Services Limited	0.3	0.2
Beech Grove Homes Limited	3.4	4.3
Donside Limited	0.1	-
Mull Hall Holdings Limited	(0.2)	-
Sanctuary Care Limited	3.6	8.0
Sanctuary Care Property (1) Limited	0.5	0.7
Sanctuary Care Property (2) Limited	0.3	0.1
Sanctuary Care (Combined) Limited	-	0.3
Sanctuary Care (Derby) Limited	-	0.1
Sanctuary Care (England) Limited	-	0.3
Sanctuary Care (Geffen) Limited	-	0.1
Sanctuary Care (Kler) Ltd	-	0.2
Sanctuary Care (Queens) Limited	-	0.1
Sanctuary Care (North) Limited	0.7	0.6
Sanctuary Care (North) 2 Limited	-	0.1
Sanctuary Care (South West) Limited	0.1	0.4
Sanctuary Care (UK) Limited	-	0.3
Sanctuary Care (Wellcare) Limited	-	0.1
Sanctuary Care (Wellcare) 2 Limited	-	0.2
Sanctuary Home Care Limited	0.6	1.4
Sanctuary Housing Services Limited	-	1.3
Sanctuary Maintenance Contractors Limited	(7.4)	(0.4)
Sanctuary Management Services Limited	(0.3)	(0.5)
Sanctuary (NW Management) Limited	1.7	1.7
Sanctuary Scotland Housing Association Limited	0.5	4.3
Sanctuary Student Homes Limited	0.1	0.2
Sanctuary Treasury Limited	-	0.1
Spiral Developments Limited	2.1	4.3

At the reporting date, the Association had the following trading balances with RSH regulated Group undertakings:

	2021	2020
Entity	**£m**	**£m**
Sanctuary Affordable Housing Limited	-	(0.1)

Loans

The Association has loan balances with other Group undertakings at the reporting date.

The Association both receives and allocates funds to other Group undertakings. These loans are arranged at commercial terms and, as appropriate, secured against the assets of each entity.

At the reporting date, the Association had the following loan and lease balances with non-RSH regulated Group undertakings:

	2021	2020
Entity	**£m**	**£m**
Loans		
ASK (Holdings) Limited	1.1	1.1
Beech Grove Homes Limited	15.0	-
Sanctuary Care Property (2) Limited	26.3	27.5
Sanctuary Scotland Housing Association Limited	0.8	0.9
Sanctuary Student Homes Limited	39.3	32.2
Sanctuary Student Properties Limited	61.5	61.5
Sanctuary Treasury Limited*	(752.5)	(768.7)
Leases		
Sanctuary Student Properties Limited	(4.6)	(4.6)
Sanctuary Student Homes Limited	2.6	2.6

*Sanctuary Treasury Limited raises finance (including bond issues by Sanctuary Capital PLC) for onward lending to Registered Providers within the Group, including the Association.

At the reporting date, the Association had no loan balances with RSH regulated Group undertakings.

Accrued Interest

Related party loan net interest accrued in the Association with non-RSH regulated Group entities at the reporting date is as follows:

	2021	2020
Entity	**£m**	**£m**
ASK (Holdings) Limited	0.1	0.1
Sanctuary Care Property (2) Limited	1.6	1.7
Sanctuary Student Properties Limited	0.3	0.3
Sanctuary Treasury Limited*	(6.4)	(5.7)

*Accrued interest payable on loan balances owed to Sanctuary Treasury Limited.

There was no related party loan net interest accrued in the Association with RSH regulated Group entities.

Related party transactions between members of the Board and the entities within the Group are disclosed in the Board's Report and note 8. Transactions between the Group and joint ventures, associates and trade investments are disclosed on the following pages.

The Association carries investments in subsidiaries, associates and jointly controlled entities at cost, less impairment.

	£m
At 1 April 2019	67.6
Increase in subsidiary investments in the year	20.3
At 31 March 2020	87.9
At 1 April 2020	87.9
Decrease in subsidiary investments in the year	(0.2)
At 31 March 2021	**87.7**

The increase in subsidiary investments in the year ended 31 March 2020 relates to the acquisition of Lorimer Care Homes Limited, Mull Hall Holdings Limited and Dornoch Medical Care Limited and their subsidiaries. During the year ending 31 March 2021 the consideration paid was revised, based on the final working capital levels of these entities, resulting in a decrease in subsidiary investments.

