Network Homes

Annual Report and Financial Statements

For The Year Ended 31 March 2023

Because good homes
make everything possible

Contents

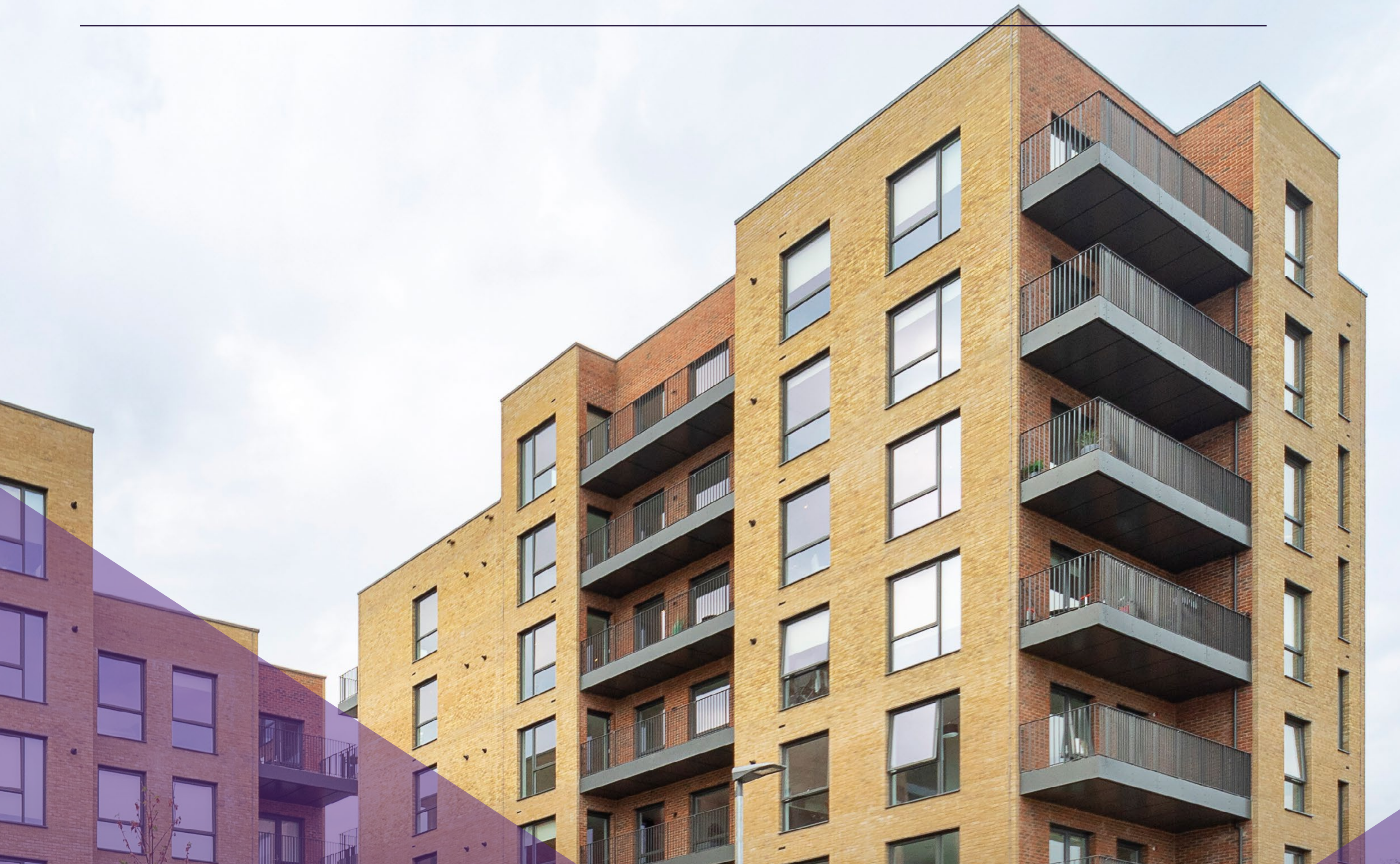
The Board, Executive Officers and Advisors

The Directors of the Association who were in office during the year and up to the date of signing the financial statements were:

Network Homes Limited Board	Jon Gooding, Interim Chair Anne Turner Helen Evans, Group Chief Executive Paul Plummer Ronen Journo – Resigned 29 November 2022 Sean West Rachel King Barbara Brownlee Amina Graham Adeoye Adebayo Mavis Oti Addo Boateng – Appointed 1 February 2023 Matthew Backler – Appointed 1 February 2023
Company secretary	Asantewaa Brenya
Executive officers	Helen Evans - Group Chief Executive Gerry Doherty – Executive Director of Customer Services David Gooch – Executive Director of Development Peter Benz – Executive Director of Finance Jamie Ratcliff – Executive Director of People, Partnerships & Sustainability Tabitha Kassem – Executive Director of Governance, Technology & Transformation – Resigned 20 July 2023
Registered office	The Hive, 22 Wembley Park Boulevard, Wembley, Middlesex, HA9 0HP
Independent auditors	BDO LLP, Chartered Accountants and Statutory Auditors, 55 Baker Street, London, W1U 7EU
Bankers	Barclays Bank PLC, 27th Floor, 1 Churchill Place, London, E14 5HP
Registrations	Registered Provider No. 4825, Community Benefit Societies No. 7326

Report of the Board

Report of the Board



The Board presents its report and the audited consolidated financial statements for Network Homes Limited ('the Group', 'the Association') and its subsidiary undertakings for the year ended 31 March 2023.

The consolidated Group and Association Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position and Statement of Cash Flow for the Group are set out on pages 38 to 41.

The Group's principal accounting policies are set out on pages 44 to 86 and these policies have been consistently applied across the Group.

The purpose of the Group, encapsulated in our Five Year Strategy mission statement, is *'increasing the number of homes for people in housing need, delivering reliable resident services, increasing our financial resilience, building a great organisation and strengthening residents' trust in us'.*

Network Homes Limited operates across London, Hertfordshire and the South East of England. The Group now owns and / or manages 21,176 (2022: 21,003) homes for a wide range of customers.

Chair's review

This year we announced our intention to merge with Sovereign Housing Association, with a target date for the completion of the merger of October 2023. Our vision for the new Housing Association is to provide current and future residents with more, better quality homes in thriving communities and to offer sector-leading services. We'll have over 82,000 homes, serving over 210,000 residents across the South of England and in London putting us in the top six of housing associations by size.

Our combined financial strength will mean we can do more for our residents. Sovereign Network Group will have an annual income of over £830m in 2024-25 and will be able to invest £9.2bn over the next ten years. This will give us the ability to deliver a greater number of good quality affordable homes for people who need them - up to 25,000 over the next decade (putting us in the top three of housing association developers) and almost 4,000 more than we could as Network Homes alone. It will also help us address the issues of ageing homes and sustainability through retrofit and regeneration and provide excellent services – all for our current and future residents. We'll also be able to do more for the communities we work in, establishing a dedicated community foundation and investing £100m in the next 10 years.

We are living through challenging times which are having an acute impact on residents, our colleagues and the sector. The rising cost-of-living means more people than ever are struggling to afford a safe and secure home. Housing supply is limited and there are challenges around the quality of existing homes. Changes in the regulatory, legal, and political environment mean that we are having to refocus. There is also the impact of climate change and the pressure of decarbonisation.

Both Network Homes and Sovereign Housing Association are strong, well-run organisations and we could face these pressures independently. By coming together, we can create a stronger, more resilient organisation that can provide a greater number of good quality affordable homes and excellent services for our current and future residents.

Network Homes' financial results for 2022-23 are indicative of the challenging environment, in particular higher operating costs and fewer property sales. We achieved a net surplus of £5,195k (2022: £9,569k); turnover was £243,122k (2022: £218,064k) and operating margin was 16.1% (2022: 19.8%). Total operating surplus has gone down by £3,915k to £39,164k. Although we had higher rental income this has been offset by higher operating costs.

The tragic death of Awaab Ishak in Rochdale has rightly brought increased scrutiny on landlords - in terms of how we deal with damp and mould cases - from residents, the Housing Ombudsman and through wider broadcast and social media. We have always been responsive to damp and mould within the homes we manage and viewed the Housing Ombudsman Report in October 2021 as an opportunity to take another look at how we handle this issue – using it as the base for a detailed improvement plan. We completed an equality impact assessment on our policy and procedure to ensure we are empathetic, supportive, informative and accessible to all residents at their first point of contact. We're also providing specialist damp and mould training to a range of frontline staff to ensure our response is as effective as it can be.

Housing associations have a central role to play in the UK achieving the goal of net zero carbon emissions by 2050. Changing the way we heat and insulate our homes has many benefits including better quality homes that are warmer in winter, cooler in summer and provide cheaper bills for residents.

We were pleased to secure almost £9.8m from the Government's Social Housing Decarbonisation Fund (SHDF) to improve 2,043 homes by making them healthier and easier to heat. We've matched the Government's investment (bringing a total of over £19.6m) which will help pay towards improvements to homes in Brent (995) and in East Herts (1,048). This has brought forward work that might not otherwise happen until 2027 or later and the improvements will allow residents to keep warmer during the colder months.

