Sovereign Network Group

Annual Report 2024

Annual Report and Financial Statements

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Sovereign Network Group is the trading name of Sovereign Housing Association Limited, a charitable Registered Society under the Co-operative and Community Benefit Societies Act 2014, registered with the Financial Conduct Authority no. 7448 and the Regulator of Social Housing no. 4837.

Registered office: Sovereign House, Basing View, Basingstoke RG21 4FA

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The year in numbers

01 **Quality homes and places**	**2,015** New homes handed over **44.7%** Percentage of homes aged< 30 years old
02 **Improved environmental and social impact**	**73.04** Average SAP[1] rating **£102.3m** HACT[2] social value
03 **A great customer experience**	**66.56%** Customer satisfaction (rented) **£3.5m** Investment in our communities
04 **A great place to work**	**67** Colleague engagement score **6.0** Lost time injury frequency
05 **Organisational resilience**	**G1** Governance rating **£400m over 33 years** Most recent bond issuance

Note 1: SAP refers to The Government's Standard Assessment Procedure (SAP) for Energy Rating of Dwellings.
Note 2: HACT refers to the Housing Association's Charitable Trust (HACT), a charity which enables social housing organisations to drive value by unlocking the potential for lasting, transformational change - backed by research and data.

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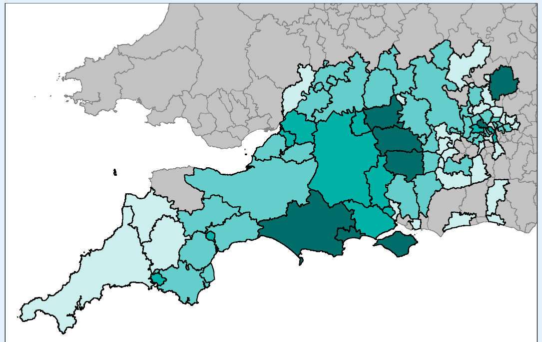
About us

SNG (Sovereign Network Group) was formed in October 2023 through the merger of Sovereign and Network Homes.

Our purpose is to provide good, affordable homes: the foundation for a better life, and our vision is thriving communities, over generations.

We provide over 84,000 homes and invest in communities across the South of England, including London, as well as aiming to create thousands of new affordable homes every year.

We're driven by our social purpose, with customers at the heart of everything we do. We build homes and provide great services, but our work doesn't stop at the front door – we invest for the long-term, creating great places to live, working with our customers and partners to support them in realising their potential. Everything we earn, we reinvest so that our customers – now and in the future – have a sustainable home in a thriving community.



Total homes

- > 4000
- 1001 – 4000
- 100 – 1000
- < 100
- None

Severells Fields, Siddington

Chair's statement

Since October, I have been delighted to lead a new common Board for SNG (Sovereign Network Group) which has been working together towards our vision of thriving communities, over generations.

"Together we will build many more homes and invest more in our communities, including an aim to create £1bn of social value through our new community foundation over the next ten years."

As part of the creation of SNG we have been laser-focused on what is best for customers and best for colleagues. We now have the scale to invest, be ambitious, and to innovate. Together we will build many more homes and invest more in our communities, including an aim to create £1bn of social value through our new community foundation over the next ten years. We have complementary experiences in terms of regeneration, building in London, building high rise and raising the standards of all our homes through the Homes and Place standard. We are giving our colleagues more choices about where they work, better training and more opportunities for career development. We have a bigger, more diverse workforce, bringing together the best of both businesses and making them even better. Although our formal merger became a reality on 1 October 2023, a huge amount of work had necessarily gone on before then and it is a credit to all involved that when we reached that milestone, we were in such a good place and ready to start integration. There is a long way to go, but the prize is worth the effort and as this annual report shows, so much has already been achieved.

Regulatory performance is a key part of our role, and I was very pleased that in June 2023 the Regulator of Social Housing returned our governance grading to G1, the highest rating. Although our previous G2 status was compliant, we had been downgraded for historic failures in our data and the way we managed risk in relation to certain aspects of building safety. The return to G1 reflects the huge effort by the Building Safety Team and a range of other colleagues across SNG to address the issues they uncovered in 2022.

Our viability rating remains V2, reflecting the scale of our ambitions and the fact that we have the financial capacity to deal with a reasonable range of adverse scenarios. This rating, shared with many large housing associations, means that we need to manage material risks to ensure continued compliance. The economic headwinds we face include the lasting effects of recent high levels of inflation, elevated interest rates, supply chain disruptions and labour shortages – compounded by a short-lived period of recession which shrank the overall economy.

In January 2024 we raised £400m in our first public bond issue as SNG. The issuance attracted strong interest from investors and was four times oversubscribed – demonstrating significant market confidence in our organisation and ambitions. Our ability to continuously raise funding at competitive rates underpins our intention to build 25,000 homes over the next decade.

We have put in place governance structures that will ensure that SNG delivers for customers and delivers on our Corporate Strategy. I have particularly enjoyed working alongside Jon Gooding as the Vice Chair of the Board.

We welcomed to the Board Bhavin Shah as the Chair of our Treasury Committee, and he has brought experience from the private and charity sectors as well as a deep understanding of banking, risk and transformation. Gareth Mostyn also joined the board bringing with him strategic financial and governance experience from a range of senior roles, including his current role as Chief Executive of the Church Commissioners for England. With the retirement of Sean West, Gareth will Chair our Audit and Risk Committee going forwards.

Our business and our sector face significant challenges. But as this annual report amply demonstrates, we continue to make steady progress. I am hugely grateful to the Executive Board and to all of our colleagues for the part they have played over the last year as we prepared for and put into place our merger. Thank you all.

Paul Massara
Chair

Foreword by CEO

This year we have laid the foundations that will see SNG deliver significant improvements for our customers over the next decade, investing in their homes and the communities in which they live. Our clear purpose is to provide good, affordable homes: the foundation for a better life.

"As the numbers of people on housing benefit and the numbers of children in temporary accommodation have risen this year, our determination to address the housing crisis has grown."

This purpose is shared by our almost 3,000 colleagues and is being delivered through a commitment to improve the customer experience, building the affordable homes our country needs, and investing in communities so that they can thrive over generations.

Whilst as a combined organisation SNG is only ten months old, our oldest predecessor organisation purchased its first home in 1974 - fifty years ago. This history - and the long-term nature of our organisation - is something to celebrate. We are custodians of that legacy while ambitiously looking into the future - and creating places that will be our customers' homes over the next fifty years and more in many instances.

Our development pipeline continues to grow, in marked contrast to many in the sector: we have ambitious plans for 25,000 homes over the next ten years. This year we have built 2,015 new homes, of which 96% are an affordable tenure type. This is despite rising costs in labour and materials, the long shadow of Covid, and ongoing wars in Europe and the Middle East. Despite an economic future that is far from certain we see the social impact of our homes and we are determined to be a developing landlord, to acquire new sites and to build the homes our future customers need.

We are also investing heavily in our existing homes, making the Homes and Place Standard we co-created with our customers for the long-term sustainability and liveability of our homes a reality. New partnerships will help us build the very best homes, many of which for the first time meet the "very good" standard for Homes and Place and will have very low or no energy bills for our customers. Working with partners we are progressing major new regeneration schemes and new developments across our geography, from the Isle of Wight to Hertfordshire, including heartlands in west London and Basingstoke.

We are using funding from the Social Housing Decarbonisation Fund to retrofit our homes, bringing down customers' bills, supporting their health and wellbeing and helping them to reduce their carbon footprint. We are also investing in the systems we need so we can maximise efficiencies as we bring Homes and Place to scale through a new platform which gives us a single view of our assets. This will also ensure we continue to be compliant on building safety, learning the lessons of the past and protecting all our customers.

Customers are rightly increasingly challenging us, and we are embracing higher customer and regulator expectations of consumer standards. The Housing Ombudsman is seeking to drive up complaint handling standards across all social housing providers and we are learning from this, seeking to rebuild trust where we have let customers down, putting in place better processes, more training, and the best people to deliver in local areas. New technology is automating more and more of the routine tasks we carry out so our contact centre, trades and building safety colleagues can focus on the things that need their human experience and expertise.

We have now resolved to establish our new Community Foundation as a charitable entity and will use it to increase our investment in our communities, building on the almost £100m of social value we created this year. We will use the foundation to meet our commitment to invest £100m over the next decade - aiming to create over £1bn of social value.

To deliver our ambitions we need great people, so we want SNG to be a great place to work. This year new processes for reward and performance review are linking individual performance to customer experience, so that every single person who works here is focused on our customers. We have more to do on equality, diversity and inclusion, but we are making good progress and drawing on the insights and positive feedback from our customer and colleague surveys. As we integrate the former Sovereign and Network Homes we will roll out a structure that ensures we make the most of the extraordinary talent we have in service of our customers and the wider corporate strategy which serves them.

This year we marked our return to a G1 governance rating but there is no room for complacency. In February we welcomed Kirsten Keegan to the Executive Board in a new role as our Group General Counsel. Kirsten and her team will support the business to manage risk, minimising it where appropriate and giving us the space and capacity to innovate.

Over the last 18 months, as the Labour Party looked ever more likely to form the next government, we have increased our monitoring of their policies and our direct engagement with Labour MPs and policy makers. While a Labour government had been long expected, the scale of the victory only seemed more likely once the campaign itself was underway. We have already begun the work of getting to know the many new MPs representing areas where we have stock. We are also working to build on our existing contacts and to increase our influence as the new government turns its ambitious plans for housing into deliverable policies.

SNG is uniquely placed to advocate for our existing and future customers and their communities as others scale back their development programmes and we will continue to argue with whoever is in power of the need for a long-term plan for housing. As the numbers of people on housing benefit and the numbers of children in temporary accommodation have risen this year, our determination to address the housing crisis has grown. We cannot do it alone, but that is not a reason not to do it at all and we are continuing to actively play our part in the G15, the Consortium of Associations in the South East (CASE), and Homes for the South West.

As this report shows, we have achieved so much. Our merger was ten short months ago; if we can achieve this much in ten months, I am excited to think what we will achieve in ten years and beyond.

Mark Washer
Chief Executive

Our history, our future

Fifty years ago this year, SNG began life when Brent People's Housing Association (BPHA) acquired our first home for rent in Willesden. That same year, Hampshire Voluntary Housing Society updated its charitable rules focussing on the provision of homes for older people in housing need. Over time we took on homes and housing estates in London and Hertfordshire and rebranded as Network Housing Association in 1988. Around the same time in 1989, Newbury District Council transferred just over 7,000 homes to the West Berkshire Housing Association, which became Sovereign in 1994.


Ridgeway, Hertfordshire

25,000 new homes over the next decade

£9.2bn will be invested in new and existing homes

In 1995, Network established Riversmead to manage nearly 4,000 homes for East Herts Council and in the early 2000s we moved to a group structure, acquiring homes in Brent and Lambeth. In 2019, Network led the G15 group of London's largest housing associations for the first time.

Sovereign also grew and by 1997 had 10,000 homes, in 2005 we merged with Twynham Housing Association and in 2009 with Kingfisher HVHS. In 2016 we merged with Spectrum Housing Group to create a new housing association with 55,000 homes. This is our shared history, following a similar journey of gradual growth until in 2022 Sovereign and Network began discussions about merging to bring the best of both together.

Although both organisations were strong and could have continued to thrive independently, it was clear there were obvious advantages for us to come together. We had shared values and shared ambition. But there were also differences which would drive faster improvement. Sovereign's scale and desire to build, matched with Network Homes' experience in regeneration mean we can aspire to have one of the most ambitious development programmes in the country.

As we merged, we were also clear that the sector's headwinds make the case for merger more compelling. Together we are better placed to meet the economic, political, regulatory, environmental and social challenges of the coming decades. Our combined financial resilience means we can invest more and build more, shielded from risk and able to maximise development opportunities. We now have a strong foundation for investment in existing homes, regeneration and new build with a total of £9.2bn investment over the next 10 years to provide homes that are affordable, healthier, easier to maintain and cheaper to run.

"Our size and scale allows us to protect and enhance investment into our existing homes as well as build more affordable homes for people who need them most."

We are now the sixth largest housing association by size and have the ambition to be in the top three by development programme - that gives us more influence and more opportunities to invest in homes and services. Our size and scale allows us to protect and enhance investment into our existing homes as well as build more affordable homes for people who need them most. Together, we are aiming to build 25,000 new homes over the next decade - that's 4,000 more than previous separate plans.

We'll improve the quality and liveability of our existing homes and neighbourhoods. Reducing the cost of living in our homes and the wellbeing of customers, will drive our approach to building safety, decarbonisation, and enhancements to our quality standards.

Shaping SNG as we come together into a single organisation will involve significant effort and will create many opportunities for our people across both organisations. For existing and new colleagues, it provides a fantastic opportunity to work for a developing social landlord with long-term ambitions.

Housing and planning policy: the external context

We have seen continued political turbulence and the economic backdrop remains challenging. While a new government with a large majority may hold the promise of more stability in the year to come, the international situation remains febrile and there are further important elections elsewhere in the world with the potential to have an impact on the UK. As the chief executive's foreword says, we are already working to get to know newly-elected MPs and to maximise our influence on the new government.

Over the last year we have continued to work with government as new legislation has come into force and shaped the regulatory landscape. We actively increased engagement with the Labour party ahead of the general election, while maintaining strong links with our local MPs from all parties. We continue to be increasingly vocal in the sector on the vital role we can play in addressing the national housing crisis and the need for a long-term plan for housing.

Last July, the Social Housing (Regulation) Act 2023 passed into law, marking a new era of regulation for the social housing sector, giving customers more regulatory protection and more support if things go wrong. Since the fire at Grenfell Tower seven years ago, we have worked closely with the National Housing Federation and others in the sector to shape new regulation, particularly around tenant voice. This new law and, the regulations that flow from it, flow from the response to Grenfell in the 2018 Social Housing White Paper and a shared ambition across the sector, the regulator, the Housing Ombudsman and the government to ensure we all deliver for social housing tenants. We have responded in full to the consultations on the new regulations, as well as to the consultation on 'Awaab's Law', which (if implemented) will place new obligations on social housing providers following the coroner's verdict on the tragic death in 2022 of Awaab Ishaak. We have also responded to consultations on the Future Homes Standard, brownfield planning and street votes to ensure our voice is heard in the formulation of new planning regulations.

In June 2023 we responded to the Levelling-Up, Housing and Communities House of Commons Select committee inquiry into financial sustainability in the housing sector and on shared ownership.

We continue to actively engage across and beyond the housing sector. SNG had a strong presence at the Housing 2023 Conference in Manchester in June.

Mark Washer spoke on the main stage in a session with the Regulator and Nicole Sharp, Jamie Ratcliff and Jim Dyer spoke on panels. Ahead of Lisa Nandy's (then Shadow Secretary of State for Levelling-Up, Housing and Communities) speech to the conference, SNG hosted a networking breakfast for more than fifty guests from across the sector who heard from Mark Washer and enjoyed a Q&A session led by Pete Apps from Inside Housing and Cllr Jayne Francis, Cabinet Member for Housing and Homelessness, Birmingham City Council on how the housing sector can work with the Labour Party ahead of a general election and beyond. Mark Washer and Jamie Ratcliff spoke at the NHF Summit in Birmingham in September and at the Social Housing Conference in November. We also attended the regional CIH conferences for the South East in Brighton and for the Southwest in Bristol and held receptions and dinners for our development and other sector partners at each.

SNG attended all three major party conferences, meeting with ministers, MPs, advisers and candidates – including candidates we expected to be elected after a general election. Mark Washer spoke on panels at Conservative Party Conference in Manchester and at Labour Party Conference in Liverpool. We continue to meet with candidates and MPs at our own sites and in Westminster, building strong links with those who represent (or seek to) our customers.

Above:
Aytoun Road, Stockwell

Financial and delivery highlights

2023/24 saw the formation of Sovereign Network Group (SNG) with Sovereign Housing Association and Network Homes Limited merging on 1 October 2023. Our 2023/24 Annual Report includes the full twelve months' financial results of both legacy organisations which show strong performance in core financial parameters, despite the ongoing challenging economic and political environment facing the UK Housing Sector.

SNG achieved an operating surplus of £172m, and an overall surplus of £63m which will be reinvested into new and existing affordable homes. This positions us amongst the leading profitable Housing Associations in the Sector. Surplus is less than last year primarily due to higher interest and maintenance costs as well as non-recurring merger costs and asset write-downs. This is partially offset by higher rental income.

On a Group basis, we completed 2,015 new homes (2023: 1,879). The overwhelming majority (96%) were affordable homes which ranks us as one of the largest suppliers of affordable housing in the Sector. We invested £488m in new homes, higher than 2022/23 (£481m).

2023/24 also saw a YoY improvement in our EBITDA Interest Cover to 104% and is projected to improve further into 2024/25.

Measure	2024	2023	Change
Operating surplus £m	171.5	163.1	8.4
Operating margin %	21.1%	19.5%	1.6%
Overall surplus £m	62.9	71.3	(8.4)
EBITDA MRI £m	158.5	130.1	28.4
EBITDA MRI Interest Cover %	104%	103%	1%

EBITDA MRI = Earnings before interest, tax, amortisation and major repairs included

Above:
Marissal Road, Bristol

Turnover

Our total income increased by £16.5m in 2023/24, to £707.8m. Social housing rental income increased by £51.6m to £566.2m driven by strong new build performance from the previous year and the 7% annual social rent increase. Shared ownership first tranche sales remained resilient with volumes broadly in line with last year at £87.6m (2023: £89.4m).

Open Market sales reduced by £31.6m to £10.2m (2023: £41.8m), this was due to the timing of sales receipts in our London region in the prior year. Net margins on sales have improved from 2.4% in 2022/23 to 22.4% in 2023/24. The YoY improvement was impacted by two large land sales in the prior year which were sold at cost price, deflating prior year overall margins. Excluding the effect of these prior year sales, margins have continued to remain strong YoY, supported by a strong market for new affordable and market sale properties.

Turnover (£m)	2024	2023	Change
Social housing rent	566.2	514.6	51.6
Other social housing income	9.6	11.2	(1.6)
Shared ownership first tranche sales	87.6	89.4	(1.8)
Open market sales	10.2	41.7	(31.5)
Private rent	13.8	13.9	(0.1)
Other non-social housing activities	20.4	20.5	(0.1)
Total	**707.8**	**691.3**	**16.5**

Operating costs

Our operating costs have increased by 8% in the year from £432m to £467m, driven by an increase in maintenance and management costs. The overall costs reflect:

- Continuing investment in our existing stock through higher maintenance and repairs;
- Investments in our people, transformation and integration programmes to deliver better future capability and organisational efficiencies;
- Improvements and modernisation of our office workplaces; and
- Higher costs of insurance and utility costs

Operating costs (£m)	2024	2023	Change
Social housing activities			
Management costs (excl. depreciation)	141.9	120.5	21.4
Maintenance costs	138.6	126.5	12.1
Depreciation and other costs	163.5	167.6	(4.1)
Non-social housing activities	22.6	17.9	4.7
Total	**466.6**	**432.5**	**34.1**

Other costs and activities

Surplus from the sale of housing properties increased by £3.9m to £33.1m (2023: £29.2m) driven by our Strategic Asset Management programme, which led to higher volumes of core stock disposals compared to the previous year.

During the year, reflecting the overall commercial property market, we experienced an £11m reduction in the fair value of our investment properties, this included our commercial retail properties at Princes Mead and Clifton Down.

Statement of Comprehensive Income (£m)	2024	2023
Turnover	707.8	691.3
Cost of sales	(91.4)	(124.5)
Operating expenditure	(466.6)	(432.4)
Sale of housing properties	33.1	29.2
Movement in fair value of investment properties	(11.3)	(0.6)
Operating surplus	**171.5**	**163.1**

Norton Farm Development, Cribbs Causeway

The Group Statement of Financial Position

The formation of SNG has led to the further strengthening of a robust, diversified and resilient balance sheet with net assets totalling £2.7bn as at 31 March 2024. Fixed assets totalled £7.3bn (2022/23: £7.0bn), an increase of £0.3bn on the previous year reflecting our investment in new and existing homes.

SNG's financial position is strong with net debt of £3.6bn and available cash and undrawn facilities of £983m at the end of March 2024. This liquidity ensures SNG's ongoing ability to support both operational cash requirements and development plans activities.

Our interest and financing costs increased to £128m (2022/23: £104m). This was driven primarily by the issue of our £400m sustainable bond and increasing interest rates through the year, exposure to which we have minimised with a prudent mix of fixed rate debts at low rates.

Cash and short term investments at £80.7m (2022/23: £146.7m) have reduced but remains sufficient for ongoing operational requirements. As at 31 March 2024, SNG had £902m of available/undrawn facilities providing a strong funding position. This level of cash holding serves to ensure we have sufficient cash balances to meet operational requirements. Revolving bank facilities remain available to support ongoing liquidity requirements.

Statement of Financial Position (£m)	2024	2023
Fixed assets	7,349.6	7,018.1
Current assets	333.7	391.1
Creditors amounts falling due within one year	(360.1)	(310.7)
Net current assets	(26.4)	80.4
Creditors amounts falling due after more than one year	(4,624.3)	(4,465.1)
Total net assets	**2,698.9**	**2,633.4**
Income and expenditure reserve	2,348.7	2,277.8
Other reserves	350.2	355.6
Capital and reserves	**2,698.9**	**2,633.4**

Cash flow

Operating cashflow has remained stable at £241m (2023: £246m). The marginal decrease was driven primarily by lower overall surplus. SNG continued to invest heavily in more homes and better places with net cash outflow from investing activities of £353m in 2024 (2023: £347m). This was driven by purchases of tangible fixed assets, nearly all of which were for new housing development, which increased by £54m to £545m (2023: £492m). Higher proceeds from the sale of assets (£12m) and from grants (£31m) and interest received (£4m) helped to offset this increase.

Net new borrowings reduced by £49m to £194m, (2023: £243m) and higher interest paid of £24m, has driven a lower cash inflow from financing activities.

Cash flow (£m)	2024	2023
Net cash inflow from operating activities	**241.4**	**245.9**
Cash flow from investing activities		
Net cash flow from jointly controlled entities	0.6	0.7
Purchase of tangible fixed assets	(545.1)	(491.6)
Proceeds from sale of tangible fixed assets	145.2	133.1
Grants received	37.9	6.5
Interest received	8.2	4.6
Net cash from investing activities	**(353.1)**	**(346.8)**
Cash flow from financing activities		
Interest paid	(147.2)	(123.3)
Interest element of finance lease rental payment	(0.3)	(0.3)
Movement in collateral deposits	(0.5)	(0.1)
Net new borrowing	193.9	242.3
Finance lease rental repayments	(0.3)	(0.3)
Net cash used in financing activities	**45.7**	**118.3**
Net change in cash and cash equivalents	**(66.0)**	**17.5**

Our approach to Value for Money (VfM)

Our corporate plan aims to deliver improved value for money across all of our activities so that we can continue to provide much needed new homes and invest in our existing properties and services. This statement reviews our performance against a set of sector standard performance metrics with benchmarking against the G15 group of registered providers. We also publish an impact report which looks at how we perform across the environmental, social and governance aspects of our organisation whilst detailing our social impact, a key element of our value for money approach.

This is the first year of reporting as SNG and as a result, previous performance information is limited. We are developing an SNG value for money framework which will be presented for approval in Q2 of 2024/25 and will incorporate our targets for the coming years.

We have published our first set of Tenant Satisfaction Measures (TSMs) and have agreed targets for improvement in key metrics such as overall customer satisfaction and repairs response times. This enables us to take a holistic view of value for money, balancing the quality of our services to customers with our efficiency and the cost of delivering those services.

VfM metrics explained

All registered providers are required to report annually on the performance against a suite of metrics defined by the Regulator of Social Housing in the Value for Money Standard. This aims to encourage transparency and allow comparison between different providers.

We benchmark against the G15 group of registered providers, a group of large registered providers who are a similar peer group with significant property holdings in London and across the country. As SNG did not exist as a group in 2022/23, prior year figures below are recreated from the published accounts for the former entities that merged to form SNG.

Our performance in 2023/24

We have maintained a strong focus on value for money during integration of the legacy organisations following the merger on 1 October 2023, whilst recognising that additional investment is required in order to provide firm foundations for the new group. This is a challenging operating environment and the merger will make us more resilient, stronger and better able to tackle the key challenges facing our customers, our business and the sector.

We have continued to invest in new and existing homes and services to our customers. We have committed a total of £197.8m in maintaining and improving our existing stock over the last year. This is an increase of £11.3m compared to the 2022/23 year.

During 2023/24 we continued our programme of capital replacement which has improved the quality of our stock and will have a direct positive impact on optimising our reactive repair bill in the future.

Notable value for money achievements across SNG in 2023/24 include:

- New utilities contracts were signed in October 2023 which represented a saving of £2.4m compared to the cost under the previous contract for gas and electric communal charges.
- There were savings in treasury costs by cancelling one of our loan facilities early.

This resulted in total savings within the year of £226k.

- Centralised complaints teams have helped our residents log their complaints through different channels eg through online chat or phone. This has ensured a consistent approach for our residents when dealing with complaints and a better responsiveness for customers.
- Our multi-year transformation programme, designed to deliver improved capability and efficiency has resulted in £3.7m cash savings to the business in the 2023/24. Savings reductions in data hosting costs and lower procurement costs of replacement boilers are two examples where efficiencies have been delivered. This programme together with our programme to integrate both legacy organisations will deliver significant operational efficiencies and capacity to continue improving services to customers and investment in existing in new homes in the future.

SNG performed strongly across a number of key value for money indicators – eg new social housing supply was top quartile and aligns with our commitment to provide a significant contribution to tackling the housing crisis. Our headline social housing cost per unit is considerably below our peers and the overall operating margin improved and is top quartile in performance terms.

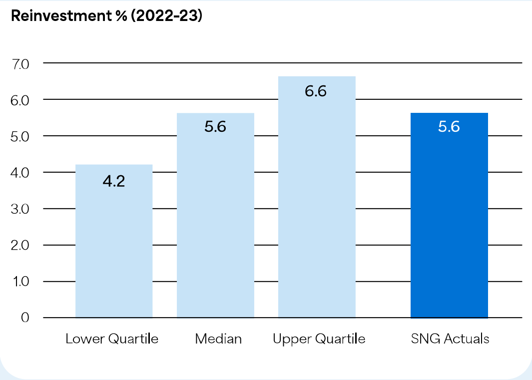
VfM Metric Tables	2022-23				2023-24
	Lower Quartile	Median	Upper Quartile	SNG Actuals	SNG Actuals
Reinvestment	4.2%	5.6%	6.6%	**5.6%**	**7.8%**
New Supply (Social)	1.0%	1.3%	2.3%	**2.2%**	**2.3%**
New Supply (Non-Social)	0.1%	0.4%	0.7%	**0.1%**	**0.0%**
Gearing	40.6%	47.1%	53.1%	**46.3%**	**46.9%**
EBITDA MRI Interest Cover	38.5%	71.5%	85.8%	**103.0%**	**104.3%**
Headline Social Housing Cost Per Unit (£)	5,523	6,288	7,573	**4,640**	**5,081**
Operating Margin (SHL)	17.0%	20.9%	24.7%	**21.8%**	**25.6%**
Operating Margin (Overall)	6.3%	15.7%	16.4%	**19.5%**	**21.1%**
ROCE	1.7%	2.2%	2.6%	**2.4%**	**2.6%**

Operating Margin does not include asset sales or fair value movements.
Source: Regulator of Social Housing's annual report 'Value for Money metrics and reporting 2024', housing associations with >1,000 homes under management

Reinvestment

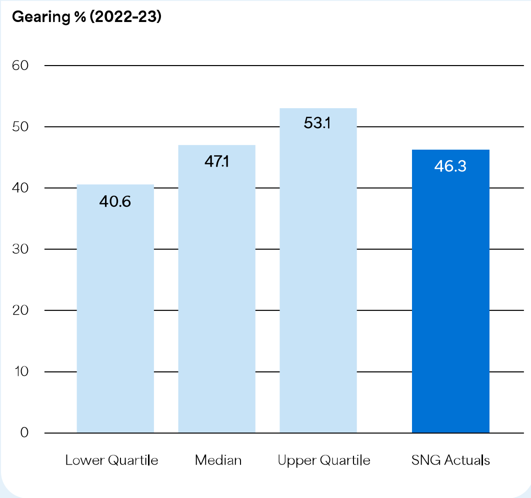
The reinvestment metric looks at new and existing properties as a percentage of properties held.

Reinvestment has increased by 2.2% and is above the upper quartile. This is due to £3m more investment in our stock from development and capital major repairs compared to 2022/23.



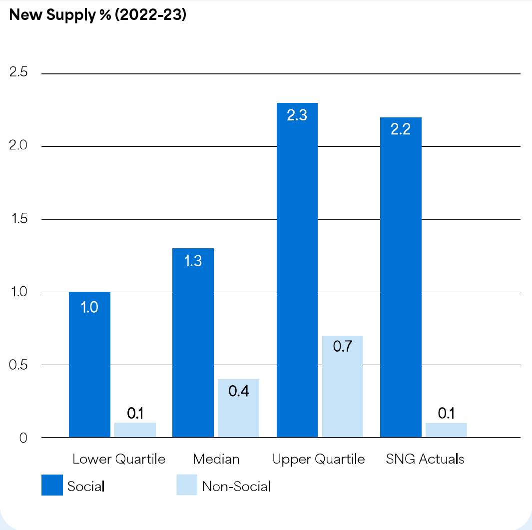
Gearing

The gearing metric looks at our debt to asset ratio, comparing our cash and financing balances against the value of properties held. This shows our approach to risk and our appetite for growth by seeking external financing options. Our gearing has increased by 0.6% which is in line with sector trends for larger providers. Gearing has broadly remained stable and benchmarks to the middle quartile despite increasing our borrowing to fund our growing development programme.