Sanctuary North West Housing Association Pension Scheme

The Sanctuary North West Housing Association Pension Scheme is considered a related party to the Group under IAS 19 Employee Benefits. Details of the assets and obligations of the scheme are shown in note 28.

32. Investments in Subsidiaries, Associates and Jointly-Controlled Entities

Details of the Association's subsidiaries and joint arrangements as at 31 March 2021 are shown below:

Entities registered in England and Wales with registered office at Sanctuary House, Chamber Court, Castle Street, Worcester, WR1 3ZQ:

Company	Nature of business	RSH regulated	Ownership (direct and indirect)
Subsidiaries			
ASK (Greenwich) Limited (i)	Care home development and management	Non-RSH regulated	100%
ASK (Holdings) Limited	Holding company	Non-RSH regulated	100%
Avenue Services (NW) Limited	Property maintenance services	Non-RSH regulated	50%
Bateman Memorial Almshouses Charity	Registered almshouse	Registered Charity	100%
Beech Grove Homes Limited	Property development	Non-RSH regulated	100%
Riverside Apartments Management Limited	Property management	Non-RSH regulated	78%
Sanctuary Affordable Housing Limited	Supplier of social housing	Registered Provider	100%
Sanctuary Capital PLC (i)	Group financing	Non-RSH regulated	100%
Sanctuary Care Limited	Care home management	Non-RSH regulated	100%
Sanctuary Care Property (1) Limited	Care home development and management	Non-RSH regulated	100%
Sanctuary Care Property (2) Limited	Care home development and management	Non-RSH regulated	100%
Sanctuary Home Care Limited	Domiciliary care	Non-RSH regulated	100%
Sanctuary Maintenance Contractors Limited	Property maintenance services	Non-RSH regulated	100%
Sanctuary Management Services Limited	Management services	Non-RSH regulated	100%
Sanctuary (NW Management) Limited	Provider of market rented property	Non-RSH regulated	100%
Sanctuary Student Homes Limited	Student accommodation	Non-RSH regulated	100%
Sanctuary Student Properties Limited	Student accommodation	Non-RSH regulated	100%
Sanctuary Treasury Limited	Group financing	Non-RSH regulated	100%
Spiral Developments Limited	Property development	Non-RSH regulated	100%
Spon Lane Trust Almshouses	Registered almshouse	Registered Charity	100%
St Albans Mount Management Limited	Property management	Non-RSH regulated	66.7%
The Hertford Housing Company Limited	Provider of market rented property	Non-RSH regulated	100%
Sanctuary Care (Kler) Limited	Non-trading	Non-RSH regulated	100%
Sanctuary Care (Combined) Limited	Non-trading	Non-RSH regulated	100%
Sanctuary Care (Derby) Limited	Non-trading	Non-RSH regulated	100%
Sanctuary Care (England) Limited	Non-trading	Non-RSH regulated	100%
Sanctuary Care (South West) Limited	Non-trading	Non-RSH regulated	100%
Sanctuary Care (UK) Limited	Non-trading	Non-RSH regulated	100%
Sanctuary Care (North) Limited	Care home management	Non-RSH regulated	100%
Sanctuary Care (R) Derby Limited	Non-trading	Non-RSH regulated	100%
Sanctuary Care (R) Geffen Limited	Non-trading	Non-RSH regulated	100%
Sanctuary Care (R) UK Limited	Non-trading	Non-RSH regulated	100%
Sanctuary Care (R) Wellcare Limited	Non-trading	Non-RSH regulated	100%
Sanctuary Care (R) Limited	Non-trading	Non-RSH regulated	100%
Sanctuary Care (Wellcare) 2 Limited	Non-trading	Non-RSH regulated	100%
Sanctuary Care (Wellcare) Limited	Non-trading	Non-RSH regulated	100%
Sanctuary Care (HCP Stonelea) Limited	Non-trading	Non-RSH regulated	100%
Sanctuary Care (CP Oxford) Limited	Non-trading	Non-RSH regulated	100%
Sanctuary Care (Geffen) Limited	Non-trading	Non-RSH regulated	100%

Entities registered in Scotland with registered office at Sanctuary House, 7 Freeland Drive, Glasgow, G53 6PG:

Company	Nature of business	RSH regulated	Ownership (direct and indirect)
Subsidiaries			
Donside Limited (i)	Property development	Non-RSH regulated	100%
Glasgow Student Villages Limited	Student accommodation	Non-RSH regulated	100%
Sanctuary Homes (Scotland) Limited (i)	Supplier of mid-market rent housing	Non-RSH regulated	100%

Company	Nature of business	RSH regulated	Ownership (direct and indirect)
Subsidiaries			
Sanctuary Scotland Housing Association Limited	Supplier of social housing	Registered Social Landlord (Scotland)	100%
Sanctuary Care (North) 2 Limited	Non-trading	Non-RSH regulated	100%
Sanctuary Care (Allanbank) Limited	Non-trading	Non-RSH regulated	100%
Sanctuary Care (R) Scotland Limited	Non-trading	Non-RSH regulated	100%
Sanctuary Care (Queens) Limited	Non-trading	Non-RSH regulated	100%
Sanctuary Care (Scotland) Limited	Non-trading	Non-RSH regulated	100%
Lorimer Care Homes Limited	Holding company	Non-RSH regulated	100%
Gate Healthcare Limited	Care home management	Non-RSH regulated	100%
Glenfairn Limited	Care home management	Non-RSH regulated	100%
Tayside Care Limited	Care home management	Non-RSH regulated	100%
Mull Hall Holdings Limited	Holding company	Non-RSH regulated	100%
Mull Hall Care Limited	Care home management	Non-RSH regulated	100%
Dornoch Medical Care Limited	Care home management	Non-RSH regulated	100%

These entities are controlled or wholly-owned subsidiaries of wholly-owned subsidiaries of the Association.

Non-Controlling Interests

The following parties have interests in the entities not wholly-owned by the Association or its subsidiaries:

- Avenue Services (NW) Limited – 50% owned by Cheshire West and Chester Council.
- Riverside Apartments Management Limited – 22% owned by the tenants of the company.
- St Albans Mount Management Limited – 33.3% owned by the tenants of the company.

Joint Ventures

The Group has the following investments in joint ventures which are registered in England and Wales with registered offices at 11 Tower View, Kings Hill, West Malling, Kent, England, ME19 4UY:

Name	Country of incorporation	Date of incorporation	Nature of incorporation	Voting rights	Carrying amount Group 2021 £m	Carrying amount Group 2020 £m
Linden (Biddenham) LLP	England	24 June 2015	Limited Liability Partnership	50%	0.6	1.3
Linden (Brampton) LLP	England	27 July 2016	Limited Liability Partnership	50%	0.7	1.0
Linden (Avery Hill) LLP	England	1 August 2016	Limited Liability Partnership	50%	0.3	1.5
Europa Way JV LLP	England	7 December 2017*	Limited Liability Partnership	50%	0.6	0.6
Glen Parva JV LLP	England	7 December 2017**	Limited Liability Partnership	50%	-	-
					2.2	**4.4**

*Spiral Developments Limited was appointed as a member on 20 December 2018.

**Spiral Developments Limited was appointed as a member on 28 June 2019.

The Group controls 50% of the joint ventures via Spiral Developments Limited, a wholly-owned subsidiary of the Association. The remaining 50% is controlled by Vistry Linden Limited, a wholly-owned subsidiary of Vistry Group PLC.

The joint ventures have been established to acquire, develop, manage and dispose of properties on specific development sites, including an element of affordable housing.

The Association and Vistry Linden Limited have provided equal amounts of loan finance to the joint ventures; these loans are on an arms length basis at a commercial rate of interest. Amounts due to the Association, including capitalised interest, at 31 March 2021 totalled £30.6 million (2020: £33.0 million), see note 16. The recoverability of the loans is supported by the appraisal work performed by the Group prior to entering into the joint ventures.