The safety of people living in our buildings will always be a top priority. We're proceeding well with our building safety programme and the investigations into the tall buildings we own (not section 106) are now complete. We have EWS1 passes for 2,140 properties across 59 of our own buildings and EWS1 passes for 1,091 Section 106 properties across 43 buildings. Where we have found defects, our plans and projects are well advanced with all remedial work to have started by 2024 and completed by 2027. We've completed remedial work at six sites including Morrison Court, Hindon Court, Park Heights, Albermarle, Bree Court and Langhorne House. We are also planning to start investigations into our high priority buildings under 18m in 2023.

Finally, I'd like to thank fellow Board members, the Executive Leadership Team, the committees, and colleagues across Network Homes for their steadfast commitment to successfully navigating our organisation through these difficult times for the benefit of people living in the homes we manage.

Jon Gooding, Interim Chair

Group Chief Executive's review

Our planned merger with Sovereign Housing Association will be a significant new chapter for Network Homes, and we are confident it will help us to better fulfil our mission of providing safe, secure, and affordable homes for as many people as possible.

Like other housing associations, we are facing evermore complex and demanding challenges. The economic outlook remains deeply uncertain with significant cost inflation, high energy prices, a constrained labour market and disruption to our supply chain and contractors. This is combined with many residents facing declining real household incomes and their own rising expenses meaning that some will struggle to pay their rents and service charges. Rent levels were capped below inflation by the Government for 2023-24, and the picture for what the levels will be beyond 2023-24 is unclear. While this challenging backdrop is not the driving factor behind the merger – it does make it more compelling. Together, Network Homes and Sovereign Housing Association will be well-placed to deal with these challenges.

Despite the focus on our merger and the impact of the challenging external and economic factors, we have continued to deliver on our strategic objectives. We've maintained our strong focus on increasing homes for people in housing need. During the year, we completed 207 affordable homes, which is only slightly fewer than in 2021-22, where we completed 232. We also started building a further 1,229 new homes of which 497 will be affordable. This includes the commencement of construction of the largest ever development that Network Homes is involved with building 654 new homes and commercial facilities as part of the regeneration of Northwick Park through our joint venture with Countryside Partnerships. Work on the first phase of this development has now begun and once complete will deliver 323 affordable homes (50% of tenures) including London Affordable Rent, London Living Rent, Intermediate Rent (for key workers) and Shared Ownership. The affordable homes are being funded by the Mayor of London through the Greater London Authority's Affordable Homes Programme 2016-23. The Northwick Park development surpasses the scheme at Merrick Place at Southall in the London Borough of Ealing, of 575 homes which is also underway.

Network Homes is a financially strong organisation and we remain attractive to investors. We retained our A Credit rating from Fitch. We secured a private placement of £200m in a club deal involving existing institutional investors. The transaction has been issued under our newly launched Sustainable Finance Framework with proceeds going towards sustainable projects that will support us with achieving our strategic sustainability targets and provide more affordable housing to those in need.

Our commitment to delivering reliable resident services is unwavering. We've managed to keep close to our performance targets despite the external challenges we've faced which have affected our resources and aspects of service delivery. We remain committed to keeping residents safe in their home and have maintained compliance across all health and safety measures including retaining 100% Landlord Gas Safety Compliance.

We're now in our second year of measuring our performance against our objective to strengthen residents' trust in us. This year, we achieved a score of 70.6% (2022: 72%) which is below our target of 84.4%. This score was highly influenced by the repairs dissatisfaction rate which was higher than last year. This is partly due to the ongoing disruption caused by inflation and availability of labour.

We are looking at how we can improve our services to residents as well as other ways we can strengthen residents' trust in us. We continue to involve residents in decisions that affect the services they receive from us, such as our annual resident choice survey in which 1,034 residents took part to help us shape our digital services. The focus of regulation is widening with the Social Housing (Regulation) Bill to include stronger powers for the Regulator of Social Housing to enable a regime of proactive consumer regulation. We welcome the renewed emphasis on listening to residents to improve the services we provide to them and believe we are well prepared for the changes to come.

We have worked hard to build a great organisation, with 90% of Network Homes' colleagues feeling proud to work for us (based on feedback from our engagement survey in July 2022). This beats our corporate target of 87% and is an increase of 3% from last year. We have also committed that no colleague needs to leave the business as a direct result of our proposed merger with Sovereign Housing Association until at least April 2025, providing reassurance to our colleagues and enabling them to focus on providing reliable services to residents. We will support and keep colleagues informed during this time in which many will naturally feel unsettled.

Despite our ongoing merger discussions which have been very positive, we published a new corporate strategy for 2023-2028, as we recognise the continued importance of setting out a clear direction to guide our work and decisions during this period: while merger planning and integration will be a vital part of our activity, we will still be delivering services to residents, building new homes and investing in existing homes and communities. We've added to and revised the way our objectives are structured; we now have a set of foundational objectives which are the building blocks that underpin all our work. They are to:

- provide good homes and reliable resident services;
- be a great place to work; and
- remain financially resilient.

In addition, our strategic objectives set our direction and focus for the next five years. They are to:

- strengthen residents' trust in us;
- improve our homes to be warmer, healthier and safer; and
- increase the number of homes available for people in housing need.

Report of the Board

The outcomes from our work will complement and enhance the merger, continuing the solid plans we have and setting stronger foundations to build from for the new Sovereign Network Group.

In closing, I would like to thank our Board and leadership team for their absolute determination to successfully steer Network Homes through a tough environment. And I want to pay tribute to our colleagues for their hard work and commitment to continue delivering on our mission of providing safe, secure, and affordable homes for as many people as possible over the last 12 months.

Helen Evans, Group Chief Executive
Network Homes Limited

Development performance and grant programmes

In 2022-23 there were 207 homes that were completed and handed over to housing management (2021-22: 232 homes).

The highlights of 2022-23 were:

- As part of our Strategic Partnership with GLA we started construction on a further 497 affordable homes in London in the year which are being delivered through the 16-23 Affordable Homes Programme.
- We also started construction on our two largest development projects to date – Merrick Place in Southall and Northwick Park in Brent.
- At Merrick we are in contract to build 575 homes – 174 affordable and a further 401 private homes, all of which have been purchased by Grainger for Build to Rent in a forward fund structure.
- At Northwick Park we are in a joint venture arrangement to deliver 654 homes – 323 affordable and 331 private sale which will be delivered in Joint Venture with Countryside Partnerships (Vistry Group).
- We have also secured an outline planning consent for a further phase of development at Northwick Park for a further 946 homes (40% affordable).

Tenure	2022-23 Units	Funding Programme*	2020-21 Units	Funding Programme*
Social Rent	-		6	Homes England RCGF
Affordable Rent	35		25	GLA Housing Zones Affordable Housing Programme (HZAHP)
London Affordable Rent	44	GLA AHP 16-23 (22)	52	GLA AHP 16-21 (36), GLA HZAHP (16)
Shared Ownership	82	GLA AHP 16-23 (69)	135	GLA AHP 16-21 (123), GLA HZAHP (7), Homes England RCGF (5)
London Living Rent	46	GLA AHP 16-23 (46)	14	GLA AHP 16-21
Total handed over to management	**207**		**232**	
Private Sale	-		-	
Total	**207**		**232**	

**RCGF – Recycled Capital Grant Fund, GLA – Greater London Authority, AHP - Affordable Housing Programme, HZAHP – Housing Zones Affordable Housing Programme*

Report of the Board

Financial Review

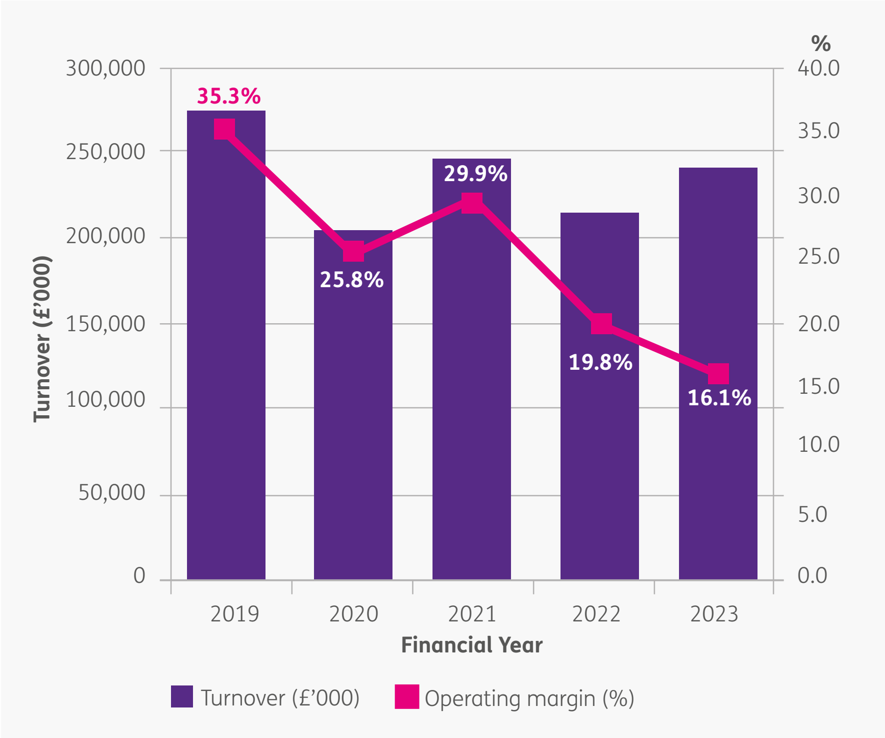
The Group achieved a net surplus of £5,195k (2022: £9,569k) for the year. Surplus has gone down by 45.7%..