New Supply (Social and Non-Social)

The new supply metric looks at how many new homes, social and non-social, we have delivered during the year relative to our size. This year, our development focus has been entirely on new social rented and shared ownership homes and we have delivered 1,926 much needed affordable new homes. In addition, we built 89 new properties for market sale. One of the drivers of the merger is the ability to use the group's financial strength to tackle the housing crisis. We aim to deliver 25,000 homes over the next 10 years subject to favourable market conditions.

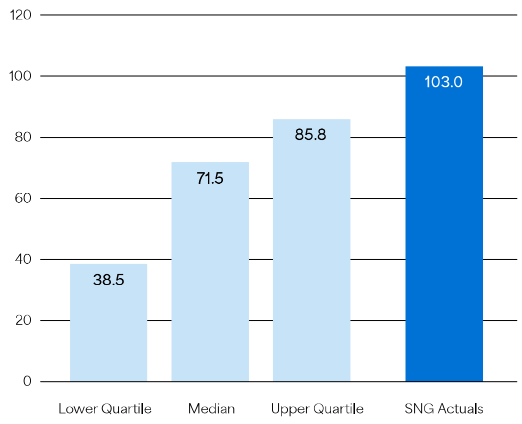


EDITDA MRI Interest Cover

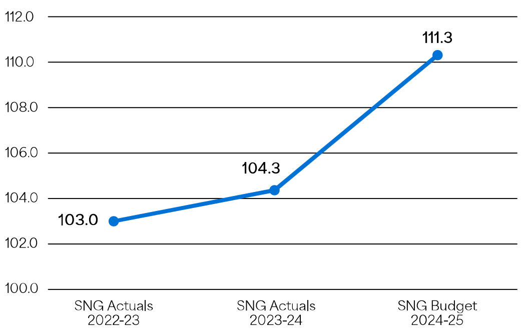
EBITDA MRI refers to earnings before interest, tax, depreciation and amortisation, with major repairs included. We then divide this by the total interest payable to show how much surplus we have available to cover interest payments.

This has increased between 2022/23 and 2023/24 by 1.3%. The reason for the increase is due to adjusted operating surplus increasing proportionally more than in interest paid.

EBITDA MRI (as % interest) (2022-23)



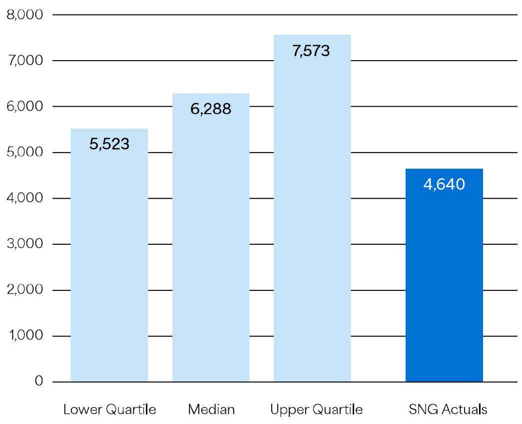
EBITDA MRI (%) Interest Cover



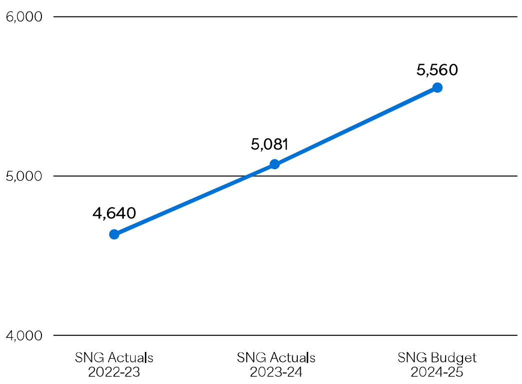
Headline Social Housing Cost Per Unit

This metric is calculated by adding together our total spend on management costs, maintenance, major repairs, service costs and other social housing costs and then dividing by the total number of properties. This indicates how efficient we are being at delivering services while controlling our costs. Our cost per unit was in the lower quartile. Whilst CPU has increased, it remains significantly lower than the majority of our peers. The increase in the social housing cost per unit between the two financial years is due to higher maintenance costs where we continued to invest and maintain our stock through repairs and an increase in management costs which along with inflationary pressures, include our investments in shaping our new combined group through our integration and transformation programmes. We expect that efficiencies produced as a result of our change programmes will reduce CPU as these conclude.

Headline Social Housing Cost Per Unit (£) (2022-23)



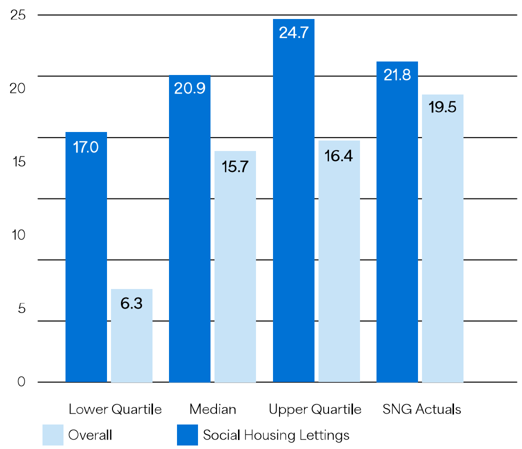
Cost Per Unit (£) trend analysis



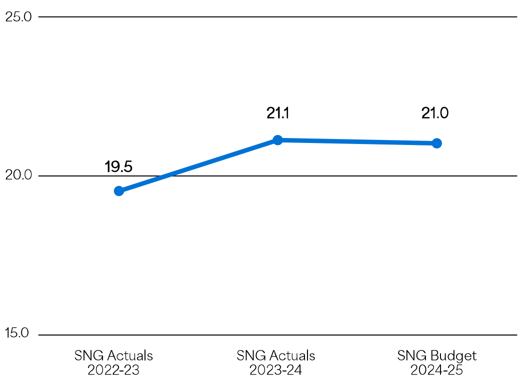
Operating Margin

Operating margin measures the amount of money we have left from rental income after we have deducted our main costs to run the business and serve our customers. Our overall operating margin was top quartile for 2022/23 and has increased in 2023/24. Ongoing pressures on operating margin continue as a result of maintenance and repair costs increasing ahead of inflation as well as a result of non-recurring transformation and integration expenditure.

Operating Margin % (2022-23)



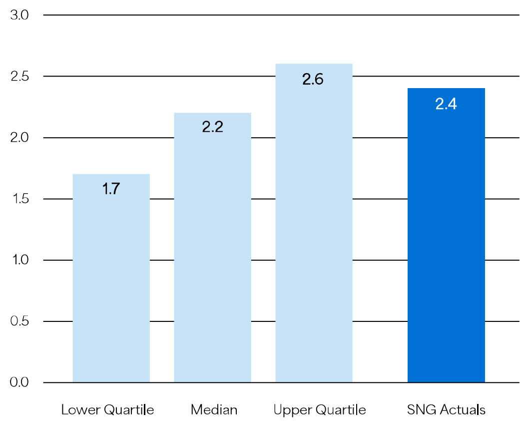
Operating Margin % trend analysis



ROCE

ROCE indicates how efficiently our money is invested internally and compares our operating margin against our current assets less our current liabilities. ROCE remained stable and is above median for the peer group.

ROCE % (2022-23)

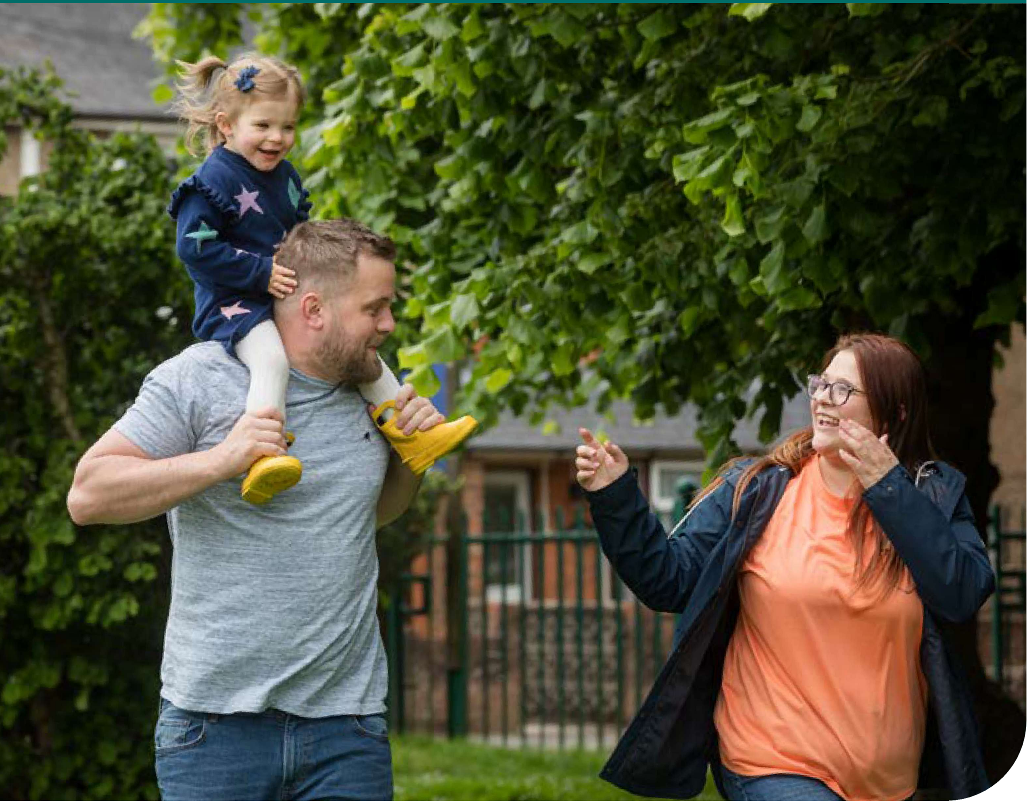


01

Quality homes and places

Quality homes and places

Over the last 12 months SNG has continued to develop an ambitious development programme that will enable us to build more new affordable homes and to improve the quality of our existing homes. As our Corporate Plan makes clear, the demand for affordable homes is rising at the same time as the need to invest in existing homes.



"As SNG we have the people and the financial capacity to build more homes, including large and small strategic sites and major regeneration schemes."

2050
all homes will be fit for the future

64%
of homes average Very Good

Upfront investment in repairs this year is saving us money in the future and safeguarding our reputation; if we don't address the underlying condition of homes then it will mean more repairs, more voids, and lower customer satisfaction - all of which could jeopardise our reputation and ability to raise funds. We are committed to finding sites and building new homes, as well as improving the homes we own.

We are making steady progress towards our ambition that by 2050 all our customers' homes will be fit for the future. We want our customers to live in homes that are warm, enhance their wellbeing, and reduce the impact on the planet from climate change. We remain committed to playing our part to reach net zero by 2050.

As SNG we have the people and the financial capacity to build more homes, including large and small strategic sites and major regeneration schemes. The Homes and Place Standard assessment is now complete across our geography, now providing insights and best practice to our homes across London and Hertfordshire, as well as the previously assessed areas across the South and South West. At the same time, our combined experience in the development and management of high density, complex buildings and neighbourhoods means we can increase our pipeline. Operating across markets and products means we can balance our risk and combined we have stronger relationships with funding bodies, developers, and investors.

One Built Environment Team: new homes and places

Working as part of our transformation programme, we have brought together construction, commercial, estimating, technical, quality and assurance, development policy performance and aftercare into one team - the Built Environment Team. We will continue to refine structures between now and 2025 to ensure we can deliver against our corporate objectives, above all the need to support land-buying through robust pre-construction technical, design and commercial due diligence. We have developed a new "viability calculator" to support detailed viability and massing studies on strategic regeneration sites.

The Homes and Place assessment tool continues to play a key role in informing the decisions we make about our homes, and is now fully web-based. A new placemaking guide is also being used to complement the standard, alongside a new design guide and plotting guide. We have assessed a further 2,110 homes and our SNG average of Homes and Place score is 64%, meaning 'Very Good'. As we have brought the teams together all colleagues have undertaken training on the Assessment Tool.

We are rolling out our new house types, both traditional build and modern methods of construction (MMC), and plotted these onto new sites. The designs are future-proofed and will meet future regulations included in the 2025 Future Homes standard. These will also be approved by NHBC. This is supported by a new agent framework to underline accountability regarding quality inspections and reporting and a new contractor/ developer procurement framework to drive standardisation and improve efficiencies.

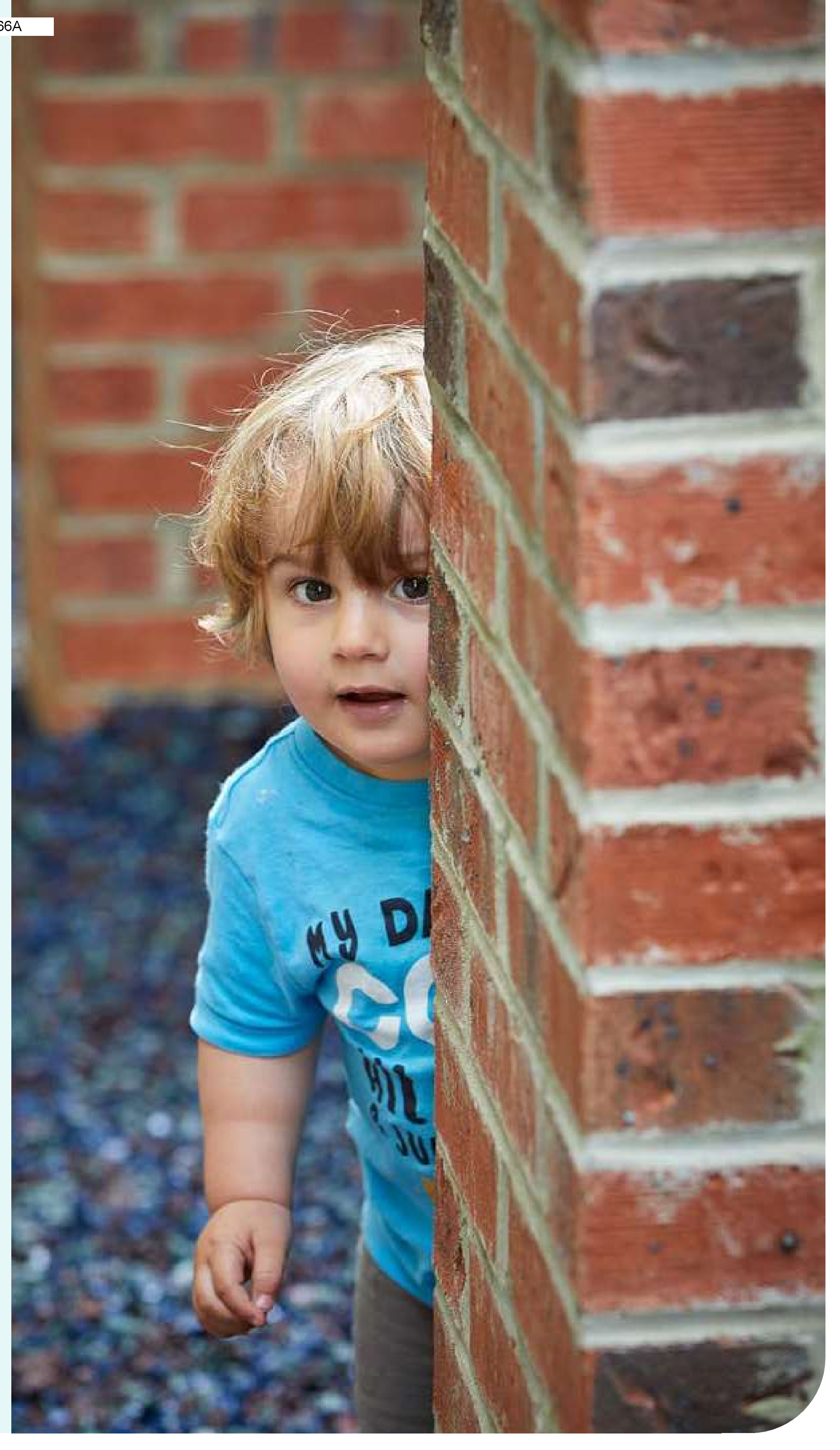
"SNG achieved 'Substantial Assurance' on an annual audit undertaken by an external consultancy of the Big 6 compliance baseline methodology and data."

We are continuing to work with suppliers to develop a Single Asset View platform (SAVi) which will give us one, accurate view of each of our assets. This will enable us to digitise site inspection and improve reporting. This year we disposed of 411 homes generating £77.1m, this is largely poor performing stock that doesn't meet our new Homes and Place Standard for our customers. We've completed the first view of asset grading across our homes in London and Hertfordshire as we broaden out our approach to strategic asset management across the whole business. We have created a new internal stock condition survey team which has carried out 8,000 stock condition surveys and we have processed 5,833 disabled facilities grant requests.

Ensuring compliance: keeping our customers safe

SNG achieved 'Substantial Assurance' on an annual audit undertaken by an external consultancy of the Big 6 Compliance (Gas, Asbestos, Fire, Electrical, Water Hygiene, and Lifts) baseline methodology and data. This is a huge achievement for the individuals working within the Building Safety and Compliance area with appreciation shown to other departments for their engagement and contribution in achieving the highest level of assurance. We have achieved a significant improvement in data quality and the automated reporting of Big 6 Compliance areas. This has provided a further opportunity for the Building Safety and Compliance Team to review, interrogate and improve our data relating to our Big 6 Compliance areas.

Building safety projects have been completed at Capitol Way in Colindale, Rainbow House in Watford and Matthews Close in Wembley and work continues at Templar House and Vantage Point, both in Harrow and Robsart St in Stockwell Park.



100% compliance on Fire Risk Assessment Programme

£1.1m additional surplus on first tranche shared ownership sales

Across London and Hertfordshire 857 homes have been given EWS1 fire safety certificates. We have achieved 100% compliance on our Fire Risk Assessment Programme and 98.5% compliance on all communal doors and 97% on all flat entry doors. This follows new regulations on buildings over 11 metres tall and required a comprehensive programme of work covering some 12,500 doors. Following the establishment of a new Building Safety Team, all higher risk buildings are regularly inspected and audited by building safety officers. All 56 higher risk buildings were registered by the 1 October 2023 deadline required by the Building Safety Act and we have robust processes in place for new buildings. Our sprinkler compliance is over 97% and we have completed 12,500 Fire Risk Assessment actions.

New schemes and new homes

In our West region we've delivered 939 affordable units against a target of 950 and 43 joint venture units against a target of 69. We've delivered 218 shared ownership units and 21 units for market sale. In the South we've taken ownership of 459 homes against a target of 481. We have completed 671 affordable homes in London, Hertfordshire and Essex and completed 244 homes for shared ownership, generating receipts of £28m.

Notable schemes include delivery of the UK's first "zero bills" scheme at Nexa Fields near Exeter where, in partnership with Octopus energy, our customers are guaranteed no utility bills for five years. We're progressing a new scheme for 595 homes at Pickedmoore, Thornbury and an exciting development of new homes set in acres of woodland at Severells Fields in Wiltshire. Work continues in London and Hertfordshire; a scheme of 654 homes in Northwick Park, a scheme of 110 homes in Welwyn Garden City and an environmental project at Stockwell Park featuring new drainage, roads, pavements and tree planting. The Dabbs Hill scheme in Northolt won the First Time Buyers' readers award. We've secured approval for a site on the Isle of Wight to build 131 affordable homes, signalling our ongoing commitment to providing homes on the island.

This year we achieved £1.1m additional surplus over budget on first tranche sales of shared ownership homes. Despite a very challenging mortgage market and a cost-of-living crisis that has affected house sales nationally, we sold homes at an average of £378,000, with first time buyers accounting for 41% of sales. 80% of our core disposals as part of our strategic asset management plan were to first time buyers.

We've integrated our staircasing and resales teams to improve the customer experience for those looking to acquire more of their shared ownership home or move on from shared ownership.

In July 2023 we set up the Sovereign Hill Partnership to deliver a major regeneration scheme at Basingstoke West and signed a Memorandum of Understanding with Basingstoke and Deane Borough Council. We began community engagement work and are continuing to take an approach which actively tackles the socio-economic challenges in the area.

The GLA has provided £23.5m of grant funding for our pipeline scheme at Orion Park and 500 High Road Wembley. As at 31 March 2024, £5.2m has been claimed and received with further funds receivable as these schemes reach specific milestones. New pipeline figures include a scheme to deliver 220 affordable homes at Smiths Farm in Ealing and 162 affordable homes at Victoria Quarter in Barnet.

02

Improved environmental and social impact

Taverners Development, Exeter

Improved environmental and social impact

We take seriously our wider responsibility to improve the impact our organisation, homes and customers have on the environment and to have a positive social impact.

£450k
invested in #iwill programme for local youth social action

"Our approach to community investment, including the new SNG Community Foundation, will help us to meet the needs of our different communities, helping our customers to thrive."

We are investing in addressing the generational challenge we face to tackle climate change by reducing our homes' carbon emissions. This will not only contribute to getting to net zero by 2050 but reduce our customers' bills and give them safer, warmer and healthier homes.

Our customers face rising living costs and we are doing more to support them in their communities. Our approach to community investment, including the new SNG Community Foundation, will help us to meet the needs of our different communities, helping our customers to thrive. This will use the investment of £100m over the next 10 years to create over £1bn of social value.

Warmer, greener homes

SNG has a large allocation of funding through the Social Housing Decarbonisation Fund (SHDF). This money is now being invested to retrofit homes. On a combined basis SNG secured £19.2m of grant funding, to retrofit over 3,000 homes.

Our pilot projects are trialling different heating and hot water technologies and we will benchmark the outcomes before rolling out further retrofit programmes. Using the SAVi Common Data Environment platform we will link building safety compliance, development, asset management and customer services. We have formed a strategic partnership with Sero to benefit from their decarbonisation modelling. Each home we retrofit will have its own building passport, setting out the journey for that home to net zero.

SNG has one of the largest retrofit programmes in the country and our work across all our pilots makes us well-placed to be successful as a strategic delivery partner with government for the next round of SHDF Funding round (Wave 3), expected later in 2024.

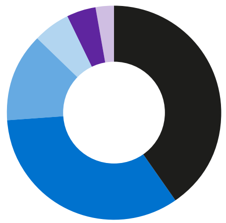
Investing in our communities

In addition to the £3.5m SNG invested into communities we secured £2.4m in external funding from a range of funders including the National Lottery Community Fund, Hampshire and Isle of Wight Community Foundation and The Blagrave Trust. We extended our successful externally funded programme, Skills 4 Work programme which secured funding from the UK Shared Prosperity Fund and will see a further 220 Isle of Wight residents supported to access training and work.

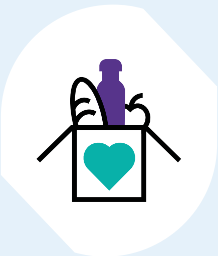
This year we successfully completed delivery of the SNG #iwill programme, working as a match funder on behalf of the national #iwill Fund, which invested £450,000 to create opportunities for local youth social action. Grants of up to £10,000 were awarded to local 24 local organisations who helped create the projects across the South and South-West of England The project generated £8.79 million in social value and 96 per cent of young people who took part said that they would continue youth social action after the project finished.

We launched our new SNG #iwill Fund 2.0 this year, which will see £1 million invested over the next 3 years enabling us to embed the youth social action from the first programme, and this time focuses on mental health and wellbeing.

We built in 2023/24:



Low cost home ownership	814
Affordable rent	676
Social rent	272
London affordable rent	110
Market sale	89
London Living rent	54



A further **£1.5m** added to help customers impacted by the cost-of-living crisis

£120,000 to support 126 local mental health community programmes

In response to the continued impact of the rising of cost-of-living we have invested a further £1.5m via our Customer Support Fund. The fund has provided a range of additional services and support for thousands of customers including grants for essential items, debt advice, business and enterprise support, and mental health text support, as well as a carpet grant. We also enhanced our Winter support for households in fuel poverty providing 4,635 interventions, delivered 416 Energy Outreach Assessments and achieved £463,000 of savings to customers across all Financial Inclusion services. In addition, we launched new partnerships with Shelter to support and re-engage customers at risk of eviction and Your Own Place who deliver support to those in high risk tenancies and those unable to accesses tenancies due to affordability.

More projects have needed funding as a result of the cost-of-living crisis, leading to an increased number of applications to our grants programmes. We have been more flexible with some awarding criteria to enable funding to reach organisations in a timely way to respond quickly to support people in urgent need.

Good homes rooted in thriving communities are the foundation that enable our customers to make the most of their opportunities and build better lives. In 2023/24, the £1.5m Customer Support Fund created 435 grassroots and local charities which supported our neighbourhoods. Our grants programmes benefitted 55,646 individuals. We awarded £141,000 through the Crowdfunder platform which supported 27 projects across our geography and attracted £419,000 in match funding from individual supporters and other partner organisations. Projects supported have been diverse and delivered impact to our customers and communities including food pantry projects, employment and training programmes, cost-of-living support, and youth outreach projects.

These projects support wide-ranging initiatives from community kitchens, larders and food projects, cost-of-living support for older people and carers to wellbeing, mental health and warm spaces. In total, we've supported 279 local grassroots charities and organisations to deliver community investment programmes and engaged over 27,000 customers in our services and initiatives. We launched a series of micro-grants programmes throughout the year, reaching out to community groups across our geography across a range of themes, to support their local work within our communities. Our themes included social inclusion and community cohesion, equality, diversity and inclusion, health and wellbeing and environment and place. Our mental health and wellbeing grants were hugely successful, providing 126 local groups with £120,000 of funding to support community programmes that help people cope with stress, anxiety, or depression, dealing with loneliness or isolation, improving overall wellbeing or the provision of specialist support for people with mental health conditions.

In January we launched our Living Together programme which aims to bring communities together by helping to resolve minor ASB or neighbourhood dispute cases via a holistic package of support, funding and resources. Microgrants of up to £1,000 were distributed for community-led initiatives and practical solutions that enhance community cohesion, resolve minor neighbourhood issues and or ASB disputes related to fly typing, noise annoyance, safety, gardening cases etc. To date we have awarded 41 grants of a total value of £23,882.

We achieved a total of 1,171 engagements with our customers throughout the year to help us listen and act on their feedback and harness their influence across our business. These opportunities included involvement in our Resident and Board Partnership, Scrutiny Co-ordination Group, Youth Panel and more informal engagements across our local communities. Our Scrutiny Co-ordination group successfully completed a major Damp and Mould scrutiny during the year.

We use Housing Associations' Charitable Trust (HACT) Wellbeing Valuation and have supported it to strengthen its system to measure social impact across a wider range of housing activities. We generated over £103.2m of social value through our charitable and social purpose activity as a housing association. We continue to seek ways to maximise the opportunities for our customers and communities with our supply chain and community partnerships. We continue to work with customers to support them into employment and training, working with 726 customers over the last year and helping 329 customers get better paid work or a new job and 77 customers with business and enterprise support as a result. By promoting financial and digital inclusion we can support customers to manage their finances, connect with the on-line world and improve the financial resilience of households. The service delivered 8,479 interventions last year helping to increase access to opportunities for our customers. Our debt service launched in April 2023 and in its first year supported 192 customers to reduce or eradicate their debts with an average saving for those customers of £501 per household.

Featured developments

1 Icon
As the centrepiece of Burnt Oak's regeneration in Edgware, Icon provides 31 shared ownership, London living and affordable rent apartments. Built using sustainable materials, the homes have fixed solar panels and are fitted with energy efficient appliances to help save on electricity bills.

2 Aytoun Road
These contemporary living spaces in Stockwell boast a social environment that's well connected to public transport with 31 apartments, units and maisonettes for shared ownership and social rent. It has sustainable design features including an air source heat pump system and communal electricity.

3 Treeside
In collaboration with Fairview Homes, we have built 107 apartments in Loughton for shared ownership and affordable rent. It's family friendly design includes a playground and sports area. The serenity of the natural environment has also been preserved through a biodiversity zone for water collection.

4 Faber Green
These 149 park side apartments offer the opportunity for shared ownership and affordable rent. Residents will enjoy basking in the thriving flora and fauna around them through the wild meadow and bird boxes at the complex.

5 Arc
Poised in the buzz of Wembley Park are 156 shared ownership, London living rent, and affordable rent apartments. To ensure energy efficiency, the homes have been fitted with great insulation and solar panels. Residents will also get a sense of community with the construction of a communal garden and roof podium.

6 Nexa Fields
This small but mighty development in collaboration with Verto Homes provides 6 homes and maisonettes in Exeter for social rent. These are the first social rent homes to come with a five year zero bills guarantee and further bill security through the installation of air source heat pumps and super insulation.

7 Heritage Green
Those looking for affordable rent or shared ownership in Exeter will greatly benefit from the construction of these 101 homes. Close to the national park and a short drive away from the shopping centre and train station, residents will enjoy easy access to local amenities.

8 Moonhill Rise
These 69 homes in Exeter are available for social rent and shared ownership. They are the first built to new range of sustainable house type and will achieve the highest Homes and Place rating. Residents will enjoy reduced bills with the installation of solar panels and air source heat pumps.


Arc, Wembley Park


Icon, Burnt Oak


Treeside, Loughton


The Oaks


Church Walk


Aytoun Road


Pulling Road

9 Stanton Field
This joint venture with Autograph homes aims to give families the opportunity to live in one of our 12 shared ownership or socially rented spaces. These homes have bike paths on their doorsteps and are within walking distance to local stores.

10 The Haw Wood
We have created a fantastic community in partnership with Autograph Homes through the construction of 8 homes and maisonettes for social rent and shared ownership. They each have high-eco credentials and come with electric vehicle chargers.