The following table summarises the financial information of the joint ventures as included in their own Financial Statements:

	2021	2020
	£m	£m
Cash and cash equivalents	3.4	2.7
Other current assets	75.3	78.0
Loans and borrowings – short-term	(49.7)	(54.7)
Other current liabilities	(25.1)	(17.2)
Loans and borrowings – long-term	-	-
Other non-current liabilities	-	-
Net assets 100%	**3.9**	**8.8**
Net assets 50%	2.0	4.4
Losses not recognised	0.2	-
Group's recognised share of net assets	**2.2**	**4.4**
Revenue	41.7	67.6
Depreciation and amortisation	-	-
Cost of sales and other operating costs	(35.0)	(56.1)
Interest income	-	-
Interest expense	(2.9)	(2.7)
Profit 100%	**3.8**	**8.8**
Profit 50%	1.9	4.4
Losses not recognised	0.2	-
Group's recognised share of profits	**2.1**	**4.4**
Dividends received by the Group	**4.3**	**3.2**

33. Acquisitions

Thistle

On 1 March 2021 the assets and liabilities of Thistle Housing Association Limited (Thistle) transferred to Sanctuary Scotland Housing Association Limited (Sanctuary Scotland), a wholly owned subsidiary of the Association.

Thistle owned and operated 947 general needs homes and managed 786 factored properties in Glasgow and had been placed under "high engagement" by the Scottish Housing Regulator (SHR) in August 2018 after a period of public and regulatory scrutiny due to poorly managed asset reinvestment contracts. The transfer was formally directed by the SHR following a competitive bidding process, a successful ballot, and a period of due diligence. As part of the transfer, Sanctuary Scotland has made commitments to residents, homeowners and the regulator to improve the condition of properties, increase community investment and provide better Value for Money services.

In the post-transfer period since 1 March 2021 the portfolio contributed revenue of £0.4 million and a net surplus of £0.2 million to the Group's results for the year. If the transfer had occurred on 1 April 2020, Group revenue would have been an estimated £770.2 million and net surplus would have been an estimated £45.2 million.

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

Property fair values have been determined by reference to an independent valuation on an EUV-SH basis, conducted in accordance with RICS Valuation Professional Standards, with additional adjustments to reflect obligated capital works under the terms of the transfer agreement.

Provisions include non-capital obligations for making good defective works, as agreed in the transfer agreement, in addition to recognition of contingent liabilities.

Inspection of only a small proportion of properties has been possible to date due to Covid-19 restrictions, which in Scotland have been especially limiting. In line with IFRS 3, the fair value adjustments are therefore provisional and may change during the measuring period, which will not exceed one year from the acquisition date.

	Book value	Fair value adjustments	Fair value
	£m	£m	£m
Assets			
Property, plant and equipment	16.4	1.3	17.7
Trade and other receivables	0.7	(0.4)	0.3
Cash and cash equivalents	2.4	-	2.4
Liabilities			
Trade and other payables	(1.1)	(0.1)	(1.2)
Loans and borrowings	(10.0)	-	(10.0)
Retirement benefit obligations	(0.4)	-	(0.4)
Provisions	(0.2)	(3.6)	(3.8)
Net assets	**7.8**	**(2.8)**	**5.0**
Consideration			-
Gain from acquisition			5.0
Acquisition costs			(0.5)
Net gain from acquisitions			**4.5**

Accent

On 15 March 2021 Sanctuary Affordable Housing Limited, a subsidiary of the Association, purchased a portfolio of 284 properties from Accent Housing Limited for a consideration of £8.8 million, satisfied in cash. The acquisition, which includes a number of contracts with external managing agents, has been deemed a business combination under IFRS 3.

The portfolio includes 275 supported homes and enables growth of the Group's supported living activities within new geographic areas. The acquisition is aligned to the Group's commitments in its Corporate Strategy and confirms Sanctuary's continued focus of supporting as many vulnerable people as possible through supported housing services.

In the post-acquisition period since 15 March 2021, the acquired portfolio contributed revenue of £nil and a net deficit of £0.1 million to the Group's results for the year. If the acquisition had occurred on 1 April 2020, Group revenue would have been an estimated £766.3 million and net surplus would have been an estimated £45.5 million.

In accordance with the measurement principles of IFRS 3, all identifiable assets acquired and liabilities assumed have been measured at their fair values at the date of acquisition. Property values have been determined by an independent valuation conducted in accordance with RICS Valuation Professional Standards.

In line with IFRS 3, the amounts shown are provisional and values may change during the measuring period, which will not exceed one year from the acquisition date.

	Book value	Fair value adjustments	Fair value
	£m	£m	£m
Assets			
Property, plant and equipment	8.8	-	8.8
Net assets	**8.8**	**-**	**8.8**
Consideration			8.8
Goodwill			-

34. Events After the Reporting Period

On 26 May 2021, the Group repaid £300 million of short-term debt obtained in the form of commercial papers through the Covid Corporate Financing Facility (CCFF).