The surplus on property sales was £8,070k (2022: £13,159k). The proceeds from first tranche and outright property sales are reported under turnover and the costs to build under cost of sales. The surplus from the sale of housing properties is disclosed separately on the statement of comprehensive income.

Operating margin has decreased by 3.7% from 19.8% in 2022 to 16.1% in 2023. In 2022, there was an impairment provision of £15,672k on the land at Merrick Road. Taking this one-off adjustment into account, the operating margin for 2022 would have been 26.9% making the drop in the current year's operating margin higher at 10.8%. This is mainly attributable to higher operating costs and lower property sales.

The trend in turnover and operating margin over the last five financial years is shown by the graph adjacent.:

Turnover and Operating Margin



The tables below show a summary of our consolidated financial performance and position over the last five financial years:

Consolidated Statement of Comprehensive Income summaries

	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Turnover	243,122	218,064	247,037	205,654	275,053
Net operating costs	(203,958)	(174,985)	(173,215)	(152,552)	(177,951)
Operating surplus	**39,164**	**43,079**	**73,822**	**53,102**	**97,102**
Share of joint venture profit	-	-	-	-	347
Net interest payable	(34,074)	(33,920)	(32,106)	(32,043)	(25,430)
Restructuring of financial instruments	105	101	97	94	90
Tax	-	309	(70)	(31)	(93)
Surplus for the year	**5,195**	**9,569**	**41,743**	**21,122**	**72,016**

Total turnover has increased by £25,058k to £243,122k. Total operating surplus has gone down by £3,915k to £39,164k. In 2022, there was an impairment provision of £15,672k on the land at Merrick Road. Taking this one-off adjustment into account, the operating surplus for 2022 would have been £58,751k making the drop in the current year's operating surplus higher by £19,587k. The decrease is primarily due to higher rental income that have been partly offset by higher operating costs and lower property sales.

Report of the Board

	Social housing activity	Other social housing activity	Total social housing activity	Non-social housing activity	Total 2023
Turnover (£k)	156,449	28,857	185,306	57,816	243,122
Surplus (£k)	24,694	14,168	38,862	302	39,164
Operating margin (%)	**15.8**	**49.1**	**21.0**	**0.5**	**16.1**
	Social housing activity	Other social housing activity	Total social housing activity	Non-social housing activity	Total 2022
Turnover (£k)	148,048	38,277	186,325	31,739	218,064
Surplus / (Loss) (£k)	39,865	15,366	55,231	(12,152)	43,079
Operating margin (%)	**26.9**	**40.1**	**29.6**	**-38.3**	**19.8**

The net surplus of £5,195k (2022: £9,569k) comprises of operating surplus of £39,164k (2022: £43,079k), plus net impact of restructuring financial instruments of £105k (2022: £101k) less interest charges of £34,074k (2022: £33,920k) and corporation tax credit of £nil (2022: £309k).

The margin on social housing activity has decreased significantly from 26.9% to 15.8% because of higher operating costs. Other social housing activity margin includes surplus on the disposal of housing sales and has increased from 40.1% to 49.1%. There is a small operating margin of 0.5% for non-social housing activity, the loss in the financial year 2022 was as a result of the impairment provision on the land at Merrick Road.

Report of the Board

Consolidated Statement of Financial Position summaries

	2023 £'000	2022 £'000	2021 £'000	2020 £'000	2019 £'000
Total fixed assets	2,296,437	2,214,684	2,136,229	2,032,619	1,889,708
Net current assets	81,808	91,496	108,459	68,301	126,353
Total	**2,378,245**	**2,306,180**	**2,244,688**	**2,100,920**	**2,016,061**
Creditors due in more than one year and provisions	1,864,675	1,793,772	1,744,416	1,634,122	1,580,557
Total reserves	513,570	512,408	500,272	466,798	435,504
Total	**2,378,245**	**2,306,180**	**2,244,688**	**2,100,920**	**2,016,061**

At the end of the year, the Group's housing properties at cost less depreciation and impairment totalled £2,236,789k (2022: £2,157,467k). This value is reflected in the consolidated Statement of Financial Position.

The accounting policy is to hold the housing properties at historical cost. However, during the year, the Group undertook a professional revaluation of some of its housing stock by external valuers. The figures provided below are for information only. The indicative value of the Group's housing stock is as follows:

- Indicative Existing Use Value for Social Housing (EUV-SH) £1,862,502k (2022: £1,118,730k)
- Market value, tenanted (MV-T) £3,146,876k (2022: £3,071,813k)

This provides a cumulative value of £5,009,378k (2022: £4,190,543k). The indicative value of this stock on a vacant possession market value basis (VPMV) is £5,926,217k (2022: £6,466,482k).

The Group continues to borrow to fund its affordable housing development programme and ongoing responsibilities as a registered provider of social housing. Housing loans increased from £1,136,827k to £1,199,279k (repayable facilities including loan issue costs) but the amount borrowed is £1,202,342k (note 25). As at 31 March 2023, gearing based on borrowings against historic cost of properties for the Group was 53% (2022: 52%). The gearing covenant across the Group's bank facilities is 65% (2022: 65%).

Report of the Board

Equality, Diversity and Inclusion

Our Equality, Diversity and Inclusion (EDI) 10-Point Plan sets out how we aim to improve how we deliver the best outcomes for our residents, colleagues and communities. We monitor performance against the plan regularly and highlights for 2022-23 included:

- Regular publication of key indicators relating to colleagues joining, progressing or leaving the organisation, with breakdowns by protected characteristics. This includes 65.0% women and 45.0% under-represented minorities recruited by diverse interview panels.
- The development of a mutual mentoring programme. Participants of our ringfenced talent development and career progression programmes (which focus on increasing diversity in our senior leadership team and equipping colleagues of diverse ethnicities with confidence in a safe environment) mentored our Executive Leadership Team and other senior managers. The resulting powerful conversations shaped the views of all colleagues participating.
- Our colleague engagement survey showed overall positive results, with 90% of colleagues agreeing with the statement 'I feel proud to work for Network Homes' and 75% agreeing with 'I feel safe to speak up and positively challenge'. We have set a target through our People & Culture Strategy to achieve 90% 'safe to speak up' and our Embrace Everyone training aims to improve psychological safety, helping colleagues to improve how they feel about belonging, contributing, learning and challenging leaders.
- Incorporating our Language, Action and Mind Tool-kit programme into our Code of Conduct with our contractors.
- We introduced an EDI Facilitator role to help drive progress on our EDI 10-Point Plan, coordinate the activities of our colleague engagement groups and amplify awareness internally and externally of EDI.
- Our colleague-led Equality and Diversity Engagement Groups (EDEG) delivered a wide programme of activities and awareness raising across the year, including an Inspirational Leaders Panel Discussion, a G15 networking event for women, and two internal collaborative events for colleagues at our Wembley and Hertford offices.
- Colleagues established the Support, Enable, Embrace Disabilities (SEED) group and hosted several events and discussions. They also created safe spaces at both the Wembley and Hertford offices for staff with conditions such as diabetes, to use injecting equipment.
- The newly founded Men's Circle (for colleagues identifying as men) is focused on male mental and physical health, with topics ranging from recommended books to male suicide.
- Our Director of Housing, Gabriel Codjoe, won the G15 Ethnicity in Housing Award for Lifetime Achievement for his dedication to delivering a brilliant and comprehensive service to residents, and his contributions to innumerable key projects at various organisations throughout his 35-year career in housing.

Building safety crisis

In 2019 the parent company Network Homes Limited established a building safety team to lead the response to government guidance to ensure our buildings provide adequate protection against risk of fire. The team is coordinating investigations, interim safety solutions where necessary, and remedial work for around 70 Network Homes owned buildings and a number of other buildings where we are a leaseholder.

We are proactively communicating progress on building safety with affected residents. Fire Risk Assessments for our highest risk buildings are published on our website and we have set up a suite of micro-sites that our residents can use to access the latest position on the remedial works on their development.

Capital structure

The Group is financed by a combination of retained reserves which are not distributable, long-term committed loan facilities from banks and lending institutions, and grants awarded by Homes England, the Greater London Authority (GLA) and other organisations to support development activities. Some loans are arranged through Network Treasury Services Limited ('NTSL'), the Group's treasury vehicle and on-lent to the Association. These loans are secured against assets of the Association. Total loan facilities at 31 March 2023 amounted to £1,537,341k, of which £1,202,342k (excluding amortised cost of £3,063k) had been drawn (as per table on page 14 and note 25).

In the year to 31 March 2023 the Association completed on £150m of new facilities via a private placement club deal. Additionally, £20m of existing local authority facilities were extended by one year, and £45m of new local authority facilities were agreed. The total Association facilities as at 31 March 2023 amounted to £1,055,141k, of which £820,142k had been drawn (as per table on page 14 and note 25).

Tax Strategy

Due to its size, Network Homes is currently not required to publish its Tax Strategy publicly. As per the Finance Act 2016, we expect to reach the prescribed thresholds in the relatively near future. Network Homes believes that the early adoption of a Tax Strategy is a matter of good business practice. The Group has established procedures which support its aim, and we have no appetite to engage in activities which may compromise our ability to meet the expectations of HMRC and other key external stakeholders.

Treasury policy

Treasury services are provided to the Group by the Association.