11 Nicholas House
In Weymouth, 18 flats for social rent will be available for those in need. Community will be a key aspect here with residents to benefit from shared spaces and still have the comfort of privacy in the well-planned homes.

12 The Oaks
Partnering with Vistry, we're creating 46 homes in Chudleigh that are available for affordable rent, shared ownership and social rent. Energy efficiency has been a key part of the developments design with residents set to benefit from low energy bills.

13 Church Walk
Through a partnership with Vistry in Newton Abbot, a mixture of 40 flats, Bungalows and houses are available for affordable rent and shared ownership. The development offers a great play area at the centre of the site and a wildlife attenuation basin.

14 Brooklands
Part of the wider Harry Stoke Neighbourhood, these 143 flats and homes in Hambrook offer social rent and shared ownership opportunities. Built to our standard house type and under the 100% affordable scheme, they will be fitted with air source heat pumps and solar panels.

15 Cleve Wood
This two-phase development with Miller Homes in Thornbury will deliver 210 homes and maisonettes for shared ownership, affordable rent and social rent. It has something for everyone with play areas, cycle paths and allotments while also guaranteeing energy efficiency through solar panels and electric vehicle chargers.

03

A great customer experience

A great customer experience

At SNG we know that good, affordable homes are the foundation for a better life. Everything we do is at the service of our customers, whether that's in our approach to new homes, how we ensure we are efficient as a business, how we ensure we can raise new funds, as well as the operational delivery of high quality customer services.

68%
customer satisfaction rate

"We are committed to strengthening our customers' trust in us, demonstrating that we understand changing expectations. We want to make interactions between us and our customers easier. We want to improve communications and to be more transparent - especially when we get things wrong."

Customer expectations are rising, with understandable demands for ease and convenience, reliability and responsiveness of our services. Housing associations are also facing increased scrutiny in how they listen to, and more importantly respond to, their customers with changing regulation and pressure from social media. This is combined with an environment where service delivery, particularly for repairs and maintenance, is extremely challenging due to rising costs and disruption in our supply chains. Our scale and the expertise of our people mean that we can bring our influence and resources together to provide services that are designed in collaboration with our customers – focusing our efforts where they will make the most impact. We can invest in improved services, making them easier to access, whether through digital channels or on a local, face to face basis as needed.

Our customer population is getting older and nearly a quarter of our customers are over 65. As the number of our customers over 80 grows we will see the percentage of vulnerable customers growing too. Our customers are, on average, more likely to be vulnerable than the general population and we need to factor that into how we develop our services as we shape them for the future. At the same time, the housing crisis and the knock-on effect of homelessness is increasing demand, which in turn means the customers signposted to us are more likely to have complex needs. We have also seen the impact over many years of local authorities facing very tight budgetary restraints and have to cut back on services that support our customers.

We are increasingly focused on providing services that are adaptable for customers with different needs, so that we are easy to do business with. By providing digital services our customers want, we will be more efficient and effective to provide more tailored, personal and complex services. It's also of fundamental importance that we provide properties to our future customers that cost as little to heat as possible, are in pleasant neighbourhoods and which are robust in a changing environment. This is why it is so important that we invest over the long term to bring all homes up to our Home and Place Standard. We are committed to strengthening our customers' trust in us, demonstrating that we understand changing expectations. We want to make interactions between us and our customers easier. We want to improve communications and to be more transparent - especially when we get things wrong.

Across every service we provide we are working to get better, to learn faster and to put in place the systems and processes that will deliver over the long term. Our customer satisfaction rate has regrettably fallen to 68% from 70%. This is disappointing but it is consistent with the experience of the sector as a whole and across the UK as customers have higher expectations of customer service. Covid has cast a long shadow and those businesses able to maximise customer satisfaction by delivering goods and services in an instant have put pressure on any customer service provider still operating on historic models.

6% increase in customer interactions year on year in

4.9 out of 5 average customer satisfaction score for lettings

Improving the customer experience

This year we have created a new quarterly report covering the whole of SNG, Voice of the Customer (VOC), to give us more insights that can be linked to actions and reduce unnecessary reporting. Alongside this our new Customer Feedback Geomapping tool which gives our locality managers better access and visibility of customer feedback in their areas.

To meet the government's requirements set by the Regulator of Social Housing, we have a new framework to complete, Tenant Satisfaction Measures, and submitted these for SNG ahead of the 30 June 2024 deadline. We have improved how we manage complaints made to the Housing Ombudsman. Learning from those complaints we have introduced assessments to spot high-risk complaints as early as possible so we can put things right for customers as quickly as possible. We are learning from new colleagues throughout the business as we integrate, as well as sharing our experiences with the sector.

We are making good progress towards putting our customer segmentation model into practice, bringing the data and analytics team into the heart of how we deliver for our customers. We have also started to share our prototype customer app with customers so we can learn from them as we go. We have also looked in detail about the end-to-end repairs journey from customers to improve their experience.

We are meeting our targets on customer wait times across all channels, despite a 6% increase year on year in customer interactions. Open complaints have fallen by 61% since we launched our centralised complaints services in September 2023, again despite a year on year rise in complaints.

We brought in the 8x8 Multi Channel Customer Contact Platform, which involved training for 400 colleagues, working closely with the testing team and preparing for go-live day. We introduced a new "Swap Tracker" system for mutual exchange customers, resulting in a far better service.

We created 10 Localities teams across the South and South West, bringing together our teams on neighbourhoods, tenancy, homeownership and market rent in each. New Customer and Property Managers have been appointed, bringing together the local knowledge and experience of individual homes and communities to ensure we have a coherent approach to our customers and the places where they live.

"Supporting vulnerable customers is a priority and this year we've continue to manage complex safeguarding cases, cases of domestic abuse, hoarding and mental health issues."

Helping those who need it most

Supporting vulnerable customers is a priority and this year we've continue to manage complex safeguarding cases, cases of domestic abuse, hoarding and mental health issues. This included new training for colleagues and new ways of recording information to help us make early and effective interventions where we can. We recognise the negative impact that anti-social behaviour has on our customers and on their neighbours and we have refreshed our training on ASB, introduced a new management information suite and retendered our mediation service. We continue to sit on the ASB Advisory board of the Department for Levelling-Up, Housing and Communities, sharing best practice with government and the sector.

We've completed 2,900 lettings this year, of which 870 were into new homes. Our voids remain low at 0.65%. Early data from our new customer satisfaction survey for lettings shows an average customer satisfaction score of 4.9 out of 5. We've relaunched SNG Home Transfer to allow customers in urgent need to move. We have also relaunched our RightSizing offer.

Despite the cost-of-living crisis we are within our target for arrears and saw an increase of just 0.13%. Most of our arrears are with customers on Universal Credit and arrears for non-UC customers was just 1.42%, a significant achievement.

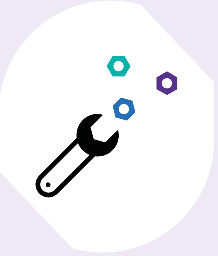
Repairs productivity is up, and we are now completing repairs, on average, within 30 days. 98% of our repairs are completed on time and 91% are right first time. Average repair times for all repairs is down by an average of four days compared to last year. Our proactive investment in winter readiness meant that we had fewer issues this winter; for example, major remedial works at Chescombe Court meant that we did not have flooding issues and the associated works including decants and distress to customers.

We are working to drive down costs for repairs and have saved £447 per home by redesigning our boiler contract and we have replaced around 500 more boilers this year than last year. Our gas servicing costs are down and we are saving money buying refurbished equipment where we can, further reducing our carbon footprint. We have achieved 100% domestic gas compliance this year.

Since November damp and mould repairs increased by 100% and we carried out over 13,700 repairs this year. We continue to improve the way we anticipate cases of damp and mould and to train colleagues to look for signs of damp and mould in our homes. We continue to trial smart technology solutions, as well as considering how we use the developing customer app and remote inspections via video triage.

We have insourced grounds maintenance to 701 sites and gritting to 50 sites, improving our control over the customer experience.

100% increase in damp and mould repairs



Over **13,700** repairs carried out this year

"To achieve higher customer satisfaction we've increased estate inspection and 90% of inspections are awarded grade B or above for grounds maintenance and 97% grade B or above for cleaning."

Delivering for customers on our estates

In London and Hertfordshire we have recruited new estates officers, bringing fresh ideas to our Estate Services. We've extended contracts for Hertford and London, reflecting the satisfaction with the service. Grounds maintenance projects are complete at Matthews Close and Eaton Plaza. To achieve higher customer satisfaction we've increased estate inspection and 90% of inspections are awarded grade B or above for grounds maintenance and 97% grade B or above for cleaning.

Using Voicescape, we have collected £408,000 and managed to contact and speak to 4,194 individuals, helping to reduce the arrears. We had 25 successful evictions as a last resort and obtained 194 court orders which stopped arrears increasing on those accounts. We had nine consecutive weeks of arrears, decreasing at the end of year, which helped turn performance around through a very tough year.

We've continued to make improvements to our Contact Centre following the launch of webchat in November 2023. We also launched Email to Case improving how we respond to emails. We've rolled out our Customer Service Experience Improvement Plan and seen improvements following new training and coaching for colleagues.

We've worked to recover some £2.6m in welfare benefits for customers, as well as working closely with local authorities and the police to address issues around mental health, safeguarding and ASB. This year has been our most successful to date for our London key worker team in terms of occupancy, achieving 99% occupancy in February 2024 and an average of 97% throughout the year.

04

A great place to work

A great place to work

If we are to meet our ambitions for our customers, we must attract and retain the very best people in a challenging market. The market is changing and we need to offer opportunities to people from outside the sector as well as those with sector experience. More and more we need specialist roles and there are labour and skills shortages in repairs and maintenance.

79%
of job vacancies filled by new employees

"We've changed the approach to our colleague engagement survey, giving more insight and accountability to our people managers, enabling them to drive meaningful change and improvements in their teams."

As SNG, our size and geography will help us to do that. As we create a new shared culture we are focused on what matters most to our colleagues in creating a great place to work and we have made clear commitments on improving employee engagement and on our approach to equality, diversity and inclusion.

Our new Corporate Plan, launched shortly after we merged in October 2023, includes clear objectives which run through every part of the business and link back to performance score cards. As we transform our business, we are constantly reviewing our capability and maturity status, our processes and the technology which supports them. This will optimise our operative model, placing all of our people at the service of the customer.

We've changed the approach to our colleague engagement survey, giving more insight and accountability to our people managers, enabling them to drive meaningful change and improvements in their teams.

This approach has also enabled us to define specific, tangible actions across SNG to address our colleagues' feedback.

The main focus areas that will help us make SNG a great place to work are – delivering a great customer experience, improving the way work gets done, and showing meaningful action from the feedback given. There are a number of initiatives being put in place to drive improvements in these areas, including a back to the floor programme for our senior leadership team.

We continue to work closely with our engagement champions across the business to support these goals.

Rewarding and retaining talent

We have put in place a new reward and bonus plan for employees from the SHA part of the group, linked to corporate and individual performance. This includes a new professions framework, improved grading and banding structure, newly aligned pay bands and pay progression.

Alongside this we have introduced a new "MyPerformance" framework which includes a competency matrix enabling colleagues' contributions to be more clearly recognised and visibly linked to the delivery of the Corporate Plan. In September 2023 we launched our Change Management Centre of Excellence.

This year we have filled 972 vacancies, managing over 18,000 applications to work for us and running over 3,000 interviews. Of those vacancies, 79% were filled by new employees. We ran a successful recruitment campaign for new apprentices and offered 22 such roles. We helped to design the G15 apprenticeship fair and to provide training.

We launched our new SNG-wide employee survey to over 330 leaders and managers in the business and designed and launched new starter and exit surveys, giving us vital insights into how we can improve the colleague experience. In January 2024 we launched a full employee engagement survey and achieved an impressive 79% response rate.

Working with the internal communications team we have kept colleagues informed of the merger, integration and transformation, as well as creating new content for all colleagues on EDI, wellbeing, mental health first aiders and reward and recognition. Our new Trades Focus communication, targeted at colleagues working remotely has seen a 25% increase in readership in its first year.

Shortly after we merged we held a multi-location live-streamed event, bringing employees together from across SNG, including live events in four locations and available online to all employees.

Equality, diversity and inclusion

In March 2024 we reviewed Sovereign and Network's respective EDI strategies and are now working on a new SNG EDI strategy. This will build on previous strengths, address challenges identified in our colleague engagement survey and leverage new regulatory requirements around knowing our customers to accelerate service improvement to them.

We signed up to Houseproud, the network for LGBT+ people in housing, and applied for Pioneer pledge status as SNG. We achieved level 2 Disability Confident Employers for our approach to recruitment and our hiring managers have been trained on "Recruiting for Difference".

In support of employee wellbeing, we have run activities for colleagues, including the first SNG bike ride to mark the merger in September 2023. We rolled out a new course to promote psychological safety – Embracing Everyone; the course included surveys, workshops and coaching sessions.

"Our new SNG EDI strategy will build on previous strengths, address challenges identified in our colleague engagement survey and leverage new regulatory requirements around knowing our customers to accelerate service improvement to them."

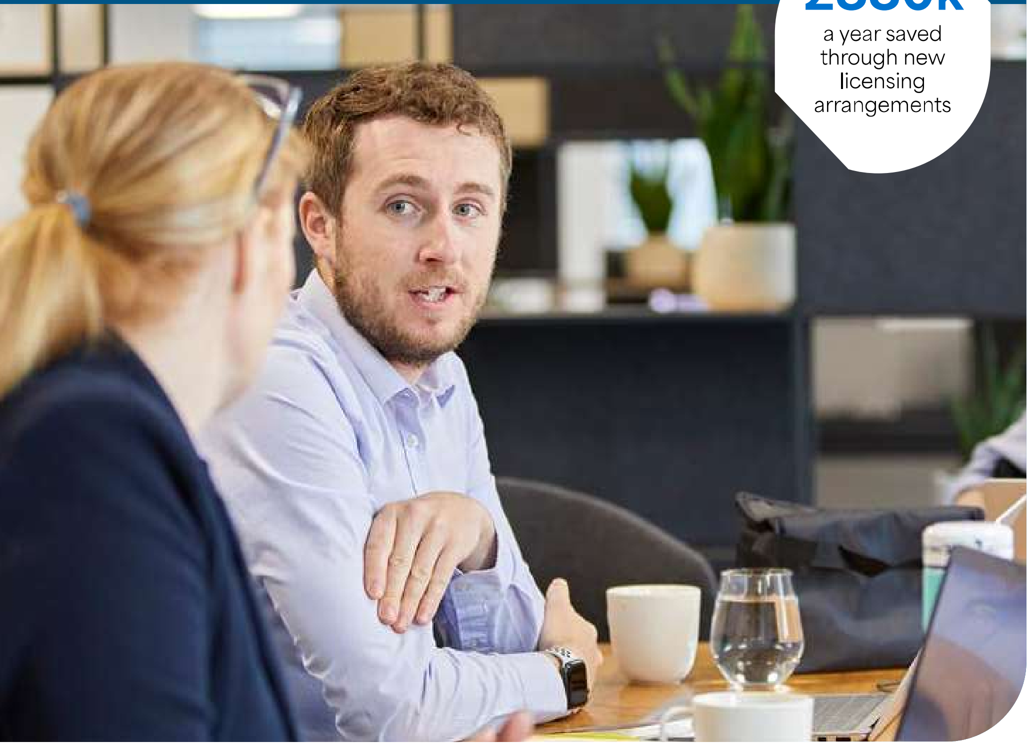
05

Organisational resilience

Organisational resilience

Since the end of the pandemic the housing sector has faced significant challenges, exacerbated by Russia's invasion of Ukraine in 2022, which have challenged our ability to build, invest and borrow. As SNG we can now use our combined strength to spread that risk and reduce our exposure. We can, and have, used our bigger funding stream and asset base as leverage; in January 2024 we raised £400m in our first bond issue post-merger.

£880k a year saved through new licensing arrangements



We are committed to investing in new homes and in our customers existing homes. But we also know that we need to invest in our integration as a business, learning the lessons from previous mergers and making the right decisions, however tough, early on. We need the right systems, processes and data to enable our colleagues to their best for customers. We are using the merger to accelerate the transformation programmes that were already underway to do just that.

Connecting customers and colleagues

This year we launched our new customer experience platform (8x8) powering a range of customer communication channels and replacing obsolete systems used in the contact centre. We rolled out the new digital chatbot for Sovereign Network Homes' (SNH) residents which includes functions for paying rent, reviewing balances, raising repair requests and requesting webchat with us. We are implementing improvements to improve the colleague and customer experience of the SNG Dynamics 365 Customer Hub. We're making it easier for customers to make payments through the SNH website and have brought in Voicescape for SNH Income, Leaseholder and Shared Owners teams. The portal has also been expanded to our SW9 subsidiary that manages homes at Stockwell Park in Brixton.

To support the Localities teams we've made improvements to all their key systems. We've introduced a triage process for online support queries and added features for the New Shared Ownership Model.

We delivered the IT changes required for day one of the merger, including a new website, email addresses and rebranding. Our new IT digital support assistant AIDA is being used by colleagues to help them search over 1,700 documents. We launched Device, a service to help our teams procure or replace hardware more easily. New licensing arrangements for the business will deliver savings of around £880,000 a year.

We retired Skype for Business putting all colleagues on one platform (Microsoft Teams).

"We are using machine learning to understand the thousands of tasks carried out by colleagues on behalf of customers."

Being innovative - adapting our business and upskilling our people

We've launched "Victor the Verifier" - software which verifies thousands of Universal Credit claims each week automatically. Similar software now removes the need to manually update completed repairs, meaning updates are made round the clock and contractors are paid quicker. We are getting quicker at adapting too - the average time for logging a change to Dynamics for the sales team has dropped from three months to three weeks.

Our artificial intelligence (AI) working group has developed AI usage guidelines and we've updated our acceptable use policy. We are using machine learning to understand the thousands of tasks carried out by colleagues on behalf of customers.

Across the business we are supporting colleagues to simplify tasks and remove the risk of human error. Working with the Building Safety Compliance team we are giving colleagues faster access to the information they need and helping to build a single asset view. We've automated our processes to meet the statutory requirement to offer shared owners a 1% staircase valuation three times a year.

Throughout the year we have been training the whole business on cyber-security including a Phishing simulation to help colleagues recognise potential threats. In October we ran a "Think Cyber" campaign for Cyber Security Awareness Month.

We've updated our stock analyser, giving us a better understanding of green spaces to support Homes and Place scores and improve the way we submit our Statistical Data Return.

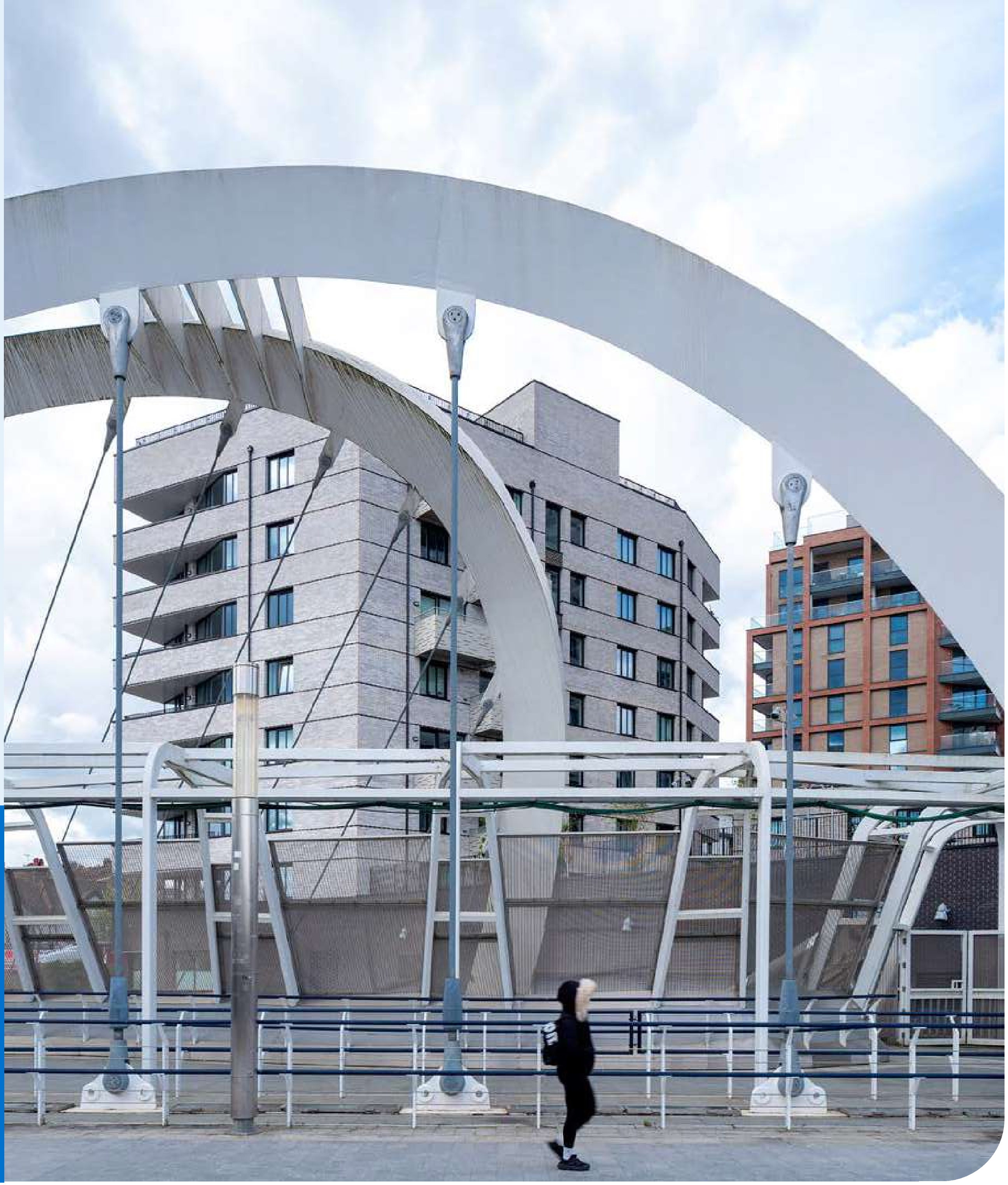
Ensuring good governance

Our governance rating was returned to G1 under the Regulator of Social Housing's Governance and Financial Viability Standard on 28 June 2023. Our governance teams worked closely together in the run-up to our legal merger on 1 October, including supporting the creation of a new Common Board and Executive Board structures.

Our new structure includes a new Group General Counsel to lead a new directorate; our in-house capabilities have grown to reflect the growth in legal instructions and our increased focus on risk and governance. We've put in place a new unpaid rent recovery case management system and this year saw a 52% increase in debt recovered. Internal audit teams delivered over 50 internal audit reports and our Internal Audit plans cover activity across SNG.

We renewed our insurance arrangements for the SHA estate in November in a challenging market, negotiating hard to minimise increases in our premium. We are merging our approach to risk management across the business and have formulated a common SNG Principal Risks Framework.

Right:
Wembley Place

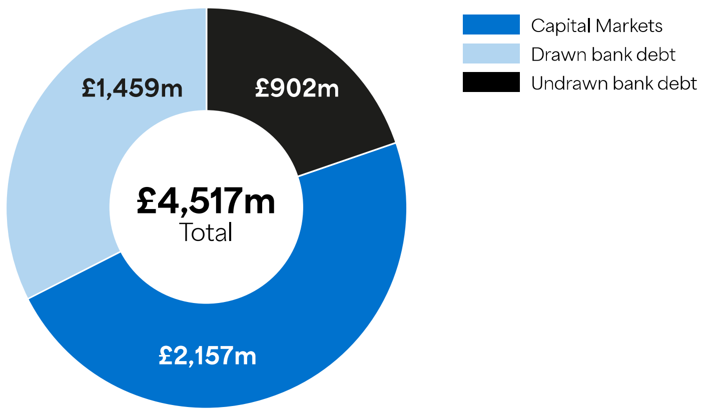


“We've put in place a new unpaid rent recovery case management system and this year saw a 52% increase in debt recovered. Internal audit teams delivered over 50 internal audit reports and our new Internal Audit Plan has been agreed that consolidates activity across SNG.”

Treasury management

The management of treasury is key to ensuring sufficient facilities are in place to support our corporate plan and its development and investment programme. Our Treasury Management Policy sets the framework for managing the treasury activities and encompasses strong governance procedures. The Board delegates responsibility for the regular review of the policy to the Treasury Committee. Treasury strategy is reviewed on an ongoing basis and a documented Treasury Plan is prepared at least every year and approved by the Treasury Committee.

Total facilities



Capital structure

SNG is financed primarily by a combination of capital market bonds, private placement notes, long and short-term bank debt, Social Housing Grant funding and retained surplus.

We have four public bonds in issuance £175m (2039), £250m (2043), £375m (2048) and £400m (2057), as well as £575m in private placement notes.

Security

The majority of SNG's debt facilities are secured, with security provided by way of charges over housing properties. At year end all of the relevant facilities were fully secured. As at 31 March 2024 we had 19,460 units unencumbered, with a value of c£1.6bn excluding surplus security charged to existing facilities.

Accordingly, considerable secured borrowing capacity remains available to support ongoing development and investment in stock.

Our financial strength and credit quality continues to make SNG an attractive investment destination.

Covenants

SNG's bonds and bank debt include various covenants and undertakings. The financial covenants are primarily in respect of Interest Cover, gearing and asset cover. Compliance with financial covenants is monitored on an ongoing basis with tighter embedded Golden Rules for Interest Cover and gearing metrics.

There have been no covenant compliance breaches during the financial year. Future compliance is considered as part of regular quarterly forecasting and as part of the business planning process.

Our latest business plan reflects considerable headroom in relation to all interest cover and gearing covenants, many of which were amended through a covenant harmonisation exercise with our funders prior to the merger. Asset cover covenants are regularly reviewed to maintain a reasonable buffer to the level of security required by our facilities.

This headroom also allows for properties to be released where staircasing occurs in respect of shared ownership homes or as part of our Strategic Asset Management disposal programme.

Liquidity

SNG has a Golden Rule on liquidity which stipulates there must be cash and immediately available finances which exceeds a minimum of 18 months of SNG's net funding requirement inclusive of committed and approved expenditure less 50% development sales, less 50% strategic asset management disposal income and 100% strategic asset management disposal income relating to a portfolio sale.

As at 31 March 2024, SNG's available liquidity and cash totalled £440m. This robust liquidity position ensures SNG remains well placed to manage risk arising from unexpected economic, political or regulatory challenges and meet our cashflow obligations.

SNG's facilities have a weighted average life of 15 years, with £923m of debt facilities maturing in the next three years. The majority of the facilities maturing in the next three years are undrawn revolving credit facilities (£702m). Of this, only £103m were drawn at year end. There are also a number of extension options with our banking partners in respect of these facilities which we may seek to exercise in advance of maturity.

Counterparty exposure is managed by keeping cash balances low, diversifying cash holdings and through retaining available facilities across a number of funders.

Interest rates

SNG's own-name bonds bear interest at fixed rates, as does our various borrowing through The Housing Finance Corporation and Affordable Housing Finance and the drawdowns from the European Investment Bank facility. Bank debt is at a combination of fixed and variable rates. Interest rate exposure in relation to a segment of variable rate bank debt is managed using standalone interest rate derivatives. The average interest rate payable in the year was 4.2%.

SNG's annual business plan is stress tested to ensure it is not unduly exposed to risks associated with interest rate movements and the interest rate hedging strategy is adjusted as considered appropriate. As at 31 March 2024, 88% of drawn debt was at fixed rates or at rates fixed through the use of derivative financial instruments. The value of SNG's standalone interest rate derivatives is reflected on the balance sheet. As at 31 March 2024, the aggregate value of these derivatives was £7m negative (2023: £14m negative), all of which is covered by thresholds and property security with no requirement of cash security.

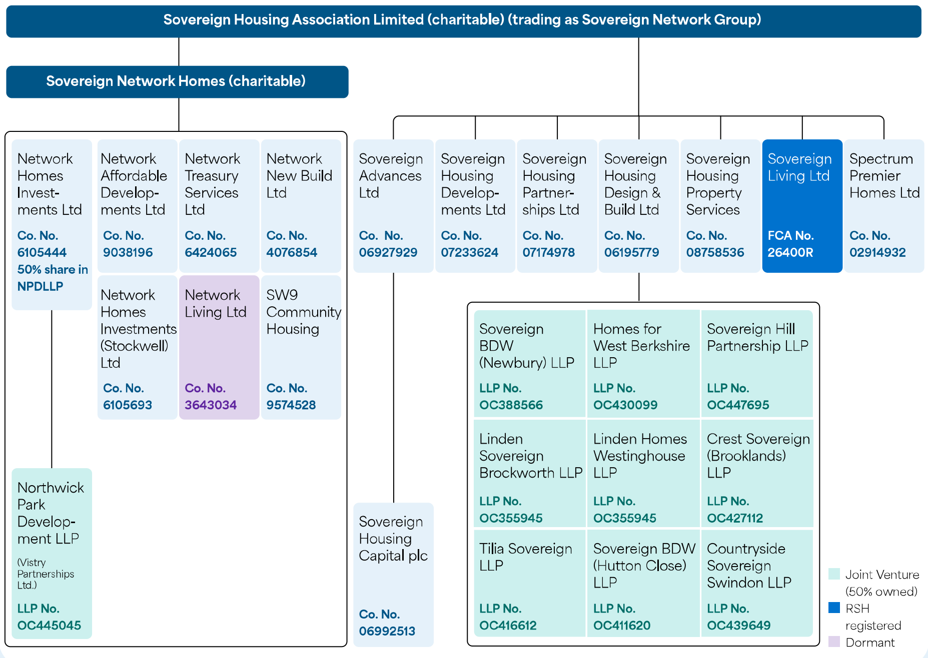
Governance

Sovereign Housing Association Limited (trading as Sovereign Network Group (SNG)) is a Registered Society under the Co-operative and Community Benefit Societies Act 2014 and a registered provider of social housing with the RSH. Our primary activity is the provision of housing at below market rates.