35. Contingent Liabilities

The Association has provided a guarantee under a Security Trust Deed amounting to £nil at fair value in respect of subsidiary undertakings. Where the Association enters into financial contracts to guarantee the indebtedness of other companies within the Group, the Association considers these to be insurance arrangements, and accounts for them as such. In this respect, the Association treats the guarantee contract as a contingent liability until such time as it becomes probable that the Association will be required to make a payment under the guarantee.

The Association has entered into counter indemnities in respect of Surety Bonds for £10.6 million of pension liabilities. The Association considers these Surety Bonds to be insurance arrangements and accounts for them as such. The Association treats the counter indemnities as a contingent liability and, until such time as it becomes probable that the company is required to claim, any accompanying payment for the counter indemnity has a fair value of £nil.

Appendix 1

Prepared to meet the requirements of The Accounting Direction for private registered providers of social housing 2019.

Turnover, Cost of Sales, Operating Costs and Operating Surplus - Group

	2021	2021	2021	2021	2020
	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit) £m	Operating surplus/ (deficit) £m
Social housing lettings					
Housing accommodation	308.4	-	(167.1)	141.3	134.1
Sheltered and supported housing	104.8	-	(89.6)	15.2	12.3
Key worker accommodation	3.4	-	(2.6)	0.8	1.4
Shared ownership	8.7	-	(2.8)	5.9	5.8
	425.3	**-**	**(262.1)**	**163.2**	**153.6**
Other social housing activities					
Development administration	-	-	(5.3)	(5.3)	(6.7)
Home ownership and managed properties	7.8	-	(5.8)	2.0	3.2
Supported registered services	12.2	-	(12.2)	-	-
Supporting People contract income	29.3	-	(29.3)	-	-
Shared ownership first tranche sales	14.6	(12.5)	-	2.1	5.0
Community/neighbourhood services	-	-	(1.4)	(1.4)	(0.8)
Other	5.8	-	(5.8)	-	-
	69.7	**(12.5)**	**(59.8)**	**(2.6)**	**0.7**
Non-social housing activities					
Student accommodation and market rented	48.0	-	(42.0)	6.0	11.1
Care homes	188.7	-	(193.1)	(4.4)	7.0
External maintenance services	3.2	-	(2.7)	0.5	0.7
Domiciliary care	6.0	-	(7.8)	(1.8)	(0.6)
Non-social housing property sales	22.4	(17.5)	-	4.9	5.7
Non-social housing development	-	-	-	-	0.1
Development administration (non-social housing)	0.1	-	(3.1)	(3.0)	(2.7)
Other	2.0	-	(2.0)	-	-
	270.4	**(17.5)**	**(250.7)**	**2.2**	**21.3**
Totals	**765.4**	**(30.0)**	**(572.6)**	**162.8**	**175.6**
Other gains and losses				5.2	6.2
Share of profit of joint ventures				2.1	4.4
				170.1	**186.2**
Net gain from acquisitions				4.5	-
Finance income				2.9	3.6
Finance costs				(130.6)	(128.8)
Loan break costs				-	(8.6)
				46.9	**52.4**
Taxation on surplus on ordinary activities				(0.2)	0.8
Surplus for the year after taxation				**46.7**	**53.2**

During the year, wages and salaries totalling £15.8 million (2020: £13.0 million) were capitalised in the Group and the costs transferred to housing properties in the course of construction within PPE and inventory.

Prepared to meet the requirements of The Accounting Direction for private registered providers of social housing 2019.