Each year the Group's Board approves the treasury management strategy and updates to the treasury policy for the Group. This policy addresses issues including funding and liquidity risk, covenant compliance and investment policy. In addition, the Group Board receives reports on treasury activities. Treasury management activities are regularly monitored by the Finance Committee.

The Group borrows at both fixed and floating interest rates, with the treasury policy requiring a minimum of 50% of drawn debt to be at fixed interest rates or hedged. As at 31 March 2023, 91% (2022: 80%) of the Group's debt was at fixed rates and 9% (2022: 20%) at floating rates.

Report of the Board

The Group's treasury team monitors covenant compliance on a regular basis and is required to report on it to the lenders on a quarterly basis. At 31 March 2023 the Group complied with its loan covenants. The business plan projects that it will continue to do so in the future.

The borrowings summary and repayment schedule below are stated net of amortised costs (note 25).

Investment policy

At 31 March 2023 the sinking funds in place were in respect of:

1. The Housing Finance Corporation (THFC) 2043 Bond;
2. Affordable Housing Finance (AHF) 2042 Bond; and
3. Affordable Housing Finance (EIB).

THFC 2043 Bond

A Sinking Fund of £626k is held by THFC as replacement for security to account for sales of shared ownership properties (2022: £544k). Funds can be released following revaluation.

Affordable Housing Finance 2042 Bond

There is currently a Liquidity Reserve Fund of £1,194k (2022: £1,175k).

Affordable Housing Finance (EIB)

There is currently a Liquidity Reserve Fund of £1,049k (2022: £1,030k).

Review

In light of prevailing market conditions, the investment strategy is constantly under review to ensure that the Group's risks relating to the capital invested and income accrued to date are protected so far as possible.

Liquidity policy

The liquidity policy is to retain sufficient liquidity to fund the business for the next 18 months, while allowing for uncertainty in sales receipts. This was reviewed and upheld in March 2023. Liquidity is defined as cash and facilities available to be drawn at any time. At least £50m must be held in liquid cash deposits. The treasury policy ensures loan facilities are in place to fund future requirements. At 31 March 2023, the Group had £71,602k (2022: £68,398k) in cash and bank, of which £56,824k (2022: £58,195k) was held as money market cash deposits as part of the Group treasury policy.

Short-term cash balances are placed in AAA rated money market funds or short-term deposits at competitive rates with A1/P1 rated banks or main UK clearing banks.

Security

As at 31 March 2023 all bank facilities were secured against a portfolio of the Group's properties, however the Group does also have some unsecured non-bank funding. The EUV-SH for the properties charged was £1,425,844k (2022: £1,189,659k) and the number of properties charged was 12,370 (2022: 11,232). There are 5,022 units not charged to existing loans.

Summary of borrowings

	2023 £'000	2022 £'000
Fixed	1,098,787	908,463
Variable	103,555	231,503
Total drawn	**1,202,342**	**1,139,966**
The debt falls due for repayment in:		
Less than one year	21,310	14,113
Between two and five years	132,016	251,383
After five years	1,049,016	874,470
Total drawn	**1,202,342**	**1,139,966**

Report of the Board
Value for Money Statement for 2022-23

Report of the Board

Value for Money Statement for 2022-23

Value for Money

Every housing association is required by the Regulator of Social Housing to publish a statement, annually, setting out how it approaches value for money. Thoroughly examining and minimising our costs, analysing demand for our services and in turn delivering value for money helps us to achieve better efficiency, economy and effectiveness. In all this enables us to invest more in our social purpose, increase our quality of service (meaning our residents are more satisfied) and increase our financial resources (meaning we can build more homes). There are many ways we can improve the value for money we offer. We have tried different approaches to understand the productivity of our organisation so that we can apply our resources in the most competent and effective manner. We also generate extra income by selling homes and use the profits to reinvest into building more affordable homes and investing in communities. We have long-term involvement with many of the communities we work in and want to deliver real benefit to the people who live there. Our employment and training schemes, and the welfare advice and support we offer, help people to improve their own personal circumstances and quality of life.

As a regulated housing association, we are required to adhere to the Value for Money Standard produced by the Regulator of Social Housing. This Standard requires housing associations to report against seven key financial metrics. Associations can supplement these with further internally developed metrics which demonstrate value for money by showing how the organisation is progressing towards meeting its strategic objectives.

There is deliberate overlap between the seven VFM Standard financial metrics and the Sector Scorecard benchmarking, which has been formally adopted by housing associations in England, including Network Homes Limited. We set five strategic objectives, and accompanying ambitions, in our Five-Year Strategy approved by the Board.

Our Value for Money strategy is reviewed every five years to ensure it remains relevant and reflective of the ever-changing operating landscape. The objectives from the latest iteration of the strategy, written and approved by the Board in May 2021, are as follows:

1. **Increasing the number of homes for people in housing need**
Ambition: A minimum of 1,000 affordable homes started by March 2023 with an ambition to do more if market conditions and grant funding allow.

2. **Delivering reliable resident services**
Ambition: Reduce resident dissatisfaction to no more than 10 per cent.

3. **Increasing our financial resilience**
Ambition: Increasing our operating margin year-on-year.

4. **Building a great organisation**
Ambition: At least 87% of our colleagues feel proud to work for Network Homes.

5. **Strengthening residents' trust in us**
Ambition: Increase the trust score by 10 per cent year-on-year.

The Group's current position on the seven VFM Standard financial metrics and the internally driven metrics linked to our strategic objectives is as follows:

	2024 Target	2023 Target	2023	2022
Ambition: increasing our operating margin year-on-year				
Reinvestment %	6.0	6.0	7.4	7.3
New supply delivered: absolute (social and non-social)	847	614	207	232
Gearing %	54.5	54.2	51.6	50.7
EBITDA MRI Interest (exc. sales) %	85.0	117.0	81.7	94.0
Headline social housing cost per unit (£)	7,140	6,029	6,239	5,184
Operating margin (social housing lettings only) %	23.0	23.0	15.8	26.9
Operating margin (overall) %	28.6	21.0	12.4	14.3
Return on capital employed (ROCE) %	2.5	2.6	1.6	1.8
Ambition: a minimum of 1,000 affordable homes started by March 2023 – with an ambition to do more if market conditions and grant funding allow				
Homes completed and handed over	847	614	207	232
Homes started	500	733	1,229	511
% homes started for social rent; LAR; LLR; s.106 LA rent		39.0	13.8	49.0
% secured pipeline affordable tenures		42.0	100.0	42.0
Secured pipeline		1,411	174	1,411
Customer satisfaction with new homes %	70.0	80.0	84.0	80.0
Ambition: resident satisfaction of at least 90%				
% satisfied with Network Homes services	70.0	90.0	84.6	85.4
% satisfied with repairs service	75.0	85.0	76.7	77.2
Rent collected % (general needs and HfOP)	101.0	101.0	98.7	100.2
Occupancy % (general needs and HfOP)	99.0	99.0	98.7	98.9
Ambition: At least 87% of our colleagues feel proud to work for Network Homes				
Sickness absence (average days)	5	5	4	3.7
% Staff turnover (voluntary)	12.0	12.0	9.2	10.9
% Pride measure	90.0	87.0	90.2	87.0

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We have changed the methodology for collecting satisfaction for 2023-24 to align with the Tenant Satisfaction Measures. The survey method is changing from transactional to an annual perception survey. Experience from our pilot of the TSMs and knowledge in the wider survey industry indicates that perception surveys return lower satisfaction results. The target has been adjusted to account for the change in methodology and to give a challenging but achievable target based on the results we have had through 9 months of piloting the TSM survey.

Sector Scorecard

The Group's current position on the Sector Scorecard measures is as follows:

	Target 2024	2023	2022	G15 Median 2022
Operating margin (overall)	28.6%	12.4%	14.3%	20.0%
Operating margin (social housing lettings)	23.0%	15.8%	26.9%	27.0%
EBITDA MRI (as % interest)	85.0%	81.7%	94.0%	99.0%
New supply delivered - social housing units	5.3%	1.0%	1.1%	1.1%
New supply delivered - non-social housing units	0.0%	0.0%	0.0%	0.2%
Gearing	54.5%	51.6%	50.7%	47.0%
Reinvestment	6.0%	7.4%	7.3%	6.0%
Investment in communities £		471,000	361,321	3,100,000
Return on capital employed (ROCE)	2.5%	1.6%	1.8%	2.5%
Occupancy (general needs only)	99.0%	98.7%	98.9%	99.0%
Ratio of responsive repairs to planned maintenance		0.86	0.77	0.61
Headline social housing cost per unit £	7,140	6,239	5,184	5,191
Management cost per unit £	n/a	1,595	1,422	1,422
Maintenance cost per unit £	n/a	1,307	1,029	1,440
Major Repairs cost per unit £	n/a	1,515	1,332	1,042
Service charge cost per unit £	n/a	1,542	1,101	884
Other social housing costs per unit £	n/a	280	300	698
Rent collected as % of rent due (GN)	101.0%	98.7%	100.2%	99.8%
Overhead costs as a percentage of turnover		9.3%	10.1%	11.4%
Customer satisfaction	70.0%	84.6%	85.4%	73.0%

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Value for Money Statement for 2022-23

Impact on Value for Money

During this financial year, the challenging external operating environment of the previous financial year continued, with rising inflation peaking at 11.1% in October and remaining high throughout the year. This provided substantial challenges to identifying real terms reductions to our cost base without affecting service levels. Moreover, high costs associated with building safety endured, as well as a considerable increase of expenditure in repairs – especially relating to damp and mould, following revisions to our approach.