Hereby, the Board presents its annual report and audited financial statements for the year ended 31 March 2024. The Board believes that SNG is well placed to manage its business risks successfully, despite the current economic uncertainties. Therefore, the Board has a reasonable expectation that SNG has adequate resources to continue to adopt the going concern basis in preparing these annual financial statements.

Group structure 31 March 2024

The main trading activities are undertaken by Sovereign Housing Association Limited, the 'parent', and Sovereign Network Homes, being a wholly owned subsidiary of Sovereign Housing Association Limited with the Group structure of the subsidiaries as shown below, excluding dormant and non-trading subsidiaries.



Company Secretary

Charlotte Ferris

Registered office

Sovereign House
Basing View
Basingstoke
RG21 4FA

Advisors and Board members

External Auditor
KPMG LLP
One Snowhill
Snow Hill Queensway
B4 6GH

Principal bankers
National Westminster Bank PLC
Abbey Gardens
4 Abbey Street
Reading
RG1 3BA

Principal valuers
JLL
31 Great George Street
Bristol
BS1 5QD

Principal solicitors
Towers & Hamlins LLP
3 Bunhill Row
London
EC1Y 8YZ

Board members as of 31 March 2024

Paul Massara
Chair
Appointed 2020

Jon Gooding
Vice Chair
Appointed 2023 (joined Sovereign Network Homes 2017)

Sean West
Chair of Audit and Risk Committee
Appointed 2023 (joined Sovereign Network Homes 2015)

Bhavin Shah
Chair of Treasury Committee
Appointed in 2023

Stuart Laird
Chair of Major Projects Committee
Appointed 2016 (joined Sovereign Housing Association Limited 2014)

Angela Williams
Chair of Remuneration and Nominations Committee
Appointed 2017

Ade Adebayo
Vice Chair of Major Projects Committee
Appointed 2023 (joined Sovereign Network Homes 2020)

Jennifer Dykes
Resident Board member and Board representative to the Resident and Board Partnership
Appointed 2016

Barbara Brownlee
Board member
Appointed in 2023 (joined Sovereign Network Homes 2020)

Gareth Mostyn
Board member
Appointed in 2023

Mark Washer
Chief Executive
Appointed 2018

Helen Evans
Deputy Chief Executive
Appointed 2023

Peter Benz
Chief Financial Officer
Appointed 2023

Board responsibilities and governance

Governance framework

As well as a broad range of skills and experience, the Board's decisions are informed by expertise and scrutiny from its supporting committee structure, including the Customer Services Committee. We have one resident Board member and are recruiting to a second post. The Chair of our Resident and Board Partnership attends the Board as an observer and our Resident Panel Chairs are member of the Customer Services Committee.

This is further enhanced by a wide range of customer feedback, and challenge and insights from our customer-led groups. These groups include Resident and Board Partnership, the Scrutiny Coordination Group and the London and Hertford Panels. These groups play a vital function in making sure that our customers' voices are heard and that their experiences drive our decision-making.

Our new Customer Engagement Model

We have been working with our customers since the merger to design a new customer engagement model, so that we can provide all of our customers with the best opportunities to engage with us in ways that are easy and meaningful for them and ensure that they are able to influence our services. This work has been led independently by TPAS and the resulting model will be implemented during 2024/25. The engagement with customers and colleagues has been extensive with feedback from:

- 5,291 responses to our customer survey
- nine workshops for our colleagues and customers, with 84 people attending, and
- 375 responses from our colleague survey.

We would like to thank all of our colleagues and customers who shared their views with us. We used these thoughts and ideas to feed into what our new customer engagement offer will look like in future. We are looking forward to sharing our new customer engagement model later in the year.

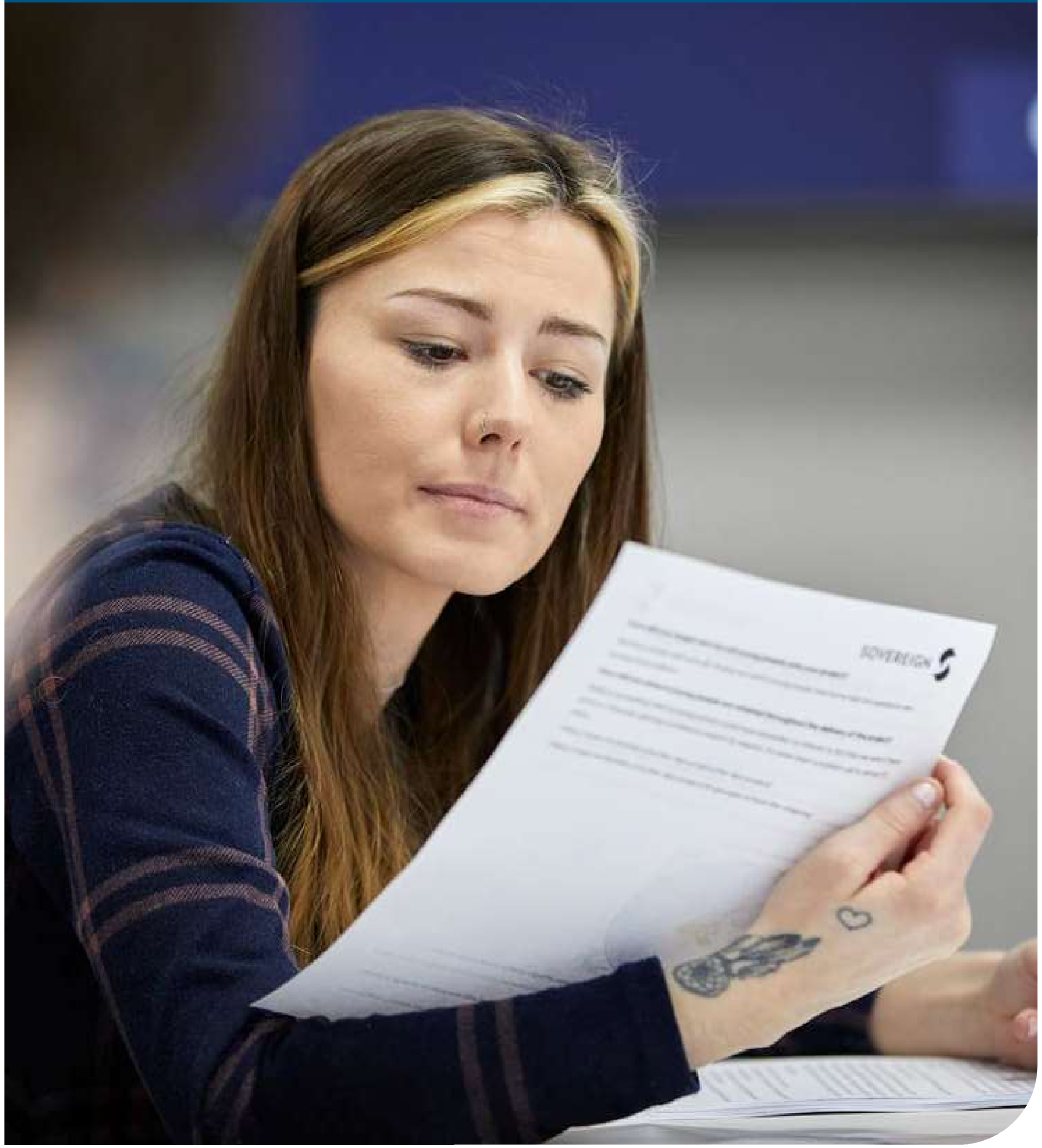
Customer-led service scrutiny

Scrutiny of our services is an important part of our engagement work, it enables our customers to look in depth at areas where they believe we need additional focus. This year the scrutiny included reviews of Damp and Mould , Decant Policy, Homes and Place Standard and Repairs & First Time Fixes. The outcomes of the scrutiny reviews are recommendations for service improvements which we monitor and report back on to our engagement panels. Recommendations range from improving our processes and communications with customers through to ensuring that contractors are seen to be held accountable for performance and service issues.

Wider insight and engagement

Our customers influence our services and policies through a wide spectrum of activity that underpins our 'formal' engagement groups. This includes digital involvement, mystery shopping and quarterly voice of the customer reporting to our Executive Board and Board. Our youth panel also provides a voice for young people living in our homes.

"Our Youth Panel offers the young people involved an opportunity to grow their skills in the areas of policy and campaigning."



Our Board

Paul Massara
Chair
Appointed as a Board member and Chair in 2020

A former CEO of RWE Npower, with extensive experience in the energy industry at Board level.

Jon Gooding
Vice Chair
Appointed as a Board member and Vice Chair of SNG in 2020 (joined Sovereign Network Homes in 2017)

Jon is a Chartered Surveyor by profession. He has experience of property investment and development, affordable housing, care and professional services in public and private sectors.

Sean West
Chair of Audit and Risk Committee
Appointed in 2023 (joined Sovereign Network Homes in 2015)

Sean is currently the Chief Financial Officer at media and telecommunications company Arqiva. He has held numerous senior finance positions across a number of companies in the infrastructure, real estate and financial services industries bring to the Board experience across a broad range of financial disciplines.

Bhavin Shah
Chair of Treasury Committee
Appointed in 2023

Bhavin is an experienced senior executive with board proficiency in the private and charity sectors. He combines banking, risk, and transformation experience with a strong understanding of stakeholder engagement and finance.

As well as having a passion for helping reduce the homelessness crisis, Bhavin is a trustee of the Change Ahead Charity, and a governor at The Beacon School.

Angela Williams
Remuneration and Nominations Committee (Chair)
Appointed as a Board member and Committee Chair in 2017

An experienced executive and non-executive who has worked across FTSE30, US (incl. NASDAQ) and French listed companies.

Angela's expertise includes strategy design and delivery, global transformation, leading and creating customer-focused businesses and teams as well as culture development and change management.

Other skills include mergers, due diligence, restructuring, reward and pensions, leadership and talent development, employment law, business turnarounds, digital transformation, growth delivery and corporate responsibility.

Stuart Laird
Chair of Major Projects Committee
Appointed as a Board member in 2016 and Committee Chair in 2021

Stuart is a senior executive with a proven track record in facilities management and outsourcing markets, with expertise in leading on property acquisitions and disposals.

Ade Adebayo
Vice Chair of Major Projects Committee
Appointed 2023 (joined Sovereign Network Homes in 2020)

Ade is a Director of AOA Property Consulting Limited. He has extensive experience of managing services at senior level in local government.

Jennifer Dykes
Resident Board member
Remuneration Committee member
Appointed as a Board member in 2016

Former NHS manager Jenny has been a social housing resident for over 40 years. Her focus is on ensuring Sovereign remains a strong organisation, committed to maintaining high standards of service and providing housing for those in need.

Barbara Brownlee
Appointed in 2023 (joined Sovereign Network Homes in 2020)

Barbara Brownlee is CEO of Soho Housing Association. Her previous role was as the Westminster City Council's Executive Director of Growth, Planning and Housing.

Gareth Mostyn
Appointed in 2023

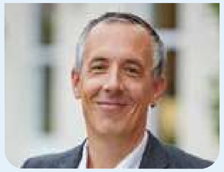
Gareth brings significant strategic, financial and governance experience to the SNG Board. A Chartered Accountant, his career has spanned senior roles in a number of large organisations, including as Chief Financial Officer at De Beers Group and Chief Finance & Operations Officer at the Church of England. He is currently Chief Executive at the Church Commissioners for England.

Mark Washer
Appointed as CEO and a Board member in 2018

Prior to his appointment he was the CEO at Sovereign from 2018 until the merger with Network Homes in 2023. With extensive experience in the housing sector, he has been Chief Financial Officer at Clarion Housing Group and has been Vice Chair of the National Housing Federation (NHF). Mark is a trustee of Leadership 2025, a charity developing BME leadership in the housing sector.

Helen Evans
Appointed as Deputy Chief Executive and Board member in 2023

Prior to her appointment she was the CEO of Network Homes from 2011 until 2023 having joined the organisation in 2010. Prior to this she was CEO of Brent Housing Partnership (BHP), Brent Council's former housing management company. She served as Chair of the G15 group of London's leading housing associations between 2019 and 2021.



Peter Benz
Appointed as Chief Financial Officer and Board member in 2023

Prior to his appointment at SNG Peter was Executive Director of Finance at Network Homes which he joined in 2019. Overall, he has nearly two decades worth of senior finance experience in housing, advertising and retail, both public and private. He has a strong, diverse approach to analysis, financial planning and value addition.

Our Executive Board

Sovereign's leadership and management structures provide the expertise and framework to achieve our strategic objectives. The Executive Board works to protect and grow the business, while overseeing our performance, as we build and provide great homes that people choose to live in, as well as providing a great customer experience.

Mark Washer
Appointed as CEO and a Board member in 2018

Gerry Doherty
Appointed as Executive Director for Operations in London and Hertfordshire in 2023

Helen Evans
Appointed as Deputy Chief Executive and Board member in 2023

Sally Hyndman
Appointed as Chief People and Transformation Officer in 2021

Peter Benz
Appointed as Chief Financial Officer and Board member in 2023

David Gooch
Appointed as Executive Director of Development (London and Hertfordshire) in 2023

Kevin Ives
Appointed as Chief Information Officer in 2019

Jamie Ratcliff
Appointed as Chief Communities and Sustainability Officer in 2023

Kirsten Keegan
Appointed as Group General Counsel in 2024

Nicola Sharp
Appointed as Chief Customer Officer in 2021

Tom Titherington
Appointed as Chief Investment and Development Officer in 2019

Compliance with the Regulator for Social Housing's Governance and Financial Viability Standard

SNG's Board has carefully considered the requirements of the regulatory standards and has assessed and taken assurance of SNG's compliance with them during the year.

The Board certifies that Sovereign Housing Association Limited (trading as Sovereign Network Group) has complied in all material aspects with the RSH's regulatory standards during the reporting period ended 31 March 2024.

The Board has assessed its compliance against its adopted Code of Governance and is satisfied that the organisation's governance is compliant with the material aspects of the code and is supported by its internal controls, policies and procedures.

As at the date of SNG's 2024 AGM, one of SNG's non-executive Board members (Stuart Laird) will have served for ten years which is beyond the maximum of nine years set out in provision 3.7(3) of SNG's adopted Code of Governance, one (Sean West) will have served the maximum of nine years and three (Jenny Dykes, Jon Gooding and Angela Williams) will have served in excess of six years.

In order to provide continuity through the merger and integration with Sovereign Network Homes, the Board has agreed that it is in SNG's best interests to re-appoint Jenny Dykes, Jon Gooding and Angela Williams for at least another year. Stuart Laird will stand down in October 2024 and Sean West will stand down at the AGM.

The Board is currently comprised of thirteen Board members (ten non-executive and three executive Board members). The Code of Governance requires that the board have between five and 12 members, including any co-optees and executive members (provision 3.3(2)). As described above, Stuart Laird will stand down in October 2024 and Sean West will stand down at the AGM which will reduce the Board to 11 members.

We review our performance with our shareholders each year at the Annual General Meeting. This year the meeting will be held at SNG's registered office and online at 4pm on 30 July 2024.

Regulatory performance

On 28 June 2023, the RSH upgraded its previous published assessment of Sovereign Housing Association Limited's governance from G2 to G1 following improvements to our management of data and risk and confirmed our existing V2 grade for financial viability. This was reconfirmed in an Interim Regulatory Judgement on 29 November 2023 which includes Sovereign Network Homes.

The current grades and straplines are:

G1 - The provider meets our governance requirements.

V2 - The provider meets our viability requirement but needs to manage material financial exposures to support continued compliance.

Appointment of the external auditor

It is SNG's policy to retender the external audit every seven years. The current external auditor, KPMG LLP, was successful in the competitive tender process in 2018. A resolution to reappoint KPMG as SNG's auditor will be proposed at the 2024 Annual General Meeting.

Pulling Road, Exeter

The Committees

SNG has a robust committee structure, which ensures the Board has the necessary insight, challenge, and assurance to make informed strategic decisions.

Our committees include non-executive Board members and executive officers, as well as independent experts, who bring an external view and specialist skills, ensuring that the Board has the level of guidance and support necessary to achieve the best outcomes and future-proof the organisation.

Audit and Risk Committee

The Audit and Risk Committee ("ARC") provides challenge and scrutiny and ensures our risk profile is managed in accordance with our strategy and risk appetite. The Committee reviews and recommends to the Board for approval internal control procedures, the Risk Management Framework, and the annual financial statements.

The Committee includes two Non-Executive Board members and two independent members. The external auditor attends all the quarterly meetings ensuring there is an open dialogue with the committee and assisting ARC to keep abreast of the sector and accounting related matters.

The Committee meets at least four times a year and regularly reviews its policies, its effectiveness and ensures its work plan is in line with its delegations from the Board and its terms of reference.

During the year, ARC continued to review the development of SNG's risk management framework, monitored its risk appetite and SNG's key strategic risks. The Committee also approved the renewal of SNG's insurance programme, taking into account the organisation's principal risks.

Key focus areas for internal audit for the relevant period included IT, data management and income, arrears, rents and service charge processes.

SNG continued its co-sourced internal audit approach, following the agreed internal audit plan, and monitoring the effectiveness of these arrangements on an ongoing basis throughout 2023-24.

The Committee will continue with its full and rolling annual workplan, which for 2024-25, includes the reviewing and evolution of the Group's Risk Management Framework with particular emphasis on consistency across the organisation following the merger, oversight of any risks arising from SNG's compliance with its regulatory and statutory duties, and our ability to deliver our corporate plan.

"Key focus areas for internal audit for the relevant period included IT, data management and income, arrears, rents and service charge processes."

Below:
Borders Lane, Loughton

"Key strategic priorities for the Committee on behalf of the Board in the forthcoming year are to oversee the continued development of talent and succession plans."

Above:
Wapping Wharf, Bristol

Treasury Committee

The Treasury Committee oversees SNG's treasury and funding activities, ensuring sufficient facilities are available to support the agreed Treasury Strategy, while providing challenge, scrutiny and risk management. The Committee also considers the treasury-related business planning assumptions and stress tests.

As at 31 March 2024, the Committee consisted of one Non-Executive Board member, two independent members and the Chief Financial Officer. The Committee is supported by independent treasury advisers and met five times during the year.

Oversight of the harmonisation of loan covenants and alignment of treasury policies and treasury operations in preparation for the merger between Sovereign Housing Association Limited and Network Homes Limited were a key focus for the Committee. Alongside this, the Committee has concentrated on liquidity and new funding opportunities to support SNG's ambitious development plans within the context of an uncertain political and economic environment. The lender merger consent process resulted in a positive outcome for SNG and, in January 2024, SNG successfully issued a public bond for £400m. The issue attracted excellent engagement from investors, affirming the compelling nature of SNG's aspirations and financial strength in the market.

The Committee adopted revised Golden Rules at the point of merger and continues to review them to ensure their alignment with our Corporate Strategy and risk control framework as well as making sure they continue to be as clear as possible and fit for purpose.

During the year, the Committee approved the Treasury Management Policy, which set out the prime criteria by which the effectiveness of treasury management activities will be measured. The Committee continues to ensure that treasury risks and controls are reviewed annually.

Looking ahead into 2024-25, the Committee will continue to focus on new and existing funding to support the corporate strategy whilst considering alternative capital structures and new finance resources. The Committee will continue to support the Business Plan and consider refinancing opportunities as they arise.

The Treasury Committee will continue to monitor external global factors through market intelligence and via the consideration of the potential impact of external influences on SNG. The Committee will rely on the latest forecasts and a range of stress tests, and will take appropriate action where necessary.

Remuneration and Nominations Committee

In support of the Board, the Committee's role is to oversee the recruitment, nomination, induction, appraisal, development and training of all Group Board and Committee members, oversee Board and committee succession planning and related policies that have a significant implication or risk to SNG. It also considers issues relating to the contracts of employment for the Executive Board together with strategic issues relating to the compensation and benefit packages for employees.

This year, the Committee has overseen the recruitment of the Chair of the Treasury Committee and an additional non-executive Board member.

The Committee includes two Non-Executive Board members and two independent members, with support provided to the Committee by the Chief People and Transformation Officer and the Group General Counsel.

During the year, the Committee approved the Executive Target Incentive Plan and continued to review its progress during the period. The Committee also monitored the progress of SNG's Talent and Succession Strategy, which aims to deliver an increased pipeline of future talent to enable SNG to deliver its ambitions and considered regular updates on Board succession planning, including with respect to the formation of the common Board in the lead up to the merger between Sovereign Housing Association Limited and Network Homes Limited.

Looking ahead, the Committee has a full and rolling annual workplan that is reviewed at each meeting based on its terms of reference. Key strategic priorities for the Committee on behalf of the Board in the forthcoming year are to oversee the continued development of talent and succession plans from Board and Committee members to senior leadership, ensuring that SNG's strategic leadership remains appropriately skilled. The succession plans also aim to ensure that the membership of SNG's Boards and Committees are appropriately diverse within the context of the communities SNG serves and in line with SNG's updated Equality, Diversity and Inclusion Strategy.

The Committee will also continue to monitor the Pensions Strategy including the arrangements with SNG's four Local Government Pension Scheme providers.

Above:
Marissal Road, Bristol

The Major Projects Committee

The Committee's remit includes the scrutiny of major projects involving the remodelling, rehabilitation, regeneration and disposal of existing homes owned by SNG alongside the approval and monitoring of all land acquisitions required to facilitate any new development project.

The Committee's membership includes three Non-Executive Board members (one of whom chairs the Committee) and an independent Non-Executive member.

During the year, the Major Projects Committee has continued to monitor delivery of the strategy, overseeing all major and complex development, commercial and asset management schemes of all tenures including social and affordable rent, shared ownership, market rent or open market sale.

The Committee also monitored the development of joint venture partnerships entered into by SNG, ensured regular updates were supplied to the Board and emerging risks were escalated as required in a timely manner while consistently challenging the various development opportunities which arose.

An executive Investment Committee continues to oversee the delivery of the development programme and the strategic asset management programme.

In the year ahead, the Major Projects Committee will maintain a focus on SNG's evolving Investment Strategy, continuing to embed the Homes and Place standard and giving ongoing consideration to existing and new joint venture and regeneration opportunities, where these deliver and enhance the strategy, and the delegations required to allow the strategy to achieve its outcomes smoothly and to remain within the business plan.

Customer Services Committee of Sovereign Network Homes

The role of Customer Services Committee is to agree customer facing strategy and policy and oversee performance so that Sovereign Network Homes meets its strategic objective of delivering a first-class customer service ensuring compliance with legal and regulatory requirements relating to housing and tenancy matters. The Committee ensures that Sovereign Network Homes is meeting the Regulator's consumer standards and provides assurance to the Board of compliance against the consumer standards and ensures customer facing services are value for money and continually improving.

The Committee's membership includes SNG's Vice Chair, a Board member and the Chairs of SNH's Resident Panel and SW9 Community Housing.

"In the year ahead, the Major Projects Committee will maintain a focus on SNG's evolving Investment Strategy, continuing to embed the Homes and Place standard and giving ongoing consideration to existing and new joint venture and regeneration opportunities."

Risk context

Managing risk

Risk represents uncertainty and is inherent in any business. Our board actively manages the risks faced by SNG through our enterprise control framework, which ensures we focus on identifying and managing the risks that are most likely to affect achieving the organisation's goals and objectives. The framework is being actively maintained and matured to remain effective in the increasingly volatile, uncertain, complex, and ambiguous world in which we operate.

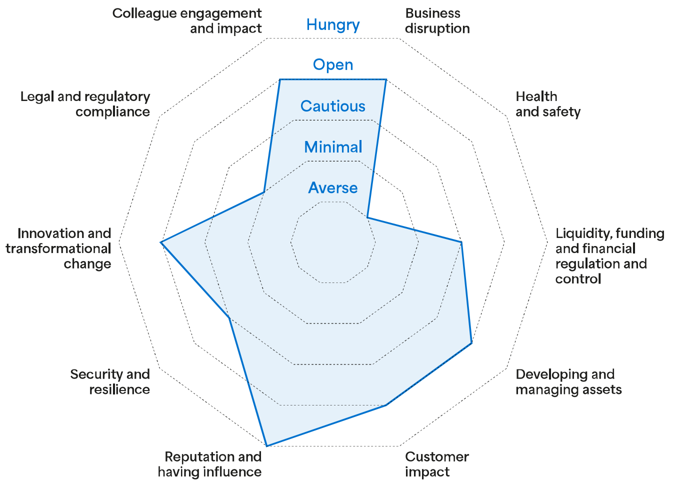
Risk appetite

Knowing how much appetite we have for different risks is fundamental to effectively manage risk. We start with our risk universe, which is where we capture all the potential sources of risk to the organisation, divided into ten categories. The Board uses a widely recognised five-point scale to define how much risk it is willing to take; from "averse" through to "hungry". The five levels of risk appetite for each area are translated into examples of an approach that would be appropriate to take for that level of risk. This approach empowers the whole organisation to make decisions confident they are within the Board's risk appetite.

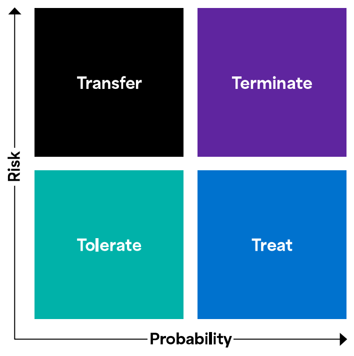
As one of our first steps following the merger, SNG's Board conducted a rigorous exercise, as we brought Sovereign and Network together, to determine how much risk it is willing to let the organisation take in pursuing its goals and objectives. The Board has set its risk appetite at "open" for five of the ten areas of the risk universe. This means the Board is generally willing to take a reasonable degree of risk to achieve our organisational goals.

However, there are four areas where the Board is willing to take less risk, particularly health and safety matters, where the Board has set an "averse" risk appetite. This means we often go further than required by relevant laws and regulations to reduce the risk as low as reasonably possible. We have a "minimal" risk appetite for not complying with laws and regulations generally, which means we invest significantly in controls to minimise the risk of non-compliance. Our risk appetite is "cautious" for maintaining the security and resilience of SNG, and for funding and liquidity matters. In contrast, one category has been set at a "hungry" appetite. This level of risk appetite for having influence means we are willing to take more risk and stand alone, if required, to influence Government, policy makers and others in a way that will improve the lives of customers and their communities.

Risk appetite



Risk model



This model guides our people to:

- Tolerate the risk when it is not significant enough to threaten achievement of our objectives
- Treat the risk when it can be reduced by internal control
- Transfer the risk when it is too high, and it can be at least partly transferred to our insurance programme or joint ventures
- Terminate the risk when it is too high, cannot be reduced and is beyond the risk appetite

Identifying and mitigating risks

Risks are only relevant to the extent they may impact the organisation's goals and objectives, whether that's keeping people safe, improving our customers' experience, building more high-quality homes, or increasing resilience. We seek input from all parts of SNG, including our joint ventures and other partners; those who are closest to where the risks occur are best placed to identify them and understand how best to deal with them. We also use our risk foresight process to identify risks early as they emerge, giving us time to design and implement appropriate mitigations.

We also examine external sources to take a broad perspective, including the Regulator's Sector Risk Profile, peers in the sector, and out-of-sector organisations who are considered leaders in managing risk. This process gives the Board assurance that we understand our risk profile and identify risks early as they emerge, giving us time to determine whether existing controls already mitigate those risks to within our appetite, or whether we need to take further actions.

Our principal risks represent the most significant risks to SNG achieving its goals. The Board has conducted a thorough examination of the risk landscape and the existing risks identified by both organisations, as we created SNG, to determine what those principal risks are. The Board then examines the principal risks regularly to ensure they are being mitigated sufficiently to be within our risk appetite. In other words, we are carrying the amount of risk the Board has determined it's willing to take in pursuing our goals and objectives.

We have 13 principal risks. Each is owned by an Executive Board member and the Executive Board oversees them collectively before reporting to ARC. The principal risks group broadly into customer, technology, assets, people, regulatory and finance.

The principal risks are broken out into their constituent elements and controls identified to reduce the inherent level of risk so that each is brought within the Board's relevant level of risk appetite for that topic. A sub-set of those controls are identified as key controls that have a more significant impact on mitigating the risk. Where risks are outside of risk appetite, plans are in place to adjust or add to the existing controls to bring the residual risk within risk appetite in a reasonable period.

The risk landscape has changed significantly during the past year. Whilst the preceding year was dominated by the tail end of the Covid-19 pandemic combined with the broad effects of Russia's invasion of

"The rapid enhancement in the capabilities of generative artificial intelligence is something SNG is seeking to embrace at the same time as managing the downside risk."

Ukraine, the past year has seen changes to the regulatory regime rising in prominence as well as ongoing economic and political uncertainty. The introduction of the consumer regulation regime, kicked off by the recording of Regulator-defined tenant satisfaction measures, is a welcome change in terms of raising standards for social housing customers, but increases the level of control we have to exercise to ensure we are complying with all regulatory requirements.

Financial headwinds continued to impact both registered providers and our customers in the period. Inflation for materials and labour necessary for our business experienced rates well ahead of the headline figures, whilst core inflation continued to affect our customers' ability to afford rent and other basic needs. Supply chains again suffered some disruption with attacks on shipping in the Red Sea, but our key risk indicators for availability and price of materials remained within tolerance.

Environmental and climate related risks are a permanent feature of the risk landscape now, with several winter storms this year creating localised flooding and property damage. Our leading home and place standard is a key long-term mitigation, ensuring homes can withstand a wetter climate with more extremes of temperatures.