Turnover, Cost of Sales, Operating Costs and Operating Surplus - Association

	2021 Turnover £m	2021 Cost of sales £m	2021 Operating costs £m	2021 Operating surplus/ (deficit) £m	2020 Operating surplus/ (deficit) £m
Social housing lettings					
Housing accommodation	255.9	-	(156.1)	99.8	93.2
Sheltered and supported housing	89.9	-	(78.2)	11.7	12.2
Key worker accommodation	3.4	-	(2.6)	0.8	1.4
Shared ownership	5.0	-	(2.1)	2.9	3.3
	354.2	**-**	**(239.0)**	**115.2**	**110.1**
Other social housing activities					
Development administration	-	-	-	-	(4.3)
Home ownership and managed properties	6.6	-	(5.4)	1.2	2.7
Supporting People contract income	15.1	-	(15.1)	-	-
Shared ownership first tranche sales	0.1	(0.1)	-	-	0.5
Community/neighbourhood services	-	-	(1.4)	(1.4)	(0.8)
Other	6.2	-	(6.2)	-	-
	28.0	**(0.1)**	**(28.1)**	**(0.2)**	**(1.9)**
Non-social housing activities					
Student accommodation and market rented	28.7	-	(29.2)	(0.5)	3.4
Non-social housing property sales	1.3	(1.1)	-	0.2	1.1
Non-social housing development	-	-	-	-	0.1
Development administration (non-social housing)	0.1	-	(6.2)	(6.1)	(2.5)
Management recharges	17.1	-	(17.1)	-	-
Other	7.6	-	(7.6)	-	-
	54.8	**(1.1)**	**(60.1)**	**(6.4)**	**2.1**
Totals	**437.0**	**(1.2)**	**(327.2)**	**108.6**	**110.3**
Other gains and losses				4.3	5.8
Other income – gift aid and distribution of reserves				5.5	19.8
Operating surplus				**118.4**	**135.9**
Finance income				6.4	7.2
Finance costs				(91.0)	(92.1)
Loan break costs				-	(8.6)
Surplus for the year before taxation				**33.8**	**42.4**
Taxation on surplus on ordinary activities				-	-
Surplus for the year after taxation				**33.8**	**42.4**

During the year, wages and salaries totalling £0.7 million (2020: £0.7 million) were capitalised in the Association and the costs transferred to housing properties in the course of construction within PPE and inventory.

Appendix 2

Prepared to meet the requirements of The Accounting Direction for private registered providers of social housing 2019.

Income and Expenditure from Social Housing Lettings

Group	Housing accommodation £m	Sheltered and supported housing £m	Key worker accommodation £m	Shared ownership £m	2021 Total £m	2020 Total £m
Income from lettings						
Rents	293.6	65.1	3.4	7.8	369.9	361.1
Service charges	14.1	35.6	-	0.9	50.6	45.4
Total rent and service charge income	307.7	100.7	3.4	8.7	420.5	406.5
Other income	0.7	4.1	-	-	4.8	4.5
Turnover from social housing lettings	**308.4**	**104.8**	**3.4**	**8.7**	**425.3**	**411.0**
Expenditure on lettings						
Management	(44.0)	(16.4)	(0.7)	(1.7)	(62.8)	(57.9)
Services	(16.2)	(41.0)	(0.7)	(0.6)	(58.5)	(54.4)
Routine maintenance	(63.0)	(18.8)	(0.5)	(0.1)	(82.4)	(86.3)
Planned maintenance	(16.8)	(4.5)	(0.2)	-	(21.5)	(20.7)
Rent losses from bad debts	(2.8)	(0.9)	-	-	(3.7)	(4.1)
Depreciation of properties	(24.3)	(8.0)	(0.5)	(0.4)	(33.2)	(34.0)
Other costs	-	-	-	-	-	-
Operating costs from social housing lettings	**(167.1)**	**(89.6)**	**(2.6)**	**(2.8)**	**(262.1)**	**(257.4)**
Operating surplus from social housing lettings	**141.3**	**15.2**	**0.8**	**5.9**	**163.2**	**153.6**
Voids	**(2.2)**	**(4.2)**	**(0.3)**	**-**	**(6.7)**	**(4.5)**