It is important to note that, as shown in the figures on page 17, there has been a decrease in the overall operating margin (14.3% in 2022, 12.4% in 2023) which can be largely explained by lower-than-expected operational income (particularly lower property sales), together with higher-than-expected operational expenditure. The unforeseen overspend in repairs, (by £3.6m compared to the full year budget and by £2.1m compared to full year forecast) was reflected in a substantial increase in major repairs cost per unit (£1,515 compared to £1,332 during 2021-22).

Our social housing cost per unit has increased by 20%, at £6,239, and therefore exceeds the 2022-23 target (of £6,029), whilst also being 20% over the G15 median figure. This is as a result of the majority of repairs costs rising higher than the headline rate of inflation. It should be noted that the differing profiles of the stock held by various G15 members mean that costs per unit across the G15 are not directly comparable, as some members will hold more stock that is particularly expensive to maintain than others.

A 0.8% decrease in overall customer satisfaction can be partly attributed to an increase in repairs dissatisfaction. The repairs dissatisfaction year-end figure of 17.9% was 2.9 percentage points above the 15% target and the highest dissatisfaction in repairs in the past four financial years. There have been numerous factors contributing to this score - including incomplete repairs, poor planning for follow on works to completion, missed appointments and wider issues outside of repairs – however, new processes have now been implemented to address these factors.

Whilst the climate of extreme inflationary and operational pressures made finding savings particularly difficult across the organisation, there were further Value for Money highlights. This included a saving of £10,000 following a new team structure within the People and Culture Team in quarter 1. During quarter 2, we were able to cancel a facility – interest on a trade loan with Barclays – through early repayment, due to receiving excess cash from the land sale at Merrick. The interest payable was £66,740 but Network Homes only paid interest of £13,041, thereby making a cashable saving of £53,699. In quarter 3, there was an increase in actual occupancy rate within our Intermediate Market Rent portfolio (at 97% compared to a budget of 93%), that resulted in a favourable variance of £537,000. Overall void loss also achieved a favourable variance of £538,000, which equated to 1.6% of total rent and service charge income. By year end, savings were made relating to Service Charge Income Management fee charges, as the 2022-23 charges increased from the 2021-22 figure by £482,000.

Other positive mentions relate to the ‘Building a great Organisation’ strategic objective, as the rolling-12-month-average of people who are proud to work for Network Homes at year-end stood at 90.2% - surpassing the 87.0% target. On the other hand, the average monthly resident trust score for the 2022-23 financial year was 70.6% - a significant 13.8% below the target of 84.4%, which indicates the necessity to improve the reliability of resident services.

Value for money plans for 2023-24

Our main areas of underperformance in 2022-23 related to increasing property and repairs costs, due to external inflationary pressures. This, combined with the lower than expected operational income, reduced our operating margin. Our target for 2023-24 is to increase that margin to 28.6% which will be partly achieved by our strategic sales programme where we are budgeting to sell 25 units under our approved disposal strategy and further efficiency measures.

We also saw a decrease in overall resident satisfaction, driven by poorer repairs performance and satisfaction with those services. In response to this, we terminated the contract for one of our main term repairs contractors and are working with other suppliers to improve performance in this area. This includes widening our supplier base through the use of Plentific and re-procuring a main term contractor by March 2024. Although the headline satisfaction targets are not comparable from 2023 to 2024, we are confident that the plans in place will improve services and value for money in this area.

The increase in social housing cost per unit reflects the expected impact of rising costs and also increased investment in planned maintenance and works to improve the environmental performance of our homes. This is in addition to the funding of £9,759k that we will receive through the Social Housing Decarbonisation Fund (SHDF) which will enable us to increase the EPC rating of 2,043 homes to EPC - C and above over the course of two and a half years (March 2023 to September 2025). The additional SHDF funding will significantly improve the value for money of this programme of work, both for Network Homes and in terms of cost of use for our residents.

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The governance of the Group is summarised in the following paragraphs:

Network Homes Limited is a charitable Registered Society (registration number RS007326) under the Co-operative and Community Benefit Societies Act 2014. Network Homes is a registered provider of social housing (registered provider number 4825), and a member of the National Housing Federation (NHF). The Group is regulated by the Regulator of Social Housing.

As the parent company, Network Homes Limited has overall control of the business of the Association and its members. It will assist and support all subsidiaries in achieving compliance with regulatory requirements. The Board's responsibilities are set out in detail in the Board's Terms of Reference. On 31 March 2016, SW9 Community Housing became a subsidiary of Network Housing Group (now Network Homes Limited) and since that date has taken over property management services that were previously provided by Community Trust Housing. SW9 is a charitable company limited by guarantee (number 09574528).

This relationship is governed by an Intra-Group Agreement, Management Agreement and Options Review Agreement between the two entities as well as the Articles of Association of SW9 Community Housing.

These agreements establish control of SW9 by the Group. This requires consolidation of SW9 in the Group results.

Governance review

On 1 April 2021 Network Homes Group adopted the new NHF 2020 Code of Governance. Following an internal review, the Group arrangements were noted to be compliant with the new Code. An independent review of the Group's governance was conducted in April 2022 by 21st Century Housing Governance. This review concluded the Group's governance arrangements were compliant with the NHF Code of Governance 2020.

Risk management

Risk management procedures and considerations are embedded in the culture of Network Homes Limited with staff taking responsibility for identifying and assessing the risks faced by the Group and using a risk management framework to manage these risks.

The following committees have been established by the Board to consider specific aspects of the Group's affairs, providing recommendations and support to the Group and subsidiary boards.

The Chairs of the committees report back at the next Board meeting following each committee meeting. The committees and their main roles and responsibilities are set out in written terms of reference and summarised below. This is true as at financial year end 31 March 2023.

Audit and Risk Committee (ARC)

- The ARC reviews audit and risk management activities within the Network Homes Group and delivers an annual assessment of the quality of the internal control environment and the effectiveness of risk and audit systems to the Network Homes Board. The ARC also provides assurance on all matters covered by the Assurance Framework;
- receives Internal Audit Reports and monitors implementation of audit recommendations;
- provides advice and assurance to the Board within the parameters of these terms of reference;
- reviews the Group's risk appetite as set / recommended by the Board; and
- performs annual reviews of the Group's financial regulations and contract standing orders.

Customer Services Committee (CSC)

- The role of CSC is to agree customer facing strategy and policy and oversee performance so that 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;
- ensures that 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.

Investment Committee (IC)

- The IC recommends the Group's investment strategy to the Group Board and subsidiary boards;
- monitors the performance and delivery of the development programme, including post implementation review, and other new business activity against the investment strategy and agreed targets;
- scrutinises proposed investments before submission to subsidiary or Group boards for decision; and
- monitors the Group's resource capacity and capability to deliver the programmes.

Finance Committee (FC)

- The FC sets the treasury strategy for the Group;
- reviews treasury activities and cash management on behalf of the Group board, making recommendations as appropriate;
- has responsibility for recommending financial targets for the Group and the annual consolidated budget to the Group Board;
- examines business plan models, targets, key assumptions, scenarios and sensitivity tests – at least twice per year;
- monitors financial outcomes and forecasts against budget, including receiving quarterly dashboard reports on the Group performance;
- initiates 'deep dive' reports into areas of financial performance that give rise to concern or otherwise determined as appropriate;
- considers and approves the write-off of individual unpaid debts in excess of £20k, notifying the Group Board if deemed necessary;
- recommends central services and development cost apportionments to the Group;
- advises the Group Board on financial strategy for mergers and acquisitions, including consideration of financial due diligence reports for new business opportunities, making recommendations to the Group Board as appropriate;

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- reviews the Group's insurance portfolio and self-insured risks annually;
- considers the VFM strategy including commissioning value for money and efficiency reviews of operational areas, including appropriate benchmarking, providing challenge and assurance, making recommendations to Group Board as appropriate;
- reviews the long-term financial model, tests scenarios including risk stress testing and recommends financial targets to the Group Board;
- reviews the Pension strategy and contingent liabilities exposure; and
- reviews and recommends any other financial reports as appropriate.

People, Governance & Culture Committee (PGCC)

- The PGCC has responsibility for overseeing the Group's remuneration policies for paid staff and for non-executive members of the Group Board and the subsidiary boards. It has responsibility for keeping under review the terms and conditions of employment of the Group Chief Executive and other members of the Group Executive Leadership Team (ELT);
- oversees and determines the governance arrangements within the Group, including the adoption of and adherence to the Code of Governance, board and committee succession planning and appraisals, and the recruitment and induction of new board and committee members; and
- is responsible for overseeing the recruitment of new independent Board members for the Group Board and making recommendations on appointments to the Group Board and Group committees.

Early Warning Review Group (EWRG)

- Consisting of the chair of the board, CEO, and the chairs of all the above committees, the EWRG oversees reporting on early warning signals as set out in the business plan;
- receives a monthly early warning report which tests the current financial state of the organisation against a set of triggers approved by the Group;
- meets by default when an indicator moves into the red category or as required by members upon receipt of the monthly report; and
- has delegated authority to take mitigating actions in the event such actions may be required, and the expectation is that when a trigger point is hit, it will approve or direct implementation of any necessary resultant mitigation. It is expected to operate in exceptional circumstances, implementing mitigation strategies only where action is needed outside of the usual Board and sub-Committee meeting cycle. It has a shared responsibility to oversee and monitor the financial resilience and reputational risks or issues of the Network Homes Group ensuring both its future viability and that it has the maximum possible social impact.