The political landscape has been characterised by the uncertainty created by a general election in 2024. SNG believes there is a clear opportunity to take a long term view and treat housing as a core element of critical national infrastructure and tackle the systemic issues that have led to over 140,000 children currently living in temporary accommodation in the UK.

The rate of digital transformation continues to be a factor concerning the Board. The rapid progress in the capabilities of generative artificial intelligence is something SNG is seeking to embrace at the same time as managing the substantial downside risk.

At the end of the year, we began introducing a principal risk specific to those potential downside risks of the advances in artificial intelligence.

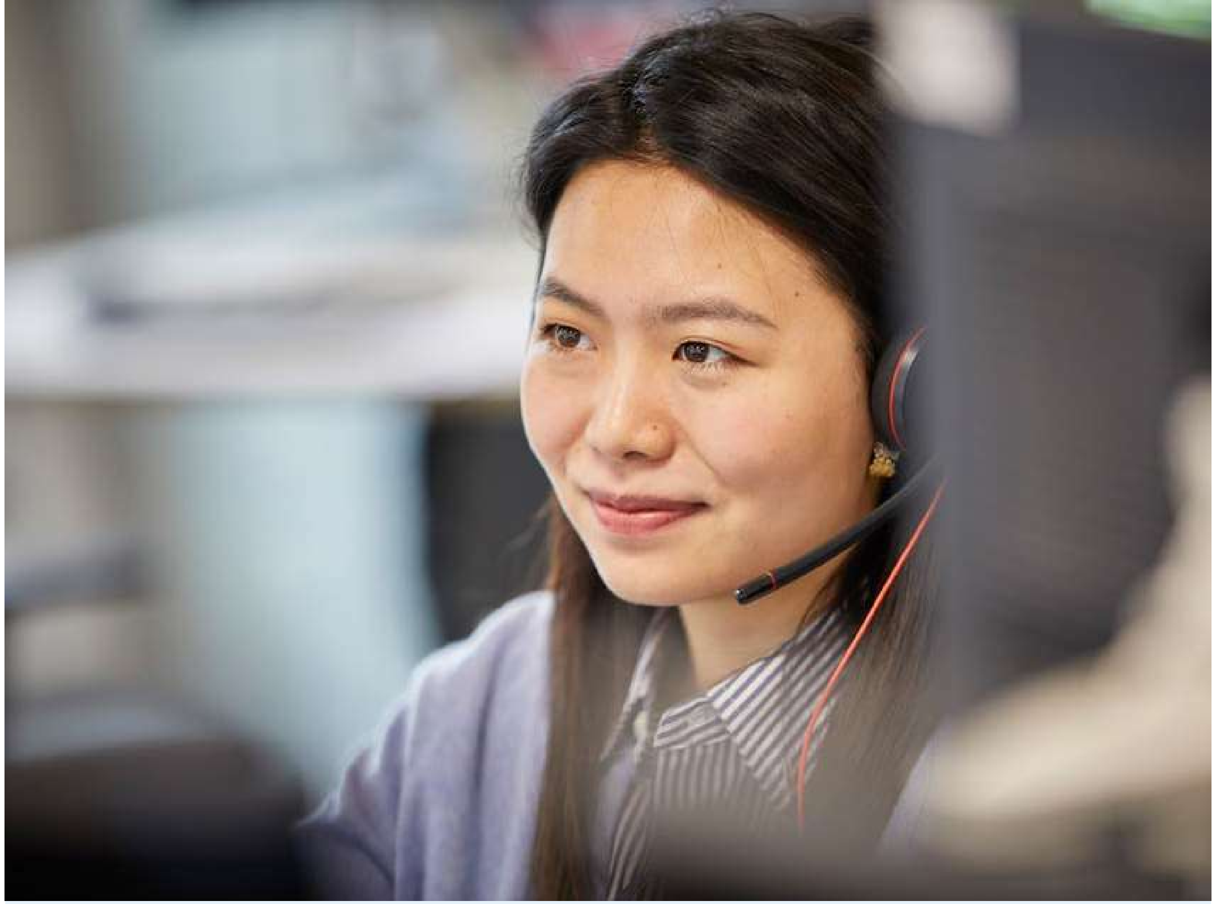
Within the organisation, the merger of Sovereign and Network Homes is another significant change. The work to integrate the processes, systems, data, people, and culture creates a risk to achieving other organisational objectives in the short to medium term. Integration has therefore been added to the list of SNG's principal risks.

The Board is satisfied that with the changes made to the principal risks during the year, they accurately represent the most significant risks to SNG. The direct line of sight to the lower-level risks that contribute to those principal risks, the controls that mitigate them, and the assurance over the effectiveness of those controls, gives the Board confidence SNG's risks are being well managed.

Role of the sub-committees

The Board ensures it has a mix of skills and experience appropriate for the risks the organisation faces. The Audit and Risk Committee (ARC) supports the Board through regular, detailed scrutiny and evaluation of our risk framework, individual risks, and what our sources of assurance (such as internal audit and compliance review findings) tell us about our management of risk. The ARC also scrutinises the Executive Board's report on risk, which is presented to the Board on a quarterly basis.

The Board's other sub-committees strengthen the framework through scrutinising and evaluating the risks that are within their areas of expertise. For example, the Treasury Committee regularly considers SNG's management of its principal risk that we may breach debt covenants if circumstances render the organisation unable to meet its financial commitments.



Resilience of SNG to risks it faces

Recognising how critical it is to be an organisation that can not just survive, but thrive, in a world that is volatile, uncertain, complex, and ambiguous, the Board has made organisational resilience one of the five goals of SNG's Corporate Plan. This broadens the focus from just financial resilience to giving equal consideration to strategic and operational resilience.

Applying that to our risk management, the Board is concerned with the ongoing viability of SNG in the event of unforeseen extreme circumstances, or where multiple principal risks coalesce. Our rigorous annual business plan process tests SNG's resilience through scrutinising the outcomes against our appetite and tolerance for risk and by stress-testing the plan in a variety of plausible and extraordinary circumstances.

The challenging economic landscape was carefully considered in stress-testing the business plan. Having performed that rigorous testing of the Plan, the Board is confident that it is achievable and will stand up to the conditions we are, and expect to be, operating in.

Financial statements 2023-24

Kilburn Quarter, London

Statement of Board's responsibilities

In respect of the Board's report and the financial statements

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

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

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

In preparing each of the Group and the Association financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group's and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the Group or the Association or to cease operations, or has no realistic alternative but to do so.

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

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

Internal control assurance statement

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and to provide reasonable, but not absolute, assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial information and the safeguarding of the Association's assets and interests.

Under the governance structure, the Board has set up a specialist Audit and Risk Committee ("ARC"). All audit and risk matters are the responsibility of the Board which delegates detailed scrutiny and evaluation of these matters to ARC. In meeting its responsibilities to the Board, ARC has adopted a risk-based approach to internal controls which is embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Association and its subsidiaries are exposed.

This process adopted by ARC in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation, and control of significant risks. There is a formal and ongoing process of management review in each area of the significant risks. This process is co-ordinated through a regular reporting framework to ARC and the Board. The Group's Executive Board regularly considers reports on significant risks facing the Group and the Chief Executive, and members of the Executive Board are responsible for reporting to ARC and the Board any significant changes affecting key risks.

Monitoring and corrective action

A process of control self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a rigorous procedure for ensuring corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

The Group continues to maintain a significant development programme. Monitoring and reporting of development activity has been enhanced to ensure the Group remains alert to the potential dangers posed by a much more volatile and difficult external environment.

Control environment and control procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, financial, and compliance issues including treasury strategy and new investment projects.

The Board has adopted the National Housing Federation (NHF) Code of Governance 2020. Sovereign Network Group continues to meet the principles and material obligations of the Code, with its only minor departure explained below

- As at the date of SNG's 2024 AGM, one of SNG's non-executive Board members (Stuart Laird) will have served for ten years which is beyond the maximum of nine years set out in provision 3.7(3) of SNG's adopted Code of Governance, one (Sean West) will have served the maximum of nine years and three (Jenny Dykes, Jon Gooding and Angela Williams) will have served in excess of six years.

  In order to provide continuity through the merger and integration with Sovereign Network Homes, the Board has agreed that it is in SNG's best interests to re-appoint Jenny Dykes, Jon Gooding and Angela Williams for at least another year. Stuart Laird will stand down in October 2024 and Sean West will stand down at the AGM.
- The Board is currently comprised of thirteen Board members (ten non-executive and three executive Board members). The Code of Governance requires that the board have between five and 12 members, including any co-optees and executive members (provision 3.3(2)). As described above, Stuart Laird will stand down in October 2024 and Sean West will stand down at the AGM which will reduce the Board to 11 members. To retain the development expertise required to provide strategic oversight for SNG's

development programme, a suitably qualified Chair for the Major Projects Committee will be recruited to replace the outgoing Committee Chair. SNG is also seeking to recruit a new SNG resident to act on its Board to provide further insight and scrutiny of its activities from a customer perspective. The Board recognises that this may mean continued non-compliance with provision 3.3(2) of its Code of Governance but believes that this is an important element of SNG's engagement with its customers.

The Association has adopted policies with regard to the quality, integrity and ethics of its employees, with which all employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and money laundering and fraud prevention and detection. The Board has adopted the NHF Code of Conduct 2022 which aims to ensure high standards of business conduct.

The Group has three other specialist committees in addition to the Audit and Risk Committee; the Remuneration and Nominations Committee, which has responsibility for overseeing the processes required for the recruitment, induction and training of all Board and Committee members, oversight of Executive performance and performance measures set out in the People Strategy; the Treasury Committee which approves and administers the Treasury Policy and ensures the most efficient and effective funding for the Group; and the Major Project Committee, which reviews the viability of development schemes for the provision of new homes.

Information and financial reporting systems

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

The internal control framework and the risk management process are subject to regular review by the Audit and Risk Team who are responsible for providing independent assurance to the Board via ARC. An annual internal audit programme appropriate to the size and complexity of the Group is set each year and ARC considers internal audit reports at each of its meetings during the year.

The Board has received an annual report from the Association's Executive Board and ARC confirming they have reviewed the effectiveness of the system of internal control throughout this year and have taken account of any changes needed to maintain the effectiveness of the risk management and control processes.

This Strategic Report, Board Report and the Statement of Board's Responsibilities were approved on 11 July 2024 and signed on its behalf by:

BY ORDER OF THE BOARD

Charlotte Ferris
Company Secretary

Independent auditor's report

To the members of Sovereign Housing Association Limited (t/a Sovereign Network Group)

Opinion

We have audited the financial statements of Sovereign Housing Association ("the Association") for the year ended 31 March 2024 which comprise the Consolidated and Association Statement of Total Comprehensive Income, Consolidated and Association Statement of Financial Position, Consolidated Statement of Changes in Reserves, Association Statement of Changes in Reserves, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the Group and the Association as at 31 March 2024 and of the income and expenditure of the Group and the Association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group and the Association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Association's Board has prepared the financial statements on the going concern basis as 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").

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

Our conclusions based on this work:

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

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

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 the Board, the audit and risk committee, internal audit 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, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, audit and risk committee, investment committee, remuneration committee and treasury committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Reading a copy of the Group's fraud register.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit. This included communication from the Group audit team to full scope component audit teams of relevant fraud risks identified at the Group level and request to full scope component audit teams to report to the Group audit team any instances of fraud that could give rise to a material misstatement at the Group level.

As required by auditing standards, and taking into account possible pressures to meet external stakeholder expectations and loan covenants, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that income from property sales is recorded in the wrong period;
- 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.

We did not identify any additional fraud risks.

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

We also performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. For the Association these criteria included unusual or unexpected account combinations with revenue and unusual or unexpected account combinations with cash.
- Selected a sample of development sales revenue recognised either side of the balance sheet date and ensured the sale completed in the period where it is recorded.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence 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 & community benefit society legislation), taxation legislation, pensions legislation and specific disclosures required by social housing legislation and regulation 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 or the need to include significant provisions. We identified the following areas as those most likely to have such an effect: building regulations, GDPR, health and safety, employment law, social housing legislation, anti-bribery and money laundering recognising the nature of the Group's activities. 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.

Other information

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Board's responsibilities

As explained more fully in their statement set out on page 86, the Association's Board is responsible for: the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the Association or to cease operations, or has no realistic alternative but to do so.

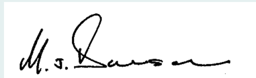
Auditor's responsibilities

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

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

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

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



Mark Dawson
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
B4 6GH

26 July 2024

Consolidated and Association Statement of Total Comprehensive Income
For the year ended 31 March 2024

	Note	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Turnover	4a	**707,813**	691,321	**464,127**	439,663
Cost of sales	4a	**(91,447)**	(124,495)	**(48,957)**	(54,390)
Operating expenditure	4a	**(466,618)**	(432,359)	**(297,057)**	(282,753)
Sale of housing properties	4a	**33,062**	29,233	**22,825**	20,614
Movement in fair value of investment properties	4a	**(11,284)**	(601)	**(3,630)**	1,160
Operating surplus	4a	**171,526**	163,099	**137,308**	124,294
Gift Aid		**-**	-	**637**	9,303
Gain/(loss) on disposal of plant and equipment	13	**1,568**	802	**1,667**	894
Interest receivable and similar income	9	**15,153**	6,795	**17,452**	8,905
Interest and financing costs	10	**(127,712)**	(103,961)	**(92,089)**	(70,273)
Share of operating surplus in joint ventures	16	**2,648**	3,463	**-**	-
Movement in fair value of financial instruments	29	**(292)**	1,074	**(292)**	1,074
Surplus before tax	8	**62,891**	71,272	**64,683**	74,197
Taxation	11	**-**	-	**-**	-
Surplus for the year		**62,891**	71,272	**64,683**	74,197
Actuarial gain/(loss) in respect of pension schemes	28	**(665)**	28,758	**900**	32,791
Changes in fair value of hedged financial instruments	29	**3,318**	40,228	**3,318**	40,228
Total comprehensive income for the year		**65,544**	140,258	**68,901**	147,216

All the amounts above relate to continuing activities.

The accompanying notes form part of the financial statements.

The financial statements were approved by the Board on 11 July 2024 and were signed on its behalf by:

Paul Massara

Paul Massara
Chair

Mark Washer
Chief Executive

Charlotte Ferris
Company Secretary

Consolidated and Association Statement of Financial Position
As at 31 March 2024

	Note	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Fixed assets					
Social housing properties	12	**7,049,068**	6,673,935	**4,717,430**	4,431,927
Other fixed assets	13	**60,158**	59,865	**41,067**	39,757
Investment properties	14	**151,788**	201,885	**90,918**	126,012
		7,261,014	6,935,685	**4,849,415**	4,597,696
Financial assets	15	**13,823**	13,648	**8,235**	8,298
Investments in joint ventures	16	**8,661**	6,059	**-**	
Investments - Shared equity loans	17	**12,322**	12,907	**9,780**	9,903
Debtors: amounts falling due after more than one year	18	**53,776**	49,777	**133,503**	140,910
Total fixed assets		**7,349,596**	7,018,076	**5,000,933**	4,756,807
Current assets/(liabilities)					
Stocks	19	**139,795**	137,156	**44,674**	46,506
Debtors: falling due within one year	18	**113,187**	107,166	**173,162**	42,133
Cash and cash equivalents	20	**80,722**	146,746	**40,505**	69,504
		333,704	391,068	**258,342**	158,143
Creditors: amounts falling due within one year	21	**(360,093)**	(310,658)	**(242,661)**	(180,851)
Net current assets/liabilities		**(26,389)**	80,409	**15,680**	(22,708)
Creditors: amounts falling due after more than one year	22	**(4,578,734)**	(4,417,727)	**(2,799,822)**	(2,579,718)
Provisions for liabilities					
- Other	24	**(33,763)**	(30,033)	**(6,636)**	(7,126)
- Pension	28	**(11,771)**	(17,331)	**(2,336)**	(8,337)
Total net assets		**2,698,939**	2,633,394	**2,207,819**	2,138,918
Capital and reserves					
Called up share capital	30, 31	**-**	-	**-**	-
Income and expenditure reserve	31	**2,348,742**	2,277,839	**1,653,619**	1,581,676
Revaluation reserve	31	**331,517**	340,194	**535,520**	541,880
Hedging reserve	31	**18,680**	15,362	**18,680**	15,362
Total reserves		**2,698,939**	2,633,395	**2,207,819**	2,138,918

All the amounts above relate to continuing activities.

The accompanying notes form part of the financial statements.

The financial statements were approved by the Board on 11 July 2024 and were signed on its behalf by:

Paul Massara

Paul Massara
Chair

Mark Washer
Chief Executive

Charlotte Ferris
Company Secretary

Consolidated Statement of Changes in Reserves
As at 31 March 2024

	Income and expenditure reserve	Revaluation reserve	Hedging reserve	**2024 Total**	2023 Total
	£'000	£'000	£'000	**£'000**	£'000
As at 1 April 2023	2,277,839	340,194	15,362	**2,633,395**	2,493,138
Surplus from statement of comprehensive income	62,891	-	-	**62,891**	71,272
Transfer from revaluation reserve to income and expenditure reserve	8,677	(8,677)	-	**-**	-
Actuarial gain/(loss) in respect of pension schemes	(665)	-	-	**(665)**	28,758
Movement in fair value of financial derivatives	-	-	3,318	**3,318**	40,228
As at 31 March 2024	2,348,742	331,517	18,680	**2,698,939**	2,633,396

Association Statement of Changes in Reserves
As at 31 March 2024

	Income and expenditure reserve	Revaluation reserve	Hedging reserve	**2024 Total**	2023 Total
	£'000	£'000	£'000	**£'000**	£'000
As at 1 April 2023	1,581,676	541,880	15,362	**2,138,918**	1,991,704
Surplus from statement of comprehensive income	64,683	-	-	**64,683**	74,196
Transfer from revaluation reserve to income and expenditure reserve	6,360	(6,360)	-	**-**	(1)
Actuarial gain/(loss) in respect of pension schemes	900	-	-	**900**	32,791
Movement in fair value of financial derivatives	-	-	3,318	**3,318**	40,228
As at 31 March 2024	1,653,619	535,520	18,680	**2,207,819**	2,138,918

Consolidated Statement of Cash Flows
As at 31 March 2024

	Note	**2024 £'000**	2023 £'000
Cash flow from operating activities			
Surplus for the year		62,891	71,272
Adjustments for non-cash items			
Depreciation of fixed assets		91,050	85,338
Decrease in stock		34,573	47,225
(Increase)/Decrease in trade and other debtors		(4,284)	(32,445)
Increase/(Decrease) in trade and other creditors		(25,532)	7,196
(Decrease)/Increase in provisions		3,730	11,697
Pension costs less contributions payable		(5,780)	(9,304)
Carrying amount of tangible fixed asset disposals		98,867	121,231
Impairment	8, 13	4,551	4,572
Fair value movements in investment properties	14	11,284	601
Share of operating surplus in associate		(2,648)	(3,463)
Adjustments for investing or financing activities:			
Proceeds from the sale of tangible fixed assets		(139,905)	(155,139)
Interest payable	10	127,712	103,961
Interest receivable	9	(15,153)	(6,795)
Cash from operations		241,356	245,947
Corporation tax		-	-
Net cash inflow from operating activities		241,356	245,947
Cash flow from investing activities			
Net return on investment in jointly controlled entities	16	-	-
Shared equity investments		608	684
Purchase of tangible fixed assets		(545,079)	(491,646)
Proceeds from sale of tangible fixed assets		145,227	133,105
Grants received	25	37,936	6,511
Interest received		8,207	4,596
Net cash from investing activities		(353,101)	(346,750)
Cash flow from financing activities			
Interest paid		(147,160)	(123,275)
Interest element of finance lease rental payment		(254)	(254)
Movement in collateral deposits		(508)	(86)
New secured loans		870,784	665,883
Repayment of borrowings		(676,854)	(423,596)
Capital element of finance lease rental payments		(287)	(344)
Withdrawal from deposits		-	-
Net cash used in financing activities		45,721	118,328
Net change in cash and cash equivalents		(66,024)	17,525
Cash and cash equivalents at beginning of the year	20	146,746	129,221
Cash and cash equivalents at end of the year	20 , 34	**80,722**	**146,746**

The accompanying notes form part of the financial statements.

Notes to the financial statements

For the year ended 31 March 2024

1. Legal status

Sovereign Housing Association Limited t/a Sovereign Network Group ("The Association") is a not for profit registered provider of social housing and holds charitable status under the Co-operative and Community Benefit Societies Act 2014. The Association is a public benefit entity, an entity whose primary purpose is to provide services for the general public, community or social benefit and where any equity is provided with a view to supporting this objective rather than with a view to providing financial return.

2. Principal accounting policies

The financial statements have been prepared in accordance with Financial Reporting Standard 102 ("FRS 102"), the applicable financial reporting standard in the United Kingdom and Republic of Ireland and the Statement of Recommended Practice for registered social housing providers 2018 (SORP 2018) and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022.

(a) Basis of accounting

The consolidated financial statements are prepared on the historical cost basis of accounting except for the modification to a fair value basis for certain financial instruments and fixed asset investments, and by the annual valuation of freehold commercial properties and investment properties as specified in the accounting policies below.

The financial statements are presented in pounds sterling and are rounded to the nearest £1,000.

(b) Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions which have been complied with, including notification of and no objection to, the use of exemptions by the Association's shareholders.

The Association has taken advantage of the following disclosure exemptions available in FRS 102:

- Exemption from preparing the Association's cash flows in accordance with FRS 102.1.12(b) on the basis that it is a qualifying entity and has prepared a consolidated statement of cash flows, presented in these financial statements, which includes the Association.
- Exemption from making disclosures in relation to financial instruments in accordance with FRS 102 1.12(c) as the Association is a qualifying entity and the parent Sovereign Housing Association t/a Sovereign Network Group produces a consolidated statement.
- The Group discloses transactions with related parties which are not wholly owned with the same Group. The Group does not disclose transactions with members of the same Group that are wholly owned as allowed by FRS 102 paragraph 33. 1A. Intra-Group transactions required to be disclosed by The Accounting Direction 2022 are provided in note 38.

(c) Going concern

Sovereign Network Group has implemented a financial resilience model to test the strength of the Group under various scenarios including what is thought to be a worst case scenario. Parameters including debt recovery, sales and operational activities have been modelled and the continued financial strength of the Group monitored under all outcomes that have been tested.

Per the Group's liquidity policy, if 50% of current and fixed asset sales were removed from forecast, cash and committed facilities of £983m at 31 March 2024 comfortably cover the committed and approved funding requirement for at least 18 months. The ability to draw the existing funding facilities is contingent on being able to maintain covenant compliance. The Business Plan presented to and approved by Board in June 2024 demonstrated ongoing compliance with all financial covenants throughout the life of the plan with comfortable headroom.

The Business Plan presented to Board also included a number of stress tests against a range of adverse scenarios. These tests were designed to be 'severe' rather than 'likely', but nonetheless the testing demonstrated that covenant compliance is either maintained, or in the most severe scenarios can be maintained with manageable levels of cuts in activities. Both the Business Plan base case and the stress tests support the assertion that Sovereign will continue as a going concern. As a consequence, the Board is confident that the Group and Association will have sufficient funds to continue to meet their liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

(d) Merger

On 1 October 2023 Sovereign Housing Group and Network Housing Group amalgamated to become Sovereign Network Group.

In accordance with FRS 102 this transaction has been accounted for as a merger and these financial statements have been prepared as if Sovereign Network Group had existed since the start of the previous reporting period.

(e) Consolidation

The consolidated financial statements include the parent association and all its subsidiaries. Intra-group surpluses and deficits are eliminated on consolidation.

Investments in subsidiaries are accounted for using the equity method in the Group financial statements. Investments in subsidiaries and jointly controlled entities are carried at cost less impairment in the individual financial statements.

Uniform accounting policies have been used throughout the Group.

(f) Turnover

Turnover represents rental and service charge income, fees and revenue based grants receivable from local authorities and from Homes England, the proceeds of first tranche sales of shared ownership properties and open market property sales, amortisation of grant previously received, and income from building maintenance and refurbishment services. These exclude VAT (where applicable). Revenue for the main income streams is recognised as follows:

- Rental income is measured at fair value of the consideration received or receivable and represents the amount receivable for the services rendered net of any voids.
- Variable Service charge income is recognised on an accruals basis in the period in which the income is charged to the customer. Fixed service charge income is recognised in the year to which it relates. The Association has adopted both the fixed and variable method for calculating and charging service charges, on a scheme-by-scheme basis in full consultation with residents. The service charge on all schemes is set on the basis of budgeted spend. Where variable service charges are used, the budget will include an allowance for the surplus or deficit from prior years, with a surplus being returned to residents in the form of a reduced charge for the year and a deficit being recovered via a higher service charge or by alternative methods if the contract allows.
- Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.
- Income from provision of buildings maintenance and refurbishment services to third parties is recognised as work is performed.
- Income from the letting of commercial properties including rent and other income like electricity, mobile aerials and insurance is recognised on an accruals basis.

Intra-group income and expenditure is included in turnover and operating costs on an arm's length basis in the financial statements of the Association but is eliminated in producing the Group consolidated financial statements.

(g) Major repairs The capitalisation of major repairs follows the methodology of Component Accounting as laid out in the SORP 2018. Under this methodology it is recognised that a housing property will always comprise of several components with substantially different economic lives. Each major component is accounted for separately and depreciated over its individual economic life.

(h) Provision for major repairs

Provision for major repairs and building safety costs is made only where a contractual or a constructive obligation exists. The Board believe that this accounting policy represents commercial practice and complies with guidance given by the National Housing Federation in its Statement of Recommended Practice.

(i) Pension costs

The Association participates in six multi-employer defined benefit pension schemes, all of which are now closed to new members. The Association also participates in defined contribution money purchase pension schemes, the details of which are given in note 29.

Defined benefit pension schemes

Where the Association can identify their share of scheme assets and liabilities these are included in the Statement of Financial Position and the expected cost of pensions is charged to the Statement of Total Comprehensive Income so as to spread the cost of pensions over the service lives of employees. For the defined benefit pension schemes, the liability for the benefits earned by employees in return for service rendered in the current and prior periods is determined using the projected unit credit method as determined annually by qualified actuaries. This is based upon a number of assumptions, the determination of which is significant to the valuation.

The following are charged to operating profit:

- the net finance expense measured using the discount rate applied in measuring the defined benefit obligation;
- the increase in the present value of pension scheme liabilities arising from employee service in the current period (current service cost);
- the increase in the present value of pension scheme liabilities as a result of benefit improvements over the period during which such improvements vest (past service cost);
- gains and losses arising on settlements/curtailments; and
- scheme administration costs.

Actuarial gains and losses are recognised in full in other comprehensive income in the period in which they occur.

Defined contribution schemes

The Association also participates in defined contribution money purchase pension schemes which are open to new members, the details of which are given in note 29. In respect of the defined contribution schemes, employers' contributions are charged to the Statement of Total Comprehensive Income in the year incurred.

(j) Value Added Tax
The group undertakings are registered for Value Added Tax (VAT), but a large proportion of their income, including rents, is exempt for VAT purposes and the majority of its expenditure is subject to VAT which cannot be reclaimed. Expenditure is therefore shown inclusive of VAT. The Group recovers VAT where appropriate and this is credited against expenditure within the income statement.

(k) Joint ventures
Joint ventures are contractual arrangements where two or more parties enter into an economic activity that they jointly control. The Group has the following type of joint venture:

Jointly controlled entities – these are joint ventures that involve the establishment of a corporation, partnership or other entity in which each partner has an interest. They are accounted for using the equity method in the member organisation. The Group includes an investment to the extent of any undistributed profits on an individual LLP basis.

The Member of the joint venture includes investments at the cost of the investment, with share of profits recognised in the period to which they relate and the carrying amount reduced when dividends or other distributions are declared.

These investments are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

(l) Leased assets
Operating leased assets
Rentals paid under operating leases are charged to the Statement of Total Comprehensive Income on an accruals basis.

Finance leased assets
Leasing agreements that transfer to the Group substantially all of the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the Statement of Total Comprehensive Income in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the lease term.

(m) Sale of housing properties
Sales of housing properties are recognised on the completion date. Where houses are sold, the surplus or deficit in the Statement of Total Comprehensive Income is calculated by comparing sale proceeds and the carrying amount.

Sales of properties originally transferred from local authorities and sold under the right to buy legislation, and sales of shared ownership properties other than the initial tranche, are classified in the Statement of Total Comprehensive Income as sales of housing properties.

Due to the nature of the transfer agreements with local authorities it is not possible to identify precisely the historical cost of individual transferred properties. Management's estimate of cost is used to determine the historical cost surplus on sales of these properties.

(n) First tranche shared ownership sales
Shared ownership sales are treated under the SORP 2018 as follows:

- Shared ownership properties are split proportionally between current and fixed assets based on the first tranche proportion;
- First tranche proportions are shown in current assets and the sale proceeds shown in turnover;
- The remaining element of the shared ownership property is accounted for as a fixed asset and any subsequent sale is treated as a disposal or part disposal of a fixed asset;
- Any surplus on first tranche shared ownership sales on mixed tenure developments is restricted to the net present value of future cash flows on shared ownership properties.

(o) Depreciation
Freehold land is not depreciated. Depreciation is charged so as to write down the cost of freehold properties other than freehold land to their estimated residual value on a straight line basis over their estimated useful economic lives at the following annual rates:

Fabric	100-120 years
Roofs	25-60 years
Windows and doors	25-30 years
Kitchens	23-25 years
Bathrooms	25-30 years
Boilers and Heating Systems	15-40 years
Mechanical and Electrical	20-40 years

These components have been determined as the areas where most expenditure on replacement will occur during the lifetime of a property and which are integral to its continued effective use. The useful economic lives are based on historical data on the life span of previous installations of each type of component.