Income and Expenditure from Social Housing Lettings

Association	Housing accommodation	Sheltered and supported housing	Key worker accommodation	Shared ownership	2021 Total	2020 Total
	£m	£m	£m	£m	£m	£m
Income from lettings						
Rents	243.2	58.3	3.4	4.6	309.5	306.6
Service charges	12.1	27.9	-	0.4	40.4	40.3
Total rent and service charge income	255.3	86.2	3.4	5.0	349.9	346.9
Other income	0.6	3.7	-	-	4.3	4.3
Turnover from social housing lettings	**255.9**	**89.9**	**3.4**	**5.0**	**354.2**	**351.2**
Expenditure on lettings						
Management	(44.6)	(14.3)	(0.6)	(1.5)	(61.0)	(59.1)
Services	(15.2)	(35.1)	(0.7)	(0.5)	(51.5)	(49.3)
Routine maintenance	(59.4)	(16.5)	(0.6)	(0.1)	(76.6)	(81.0)
Planned maintenance	(15.9)	(4.0)	(0.2)	-	(20.1)	(19.2)
Rent losses from bad debts	(2.4)	(0.9)	-	-	(3.3)	(3.4)
Depreciation of properties	(18.6)	(7.4)	(0.5)	-	(26.5)	(29.1)
Other costs	-	-	-	-	-	-
Operating costs from social housing lettings	(156.1)	(78.2)	(2.6)	(2.1)	(239.0)	(241.1)
Operating surplus from social housing lettings	**99.8**	**11.7**	**0.8**	**2.9**	**115.2**	**110.1**
Voids	**(1.7)**	**(3.5)**	**(0.3)**	**-**	**(5.5)**	**(3.9)**

Appendix 3

Alternative Performance Measures

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

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

APMs are used for the following reasons:

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

Further information about the specific APMs used by the Group is shown below, including reconciliations to line items within the primary Financial Statements and accompanying notes.

Value for Money Metrics

In April 2018, the Regulator of Social Housing introduced a new Value for Money Standard and accompanying Code of Practice. The Standard introduced a requirement for providers to publish performance against their own Value for Money targets, and a series of common metrics with which to measure economy, efficiency and effectiveness set by the Regulator. The Regulator defined these metrics in the publication Value for Money metrics – technical note feedback and responses. These seven metrics remain the most appropriate set of measures to capture performance across the sector in a fair and comparable way.

The seven metrics, which are analysed in the Value for Money report on pages 62 to 73, are:

- Metric 1 – Reinvestment %
- Metric 2 – New supply delivered (social and non-social)
- Metric 3 – Gearing %
- Metric 4 – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %
- Metric 5 – Headline social housing cost per unit
- Metric 6 – Operating margin % (social housing and overall)
- Metric 7 – Return on capital employed (ROCE) %

Current guidance on these metrics (published May 2021), which includes details of how they are calculated, can be found at:

https://www.gov.uk/government/publications/value-for-money-metrics-technical-note

Segmental Reporting

The Group's operating segments are defined and reconciled in note 6 to the Financial Statements on page 129.

Analysis of these operating segments, referred to as operating divisions, is included in the business reviews on pages 42 to 61. This analysis includes reference to divisional EBITDA and divisional EBITDA percentage, which are key measures of operational performance for the Group and are regularly monitored by senior management.

Divisional EBITDA is calculated by taking divisional revenue and deducting costs directly attributable to the division as well as an apportionment of central costs, but excluding interest, tax, depreciation, amortisation and impairment.

Total divisional EBITDA (as disclosed in the five-year summary on page 37) is the sum of the EBITDA of all individual divisions.

Other Metrics (Included in Golden Rules on Page 22)

Operating Margin

Operating surplus, excluding other gains and losses, as a percentage of revenue.

	2021 £m	2020 £m
Revenue	765.4	763.0
Operating surplus	170.1	186.2
Adjust for:		
Other gains and losses	(5.2)	(6.2)
Adjusted operating surplus	164.9	180.0
	21.5%	**23.6%**

Other Metrics (Included in Five-Year Summaries on Page 37)

Profitability – Measurement of Financial Performance

Underlying Operating Surplus

Operating surplus, excluding restructuring costs and other gains and losses.

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Operating surplus	170.1	186.2	203.7	198.7	195.4
Adjust for:					
Restructuring costs	1.8	2.6	-	-	-
Other gains and losses	(5.2)	(6.2)	(22.7)	(9.6)	(3.0)
Underlying operating surplus	**166.7**	**182.6**	**181.0**	**189.1**	**192.4**

Underlying Operating Surplus Margin

Underlying operating surplus as a percentage of revenue.

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Revenue	765.4	763.0	735.4	708.1	670.9
Underlying operating surplus	166.7	182.6	181.0	189.1	192.4
	21.8%	**23.9%**	**24.6%**	**26.7%**	**28.7%**

Operating Costs as a Percentage of Revenue

Operating expenditure as a percentage of revenue (excludes cost of sales, other gains and losses and joint venture income).