As and when required, the Network Homes Board may establish a steering group or other decision-making body within its governance arrangements with delegated responsibility to oversee a matter. In November 2020, a Network Homes SW9 Steering Group was appointed, comprised of Network Homes Board and Executive members, to oversee ongoing developments with SW9 Community Housing. All decisions and discussions of these established decision making bodies are reported to the Network Homes Board verbally by the respective Chair (appointed from the Board membership) and through the sharing of minutes at its following proximate meeting to ensure the line of sight to the Board in all matters is maintained throughout.

Each corporate Group member is responsible for producing a risk map for its own business activities. The corporate risk map, which contains strategic level risks is produced and reviewed by the Executive Leadership Team and is informed by information from directorate risk registers.

There are four officer led risk panels. The Risk Panel, which comprises the Chief Executive, other executive members, and the Head of Internal Audit, reviews the corporate risk map and the operational / functional risk maps for consistency and completeness. The Risk Panel is responsible for ensuring that actions identified in the risk maps are followed through.

The Scheme Risk Appraisal Panel (SRAP) reviews risks associated with development schemes. The Building Safety Operational Group is a sub-Committee of SRAP and exists to review, monitor and determine matters that relate to Building Safety Operation strategy, budget and spend within delegations awarded to SRAP. The Health and Safety Panel reviews and considers risks, issues, control and management of the Group's health and safety arrangements.

Statement of compliance

The Group confirms that the Report of the Board has been prepared in accordance with the principles set out in paragraphs 4.6 and 4.7 of the 2014 SORP for registered social landlords. The Board confirms that the Group has assessed its compliance with the Governance and Financial Viability Standard at least once during the year and they certify that the Group is in compliance with the Governance and Financial Viability Standard in all areas.

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In accordance with Principle 1.5(3) of the NHF 2020 Code of Governance, the declared interests of all Board and Committee members as they relate to their capacity as a Network Homes Limited Board or Committee member are set out below as at 31 March 2023. Where retired members are listed, the declaration relates to the last point at which they were an appointed member of the Network Homes Board / Committee.

Board/ Committee Member	External directorships/ Related parties	Network Homes Group Membership
Helen Evans	Non-Executive Director, South London and Maudsley NHS Trust; Non-Executive Director, Connected Living London RP Ltd.	Member of Network Homes Board; Member of Customer Services Committee, Investment Committee, Finance Committee; Board Member of Network Treasury Services Ltd.; Director of Network Living Limited
Anne Turner	Board Member of PA Housing; Member of the SHPS Employer Committee (nominated by Network Homes)	Vice Chair and Member of Network Homes Board; Chair of Finance Committee and Network Treasury Services Ltd.; Standing Observer of Investment Committee
Sean West	Chief Financial Officer and Executive Board director for the Arqiva Group (UK Broadcast and communications infrastructure business)	Member of Network Homes Board; Member of Network Treasury Services Ltd. Board; Chair and Member of Audit & Risk Committee; Member of Finance Committee
Paul Plummer	Non-Executive Director, National Grid Eso; Professor in Rail Strategy, University of Birmingham	Member of Network Homes Board; Chair and Member of People, Governance & Culture Committee; Member of Audit & Risk Committee
Rachel King	Group HR Director, Spire Health Care Plc	Member of Network Homes Board, People, Governance & Culture Committee and Customer Services Committee
Ronen Journo	Senior Managing Director: Head of European Management Services & Operations at Hines Europe; Board Advisor to several start-ups: Audit & Risk Committee Club, SpaceOs, Basking, Placense, JUCE., WorkClub – no remuneration other than symbolic stock options; Member of The Cabinet Office, GPA Challenge Panel	Member of Network Homes Board; Member of Customer Services Committee and People, Governance & Culture Committee
Jon Gooding	Member of Investment Committee UK Affordable Housing Fund, BMP REP; Chair, LTYD Homes Ltd. (part of Lendlease Group)	Interim Chair and Member of Network Homes Board; Member of Finance Committee and NTSL Board; Member of NHIL and NADL Boards
Barbara Brownlee	Chief Executive Officer, Soho Housing Association; Director of Soho Ltd.	Member of Network Homes Board; Chair and Member of Customer Services Committee; Member of Investment Committee
Amina Graham	Executive Director of People and Systems at H21; Member of the Board of Paradigm Housing Group from Spring 2023	Member of Network Homes Board; Customer Services Committee and Audit & Risk Committee
Adeoye Adebayo	Director, AOA Property Consulting Limited; Non-Executive Director on the board of Sutton Housing Partnership from 7 December 2022	Member of Network Homes Board, People, Governance & Culture Committee and Interim Chair of Investment Committee

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Board/ Committee Member	External directorships/ Related parties	Network Homes Group Membership
Mavis Oti Addo Boateng	None	Member of Finance Committee and Audit & Risk Committee
Matthew Backler	Deputy Director of Finance, East Sussex Healthcare NHS Trust	Member of Audit & Risk Committee and Finance Committee
Dee Alapafuja	Resident of Network Homes; Board Member of SW9 Community Housing	Member of Customer Services Committee
Charlene Jones	None	Member of Audit & Risk Committee
Shauna Hutchinson	None	Member of People, Governance & Culture Committee
Wissam Chouceir	None	Member of Investment Committee

Significant risks
The significant risks on pages 24 to 29 are as discussed and agreed by Network Homes' Audit and Risk Committee in April 2022. Whilst the COVID-19 pandemic and the resulting economic conditions have undoubtedly had an impact upon our operations, our fundamental business model has remained strong. Our primary purpose is to provide below market rate homes for households in need and operate in areas of the country with the greatest housing need. Many of our residents have already experienced income shocks and many more could do so into the future. We are currently experiencing - near unprecedented - levels of inflation impacting on our operations and development of new affordable homes. Our residents and colleagues are also experiencing a rapidly rising cost of living. In financial year 2021-22 we successfully completed changes to our pay policy based on three principles of creating a new policy which is purposeful, equitable and transparent, which provides some mitigation for colleagues. We have increased the budget of our charitable fund to support residents and also limit impacts upon our rental income.

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Significant risks

Risk	Responsible Officer	Mitigating Action	Progress made in the Financial Year
Exposure to building safety issues resulting in a resident Health and Safety risk, costs which reduce our ability to meet other strategic objectives and potential negative reputational impacts upon Network Homes with our customers, stakeholders and in the sector more generally.	Executive Directors of Development and Customer Services	• Monthly internal meetings that review all known latent defects. • Establishment of Building Safety team to manage investigations, remediation, and resident liaison. • Regular review of position and financial impact at Building Safety Operational Group. • Waking watch or Evacuation Managers in seven buildings with a weekly report on their operation circulated internally.	• Strategy for investigating external wall construction in buildings below 18m was agreed by the Building Safety Operational Group (BSOG). • Plan for preparation for Building Safety Act 2022 agreed by Building Safety Operational Group. • Progress on the Building Safety Fund (BSF) and Waking Watch Fund (WWF) is as follows: - 5 schemes on-site with remediation; - 3 BSF applications paid; - 2 BSF awaiting outcome; - 2 BSF to be resubmitted; - one scheme Waking Watch Fund payment received; - longest running remediation works will complete in late 2022; and - EWS1 certification in place for 1,888 homes across 59 Network Homes owned blocks & for 1,091 homes across 43 Section 106 buildings.
Failure to remain compliant with resident health & safety requirements (gas, fire, electric, damp and mould etc.) resulting in potential negative reputational impacts upon Network Homes with our customers, residents, stakeholders and in the sector more generally.	Executive Director of Customer Services	• Annual gas safety servicing programme. • CO_2 detectors checked and fitted across stock as part of gas safety check. • New development handover processes implemented to ensure gas equipment is added to servicing schedules before properties are occupied. • All FRAs completed. • Lift contractor completes monthly servicing and annual inspections; Zurich completes 6 monthly inspections as our insurers. • Programme of 5-year electrical dwelling and communal testing. • Electrical tests take place at each void. • Risk based asbestos analysis of whole stock completed. • Water safety testing and inspection programme in place.	• Gas servicing maintained 100% compliance. • Contract negotiations with Apex are now concluding. • Recruited trainee fire safety officers to fire safety team. • In relation to the Fire Safety Act 2021 we have produced an action plan for delivery. We have placed orders for premise information boxes and floor plans to meet the new requirements. We are reviewing different ways to deliver door inspection requirements and have sought quotes from third party suppliers.