Roofs comprise capital costs for varying types including flat roofs, pitched roofs and others. Mechanical and Electrical comprise capital costs relating to full rewiring of a property, lifts, CCTV, call systems and other similar communal capital costs.

Depreciation is charged on a straight line basis over the expected useful economic lives of the other fixed assets at the following annual rates:

Office furniture and equipment	3-10 years
Computer equipment	2-5 years
Motor vehicles	over life of hire purchase contract or 5 years
Leasehold premises	over life of lease
Leasehold office improvements	10 years
Freehold offices	50-100 years
Scheme furniture and equipment	3-10 years
Scheme lifts	15-30 years

(p) Social housing properties and other fixed assets
Social housing properties are stated at cost or deemed cost valuation (as part of the FRS 102 transition, taken at 1 April 2014) less accumulated depreciation and accumulated impairment losses. Housing properties are principally properties available for rent and shared ownership properties. Cost includes the original purchase price, costs directly attributable to bring the asset to its working condition for its intended use and borrowing costs capitalised.

The valuation as at 31 March 2014 on which the carrying values of housing properties was taken for deemed cost valuations was based on 'Existing use value - social housing'. The aggregate surplus or deficit on revaluation is the difference between the valuation and the costs of the property less depreciation. The aggregate surplus or deficit on revaluation is included in a revaluation reserve.

Housing properties developed on behalf of other housing associations are stated at cost less Social Housing Grant if applicable and are treated as current assets rather than fixed assets in line with the SORP 2018.

Housing properties in the course of construction, excluding the proportion of costs related to first tranche sales of shared ownership property, are stated at cost and are transferred into housing properties when completed. Development costs include the cost of acquiring land and buildings, the valuation of contracted works to date, and acquisition and development costs including directly attributable internal costs. Interest payable is capitalised by applying the Association's cost of borrowing to expenditure during the construction of the property up to the date of practical completion.

Works to existing properties which replace a component that has been identified separately for depreciation purposes, along with those works that result in enhancing the economic benefits of the properties, are capitalised as improvements. Where a component is replaced the cost and related depreciation are eliminated from housing properties. Economic benefits are enhanced if work performed results in an increase in net rental income, a reduction in future maintenance costs or a subsequent extension in the useful economic life of a property.

Recoverability of properties constructed for outright sale is measured by reviewing the current net present value against the original appraisal. Allocation of costs for mixed tenure developments are generally based on a metre square calculation of the entire scheme for the different tenure types.

Purchases from other housing associations are included at the purchase price. Social housing grant relating to the purchase of such properties is disclosed as a contingent liability within social housing properties (note 14).

Office buildings are held at original cost less accumulated depreciation and accumulated impairment losses.

Commercial buildings are held at valuation based on the rental yield in the relevant geographical location of each property. Valuations are carried out annually.

Plant and equipment is capitalised at cost and depreciated in line with the depreciation policy of the Association.

Other fixed assets are principally assets purchased for use by Sovereign Network Group. These assets are acquired in the open market and are stated at cost less accumulated depreciation and impairment.

The cost includes their purchase price, costs of improvement and directly attributable staff overheads. Direct overheads involved with administering IT projects are capitalised to the extent that they are directly attributable to the IT projects and in bringing the systems into their intended use.

(q) Impairment
At each reporting date fixed assets that are held at cost are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets to their recoverable amounts..

The recoverable amount is the higher of fair value less costs to sell, or Existing Use Value for Social Housing (EUV- SH) or Value in Use (in respect of assets held for their service potential) (VIU- SP) . As allowed by Housing SORP 2018 the Group uses depreciated replacement cost as a reasonable estimate of VIU- SP.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss. Indicators considered which may give rise to impairment include government policy announcements, significant declines in future cash flows and physical evidence of obsolescence or damage.

Impairment reviews are carried out for all properties under construction where the scheme appraisal has worsened since approved by the Board in accordance with the SORP 2018.

(r) Investment properties
The Group holds properties for the purpose of investment gains with a view to a future sale or in order to receive market rates of return and categorises these as investment properties. Investment properties are initially recognised at cost and subsequently held at valuation. Valuations are performed annually by a professional valuer and are at open market value. Any gains or losses arising from changes in the fair value are recognised in profit or loss in the period in which they arise. Depreciation is not provided in respect of freehold and long leasehold investment properties. Investment properties held on a short term lease are reported at fair value and depreciated over the remaining life of the lease.

Commercial buildings held as investment properties are included at valuation based on the rental yield in the relevant geographical location of each property. Valuations are carried out annually.

(s) HomeBuy loans and grants
HomeBuy loans to individuals are considered to be a public benefit entity concessionary loan and are accounted for in accordance with paragraphs PBE34.90 to PBE34.97 of FRS 102. Initial recognition is at the amount paid to the purchaser. Subsequent value is the loan value adjusted for any accrued interest less any impairment loss. If a HomeBuy loan is considered irrecoverable, an impairment loss is recognised in the Income Statement.

HomeBuy grants are accounted for as grant received in advance and are recognised as deferred income in the Statement of Financial Position until the point that the related HomeBuy loan is redeemed.

(t) Other grants
Other housing grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the Income Statement in the same period as the expenditure to which they relate. Other housing grants are repayable under certain circumstances, primarily following the sale of a property, but will normally be restricted to net proceeds of sale.

(u) Stock
Stock represents inventories of consumables, including both completed properties and properties under construction:

- A proportion of shared ownership properties costs relevant to the planned first tranche sale proportion are held as stock. These are shown split between completed properties unsold at 31 March and those still under construction for clarity.
- Properties developed for outright sale which have not been sold at 31 March are shown as stock.

Stock is valued at the lower of cost and net realisable value. Cost includes acquisition, development costs and capitalised interest. Net realisable value is based on the estimated selling price less selling costs. An assessment of net realisable value is made at each reporting date. Where there is a write down, it is recognised in the Statement of Comprehensive Income

(v) Social Housing Grant
Social Housing Grant is accounted for using the accrual method of accounting for government grant and any new grant received or receivable is included in creditors. The grant is amortised in line with the depreciation policy for housing properties. If Social Housing Grant is received in advance of related expenditure on housing construction, it is shown as a current liability. The Group has the option to recycle Social Housing Grant on sold properties which would otherwise become payable to Homes England. This grant is transferred to the Recycled Capital Grant Fund to be used to finance future development. Social Housing Grant is repayable under certain circumstances and in such circumstances will be classed as a current creditor.

(w) Recycled Capital Grant Fund
The purpose of the funds is to provide replacement properties for rent, at no greater cost than properties provided through the approved development programme. If unused within a three year period it may be repayable to Homes England with interest unless a time extension or waiver is received. The development programme of the Group is such that the funds are likely to be used before they become repayable.

(x) Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount of the obligation can be estimated reliably. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of the time value of money is material the amount expected to be required to settle the obligation is recognised at the present value using a discount rate. The unwinding of the discount is recognised as a finance cost in the income statement in the period it arises.

The Group provides for tenants' rent arrears based on the value of the debt as well as the type of debtor (current and former tenant) . The level of provisioning is based on the collection rates for each value group and on cash collected over a period of twelve months.

Holiday pay accrual
A liability is recognised to the extent of any unused holiday entitlement which has accrued at the reporting date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the reporting date.

(y) Housing loans
Mortgage loans are advanced by banks or building societies under the terms of individual mortgage deeds in respect of each property or housing scheme. Loan finance issue costs are off-set against the gross proceeds of the loan. Loans are accounted for in the Statement of Financial Position at transaction price and subsequently at amortised cost using the effective interest method.

(z) Basic financial instruments
Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument. Rental arrears payment plans are determined as financing arrangements and are discounted at a rate management believes is appropriate for the level of risk involved in recovery of tenant arrears.

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses in accordance with Section 11 of FRS 102.

Cash and cash equivalents comprise cash balances and instant access deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement and in accordance with Section 12 of FRS 102.

(aa) Interest Payable and similar charges
Interest on borrowings is charged to the Statement of Comprehensive Income over the term of the debt using the effective interest rate method, if the loan is a basic financial liability, to ensure that the amount charged is at a constant rate on the carrying amount.

Costs of issuing debt are recognised as a reduction in the associated financial instrument. Directly attributable costs of obtaining undrawn facilities are amortised over the life of the facility. Both costs are amortised over the life of the loan facility using the effective interest rate method. Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- interest on borrowings specifically financing the development programme after deduction of social housing grant (SHG) received in advance; or
- interest on borrowings of the Group as a whole after deduction of interest on SHG received in advance to the extent that it can be deemed to be financing the development programme.

(ab) Other financial instruments
Financial instruments not considered to be basic financial instruments are defined as other financial instruments. Other financial instruments are recognised initially at fair value. Subsequent to initial recognition these are measured at fair value with changes recognised in the surplus or deficit for the year except hedging instruments in a designated hedging relationship shall be recognised as set out below:

Derivative financial instruments and hedging
Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in the surplus or deficit for the year. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. The Association includes derivatives in its financial statements which qualify for cash flow hedge accounting.

Cash flow hedges
Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability, or a highly probable forecast transaction, the effective part of any gain or loss on the derivative financial instrument is recognised directly in other comprehensive income. Any ineffective portion of the hedge is recognised immediately in the surplus or deficit in the year. For cash flow hedges, where the forecast transactions resulted in the recognition of a non-financial asset or non-financial liability, the portion of the hedging gain or loss that is determined to be an effective hedge is recognised in other comprehensive income with the cash flow hedge reserve adjusted to the lower of (in absolute amounts) either (1) the cumulative gain or loss on the hedging instrument; or (2) the cumulative change in fair value on the hedged item. The adjustments is included in the initial cost or other carrying amount of the asset or liability. Alternatively, where a portion of the hedged item is determined ineffective the hedging gain or loss is reclassified to the surplus or deficit in the year.

When a hedging instrument expires or is sold, terminated or exercised, or the entity discontinues designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss recognised in equity is recognised in the Income Statement immediately.

(ac) Taxation
The Association has charitable status and is therefore not subject to corporation tax on its charitable activities. Any non-charitable trading activities are carried out in the subsidiaries and they pay gift aid out of their profits to the Association (the parent company) . The Group may be liable to corporation tax based on any taxable profit for the year taking into account differences between certain items for taxation and accounting purposes.

Deferred taxation would normally be recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, when transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. However, deferred tax assets and liabilities are not recognised in year where timing differences do not give rise to any material deferred tax charge or credit.

(ad) Gift Aid Income

Gift aid from the Association's wholly owned subsidiaries is recognised at year-end on a receivable basis and is disclosed in the Statement of Comprehensive Income. Gift aid is eliminated on consolidation in the Group.

3. Accounting estimates and judgements

There were no estimates, judgement and assumptions which had a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities or income and expenditure within the financial period. Below are the key estimates and judgements which management has applied:

Pension liability (LGPS)

Assumptions for the Local Government Pension Schemes have been obtained from the annual reports performed by qualified actuaries. An estimate of the Group's future cash flows is made using notional cash flows based on the estimated duration. These estimated are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cash flows, discounted at this single rate, equates to the net present value of the cash flows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point).

Pension liability (SPP)

The Sovereign Pension Plan year end liability is obtained from The Pensions Trust using analysis provided by a qualified actuary. To derive the discount rate a £GBP AA Corporate Bond yield curve is used which is supplied by Bank of America Merrill Lynch at the reporting date. The rates from the yield curve are used to calculate a present value of the pension scheme's future agreed deficit reduction contributions at the reporting date. A single equivalent discount rate is then derived.

Pension liability (SHPS)

The Social Housing Pension Scheme year end liability is obtained from The Pensions Trust using analysis provided by a qualified actuary. Assumptions for future inflation linked pension increases are based on appropriate inflation index. The assumptions are set out below:

Discount Rate	4.89%
Inflation (RPI)	3.17%
Inflation (CPI)	2.77%
Pensionable earnings increases	3.77%
Mortality before retirement	No allowance
Life expectancy for a male currently age 65	20.5 years
Proportion married at retirement	75% of males and females
Allowance for cash commutation	75% of max. allowance
Discretionary increases	No allowance

Rental arrears

Rental arrears payment plans are discounted at a rate which management believes is appropriate for the level of risk in the recovery of such debt.

Investment properties

The valuation exercise was carried out in March/April 2024 with a valuation date of 31 March 2024. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2017 ('Red Book'), The values in the report have been used to inform the measurement of property assets at valuation in these financial statements.

Measurement of stock

Costs in determining the carrying value of housing properties in current assets are applied as prescribed in the relevant SORP. The apportionment is based on the out turn of the scheme at the reporting date but is subject to future influences from government policy changes and economic conditions.

Basis and estimate for overhead allocation

Overhead cost that can be directly linked to business stream (cost centres) are recognised against them. For general overheads, the costs are allocated to the business stream based on number of properties. Management deem property numbers to be a key driver for the level of overhead cost incurred in the business and therefore provides an appropriate and realistic basis for allocating overhead. Other allocation basis under consideration and continuously reviewed are turnover, expenses level and employee time analysis.

Estimates and judgements for recognising stock

An element of completed and work in progress shared ownership properties are recognised as stock at each balance sheet date. This is the disposable first tranche portion. Management have estimated the first tranche portion held in stock as 40% of the total cost incurred at the balance sheet date, this is a realistic estimate as it is consistent with current trend of first tranche equity sale pattern

Estimate on useful life housing properties

Housing properties other than investment properties are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets are based on the NHF guidance and may vary slightly depending on a number of factors that are relevant to the underlying asset. Fixed assets are expected to come to a nil value at the end of its useful economic life however management reviews the estimate of the useful lives at each reporting date to ensure they are consistent with survey report, making changes to individual units or component as appropriate. Such changes could impact insignificantly the surpluses for the year.

Grant amortisation

Deferred capital grants are amortised over the economic useful life of the structure of housing properties. Although share ownership properties tend to have a shorter actual life span compared to their expected useful life (EUL) of their structure, management deem the current approach of amortisation to be prudent and not distorting the business performance.

Judgement on provisions

Provisions are recognised in the financial statement based on the likelihood of a liability occurring and an appropriate estimate is known for such liability. In estimating provisions, judgement on likelihood of occurrence is determined by expert opinion and past indicative trend of similar items. The value of provisions is arrived at considering the worst case scenario. The amounts recorded in note 24 are continually evaluated by management.

Estimates and judgements on pensions

Estimates and judgements applied to the pension deficit are based on the pension estimate and assumption provided by the pension provider. Please refer to note 28 for the underlying assumption.

Discounted items

Assets and liabilities with cash flow implications of more than one year are recognised in the accounts at fair value which is arrived at by applying a discount rate that reflects the level of risk relevant to those items.

Judgement on the risk level and rate is informed by expert opinion and items with similar risk profile. Discounted items include long term debtor and financial instrument.

Judgement on capitalised major repairs

The group's capitalisation policies align with FRS 102 principles, in applying this, management take an aggregated view in making capitalisation decisions which match the accounting standard criteria requirements.

Judgement on mixed tenure split

Where a development relates to two or more tenures, construction cost is allocated to the different tenures using a dynamic apportionment basis. The dynamic approach applies a mix of standard apportionment basis to reflect substance of the development. Management deem this allocation basis effective as it results in a similar cost if the tenures are built independently. Cost allocation methods are reviewed annually for effectiveness. This basis for apportionment impacts depreciation charged for the year and the profit on sale of fixed assets.

Impairment

In determining any possible impairment of the Group's assets, factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the economic viability and expected future financial performance of that unit. Where impairment is found, the carrying value of the properties in the cash generating unit is reduced to depreciated replacement co

4a. Turnover, operating costs and operating surplus by class of business

Group	Note	Turnover	Cost of sales	Operating costs	Other	2024 Operating surplus	2023 Operating surplus
		£'000	£'000	£'000	£'000	**£'000**	**£'000**
Income and expenditure from social housing lettings:							
Housing accommodation		508,920	-	(398,585)	-	**110,335**	**88,225**
Shared ownership accommodation		57,234	-	(34,665)	-	**22,569**	**23,144**
	4b	566,154	-	(433,250)	-	**132,904**	**111,369**
Other social housing income and expenditure:							
Income from Group undertakings		(324)	-	-	-	**(324)**	**324**
External income generated from development services		(144)	-	(6)	-	**(150)**	**(73)**
Community investment		-	-	(4,662)	-	**(4,662)**	**(3,810)**
London Living (Build to Rent)		5,984		(1,485)		**4,499**	**3,681**
Other		4,130	-	(880)	-	**3,250**	**4,111**
		9,646	-	(7,033)	-	**2,613**	**4,233**
Development for sale							
Shared ownership first tranche sales		87,564	(71,648)	(3,703)	-	**12,213**	**14,153**
		87,564	(71,648)	(3,703)	-	**12,213**	**14,153**
Total social housing activities		663,364	(71,648)	(443,986)	-	**147,730**	**129,755**
Non-social housing activities							
Market rented properties		8,865	-	(6,539)	-	**2,326**	**2,020**
Commercial properties		4,937	-	(5,823)	-	**(886)**	**(546)**
Outright sales		10,174	(7,898)	-	-	**2,276**	**1,006**
Fully staircased properties		7,873	-	(9,977)	-	**(2,104)**	**(1,289)**
Construction services and other		12,600	(11,901)	(293)	-	**406**	**3,521**
		44,449	(19,799)	(22,632)	-	**2,018**	**4,712**
Other activities							
Housing assets disposals		-	-	-	33,062	**33,062**	**29,233**
Movement in fair value of investment properties		-	-	-	(11,284)	**(11,284)**	**(601)**
		-	-	-	21,778	**21,778**	**28,632**
Total		707,813	(91,447)	(466,618)	21,778	**171,526**	**163,099**

Other activities within 'Other social housing' include management services, administration services and HomeBuy activities.

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4a. Turnover, operating costs and operating surplus by class of business (continued)

Association	Note	Turnover	Cost of sales	Operating costs	Other	2024 Operating surplus	2023 Operating surplus
		£'000	£'000	£'000	£'000	**£'000**	**£'000**
Income and expenditure from social housing lettings:							
Housing accommodation		358,899	-	(264,102)	-	**94,797**	**73,520**
Shared ownership accommodation		34,872	-	(20,058)	-	**14,814**	**12,989**
	4b	393,771	-	(284,160)	-	**109,611**	**86,509**
Other social housing income and expenditure:							
Income from Group undertakings		185	-	-	-	**185**	**164**
External income generated from development services		25	-	(6)	-	**19**	**(32)**
Community investment		-	-	(4,183)	-	**(4,183)**	**(3,346)**
Other		1,889	-	(514)	-	**1,375**	**570**
		2,099	-	(4,703)	-	**(2,604)**	**(2,644)**
Development for sale							
Shared ownership first tranche sales		59,392	(48,957)	-	-	**10,435**	**15,378**
		59,392	(48,957)	-	-	10,435	15,378
Total social housing activities		455,262	(48,957)	(288,863)	-	**117,442**	**99,243**
Non-social housing activities							
Market rented properties		5,782	-	(6,358)	-	**(576)**	**1,018**
Commercial properties		2,422	-	(1,339)	-	**1,083**	**1,806**
Other		661	-	(497)	-	**164**	**453**
		8,865	-	(8,194)	-	**671**	**3,277**
Other activities							
Housing assets disposals		-	-	-	22,825	**22,825**	**20,614**
Dividend income		-	-	-	-	**-**	**-**
Movement in fair value of investment properties		-	-	-	(3,630)	**(3,630)**	**1,160**
		-	-	-	19,195	**19,195**	**21,774**
Total		464,127	(48,957)	(297,057)	19,195	**137,308**	**124,294**

Other activities within 'Other social housing' include management services, administration services and HomeBuy activities.

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4b. Income and expenditure from social housing lettings

Group	General needs	Shared ownership	Supported housing/ Housing for older people	Intermediate Keyworker	Other	2024 Total	2023 Total
	£'000	£'000	£'000	£'000	£'000	**£'000**	**£'000**
Rent receivable net of identifiable service charges	400,853	43,856	40,959	20,865	3,685	**510,218**	**468,255**
Service charges	21,423	12,333	7,304	3,657	200	**44,917**	**34,410**
Supporting people block subsidy	(239)	-	351	-	-	**112**	**380**
Amortised government grants	7,353	1,045	912	846	143	**10,299**	**11,128**
Other income	605	-	-	-	3	**608**	**459**
Turnover from social housing lettings	429,995	57,234	49,526	25,368	4,031	**566,154**	**514,632**
Management	(107,919)	(19,310)	(7,353)	(6,429)	(843)	**(141,854)**	**(120,477)**
Service costs	(30,759)	(7,756)	(4,424)	(3,796)	(58)	**(46,793)**	**(51,891)**
Routine maintenance	(73,531)	(249)	(2,813)	(683)	(277)	**(77,553)**	**(69,487)**
Planned maintenance	(45,763)	(69)	(2,071)	(361)	(192)	**(48,456)**	**(48,660)**
Major repairs expenditure	(11,900)	-	(659)	24	(24)	**(12,559)**	**(8,332)**
Bad debts	(513)	(19)	(176)	(106)	(2)	**(816)**	**(2,702)**
Depreciation of housing property	(66,097)	(7,262)	(5,403)	(5,400)	(877)	**(85,039)**	**(79,984)**
Impairment	(4,053)	-	-	-	-	**(4,053)**	**(4,572)**
Lease Costs	(7,180)	-	(363)	(690)	(1,469)	**(9,702)**	**(9,351)**
Other costs	(5,931)	-	(332)	(147)	(16)	**(6,426)**	**(7,807)**
Operating costs on social housing activities	(353,645)	(34,665)	(23,594)	(17,588)	(3,758)	**(433,250)**	**(403,263)**
Operating surplus/(deficit) on social housing activities	76,350	22,569	25,932	7,780	273	**132,904**	**111,369**
Rent receivable is net of void losses of:	5,214	(276)	896	1,744	734	**8,312**	**8,690**

Sovereign Network Group uses key income streams and associated costs to determine appropriate management information and has adopted this approach to report segmentally on its social housing operating surplus.

4b. Income and expenditure from social housing lettings (continued)

Association	General needs	Shared ownership	Supported housing/ Housing for older people	Intermediate Keyworker	Other	2024 Total	2023 Total
	£'000	£'000	£'000	£'000	£'000	**£'000**	**£'000**
Rent receivable net of identifiable service charges	300,078	30,099	30,543	5,694	985	**367,399**	**335,367**
Service charges	13,891	4,400	1,601	3,226	200	**23,318**	**18,977**
Supporting people block subsidy	(239)	-	240	-	-	**1**	**260**
Amortised government grants	2,268	373	376	36	-	**3,053**	**2,901**
Turnover from social housing lettings	315,998	34,872	32,760	8,956	1,185	**393,771**	**357,505**
Management	(81,565)	(14,465)	(5,393)	(1,634)	(265)	**(103,322)**	**(91,177)**
Service costs	(7,122)	(1,853)	(691)	(3,539)	(34)	**(13,239)**	**(24,057)**
Routine maintenance	(49,470)	-	(2,754)	(408)	(135)	**(52,767)**	**(45,904)**
Planned maintenance	(37,032)	-	(2,047)	(31)	(100)	**(39,210)**	**(41,202)**
Major repairs expenditure	(11,964)	-	(661)	-	(32)	**(12,657)**	**(7,564)**
Bad debts	(13)	(6)	(2)	(22)	-	**(43)**	**(910)**
Depreciation of housing property	(42,004)	(3,734)	(2,589)	(1,149)	(127)	**(49,603)**	**(45,619)**
Impairment	-	-	-	-	-	**-**	**-**
Lease costs	(6,416)		(363)	(161)	(18)	**(6,958)**	**(6,766)**
Other costs	(5,866)	-	(332)	(147)	(16)	**(6,361)**	**(7,797)**
Operating costs on social housing activities	(241,452)	(20,058)	(14,832)	(7,091)	(727)	**(284,160)**	**(270,996)**
Operating surplus/(deficit) on social housing activities	74,546	14,814	17,928	1,865	458	**109,611**	**86,509**
Rent receivable is net of void losses of:	3,583	(229)	488	1,392	683	**5,917**	**6,436**

Sovereign Housing Association uses key income streams and associated costs to determine appropriate management information and has adopted this approach to report segmentally on its social housing operating surplus.

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5. Board members and executive officers

Board members emoluments

The Board members are defined as the members of the Parent Management Board.

Non-Executive Directors	2024 £	2023 £
Board and committee members received emoluments totaling	**238,625**	277,083

No expenses paid to Board members are subject to income tax (2023: £nil).
No additional remuneration was paid to subsidiary Board members during the year (2023: nil).

Executive directors' emoluments

The level of emoluments to members of the Executive Board during 2023/24 is shown below

	2024 £'000	2023 £'000
Emoluments (including pension contributions and benefits in kind)	**2,933**	2,877
Total pension contributions to Executive Officers	**205**	167
Emoluments paid to the highest paid director (excluding pension contributions and payments in lieu of pension contributions). The Chief Executive was the highest paid Director	**349**	289
Pension contributions, or pay in lieu thereof, in respect of the highest paid Director	**38**	35

Executive director remuneration as a £ per owned unit basis is shown below

	2024 £	2023 £
Chief executive remuneration per home	**4.58**	3.48
Executive remuneration per home	**34.68**	34.58

Units 2024: 84,586 (2023: 83,202)

The Chief Executive is a deferred member of the Sovereign Pension Plan (SPP) which is one of the defined benefit schemes that the Association participates in (see note 28). Funding is by employer and employee contributions and no enhanced or special terms apply to the Chief Executive and any other Director. The Chief Executive does not have any other individual pension arrangement (including a personal pension) to which the Association or any of its subsidiaries make a contribution.

5. Board members and executive officers (continued)

We benchmark Executive Board's pay, with salaries in the medium quartile of executive pay among comparative housing associations. However, in order to recruit and retain the best talent, our Remuneration Committee has developed a performance related pay structure. Executive Board members can earn up to a maximum 15% of their basic pay measured against corporate key performance indicators and targets and a further 5% based on personal performance.

No pension contributions are accruing to former executives (2023: £nil).

6. Employee information

Highest paid employees

Sovereign Network Group has the following numbers of employees, including Executive Board members, with remuneration including employer pension contributions of £60,000 or more per annum at 31 March 2024, shown in bands of £10,000.

Salary £'000	2024 Number	2023 Number
>60 to 70	**151**	96
>70 to 80	**76**	64
>80 to 90	**73**	70
>90 to 100	**43**	23
>100 to 110	**21**	18
>110 to 120	**17**	8
>120 to 130	**8**	5
>130 to 140	**5**	5
>140 to 150	**6**	7
>150 to 160	**5**	8
>160 to 170	**7**	4
>170 to 180	**5**	1
>180 to 190	**1**	-
>190 to 200	**3**	1
>200 to 210	**-**	3
>210 to 220	**-**	1
>220 to 230	**3**	1
>230 to 240	**-**	2
>240 to 250	**-**	3
>250 to 260	**2**	-
>260 to 270	**2**	-
>270 to 280	**1**	-
>280 to 290	**1**	-
>290 to 300	**-**	-
>300 to 310	**1**	-
>310 to 320	**-**	-
>320 to 330	**-**	1

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6. Employee information (continued)

The number of persons (including executives) employed during the year has been calculated using an average of the total employees for each month:

	Group		Association	
	2024	2023	**2024**	2023
	FTE	FTE	**FTE**	FTE
Expressed in full time equivalents (FTE):				
Central administrative services	**803**	673	**604**	483
Developing or selling housing stock	**159**	143	**107**	91
Managing or maintaining stock	**1,756**	1,706	**1472**	1434
Staff providing support to tenants	**94**	119	**68**	92
	2,812	2,641	**2,251**	2,100

	Group		Association	
	2024	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000
Staff costs (for the above persons):				
Wages and salaries	**124,229**	110,614	**96,312**	85,105
Social security costs	**12,609**	11,772	**9,723**	9,005
Pension costs	**7,373**	6,470	**5,934**	5,156
	144,211	128,856	**111,969**	99,266

7. Number of units in management

	Group		Association	
	2024	2023	**2024**	2023
	Units	Units	**Units**	Units
Owned and managed:				
General needs	**48,633**	48,518	**39,516**	39,428
General needs - affordable	**10,055**	9,312	**7,018**	6,450
Shared ownership	**13,074**	12,429	**8,061**	7,711
Housing for older people	**4,067**	4,054	**2,229**	2,229
Housing for older people - affordable	**32**	32	**32**	32
Supported	**838**	853	**838**	853
Intermediate Keyworker	**3,498**	3,490	**1,375**	1,373
Intermediate market rent	**276**	297	**276**	297
Other social	**286**	282	**286**	279
Non-social - market rent	**305**	483	**305**	402
Non-social - other	**658**	683	**116**	126
Managed not owned:				
Owned by an external company - social	**18**	22	**18**	18
Owned by an external company - non-social	**2,846**	2,747	**2,846**	2,828
Owned by an external company - keyworker	**-**	-	**-**	-
Total in management	**84,586**	83,202	**62,916**	62,026
Owned and not managed:				
Managed by third parties	**1,786**	1,734	**197**	157
Freehold/Long leasehold (incl. Right to Buy leasehold)	**7**	7	**7**	7
Total owned not managed	**1,793**	1,741	**204**	164
Total owned or managed	**86,379**	84,943	**63,120**	62,190

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8. Surplus on ordinary activities before taxation

	Group		Association	
	2024	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000
Surplus on ordinary activities before taxation is stated after charging:				
Depreciation and amortisation:				
- housing properties and other owned assets	**95,087**	89,112	**55,562**	50,810
Rentals payable:				
- plant, vehicles, machinery and other assets	**9,834**	9,507	**7,077**	6,922
Auditor's remuneration:				
- in their capacity as auditor - KPMG	**437**	269	**391**	235
- in their capacity as auditor - BDO	**280**	236	**-**	-
Other:				
- impairment of social housing property	**4,054**	4,572	**-**	-
- amortised government grants	**(7,246)**	(8,227)	**-**	-

In addition to remuneration made to KPMG in their capacity as auditors in 2024 SNG paid KPMG £54k for the 2024 Bond issue which has been capitalised.