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Revenue	765.4	763.0	735.4	708.1	670.9
Operating expenditure	572.6	557.3	536.0	505.7	461.1
	74.8%	**73.0%**	**72.9%**	**71.4%**	**68.7%**

Underlying Surplus for the Year

Surplus for the year before tax excluding restructuring costs, other gains and losses, net gain from acquisitions and loan break costs.

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Surplus before tax	46.9	52.4	76.9	70.8	59.1
Adjust for:					
Restructuring costs	1.8	2.6	-	-	-
Other gains and losses	(5.2)	(6.2)	(22.7)	(9.6)	(3.0)
Net gain from acquisitions	(4.5)	-	-	-	-
Loan break costs	-	8.6	-	1.3	4.0
Underlying surplus for the year	**39.0**	**57.4**	**54.2**	**62.5**	**60.1**

Underlying Net Margin

Underlying surplus for the year as a percentage of revenue.

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Revenue	765.4	763.0	735.4	708.1	670.9
Underlying surplus for the year	39.0	57.4	54.2	62.5	60.1
	5.1%	**7.5%**	**7.4%**	**8.8%**	**9.0%**

Debt – Ability to Service Debt and Secure Funding

Interest Cover/Interest Cover (Excluding Loan Break Costs)

Operating surplus plus depreciation and impairment divided by net interest payable, excluding pension finance costs and loan break costs.

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Operating surplus	170.1	186.2	203.7	198.7	195.4
Add back depreciation and impairment (note 4)	78.6	73.0	67.3	60.3	63.9
	248.7	259.2	271.0	259.0	259.3
Finance income	(2.9)	(3.6)	(3.5)	(4.1)	(4.0)
Finance costs	130.6	137.4	130.3	132.0	140.3
Add back pension finance costs (note 9)	0.1	(0.9)	(1.0)	(2.6)	(2.3)
	127.8	132.9	125.8	125.3	134.0
Add back loan break costs	-	(8.6)	-	(1.3)	(4.0)
	127.8	124.3	125.8	124.0	130.0
Interest cover	**1.95**	**1.95**	**2.15**	**2.07**	**1.94**
Interest cover (excluding loan break costs)	**1.95**	**2.09**	**2.15**	**2.09**	**1.99**

Gearing

Net Debt/Properties Depreciated Cost

	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m
Liabilities from financing activities (note 20)	3,377.3	3,105.7	2,792.0	2,718.0	2,559.7
Less cash and cash equivalents	(494.7)	(261.5)	(150.1)	(95.7)	(177.0)
	2,882.6	2,844.2	2,641.9	2,622.3	2,382.7
Property (PPE) cost – land and buildings (note 12)	5,688.7	5,489.5	5,289.1	5,089.1	4,883.1
Property (PPE) accumulated depreciation – L&B (note 12)	(366.3)	(346.6)	(311.7)	(279.3)	(255.3)
Property (PPE) cost – under construction (note 12)	229.4	210.7	144.4	236.7	161.8
Investment property cost (note 13)	344.0	336.7	299.7	295.6	304.2
Investment property accumulated depreciation (note 13)	(87.5)	(64.9)	(61.4)	(57.0)	(55.5)
	5,808.3	5,625.4	5,360.1	5,285.1	5,038.3
	49.6%	**50.6%**	**49.3%**	**49.6%**	**47.3%**

Advisers and Other Information

Independent statutory auditor	KPMG LLP One Snowhill Snow Hill Queensway Birmingham B4 6GH
Internal auditor	PricewaterhouseCoopers LLP One Chamberlain Square Birmingham B3 3AX
Bankers	Barclays Bank PLC Barclays Corporate Social Housing Team Level 27 1 Churchill Place London E14 5HP
Legal adviser	Gowling WLG (UK) LLP Two Snowhill Birmingham B4 6WR
Registered office	Chamber Court Castle Street Worcester WR1 3ZQ

Registration Numbers

Regulator of Social Housing	L0247
Registered Society	19059R

Sanctuary Housing Association is an exempt charity under the Charities Act 2011

Accessibility

We want this annual report to be accessible to all. If you would like it in a different format, email **pr@sanctuary-housing.co.uk**.

Sanctuary Group

Sanctuary House, Chamber Court, Castle Street, Worcester, WR1 3ZQ
01905 334000

www.sanctuary.co.uk

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