Risk	Responsible Officer	Mitigating Action	Progress made in the Financial Year
Adverse political decisions on independence, rents, welfare reform and any other matter which potentially might undermine the operating model.	Executive Director of People, Partnerships & Sustainability	• Changes in political and economic policy continually monitored through Research and Policy team. • Regulator of Social Housing's Rent Standard runs from April 2020 for five years and has now been amended to cover non-supported housing in 2023-24 to reflect the 7% rent cap. • Development programme in London subject to close oversight and scrutiny by Investment Committee prior to finalising commitments. • Relationships that key Network Homes officers have at a political and senior level in government.	• We continue to engage closely with government on matters of interest including in the last quarter on rent caps. • Network Homes has agreed to increase regulated rents by 7% in 2023-24 and cap shared ownership increases to 7%. • Network Homes published a think piece on 'Levelling rents', obtained media coverage and used as discussion piece with government contacts.
Income collection (including sales) impaired by macro-economic shocks, rising inflation, house price volatility and/or decreasing organisational competence or focus on income collection. Income collection is likely to be under increasing pressure from a combination of factors, including but not limited to inflation on consumer goods, fuel and utilities not matched by average wage inflation. It is currently impossible to predict for how long these pressures might persist and what their eventual amplitude ends up being.	Executive Directors of Customer Services and Finance	• Debt Oversight Panel scrutinises income collection performance weekly across all income collection functions. • Arrears reported to the Executive Leadership Team (ELT) on a monthly basis. • Presentation to Customer Services Committee and ongoing quarterly updates. • Direct debit incentive campaign. • Benefit Advice Calculator available to residents and staff. • Income automation process implemented. • Finance Committee receives quarterly corporate debt report.	• Northgate Optimisation Project second stage concluded. • Heat income stream now collecting income. • Phase 2 of the Service charge reimplementation project concluded in March 2023. • We are now forecasting to spend £167k this financial year (against a budget of £140k) on the charitable fund. The current draft of the 2023-24 budget proposes this be increased to £200k. 2021-22 financial year was £75k.

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Risk	Responsible Officer	Mitigating Action	Progress made in the Financial Year
Breach of loan covenant and worsening covenant performance.	Executive Director of Finance	• Post amalgamation loans matrix in place, as prepared by lawyers; listing various clauses from the loan documents where consent may be required. • Schedule of information requirements is maintained. • Covenants are forecast against the business plans and dashboard in place to monitor headroom in covenants. • New development schemes are assessed against their effect on gearing before approval. • Regular reporting to Finance Committee on covenants. • Business Plan forecasting to Finance / Investment Committee. • Regular reporting to Finance Committee (FC) / Scheme Risk Appraisal Panel (SRAP) on security charging position.	• Monthly covenant testing re-introduced.
Cash flow liquidity and access to new funding (and existing facilities)	Executive Directors of Finance and Development	• Monthly cash flow review meeting; monitoring Anticipated versus Target. • Market awareness provided by Valuers' three month valuations. • 'Plan B' strategies for high risk sites devised. • Early Sales strategies including off plan and early availability of 'show apartments'.	• Frequency of Development Programme Stress Test paper to SRAP and Investment Committee continues on a quarterly basis. • Negotiations with alternative funding providers are ongoing. • Finance Committee has considered options for the sale of non-core asset portfolios and has approved commissioning of legal and accountancy advice.
Damage to reputation with residents, colleagues, media or other external stakeholders as a result of issues not related to building safety including but not limited to, failing to achieve growth commitments, mismanagement of shared ownership/leaseholder relationships, poor resident involvement, credibility with government (local and national) resulting in lower resident satisfaction, colleague recruitment, retention and commitment and potentially restricted access to new grant funding.	Executive Director of People, Partnerships and Sustainability	• Voluntas surveys. • Tenant consultation event prior to the commencement of major works. • Annual reports, tenant newsletters. • Customer satisfaction survey sent out on completion. • Attend established groups such as consultative panels. • Resident liaison officer in place. • Resident representatives invited to sit on procurement panels. • Code of Conduct. • Customer Service Strategy agreed by Customer Services Committee.	• Network Homes' resident featured online in the press, story rapidly updated with extensive quote from Executive Director of Customer Services. • Continuing to manage high volumes of enquiries from residents in relation to damp and mould. • E-newsletters to all stakeholders & residents.

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Risk	Responsible Officer	Mitigating Action	Progress made in the Financial Year
Cost inflation impact on viability of operations and development and availability of required skills.	Executive Director of Finance	• Development triggers monitored monthly. • Periodic revision of inflation assumptions in business plan. • Stress testing. • Monthly staff resources reviews with HR. • Framework fee rates for consultants. • Design development to suit viable scheme budget. • Procurement route VFM. • Reporting of experience of contract inflation by procurement team.	• Monthly reporting on Cost Inflation relating to Development Projects at SRAP – cost inflation impacting on construction projects. Material increases of circa 15% on kitchens, 30% on Bricks & Timber and 37% for Steel. • Tenders for two of our schemes were significantly higher than the pre-tender estimates. Both projects were reported to Investment Committee. • Plentific pilot has been extended continuing our access to a new range of contractors. • Inflationary – risk of continued inflationary pressure from the market has been mitigated by the recent new rates being secured with our repairs contractor to undertake repairs and voids services for the entirety of the Network Homes stock. However, does not fully mitigate the issue should the market continue to experience inflationary pressures with labour and certain materials. This will be continuously monitored on a monthly basis. • Operational pressure – whilst the previous repairs contractor de mobilisation is through an amicable agreement, the final account process with regards to monies owed commercially, if drawn out, could pose the risk of becoming a drain on resource and divert focus from continuing to drive the required service improvements. • Addition of expanded cost inflation indicator to early warning report measuring separately effects of inflation on income and expenditure. • Revision of business plan to include likely 2-year duration of effect of divergent inflationary pressure on expenditure and income assuming the 7% rent cap lasting two years. • 12-month fix of utility prices achieved prior to most recent price spikes, planning for re-procurement of bulk utilities in July 2023 has commenced.

Risk	Responsible Officer	Mitigating Action	Progress made in the Financial Year
Inadequate response by Network Homes to the Climate emergency if we do not do enough to make our homes healthier and warmer it will negatively impact residents' health and may result in additional costs from government. In wider terms we must report clearly on our actions to address the climate emergency in order to continue to be able to access private funding.	Executive Director of Finance	• Assessing potential investment requirements to make stock compliant. • Monitoring potential impact on buildings or people through health and safety and asset management. • Economic and political horizon scanning. • Potential health & safety impact on residents monitored extensively. • Attracting funders willing to lend to a portfolio with significant partially funded energy performance remediation requirements.	• Discussions ongoing with external providers with a view to identifying funding mechanisms for sustainability. Legal review of all tenancy and lease agreements underway to establish position as to ability to recharge and change fabric of properties for sustainability benefit. • Social Housing Decarbonisation Fund bid for 2,043 homes submitted on 18 November 2022. • Update on Asset Management Strategy reported to Investment Committee on 13 December 2022, covering sustainability investment.
Cyber security and fraud results in financial loss and reputational damage as a result of business interruption, loss of resident and stakeholder confidence and regulatory penalties.	Executive Director of People, Partnerships and Sustainability	• Anti-virus software. • Firewall. • Security configuration. • Back-up to tapes in secure storage. • Website externally hosted. • Secure mobile email. • Restricted access to Cloud storage.	• Organisation wide cyber security business continuity test carried out on 24 February. • Security Operations Centre (SOC) project and external security review completed provide holistic review and assurance. • Deep dive report on cyber security presented to ARC at October 2022 meeting providing further assurance.
As a result of **business / company failure of a key contractor or other external disruption to their operating capability** there is a risk that critical services become unavailable causing serious disruption.	ELT member for the directorate for whom the service / supply is procured	• Due diligence process - Financial liability checks undertaken when we procure new services, systems, etc. • Early Warning Report.	• Ongoing close contract management of key suppliers with a focus on performance, which is considered to be a leading indicator of organisational stress. Any daily exchanges with contractors which identify organisation stresses/need for urgent payment to be escalated to senior managers. • The contract management approach for known critical suppliers is being reassessed. • Key Development Contractors are being closely monitored and new Development Risks added for the delivery of two projects. • Working with G15 colleagues concerning supply chain fragility and taking a cautionary approach for future contracts with searching financial checks. • Completed list of critical suppliers sent to Corporate Planning and added to automated Experian Watch List.

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Statement of Group corporate governance

Risk	Responsible Officer	Mitigating Action	Progress made in the Financial Year
Inter-group entity activity results in downgrade, loss of assets or distraction of management time.	Executive Director of Customer Services (Liaison officer)	• Performance framework. • Independent Board in place to monitor governance arrangement. • Reporting to Customer Service Committee quarterly. • Proven history of engagement with subsidiary Board when issues arise to mutually agree means of investigation and resolution and ongoing monitoring of actions required.	• External solicitors advising and representing Network Homes in all matters in relation to any disputes which might occur where there are any potential or actual significant risks. • Continue to follow all laid-down internal processes.
Ongoing development of our Information Technology platforms renders them unstable and disrupts service delivery - As a result of a lack of inhouse expertise and the way in which our internal systems have been developed, we may not have appropriate expertise, stable and reliable resource inhouse to maintain our technical foundations which may result in overdependence upon third party external developers and a lack of understanding inhouse, and as such a single point of failure.	Executive Director of People, Partnerships and Sustainability	• Technical Design Authority and Business Transformation Information Management Steering Group. • The present qualified and technically experienced staff who attend external training as required. • Programme governance so that relevant systems/changes are tested through User Acceptance Testing and other technical tests.	• Addition of internal capabilities/ personnel. • Addition of external suppliers to support development. • CRM review project enhanced understanding and direction for product strategy.
External factors reduce the number of affordable homes we can develop harming our strategic objective, the life experiences of potential future residents and our reputation with key external partners.	Executive Director of Development	• Framework fee rates for consultants. • Design development to suit viable scheme budget. • Procurement route VFM. • Monthly risk workbooks. • SRAP meetings. • Economic and political horizon scanning.	• At one scheme the contractor refused to sign contracts at the originally tendered price. Negotiations with GLA ongoing to provide cover for potential additional costs associated with a second staircase. • Projected construction costs at one scheme have increased. • Tenders for a specific scheme returned higher than expected.