9. Interest receivable and similar income

	Group		Association	
	2024	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000
Interest receivable on investments	**6,885**	5,030	**6,886**	5,030
Interest receivable on bank deposits	**3,677**	1,521	**1,289**	218
Interest receivable from Group undertakings	**-**	-	**9,277**	3,657
Interest receivable from Others	**4,591**	244	**-**	**-**
Interest receivable and similar income	**15,153**	6,795	**17,452**	8,905

Interest receivable from Others includes interest receivable from Group investments in joint ventures and £3,426k of financial instrument restructuring amortised interest.

10. Interest payable and financing costs

	Group		Association	
	2024	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000
In respect of loans:				
Interest payable on loans and bank overdrafts	**(153,117)**	(120,877)	**(69,958)**	(45,319)
Interest payable on hedging arrangements	**2,749**	(3,982)	**2,749**	(3,982)
On hedging arrangements - non cash	**3,274**	3,419	**3,274**	3,419
Interest payable to Group undertakings	**-**	-	**(34,754)**	(30,867)
Interest payable on recycled capital grant and disposal proceeds funds	**(578)**	(216)	**(578)**	(216)
Interest payable on finance leases	**(254)**	(254)	**(256)**	(256)
Loan costs or other financing costs	**(2,962)**	(3,028)	**(1,112)**	(1,112)
Interest payable	**(150,887)**	(124,938)	**(100,634)**	(78,333)
Less interest capitalised	**24,262**	22,360	**9,224**	9,205
	(126,625)	(102,578)	**(91,410)**	(69,128)
Net interest payable on pension liabilities	**(1,087)**	(1,383)	**(679)**	(1,145)
Interest and financing costs	**(127,712)**	(103,961)	**(92,089)**	(70,273)

Interest has been capitalised on active development schemes at a range of 3.99% to 4.48% (2023: 3.76% to 4.00%).

As the sole purpose of the hedging arrangements is to reduce interest payable volatility on bank loans, hedging interest receivable is shown within and offsetting hedging interest payable.

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11. Taxation

Sovereign Network Group is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

	Group		Association	
	2024	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000
UK corporation tax				
Current tax on income for the period	-	-	-	-
Prior year released	-	-	-	-
Adjustment in respect of prior periods	-	-	-	-
Total current tax	-	-	-	-
Tax credit on surplus on ordinary activities	-	-	-	-

Factors affecting the tax charge for the current period

The current tax credit for the year is lower (2023: lower) than the standard rate of corporation tax in the UK of 25% (2023: 19%). The differences are explained below:

	Group		Association	
	2024	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000
Current tax reconciliation				
Surplus on ordinary activities before tax	**57,227**	71,272	**64,682**	74,197
Surplus chargeable to corporation tax	**57,227**	71,272	**64,682**	74,197
Current tax at 25% (2023: 19%)	**14,307**	13,542	**16,171**	14,097
Effects of:				
Surplus not within the scope of taxation due to charitable status	**(14,307)**	(13,542)	**(16,171)**	(14,097)
Total tax credit	-	-	-	-
Current tax (see above)	-	-	-	-
Tax credit for the year	-	-	-	-

12. Social housing properties

	Completed		Under construction			
Group	Housing properties (rental)	Shared ownership properties	Housing properties	Shared ownership properties	**2024 Total**	2023 Total
	£'000	£'000	£'000	£'000	**£'000**	£'000
Deemed cost						
At 1 April	5,720,325	829,426	675,083	218,727	**7,443,561**	7,062,013
Reclassification of schemes	-	-	(2,537)	2,537	**-**	-
Current asset transfers	(36,501)	700	-	(17,216)	**(53,017)**	(78,426)
Investment property transfers	-	-	(46)	-	**(46)**	(5,125)
Schemes completed	253,986	144,126	(253,986)	(144,126)	**-**	-
Additions - new units	37,088	2,910	289,233	129,786	**459,017**	458,759
Additions - improvements to stock	77,125	7	-	-	**77,132**	59,980
Impairment	-	-	-	(303)	**(303)**	88
Disposals	(21,772)	(15,276)	-	-	**(37,048)**	(52,675)
Disposals IMR (transferred to current assets)	-	(528)	-	-	**(528)**	(1,053)
As at 31 March	6,030,251	961,365	707,748	189,405	**7,888,768**	7,443,561
Depreciation						
At 1 April	722,882	46,744	-	-	**769,626**	705,074
Charge for year	70,613	7,322	-	-	**77,935**	73,302
On disposals	(6,849)	(897)	-	-	**(7,746)**	(8,615)
On disposals IMR	-	(115)	-	-	**(115)**	(135)
As at 31 March	786,647	53,054	-	-	**839,700**	769,626
Net book value at 31 March 2024	5,243,604	908,311	707,748	189,405	**7,049,068**	
Net book value at 31 March 2023	4,997,443	782,682	675,083	218,727	6,673,935	
Existing use value and properties under construction	5,581,247	1,093,983	707,747	189,405	**7,572,382**	7,121,911

Additions to housing properties under construction during the year included capitalised interest of £24,262k (2023: £22,360k) and major repairs capitalised of £77,125k (2023: £59,090k). Interest is capitalised on development schemes as set out in the accounting policy in note 2(p).

During the year, no properties were sold to other housing associations (2023: zero). No properties were purchased from other housing associations (2023: nil).

Following purchases of housing properties from other housing associations in previous years, the Group has a contingent liability of £163.3m (2023: £163.8m) for Social Housing Grant which requires recycling into new social housing development on sale of the properties originally purchased.

There are no indicators of impairment in the current year and a detailed impairment review has not been required.

In addition to the capital improvements to housing properties shown above, £121,281k (2023: £126,479k) was spent on routine, planned and major repairs.

12. Social housing properties (continued)

Association	Completed Housing properties (rental) £'000	Completed Shared ownership properties £'000	Under construction Housing properties £'000	Under construction Shared ownership properties £'000	**2024 Total £'000**	2023 Total £'000
Deemed cost						
At 1 April	3,899,753	590,175	348,920	113,475	**4,952,323**	4,689,587
Reclassification of schemes	-	-	(2,537)	2,537	**-**	-
Schemes completed	190,334	85,626	(190,334)	(85,626)	-	-
Additions - new units	47,758	2,825	178,165	69,249	**297,997**	253,222
Additions - improvements to stock	55,641	7	-	-	**55,648**	40,858
Impairment	-	-	-	-	**-**	-
Disposals	(18,675)	(7,696)	-	-	**(26,371)**	(30,291)
Disposals IMR	-	(528)	-	-	**(528)**	(1,053)
As at 31 March	4,174,811	670,409	334,215	99,635	**5,279,069**	4,952,323
Depreciation						
At 1 April	496,080	24,316	-	-	**520,396**	483,104
Charge for year	43,974	3,734	-	-	**47,708**	44,163
On disposals	(5,870)	(480)	-	-	**(6,350)**	(6,736)
IMR Disposals	-	(115)	-	-	**(115)**	(135)
As at 31 March	534,185	27,455	-	-	**561,639**	520,396
Net book value at 31 March 2024	3,640,626	642,954	334,215	99,635	**4,717,430**	
Net book value at 31 March 2023	3,403,673	565,859	348,920	113,475	4,431,927	
Existing use value and properties under construction	4,045,093	722,140	334,214	99,635	**5,201,082**	4,827,719

Total grant liability included in creditors, reserves and contingent liabilities is £1,721.7m (2023: £1,700.5m).

13. Other fixed assets

Group	Freehold offices £'000	Leasehold offices £'000	Office furniture and equipment £'000	Scheme plant, furniture and equipment £'000	Computer hardware and software £'000	Plant £'000	Motor vehicles £'000	**2024 Total £'000**	2023 Total £'000
Cost									
At 1 April	20,826	4,845	13,839	11,179	92,738	560	1,254	**145,241**	136,115
Additions	779	4,242	102	-	8,135	-	-	**13,258**	11,193
Disposals	-	-	(4)	(45)	-	-	-	**(49)**	(2,066)
Impairment	(497)	-	-	-	-	-	-	**(497)**	-
Transfer to investment properties	-	-	-	-	-	-	-	**-**	-
As at 31 March	21,108	9,087	13,937	11,134	100,873	560	1,254	**157,953**	145,242
Depreciation									
At 1 April	5,732	1,483	10,782	9,426	56,318	403	1,234	**85,378**	75,506
Charge for year	576	423	506	296	10,590	48	5	**12,444**	10,891
On disposals	-	-	(4)	(20)	(3)	-	-	**(27)**	(1,020)
As at 31 March	6,308	1,906	11,284	9,702	66,905	451	1,239	**97,795**	85,377
Net book value at 31 March 2024	14,800	7,181	2,653	1,432	33,968	109	15	**60,158**	
Net book value at 31 March 2023	15,096	3,362	3,056	1,753	36,421	156	20	**59,865**	

All fixed assets included in this note are held at historic cost.

13. Other fixed assets (continued)

Association	Freehold offices	Leasehold offices	Office furniture and equipment	Scheme plant, furniture and equipment	Computer hardware and software	Plant	Motor vehicles	**2024 Total**	2023 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**	£'000
Cost or valuation									
At 1 April	14,893	4,845	9,950	11,179	62,185	240	438	**103,730**	98,355
Additions	-	4,242	102	-	5,342	-	-	**9,686**	7,440
Disposals	-	-	(4)	(45)	-	-	-	**(49)**	(2,066)
Impairment	(497)	-	-	-	-	-	-	**(497)**	-
Transfer to investment properties	-	-	-	-	-	-	-	**-**	-
As at 31 March	14,396	9,087	10,048	11,134	67,527	240	438	**112,870**	103,729
Depreciation									
At 1 April	4,439	1,483	7,486	9,425	40,635	83	421	**63,972**	58,346
Charge for year	247	423	452	296	6,384	48	5	**7,855**	6,645
On disposals	-	-	(4)	(20)	-	-	-	**(24)**	(1,019)
As at 31 March	4,686	1,906	7,934	9,701	47,019	131	426	**71,803**	**63,972**
Net book value at 31 March 2024	9,710	7,181	2,114	1,432	20,508	109	13	**41,067**	
Net book value at 31 March 2023	10,454	3,362	2,463	1,753	21,551	156	17	**39,757**	

All fixed assets included in this note are held at historic cost.

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14. Investment properties

	Group		Association	
	2024	2023	**2024**	2023
Valuation	**£'000**	£'000	**£'000**	£'000
At 1 April	**201,885**	**199,818**	**126,012**	**131,810**
Transfer from housing properties	**46**	**5,125**	**-**	**-**
Additions new units	**-**	**(0)**	**-**	**(0)**
Transfer of units under construction to Housing Properties	**-**	**-**	**-**	**-**
Transfer from other fixed assets	**-**	**-**	**-**	**-**
Improvements to existing units	**3,974**	**20,035**	**45**	**1,368**
Disposals	**(42,832)**	**(22,492)**	**(31,509)**	**(8,326)**
Fair value increase / (decrease)	**(11,284)**	**(601)**	**(3,630)**	**1,160**
At 31 March	**151,788**	**201,885**	**90,918**	**126,012**
Historic cost net book value	**163,033**	**176,782**	**77,201**	**111,478**

Market rent Investment properties, which primarily comprise market rent properties, were professionally valued by Jones Lang LaSalle and Lamberts Chartered Surveyors at open market value as at 31 March 2024. The valuation was undertaken in accordance with the RICS Appraisal and Valuation Standards. See also note 3 for estimates and judgements used by the valuers.

Freehold shops were professionally valued by Savills and Lamberts Chartered Surveyors on the basis of open market value as at 31 March 2024 and in accordance with the RICS Appraisal and Valuation Standards. The valuers are neither an employee nor an officer of the Group. See also note 3 for estimates and judgements used by the valuers.

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15. Financial Assets

	Group		Association	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Cost or valuation				
Bonds	**-**	-	**-**	-
Debt service reserve	**4,318**	3,811	**4,318**	3,811
Collateral deposits	**87**	87	**-**	-
Assets measured at fair value through the income statement (derivatives)	**3,904**	4,474	**3,904**	4,474
Shares in subsidiary undertakings	**-**	-	**13**	13
Investment in MORhomes Plc	**25**	25	**-**	-
Investment Deposit	**5,488**	5,251	**-**	-
	13,822	**13,648**	**8,235**	**8,298**

Collateral deposits represent amounts held by counterparties as a result of margin calls on out-of-the-money interest rate swaps. Cash collateral deposit levels will increase or decrease in line with interest rate market movements, or if the Association places or withdraws alternative non-cash collateral. In any collateral deposit, requirements reduce towards zero by the maturity date of the underlying financial instruments giving rise to the collateral obligation.

Investment Deposit relates to a deposit with Lloyds Banking Corporate Markets and the investment is restricted and not available for general use.

A list of subsidiary undertakings is included in note 35.

16. Investments in joint ventures

	David Wilson £'000	Linden Homes £'000	Tilia £'000	Crest £'000	**Total £'000**
Investment					
At 1 April 2023	-	-	-	201	**201**
Additions	-	-	-	-	**-**
Amortisation	-	-	-	(46)	**(46)**
At 31 March 2024	-	-	-	155	155
Share of profits					
At 1 April 2023	206	1,583	71	3,998	5,858
Profit for the year	-	627	-	2,021	2,648
Equity adjustment	-	-	-	-	-
Equity Cap	-	-	-	-	-
Dividend distribution	-	-	-	-	-
At 31 March 2024	206	2,210	71	6,019	**8,506**
Net book value at 31 March 2024	206	2,210	71	6,174	**8,661**
Net book value at 31 March 2023	206	1,583	71	4,199	6,059

The investment in joint ventures is grouped by venture partner for risk profile and exposure purposes. There are losses of £5.1m (2023: £3.5m) from joint ventures not shown on the statement of financial position as negative investments are not recognised. The group will recognise profit from those joint ventures when there is sufficient profit to eliminate the accumulated losses for each joint venture.

17. Investments – Shared equity loans

	Group		Association	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
At 1 April	**12,907**	13,549	9,903	10,238
Loans repaid	**(608)**	(684)	(123)	(335)
Interest	**23**	42	-	-
At 31 March	**12,322**	12,907	**9,780**	9,903

Loans are made to individuals to purchase a property. Loans are either interest free for an initial period of 5-10 years after which time interest is charged on the loan or the loan is repayable on sale of the property with an appreciation of property value being included in the repayment. There are 321 loans outstanding (2023: 333).

18. Debtors

	Group		Association	
	2024	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000
Rental arrears				
Gross	**33,514**	29,620	**14,490**	12,948
Discounted repayment schedules	**(690)**	(690)	(690)	(690)
Less bad debt provision	**(17,845)**	(15,778)	**(9,958)**	(8,268)
Net rental income due	**14,979**	13,151	**3,842**	3,990
Social Housing Grant receivable	**168**	186	**168**	186
Prepayments and accrued income	**3,191**	9,102	**3,139**	194
Due from other Group undertakings	**-**	(88)	**205,024**	93,945
Other loans	**94,675**	103,528	**82,336**	77,504
Other debtors	**53,951**	31,062	**12,156**	7,224
	166,964	156,941	**306,665**	183,043
Amounts falling due within one year:	**113,188**	107,164	**173,162**	42,133
Amounts falling due after more than one year	**53,776**	49,777	**133,503**	140,910
	166,964	156,941	**306,665**	183,043

Within other loans are amounts due from Crest Sovereign (Brooklands) LLP of £1.8m (2023: £9.4m), Linden Sovereign Brockworth LLP of £3.0m (2023: £5.8m) and Countryside Sovereign Swindon LLP £46.8m (2023: £59.2m) and Northwick Park Developments LLP £8.5m (2023: £1.6m).

Loans from the Association to other members of the Group are charged at a market rate of interest of 6.25% to 9% (2023: 2.75% to 8%).

Long term debtors consist of prepayments and amounts due from joint ventures. Amounts are repayable dependent on sales and operating performance within the joint venture. No repayment is due within the next 12 months.

19. Stock

	Group		Association	
	2024	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000
Properties under construction	**118,190**	129,519	**39,325**	42,710
Completed properties	**18,869**	4,643	**2,613**	802
Consumable stock	**2,736**	2,994	**2,736**	2,994
	139,795	137,156	**44,674**	46,506

20. Cash and cash equivalents

	Group		Association	
	2024	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000
Cash and cash equivalents	**62,532**	130,906	**31,320**	61,205
Cash held for client accounts	**18,190**	15,840	**9,185**	8,299
	80,722	146,746	**40,505**	69,504

21. Creditors – amounts falling due within one year

		Group		Association	
	Note	**2024**	2023	**2024**	2023
		£'000	£'000	**£'000**	£'000
Housing loans	23	**106,761**	60,143	**91,903**	38,361
Trade creditors		**42,588**	33,405	**31,195**	22,697
Social housing grant	25	**10,392**	16,480	**5,062**	11,100
Social housing grant - properties	25	**5,064**	4,926	**3,256**	3,071
Due to Group undertakings		**-**	-	**25,345**	20,490
Other loans		**231**	217	**8,399**	3,831
Taxation and social security		**2,844**	2,363	**2,844**	2,363
Recycled capital grant fund	26	**19,914**	19,914	**19,914**	19,914
Rents received in advance		**21,664**	20,633	**13,804**	12,823
Other creditors		**11,419**	19,975	**8,446**	17,288
Accruals and deferred income		**130,212**	125,061	**32,493**	28,913
Client account creditors		**9,005**	7,541	**-**	-
		360,093	310,658	**242,661**	180,851

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

		Group		Association	
	Note	**2024**	2023	**2024**	2023
		£'000	£'000	**£'000**	£'000
Housing loans	23	**3,523,713**	3,382,619	**1,179,282**	1,380,518
Finance lease		**2,588**	2,621	**2,588**	2,621
Derivative financial instruments		**11,270**	18,139	**11,270**	18,139
Social housing grant - properties	25	**1,020,144**	991,337	**394,831**	365,138
Deferred income		**9,780**	9,903	**9,780**	9,903
Recycled capital grant fund	26	**10,585**	12,455	**1,417**	2,746
Other creditors		**653**	653	**654**	653
Long term Group loans	23	**-**	-	**1,200,000**	800,000
		4,578,734	4,417,727	**2,799,822**	2,579,718

23. Housing loans

		Group		Association	
	Note	**2024**	2023	**2024**	2023
		£'000	£'000	**£'000**	£'000
Repayable other than by instalments within one year	21	**-**	7,000	**-**	-
Repayable other than by instalments between two and five years	22	**69,631**	69,632	**-**	-
Repayable other than by instalments in more than five years	22	**2,207,635**	1,845,156	**1,445,000**	1,045,000
Repayable by instalments within one year	21	**106,761**	53,143	**91,903**	38,361
Repayable by instalments between one and five years	22	**337,543**	481,862	**271,328**	418,030
Repayable by instalments in more than five years	22	**898,938**	970,134	**662,954**	717,490
		3,620,507	3,426,927	**2,471,185**	2,218,880
Less amortised cost		**(2,497)**	(3,063)	**-**	-
		3,618,010	3,423,864	**2,471,185**	2,218,880

All loans are held at amortised cost.

The housing loans are provided by a combination of bank debt and capital markets funding. The bank facilities are provided by our core relationship banks, and a number of supportive smaller banks. Loan interest rates range from 1.78% to 11.20% per annum (2023: 0.9146% to 11.20%). The average rate achieved over the year was 4.2% (2023: 3.7%). Interest on housing loans is charged to the Statement of Total Comprehensive Income or capitalised in the year that it is incurred. The housing loans are secured by first fixed charges over certain of the Group's housing properties. The total undrawn loan facilities at 31 March 2024 were £902m (2023: £700m).

The repayment profile of the Group's gross undiscounted long term bond liabilities including interest is as follows:

	On demand	Less than 12 months	1 to 5 years	More than 5 years	**Total**
	£'000	£'000	£'000	£'000	**£'000**
March 2024					
Amounts due to 2009 bond investors	-	9,986	39,942	279,848	**329,775**
Amounts due to 2012 bond investors	-	11,920	47,680	422,840	**482,440**
Amounts due to 2019 bond investors	-	8,906	35,625	553,125	**597,656**
Amounts due to 2024 bond investors	-	22,000	88,000	1,027,000	**1,137,000**
Amounts due to Affordable Housing Finance - Sovereign	-	2,748	10,993	134,851	**148,593**
Amounts due to Affordable Housing Finance - Network	-	-	-	30,000	**30,000**
	-	55,560	222,240	2,447,664	**2,725,464**

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24. Provisions

Group

	Lease termination repairs £'000	Building safety £'000	Property £'000	Other £'000	**Total £'000**
At 1 April 2023	3,259	19,648	5,475	1,651	**30,033**
Arising during the year	124	24,558	205	-	**24,887**
Utilised during the year	(69)	(20,392)	(505)	-	**(20,966)**
Unused reversed during the year	-	-	(190)	-	**(190)**
At 31 March 2024	**3,314**	**23,814**	**4,985**	**1,651**	**33,764**

Association

	Lease termination repairs £'000	Building safety £'000	Property £'000	Other £'000	**Total £'000**
At 1 April 2023	-	-	5,475	1,651	**7,126**
Arising during the year	-	-	205	-	**205**
Utilised during the year	-	-	(505)	-	**(505)**
Unused reversed during the year	-	-	(190)	-	**(190)**
At 31 March 2024	**-**	**-**	**4,985**	**1,651**	**6,636**

Provisions recognised by the Group and Association are based on reliable estimates determined by management of the amounts payable based on available information. The amounts recorded in the above tables are continually evaluated by management.

Lease termination repair provisions relate to future costs that will be incurred to return social housing properties to a suitable condition. These costs are payable at the end of each lease, with the last lease ending in 2037. The principal uncertainty is the level of dilapidation work required to be performed.

Building safety provision has been made for remediation works to be carried out in future years to ensure that all properties are safe for residents. Once the Building Safety team have determined which block of properties require remediation work and the costs of the work have been identified as well as the intention to start remediation work has been communicated to the residents, a provision for the total cost of the project is made as there is a constructive obligation. A provision will also be created when there is a legal obligation, that is, where Sovereign Network Group has a legal duty to ensure that its properties are safe for residents.

The property provision relates to contracted costs for historic disposals, dilapidations on the exit of leases and remedial works to make good. Costs are estimated and are expected to be incurred within the next two years.

Other provisions relate to probable future outflows following changes in the interpretation of specific services provided historically. There is uncertainty in the timing of resulting payments.

25. Grant

	Note	Group **2024 £'000**	Group 2023 £'000	Association **2024 £'000**	Association 2023 £'000
At 1 April		**1,010,770**	1,005,561	**379,309**	373,762
Grant adjustment		**-**	-	**-**	-
Grants received during the year		**29,268**	6,513	**21,348**	3,200
Grant receivable		**-**	7,690		
Grants recycled from the recycled capital grant fund		**7,446**	6,735	**6,924**	6,735
Grant re staircasing sales		**(1,569)**	(2,773)	**(508)**	(1,013)
Grant re other property		**(1,328)**	(1,707)	**(870)**	(474)
Grant amortisation		**(10,299)**	(11,128)	**(3,053)**	(2,901)
Grant paid back		**-**	-	**-**	-
Transfer to income statement		**(205)**	(121)	**-**	-
At 31 March	21 , 22	**1,034,083**	1,010,770	**403,150**	379,309

26. Recycled Capital Grant Fund

	Note	Group **2024 £'000**	Group 2023 £'000	Association **2024 £'000**	Association 2023 £'000
Recycled Capital Grant Fund					
At 1 April		**32,368**	34,011	**22,659**	24,698
Grants recycled		**6,869**	7,882	**5,017**	4,480
Interest accrued		**628**	298	**578**	216
New build		**(7,446)**	(9,823)	**(6,924)**	(6,735)
Repayment of grant to GLA		**(1,921)**	-	**-**	-
At 31 March	21 , 22	**30,499**	32,368	**21,331**	22,659

Amounts held for longer than 3 years potentially become repayable if not allocated to new schemes. Sovereign has an agreement with Homes England that those amounts over 3 years old at 31 March 2024 will not be recalled.

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27. Shared equity grants

	Group		Association	
	2024	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000
Other Capital Grants				
At 1 April	**1,973**	2,108	**-**	-
Grants received during the year	**-**	-	**-**	-
Grant recycled	**(455)**	(135)	**-**	-
At 31 March 2024	**1,518**	1,973	**-**	-

Shared equity grants are received to partially fund the shared equity loan scheme. The grants are not amortised and are recyclable or become payable when the shared equity loans they funded are redeemed.

28. Pension arrangements

The Group participates in six defined benefit pension schemes which are multi-employer defined benefit schemes providing benefits based on final pensionable pay. All of the defined benefit schemes are now closed to new members. New employees are able to join a defined contribution scheme.

Defined benefit pension plans assets and liabilities

	SPP £'000	LGPS £'000	SHPS £'000	**2024 Total £'000**	2023 Total £'000
Assets and liabilities					
Present value of funded obligation	(126,501)	(58,181)	(50,644)	**(235,326)**	(234,518)
Fair value of scheme assets (bid value)	126,351	56,063	41,209	**223,623**	217,260
Net liability	(150)	(2,118)	(9,435)	**(11,703)**	(17,258)
Present value of unfunded obligation	-	(68)	-	**(68)**	(73)
Net liability (including unfunded obligations)	(150)	(2,186)	(9,435)	**(11,771)**	(17,331)

Defined benefit pension plans - amounts charged to the income statement

	SPP £'000	LGPS £'000	SHPS £'000	**2024 Total £'000**	2023 Total £'000
Charged to operating costs					
Total service cost	-	376	-	**376**	858
Administration costs	422	27	42	**491**	379
Total charged to operating costs	422	403	42	**867**	1,237
(Credit)/charge to other finance costs					
Expected return on pension fund assets	(5,957)	(2,471)	(2,058)	**(10,486)**	(6,185)
Interest on pension scheme liabilities	5,951	2,748	2,466	**11,165**	7,330
Net charge to other finance costs	(6)	277	408	**679**	1,145

Defined benefit pension plans - amounts charged to other comprehensive income

	SPP £'000	LGPS £'000	SHPS £'000	**2024 Total £'000**	2023 Total £'000
Defined benefit costs recognised in other comprehensive income					
Return on plan assets (less interest income)	(2,923)	2,860	(3,095)	**(3,158)**	(55,897)
Experience (losses)/gains arising on plan liabilities	(3,824)	(766)	792	**(3,798)**	(16,922)
Effects of changes in the demographic and financial assumptions underlying the present value of the defined benefit obligation - (loss)/gain	4,117	1,436	572	**6,125**	105,491
Other actuarial losses	-	-	166	**166**	119
Total amount recognised in other comprehensive income	(2,630)	3,530	(1,565)	**(665)**	32,791

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28. Pension arrangements (continued)

(a) Sovereign Pension Plan (SPP)

On 1 October 2019, Sovereign enacted a 'bulk transfer' of all pension assets and liabilities away from the defined benefit scheme held within the Social Housing Pensions Scheme (SHPS), a multi-employer pension fund, to a new defined benefit scheme, the Sovereign Pension Plan (SPP). This scheme is closed to new members.

It is believed that the new SPP investment strategy will be beneficial to Sovereign in future years.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The net defined benefit liability to be recognised is £150k (2023 £2,516k).

The table below gives a summary of the plan asset and benefit liability:

Present values of defined benefit obligation, fair value of assets and defined benefit liability	2024	2023
	£'000	£'000
Present value of defined benefit obligation	(126,501)	(125,011)
Fair value of plan assets	126,351	122,855
Deficit in plan	(150)	(2,156)
Unrecognised surplus	-	-
Defined benefit liability to be recognised	(150)	(2,156)

The fair value of the plan assets and the return on those assets was as follows:

	2024	2023
	£'000	£'000
Asset category		
Equity	27,813	29,115
Bonds	58,396	42,195
Property	4,409	4,750
Cash	6,665	4,483
Other	29,068	42,312
Total	126,351	122,855

The actual return on plan assets was £3,034k (2023: £47,509k).

28. Pension arrangements (continued)

A reconciliation from previous accounting date to the current accounting date is shown below for the pension benefit obligation and associated pension asset:

Benefit obligation	2024	2023
	£'000	£'000
Defined benefit obligation at the beginning of the period	125,011	191,280
Expenses	-	-
Interest expense	5,951	5,265
Actuarial losses/(gains)	(293)	(67,700)
Benefits paid and expenses	(4,168)	(3,834)
Defined benefit obligation at the end of the period	126,501	125,011

Asset reconciliation	2024	2023
	£'000	£'000
Fair value of scheme assets at the beginning of the period	122,855	166,179
Expenses	(422)	(353)
Interest income	5,957	4,729
Experience on plan assets (less interest income) - gain/(loss)	(2,923)	(52,238)
Contributions by employer	5,052	8,372
Benefits paid and expenses	(4,168)	(3,834)
Fair value of scheme assets at the end of the period	126,351	122,855

The Trustee of the Scheme commissions a full actuarial valuation of the Scheme every three years. The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay pension benefits obligation by members as at the valuation date. Asset values are calculated by reference to market levels. Pension obligations are valued by discounting expected future events discount rate calculated by reference to the expected future investment returns.

The approximate effects of movements in the main assumptions on the value of liabilities are shown in the table below:

Discount rate + / - 0.1%	- / + 2%
Inflation assumptions + / - 0.1%	- / + 2% (of inflation linked liabilities)
Life expectancy + / - 1 year	- / + 3-5%

Contributions to be made into the SPP for 2024-25 will be £4,988k.

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28. Pension arrangements (continued)

Below is a summary of the overall impact of the defined cost recognised in the other comprehensive income:

	2024 £'000	2023 £'000
Defined benefit costs recognised in other comprehensive income		
Return on plan assets (less interest income)	**(2,923)**	(52,238)
Experience gains arising on plan liabilities	**(3,824)**	(9,328)
Effects of changes in the demographic and financial assumptions underlying the present value of the defined benefit obligation - (loss)/gain	**4,117**	77,028
Total (loss)/gain recognised in other comprehensive income	**(2,630)**	15,462

Below is a summary of the overall impact of the defined cost recognised in the Income Statement:

	2024 £'000	2023 £'000
Charged to operating costs		
Administration costs	**422**	353
Total charged to operating costs	**422**	353
(Credit)/charge to other finance costs		
Expected return on pension fund assets	**(5,957)**	(4,729)
Interest on pension scheme liabilities	**5,951**	5,265
Net charge to other finance costs	**(6)**	536

It has been brought to the attention of the Trustee that changes to benefits in the past may have been implemented at a time or in a way that may not be in accordance with the Scheme Rules. The Trustee will be seeking court directions on how to interpret the rules. If the Trustee is required to make changes to the Scheme this will increase the Scheme's liabilities. Although no reliable estimate can be made at this state, an indication of the potential liability is 2.9% of the benefit obligations at 30 September 2020 (the date of the latest triennial valuation). The Trustee and Sovereign both recognise that if the Scheme's liabilities increase, action will be required to eliminate any arising deficit. Discussions have taken place between the Trustee and Sovereign regarding contingency arrangements for additional contributions should they be required. The results elsewhere in this report make no allowance for these uncertain potential additional liabilities.

28. Pension arrangements (continued)

(b) Royal Berkshire Pension Fund (Berkshire)

The Royal County of Berkshire Pension Fund was closed to new members in 1989.

The last full actuarial valuation was carried out as at 31 March 2022 and was updated to 31 March 2024 by a qualified independent actuary.

Future pension increases have been assumed to be at CPI.

It was agreed that an employer contribution rate of 0% of pensionable pay would apply in the year ended 31 March 2024 (2023: 0%). An additional allowance is payable each year in respect of past service deficits. The allowance for the year ended 31 March 2024 was £259k (2023: £610k).

(c) Local Government Pension Scheme administered by Dorset County Council (Dorset – legacy Sovereign Housing Association Limited)

This is a statutory, funded, occupational final salary scheme which is now closed to new members. The assets of the scheme are held in separate trustee administered funds.

The last full actuarial valuation was carried out as at 31 March 2022 and was updated to 31 March 2024 by a qualified independent actuary.

Future pension increases have been assumed to be at CPI.

It was agreed that an employer contribution rate of 17.6% of pensionable pay would apply in the year ended 31 March 2024 (2023: 18.1%). Past service deficit payments of £314k were made during the year (2023: £200k).

(d) Local Government Pension Scheme administered by Hampshire County Council (Hants)

The last full actuarial valuation was carried out at 31 March 2022 and was updated to 31 March 2024 by a qualified independent actuary.

An employer contribution rate of 0% of pensionable pay applied for the year ended 31 March 2024 (2023: 36.9%). An additional allowance is payable each year in respect of past service deficits. The allowance for the year ended 31 March 2024 was £0k (2023: £339k).

Future pension increases have been assumed to be at CPI.

(e) Local Government Pension Scheme administered by Dorset County Council (Dorset – legacy Spectrum Housing Group Limited)

The last full actuarial valuation was carried out at 31 March 2022 and was updated to 31 March 2024 by a qualified independent actuary.

An employer contribution rate of 17.6% of pensionable pay applied for the year ended 31 March 2024 (2023: 18.4%). Past service deficit payments of £158k were made during the year (2023: £261k).

Future pension increases have been assumed to be at CPI.

(f) Local Government Pension Scheme administered by Isle of Wight Council (IOW)

The last full actuarial valuation was carried out at 31 March 2022 and was updated to 31 March 2024 by a qualified independent actuary.

An employer contribution rate of 31.7% of pensionable pay applied for the year ended 31 March 2024 (2023: 29.7%). An additional allowance is payable each year in respect of past service deficits. The allowance for the year ended 31 March 2024 was £18k (2023: £198k).

Future pension increases have been assumed to be at CPI.

(g) Local Government Pension Scheme administered by Hertfordshire Council (Herts)

Network Homes Limited has exited the Hertfordshire Local Government Pension Scheme (Herts) administered by Hertfordshire County Council. There are no active members in the scheme. During the year, Sovereign Network Homes did not make any contributions towards past service deficit (2023: nil). The Scheme is contracted out of the Second State Pension.

28. Pension arrangements (continued)

(h) Assumptions

The assumptions used by the actuaries for the individual schemes are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice.

	2024 % per annum						2023 % per annum					
Major assumptions	**Berks**	**Dorset**	**Hants**	**Dorset**	**I.O.W.**	**Herts**	Berks	Dorset	Hants	Dorset	I.O.W.	Herts
Price increases RPI	**-**	**-**	**-**	**-**	**-**	**-**	-	-	-	-	-	-
Price increases CPI	**2.95**	**2.9**	**2.8**	**2.95**	**2.75**	**-**	2.9	2.9	2.7	2.9	3.0	3.0
Pension increases	**2.95**	**2.9**	**2.8**	**2.9**	**2.75**	**-**	2.9	2.9	2.7	2.9	3.0	3.0
Pension accounts revaluation rate	**-**	**-**	**2.8**	**-**	**-**	**-**	-	-	2.7	-	-	-
Discount rate	**4.85**	**4.85**	**4.8**	**4.9**	**4.85**	**-**	4.8	4.8	4.8	4.8	4.8	4.8
Salary increase	**3.95**	**3.9**	**3.8**	**3.95**	**3.75**	**-**	3.9	3.9	3.7	3.9	4.0	3.5
Asset portfolio												
Asset portfolio	**4.8**	**4.8**	**4.8**	**4.8**	**4.75**	**-**	4.8	4.8	4.8	4.8	4.8	4.8

The return on assets is quoted as the same value as the discount rate in each of the actuarial reports.

The assumed life expectancy from the age of 65 is as follows:

	Berks	**Dorset**	**Hants**	**Dorset**	**I.O.W.**	**Herts**
	Years	**Years**	**Years**	**Years**	**Years**	**Years**
Retiring today						
Males	**20.8**	**21.8**	**22.1**	**21.8**	**20.9**	**21.6**
Females	**23.6**	**23.9**	**24.7**	**23.9**	**23.3**	**24.0**
Retiring in 20 years						
Males	**22.0**	**23.1**	**22.6**	**23.1**	**22.0**	**23.7**
Females	**25.0**	**25.4**	**25.7**	**25.4**	**25.5**	**26.1**

28. Pension arrangements (continued)

(i) Historic data

Berkshire	**2024 £'000**	2023 £'000	2022 £'000	2021 £'000	2020 £'000
Assets and liabilities value as at:					
Present value of funded obligation	**(11,077)**	(11,575)	(15,487)	(16,349)	(15,336)
Fair value of scheme assets (bid value)	**9,416**	9,254	9,408	8,488	8,176
Net liability	**(1,661)**	(2,321)	(6,079)	(7,861)	(7,160)
Experience adjustments					
Experience adjustments on scheme assets	**-**	-	-	-	-
Experience adjustments on scheme liabilities	**-**	-	-	-	-

Dorset (legacy Sovereign Housing Association Limited)	**2024 £'000**	2023 £'000	2022 £'000	2021 £'000	2020 £'000
Assets and liabilities value as at:					
Present value of funded obligation	**(8,640)**	(8,652)	(11,322)	(11,774)	(9,873)
Fair value of scheme assets (bid value)	**6,260**	5,758	6,212	5,717	4,744
Net liability	**(2,380)**	(2,894)	(5,110)	(6,057)	(5,129)
Present value of unfunded obligation	**(18)**	(19)	(20)	(21)	(22)
Net liability (including unfunded obligations)	**(2,398)**	(2,913)	(5,130)	(6,078)	(5,151)
Experience adjustments					
Experience adjustments on scheme assets	**-**	-	-	-	-
Experience adjustments on scheme liabilities	**-**	-	-	-	-

Hampshire	**2024 £'000**	2023 £'000	2022 £'000	2021 £'000	2020 £'000
Assets and liabilities value as at:					
Present value of funded obligation	**(7,444)**	(7,155)	(9,252)	(9,798)	(8,887)
Fair value of scheme assets (bid value)	**9,726**	9,225	9,734	9,005	7,164
Net liability	**2,282**	2,070	482	(793)	(1,723)
Experience adjustments					
Experience adjustments on scheme assets	**-**	-	-	-	-
Experience adjustments on scheme liabilities	**-**	-	-	-	-

28. Pension arrangements (continued)

Dorset (legacy Spectrum Housing Group Limited)	2024 £'000	2023 £'000	2022 £'000	2021 £'000	2020 £'000
Assets and liabilities value as at:					
Present value of funded obligation	**(19,016)**	(19,145)	(26,531)	(27,280)	(22,575)
Fair value of scheme assets (bid value)	**16,002**	14,696	15,886	14,809	12,165
Net liability	**(3,014)**	(4,449)	(10,645)	(12,471)	(10,410)
Present value of unfunded obligation	**(50)**	(54)	(58)	(62)	(66)
Net liability (including unfunded obligations)	**(3,064)**	(4,503)	(10,703)	(12,533)	(10,476)
Experience adjustments					
Experience adjustments on scheme assets	**-**	-	-	-	-
Experience adjustments on scheme liabilities	**-**	-	-	-	-

Isle of Wight	2024 £'000	2023 £'000	2022 £'000	2021 £'000	2020 £'000
Assets and liabilities value as at:					
Present value of funded obligation	**(12,004)**	(12,057)	(16,366)	(17,022)	(13,008)
Fair value of scheme assets (bid value)	**14,659**	13,543	13,610	12,581	10,358
Net liability	**2,655**	1,486	(2,756)	(4,441)	(2,650)
Experience adjustments					
Experience adjustments on scheme assets	**-**	-	-	-	-
Experience adjustments on scheme liabilities	**-**	-	-	-	-

Hertfordshire (Sovereign Network Homes Limited)	2024 £'000	2023 £'000	2022 £'000	2021 £'000	2020 £'000
Assets and liabilities value as at:					
Present value of funded obligation	**-**	(13,770)	(13,770)	(14,760)	(12,035)
Fair value of scheme assets (bid value)	**-**	14,130	16,377	15,808	12,951
Net liability	**-**	360	2,607	1,048	916
Experience adjustments					
Experience adjustments on scheme assets	**-**	-	-	-	-
Experience adjustments on scheme liabilities	**-**	-	-	-	-

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28. Pension arrangements (continued)

Consolidated (Group and Association) Local Government Pension Schemes	2024 £'000	2023 £'000	2022 £'000	2021 £'000	2020 £'000
Assets and liabilities value as at:					
Present value of funded obligation	**(58,181)**	**(72,354)**	**(92,728)**	**(96,983)**	**(81,714)**
Fair value of scheme assets (bid value)	**56,063**	**66,606**	**71,227**	**66,408**	**55,558**
Net liability	**(2,118)**	**(5,748)**	**(21,501)**	**(30,575)**	**(26,156)**
Present value of unfunded obligation	**(68)**	**(73)**	**(78)**	**(83)**	**(88)**
LGPS net liability (including unfunded obligations)	**(2,186)**	**(5,821)**	**(21,579)**	**(30,658)**	**(26,244)**

(j) Analysis of pension costs in the income statement – LGPS

	2024 £'000	2023 £'000
Charged to operating costs		
Current service cost	**376**	858
Past service cost	**-**	-
Administration costs	**27**	26
Losses on settlements or curtailments	**-**	-
Total charged to operating costs	**403**	884
(Credit)/charge to other finance costs		
Expected return on pension fund assets	**(2,471)**	(1,456)
Interest on pension scheme liabilities	**2,748**	2,065
Net charge to other finance costs	**277**	609

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28. Pension arrangements (continued)

(k) Analysis of pension costs in Other Comprehensive Income – LGPS

	2024 £'000	2023 £'000
Defined benefit costs recognised in other comprehensive income		
Return on plan assets (less interest income)	**2,860**	(3,659)
Experience gains arising on plan liabilities	**(766)**	(7,594)
Effects of changes in the demographic and financial assumptions underlying the present value of the defined benefit obligation - (loss)/gain	**1,436**	28,463
Other actuarial losses	**-**	119
Total gain recognised in other comprehensive income	**3,530**	17,329

(l) Asset and liability obligation reconciliations - LGPS

Benefit obligation	2024 £'000	2023 £'000
Defined benefit obligation at the beginning of the year	**58,657**	79,036
Service cost	**376**	858
Interest cost	**2,748**	2,065
Change in financial assumptions	**(720)**	(26,599)
Change in demographic assumptions	**(716)**	(1,864)
Experience gains	**766**	7,594
Losses on curtailments	**-**	-
Estimated benefits paid (net of transfers in)	**(2,991)**	(2,565)
Past service cost	**-**	-
Contributions by scheme participants	**134**	137
Unfunded pension payments	**(5)**	(5)
Defined benefit obligation at the end of the year	**58,249**	58,657

28. Pension arrangements (continued)

Asset reconciliation	2024 £'000	2023 £'000
Fair value of scheme assets at the beginning of the year	**52,476**	54,850
Interest on assets	**2,471**	1,456
Return on assets less interest	**2,860**	(3,659)
Other actuarial gains	**-**	119
Administration expenses	**(27)**	(26)
Contributions by employer	**1,145**	2,169
Contributions by scheme participants	**134**	137
Estimated benefits paid (net of transfers in)	**(2,996)**	(2,570)
Fair value of scheme assets at the end of the year	**56,063**	52,476

(m) Guaranteed minimum pensions

On 23 March 2021, the Government published the outcome to its Guaranteed Minimum Pension Indexation consultation, concluding that all public service pension schemes, including the LGPS, will be directed to provide full indexation to members with a GMP reaching State Pension Age (SPA) beyond 5 April 2021. This is a permanent extension of the existing 'interim solution' that has applied to members with a GMP reaching SPA on or after 6 April 2016. The valuation assumption in these financial statements is consistent with the consultation outcome.

(n) Social Housing Pension Scheme (SHPS)

The net defined benefit liability to be recognised is £9,435k (2023 £9,354k).

The table below gives a summary of the plan asset and benefit liability:

Present values of defined benefit obligation, fair value of assets and defined benefit liability	2024 £'000	2023 £'000
Present value of defined benefit obligation	**(50,644)**	(51,283)
Fair value of plan assets	**41,209**	41,929
Deficit in plan	**(9,435)**	(9,354)
Unrecognised surplus	**-**	-
Defined benefit liability to be recognised	**(9,435)**	(9,354)

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28. Pension arrangements (continued)

The fair value of the plan assets and the return on those assets was as follows:

	2024 £'000	2023 £'000
Asset category		
Global Equity	**4,107**	782
Absolute Return	**1,609**	454
Distressed Opportunities	**1,453**	1,269
Credit Relative Value	**1,350**	1,583
Alternative Risk Premia	**1,308**	78
Fund of Hedge Funds	**-**	-
Emerging Markets Debt	**533**	225
Risk Sharing	**2,412**	3,087
Insurance-Linked Securities	**213**	1,058
Property	**1,655**	1,805
Infrastructure	**4,163**	4,789
Private Equity	**34**	-
Private Debt	**1,621**	1,866
Opportunistic Illiquid Credit	**1,610**	1,794
High Yield	**6**	147
Opportunistic Credit	**-**	3
Cash	**813**	302
Corporate Bond Fund	**-**	-
Liquid Credit	**-**	-
Long Lease Property	**266**	1,265
Secured Income	**1,230**	1,925
Liability Driven Investment	**16,771**	19,310
Currency Hedging	**(16)**	80
Net Current Assets	**71**	107
Total	**41,209**	41,929

The actual return on the plan assets, including any changes in share of assets, over the period ended 31 March 2024 was £(1,037)k (2023: £19,097k).

28. Pension arrangements (continued)

A reconciliation from previous accounting date to the current accounting date is shown below for the pension benefit obligation and associated pension asset:

Benefit obligation	2024 £'000	2023 £'000
Defined benefit obligation at the beginning of the period	**51,283**	70,215
Expenses	**42**	42
Interest expense	**2,466**	1,935
Actuarial losses/(gains)	**(1,364)**	(19,259)
Benefits paid and expenses	**(1,783)**	(1,650)
Defined benefit obligation at the end of the period	**50,644**	51,283

Asset reconciliation	2024 £'000	2023 £'000
Fair value of scheme assets at the beginning of the period	**41,929**	60,686
Expenses	**-**	-
Interest income	**2,058**	1,697
Experience on plan assets (less interest income) - gain/(loss)	**(3,095)**	(20,794)
Contributions by employer	**2,100**	1,990
Benefits paid and expenses	**(1,783)**	(1,650)
Fair value of scheme assets at the end of the period	**41,209**	41,929

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28. Pension arrangements (continued)

A full actuarial valuation of the scheme was performed at 31 March 2024 by a qualified independent actuary, Hymans Robertson, using the projected unit credit method. The principal financial assumptions used by the actuary were:

SHPS defined benefit **Major assumptions**	**2024**	2023 %
Discount rate assumptions (%)	**4.89**	4.88
Inflation (RPI) assumptions (%)	**3.17**	3.20
Inflation (CPI) assumptions (%)	**2.77**	2.74
Pensionable earning increases assumptions (%)	**3.77**	3.16
Mortality before retirement	**No allowance**	No allowance
Life expectancy for a male currently age 65 (years)	**20.5**	21.0
Proportion married at retirement (%)	**75.0**	75.0
Allowance for cash commutation (%)	**75.0**	75.0
Discretionary increases	**No allowance**	No allowance

Defined benefit cost recognised in Statement of Comprehensive Income (SOCI)

	2024 **£'000**	2023 £'000
Defined benefit costs recognised in other comprehensive income		
Expenses	**42**	42
Net interest expense	**408**	238
Defined benefit costs recognised	**450**	280

29. Financial instruments

(a) Carrying amount of financial instruments

The carrying amount of the financial assets and liabilities includes:

	2024 **£'000**	2023 £'000
Assets measured at amortised cost	**5,063**	4,524
Liabilities measured at fair value through income statement (derivatives)	**(11,270)**	(18,139)
Assets measured at fair value through income statement (derivatives)	**3,904**	4,474
Liabilities measured at amortised cost (housing loans)	**(3,630,475)**	(3,442,762)
	(3,632,778)	**(3,451,903)**

(b) Financial instruments measured at fair value

Derivative financial liabilities at fair value are calculated using quoted market prices to establish expected future cash flows, which are discounted at a market derived interest rate.

(c) Hedge accounting

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.29(a) for the cash flow hedge accounting models:

	2024						2023					
	Carrying amount **£'000**	**Expected cash flows** **£'000**	**1 year or less** **£'000**	**1 year to <2 years** **£'000**	**2 years to <5 years** **£'000**	**5 years and over** **£'000**	Carrying amount £'000	Expected cash flows £'000	1 year or less £'000	1 year to <2 years £'000	2 years to <5 years £'000	5 years and over £'000
Interest rate swaps												
Liabilities	**10,562**	**15,007**	**874**	**1,079**	**4,321**	**8,733**	17,167	19,294	(222)	296	3,663	15,558
	10,562	**15,007**	**874**	**1,079**	**4,321**	**8,733**	17,167	19,294	(222)	296	3,663	15,558

The Group uses cash flow hedges to manage interest rate risk arising from uncertain future interest rates on its floating rate loans. Interest rate swaps (the hedging instrument) are used to swap a proportion of the Group's floating rate interest cash flows (the hedged items) for fixed rate cash flows, thereby reducing the cash flow and income statement uncertainty. The Group recognises interest rate exposure as a key risk to be managed as an integral part of its strategy for managing its overall business risks and costs.

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29. Financial instruments (continued)

Change in fair value (Group and Association)	2024 £'000	2023 £'000
Recognised through other comprehensive income	**3,318**	40,228
Recognised through the income statement	**(292)**	1,074
Decrease/(increase) in fair value	**3,026**	41,302

(d) Fair values

The amounts for all financial assets and financial liabilities carried at fair values are as follows:

	2024 £'000	2023 £'000
Derivatives measured at fair value through income statement	**7,366**	13,665
	7,366	13,665

30. Called up share capital

Each shareholder of the Parent holds a non-equity share of £1 in the Parent. The shares carry no rights to dividends and are non-redeemable. They carry the right to vote at meetings of the Parent on the basis of one share one vote. No rights to participate in the net assets of the Parent in the event of a winding up are conferred by the shares.

	2024 £	2023 £
Allotted issued and fully paid		
At 1 April	**108**	108
Issued in the year	**6**	-
Cancelled during the year	**(34)**	-
At 31 March	**80**	108

31. Reserves

Called up share capital – represents the nominal value of shares that have been issued.

Income and expenditure reserve – includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Hedging reserve – gains and losses on hedge effective financial instrument.

Revaluation reserve – the difference between historic cost and valuation or deemed cost of fixed assets.

32. Capital commitments

	Group		Association	
	2024 £'000	2023 £'000	**2024 £'000**	2023 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**841,001**	707,091	**543,227**	396,443
Capital expenditure that has been authorised by the Executive Board but has not yet been contracted for	**1,101,369**	1,199,612	**885,251**	1,042,265

At 31 March 2024, the Group had cash and short term deposits of £80.7m (2023: £146.7m) and a further £901.6m of undrawn committed funding (2023: £700m), of which £94.1m was immediately available (2023: £365m). These funds, along with cash generated from operating activities are expected to fund the above capital expenditure.

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33. Operating leases

The Group and Association hold office premises and equipment, and vehicles under non-cancellable operating leases. Non-cancellable operating lease rentals are payable as follows:

	Group		Association	
	2024	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000
Amount payable:				
- within one year	**7,961**	6,899	**5,729**	4,642
- between two and five years	**24,911**	25,233	**16,529**	16,846
- in over five years	**44,579**	41,608	**25,751**	22,780
	77,451	73,740	**48,009**	44,268

34. Group analysis of change in net debt

	As at 1 April 2023	Cashflows	Other changes	**As at 31 March 2024**
Cash at bank and in hand	146,746	(66,026)	-	**80,720**
Debt due within one year	(60,143)	(32,188)	(14,430)	**(106,761)**
Debt due within more than one year	(3,394,812)	(154,849)	21,299	**(3,528,362)**
Current asset investments	-	-	-	**-**
The Housing Finance Corporation debt	(5,946)	(675)	-	**(6,621)**
	(3,314,155)	(253,738)	6,869	**(3,561,024)**

35. Group company information and related parties

Company	**Status**	**Activity**	**Holding**
Sovereign Housing Association Limited trading as Sovereign Network Group	Co-operative and Community Benefit Society	Charitable housing registered provider	
Subsidiary			
Sovereign Housing Design and Build Limited	Private Limited Company	Design and build	100%
Sovereign Housing Developments Limited	Private Limited Company	Commercial investment	100%
Sovereign Living Limited	Co-operative and Community Benefit Society	Non - charity housing registered provider	100%
Sovereign Advances Limited	Private Limited Company	Capital funding	100%
Sovereign Housing Partnerships Limited	Private Limited Company	Joint venture holding company	100%
Sovereign Housing Property Services Limited	Private Limited Company	Repairs and maintenance	100%
Spectrum Premier Homes Limited	Private Limited Company	Development and sale of housing properties	100%
Sovereign Housing Capital Plc	Public Limited Company	Capital funding	100%
Sovereign Network Homes	Co-operative and Community Benefit Society	Charitable housing registered provider	100%
Network Homes Investment Limited	Private Limited Company	Development and sale of residential accommodation	100%
Network Affordable Developments Limited	Private Limited Company	Development of housing properties	100%
Network Treasury Services Limited	Private Limited Company	Capital funding	100%
Network Homes Investments (Stockwell) Limited	Private Limited Company	Development of housing properties	100%
Network New Build Limited	Private Limited Company	Design and build	100%
SW9 Community Housing	Private Limited Company	Housing management company	100%

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35. Group company information and related parties (continued)

Company	Status	Activity	Holding
Joint venture			
Sovereign BDW (Newbury) LLP	Limited Liability Partnership	Development and sale of residential accommodation	50%
Linden Homes Westinghouse LLP	Limited Liability Partnership	Development and sale of residential accommodation	50%
Tilia Sovereign LLP	Limited Liability Partnership	Development and sale of residential accommodation	50%
Linden Sovereign Brockworth LLP	Limited Liability Partnership	Development and sale of residential accommodation	50%
Crest Sovereign (Brooklands) LLP	Limited Liability Partnership	Development and sale of residential accommodation	50%
Sovereign BDW (Hutton Close) LLP	Limited Liability Partnership	Development and sale of residential accommodation	50%
Countryside Sovereign Swindon LLP	Limited Liability Partnership	Development and sale of residential accommodation	50%
Homes for West Berkshire LLP	Limited Liability Partnership	Development and sale of residential accommodation	50%
Sovereign Hill Partnership LLP	Limited Liability Partnership	Development and sale of residential accommodation	50%
Northwick Park Development LLP	Limited Liability Partnership	Development and sale of residential accommodation	50%

Sovereign Housing Association Limited also owns a non-charitable company Points West Housing Limited which is dormant and its net assets are not material. Points West Housing Limited is not consolidated within the Group's financial statements. Sovereign Housing D1 Limited, Sovereign Property Care Limited, Sovereign Maintenance Limited and Network Living Limited are dormant and net assets are zero in each.

Sovereign Housing Partnerships Limited is a member in ten joint ventures at the date of reporting with equal interests from two Partners in each case. These are Linden Homes Westinghouse LLP, Sovereign BDW (Newbury) LLP, Sovereign BDW (Hutton Close) LLP, Tilia Sovereign LLP, Linden Sovereign Brockworth LLP, Crest Sovereign (Brooklands) LLP, Countryside Sovereign Swindon LLP, Homes for West Berkshire LLP, Sovereign Hill Partnership LLP and Northwick Park Development LLP.

Sovereign Housing Partnerships Limited has undertaken investment in a new joint venture with Vistry Homes Limited after the balance sheet date in the form of a 50% share in Thornbury Pickedmoor Development LLP.

The Group had a loan agreement with Vistry Partnerships Limited, a joint venture partner. The monies owed to the Group are lent on commercial terms. The amount outstanding at 31 March 2024 was £nil (2023: £2.8m).

The Group has a senior loan with Countryside Sovereign Swindon LLP, a partnership between Sovereign Housing Partnerships Limited and Countryside Properties (UK) Limited. The monies owed to the Group are lent on commercial terms. The amount outstanding at 31 March 2024 is £45.0m (2023: £45.0m).

35. Group company information and related parties

Related parties

(a) Pension schemes

FRS 102 considers defined benefit pension schemes for the benefit of the reporting entity as related parties. During the year Sovereign Housing Association Limited had transactions with the below pension providers:

Social Housing Pension Scheme
Sovereign Pension Plan
LGPS - Dorset County Council
LGPS - Royal Berkshire Pension Fund
LGPS - Hampshire County Council
LGPS - Isle of Wight Council

Please refer to the pension note 28, which provides the full details of the pension providers and impact on the statement of total comprehensive income.

(b) Inter company

During the year Sovereign Housing Association Limited had the following intra-group transactions with non-regulated members of the Group:

	2024 £'000	2023 £'000
Payment of interest at commercial rates	**55,690**	51,694
Purchase of design and build services at cost plus commercial mark-up	**237,470**	253,507
Management charges on a cost sharing basis (income)	**(4,017)**	(3,634)
	289,143	301,567

36. Merger

On 1 October 2023 Sovereign Housing Association Limited and subsidiaries (Sovereign Group) and Network Homes Limited and subsidiaries (Network Group) merged, with Sovereign Housing Association Limited, t/a Sovereign Network Group, becoming the parent undertaking of Network Homes Limited and its subsidiaries. The Association and Group financial statements presented here incorporate the results of the organisations prior to merger and the new entity from merger date to 31 March 2024.

The share of Total Comprehensive Income for the prior year, the share of Total Comprehensive Income in the current year to the merger date with the effect of any accounting policy adjustments and the contribution post merger date, and the share of the net assets at merger are disclosed in accordance with FRS 102.

Total Comprehensive Income and Net Assets Share in the year of merger

	Sovereign Group	Network Group	Merger adjustments	**At merger date**	Post merger	**As at 31 March 2024**
	£'000	£'000	£'000	**£'000**	£'000	£'000
Turnover	239,006	103,314	-	**342,320**	365,495	707,815
Operating surplus for the year	71,003	16,971	-	**87,974**	83,554	171,528
Total comprehensive income for the year	45,619	3,526	-	**49,145**	16,400	**65,545**
Net Assets	2,164,600	516,553	-	**2,681,153**	17,789	**2,698,942**

Total Comprehensive Income and Net Assets Share in the prior year

	Sovereign Group	Network Group	**As at 31 March 2023**
	£'000	£'000	£'000
Turnover	448,199	243,122	691,321
Operating surplus for the year	123,935	39,164	163,099
Total comprehensive income for the year	139,096	1,162	**140,258**
Net Assets	2,119,825	513,569	**2,633,394**

Merger adjustments

A review of Sovereign Group and Network Group was undertaken in order to identify material differences in accounting treatment. Accounting policies have been reviewed and as they are largely comparable have not required merger adjustments.

A small number of immaterial policy alignments were applied from the date of the merger.