Report of the Board

Statement of Group corporate governance

Internal controls assurance statement

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

The system of internal control is designed to manage risk and provide reasonable (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 and operational information, the safeguarding of Network Homes' assets and interests and compliance with relevant legislation, law and regulations. The Board recognises that no system of internal control can provide absolute assurance or eliminate all risks.

Assurance framework

The assurance framework adopted by the Board is based on the "Three Lines Model" endorsed by the Institute of Internal Auditors and the Financial Conduct Authority. The assurance framework is designed to provide sufficient, continuous and reliable assurance on organisational stewardship and the management of the major risks to organisational success and delivery of improved value for money.

Key elements of the control framework include:

Risk assessment

In meeting its responsibilities, the Board has adopted a risk-based approach to internal control, which is embedded within the normal management and governance processes. By embedded we mean that the controls are considered to be integral to the day-to-day procedures of the organisation.

Executive responsibility has been clearly defined for the identification, evaluation and control of significant risks. The Executive Leadership Team (acting as the Risk Panel) carries out evaluations of the risks which impact on the Group's ability to meet key business objectives. Risk assessments are carried out throughout the year and are aligned to the business planning process. Business risk assessments are also carried out throughout the Group at departmental levels, for projects and for new business opportunities. This process is applied through a quarterly reporting framework co-ordinated by the Risk Panel. The Executive Leadership Team considers reports on significant risks facing the Group and the Chief Executive is responsible for reporting any significant changes affecting key risks or the breakdown of internal control. The Group's most significant risks are further analysed, quantified, and reviewed by the Risk Panel presented to the Audit and Risk Committee for further analysis and approval and then reported to the Board.

Monitoring

As part of the risk management process, managers carry out control evaluation relating to key risks and confirm that key controls are in place and are working effectively or require improvement. Actions arising from identified control weaknesses are documented in the risk assessment. Management reporting on control provides hierarchical assurance to successive levels of management and to the Board. A process is in place for corrective action in relation to any material control issues arising from independent internal and external audit reports. The Audit and Risk Committee (ARC) reviews the work of the internal and external auditors whose annual reports are received by the Board.

The Internal Audit function carries out risk-based internal audits across the Group. The ARC approves the audit plan and receives an annual report and Assurance Statement on internal control effectiveness. The Board receives a copy of this report. The internal control framework and the risk management process are subject to review by Internal Audit, which is responsible for providing independent assurance to the Board and the ARC.

Control environment and activities

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues. The Board adopted the National Housing Federation's 2020 Code of Governance as at 1 April 2021. This sets out the Group's policies with regards to the quality, integrity, and ethics of its employees.

The governance framework is supported by a framework of policies and procedures which are reviewed annually. Scheme of Delegations, Standing Orders, Contract Standing Orders and Financial Regulations cover issues such as delegated authority, segregation of duties and procurement. Other Group policies cover health and safety, data and asset protection and fraud detection and prevention. During the year, the ARC approved the Group's annual counter fraud work plan.

The Network Homes Board fully complies with the chosen Code of Governance and all subsidiaries adopt the principles of the Code.

Information and communication

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.

Guidance has been produced on the responsibility at Board level for audit, risk, and control issues across the Group.

The Group's Board has received the Chief Executive's annual assurance statement on the effectiveness of internal controls; has conducted its annual review of the effectiveness of the system of internal control and has re-confirmed the organisation's risk appetite.

Continuous improvement

The Board confirms that there is an on-going process for identifying, evaluating, and managing significant risks faced by the Group. This process has been in place throughout the year under review, up to the date of the annual report, and is reviewed by the Board.

The Board has reviewed the effectiveness of the systems of internal control, including the agreed sources of assurance and confirms they are appropriate for that purpose.

The Board is satisfied there is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year. Up to the date of signing of these financial statements those systems were directed at the management of the significant risks facing the Group. No weaknesses were identified which would have resulted in material misstatement or loss that would have required disclosure in the financial statements.

Report of the Board

Statement of Group corporate governance

In May 2023, Henry Construction went into administration. Henry was the main contractor for the Merrick Road project. The profits recognised in the year are primarily based on a contractual relation that has broken post year end and as a result this event is treated as a non-adjusted subsequent event. Income recognisable in accordance with this long term contract will be revised in the next financial year. Negotiations are currently under way to secure a new contractor for this project.

Statement of Board's responsibilities

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

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation and regulation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Registered Provider of Social Housing (RPSH) and of the surplus or deficit for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and ensure they are applied consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the RPSH will continue in business.

The Board is responsible for keeping proper accounting records. These must be sufficient to show and explain the RPSH's transactions, disclose with reasonable accuracy at any time the financial position, and enable the Board to ensure the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and Regulations, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England from April 2019. It is also responsible for safeguarding the assets of the RPSH including taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and its subsidiaries included in the consolidation, together with disclosure of the principal risks and uncertainties they face.

The Board is responsible for the maintenance and integrity of the RPSH's website upon which the financial statements and other relevant corporate and financial information on the RPSH is published. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Report of the Board confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each Director has taken all the steps that he or she ought to have taken as a Director to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

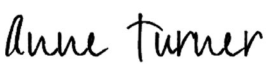
Independent Auditors

The report of the Directors incorporating the strategic report was approved on 25 August 2023 and signed by order of the Board by:

Jon Gooding,
Interim Chair

....

Anne Turner,
Board member



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Environmental, Social and Governance report 2023

Environmental, Social and Governance report 2023

As part of our Sustainability Strategy 2021-2024 and accompanying Sustainability Strategy Action Plan, our long-term objective is to improve the efficiency of our homes by bringing all properties up to a minimum EPC C rating by 2030 and reaching net zero emissions by 2050.

As it stands, 67.8% of homes are rated EPC C or above, with an average SAP rating of 71.66.

In the last financial year, we have completed 207 new homes with 100% being EPC band B or above.

Toward a net zero carbon future by 2050

To ensure we meet our sustainability goals, we aim to minimise our impact on the environment and climate by:

- improving the energy efficiency of existing homes through a 'fabric first' approach;
- procuring responsibly sourced materials and sustainable resources;
- reducing waste from our services and actively promoting recycling among staff and residents; and
- effective management of our green and open spaces and implementing further biodiversity measures.

We continue to work on various initiatives to assess the energy efficiency of our existing buildings and make improvements to residents' homes. These measures have included:

- a programme of combined retrofit and stock condition surveys to ensure we have high quality data of homes;
- fabric improvements to enhance thermal performance, through external insulation and renewals of double-glazing windows and doors;
- installing renewable energy sources on-site; and
- utilising mechanical ventilation and communal heating systems for optimal thermal flow.

Across our housing stock, we are working to reduce water consumption, and alleviate the risks of flooding and overheating.

The latest Design Guide emphasises the importance of a "Passive First" approach to carbon reduction by considering which way the building is facing, insulation, orientation of windows and how well the building absorbs, stores, and releases heat. This means climate resilience can be built into homes to create sustainable communities and end fuel poverty. The Design Guide also advises all developments to incorporate ecological enhancements and opportunities for increased biodiversity to help us secure a net biodiversity gain while enhancing resident wellbeing.

600 trees
planted in new mini 'Miyawaki' forest at King Edward VII Park in Wembley

£19.6 million
investment to improve the energy efficiency and eco-friendliness of residents' homes

2,227 homes
provided with heat and hot water through sustainable heat networks

We have created a well-designed sustainable water cycle and drainage strategy to mitigate the risk of flooding and increase water efficiency. For instance, at the Wembley High Road development, we have installed low-flow sanitary ware and appliances to help us meet our daily target of 105 litres per person. Additionally, we have introduced blue (395m^2) and green (361m^2) roofs to reduce the amount of surface water run off entering the existing drainage infrastructure. At street level, we have also de-paved certain areas (85m^2) and introduced soft landscaping to intercept any further surface water runoff.

To ensure the success of our Sustainability Strategy, we will continue to fully engage with residents throughout our journey to achieving net zero carbon by 2050 and encourage residents to become Sustainability Ambassadors to help develop solutions and projects.

Sustainability SHIFT

In 2022, Network Homes completed the third Sustainable Homes Index for Tomorrow (SHIFT) assessment to help measure our sustainability performance and demonstrate our environmental credentials to partners, funders, staff, regulators and residents. This year we achieved the SHIFT Silver standard with a score of 53.23, ranking us 13th out of 40 most recent SHIFT assessments at the time.

We continue to use the feedback from SHIFT to revise and improve our Sustainability Strategy.

Greenhouse Gas Emissions

Our sustainability performance has been measured by SHIFT and follows Scope 1, 2, and 3 (tonnes CO^{2}e). The Streamlined Energy and Carbon Reporting (SECR) Statement complies with the latest SECR Regulations delivered by Suss Housing through the SHIFT assessment and reports on the Green House Gas emissions and energy use. The reporting period is April 2022 to March 2023, as per the financial accounts.

Overall Performance

- Scope 1: 5,526.71 tonnes CO^{2}e
- Scope 2: 2,485.93 tonnes CO^{2}e
- Scope 3: 35,892.15 tonnes CO^{2}e

Environmental, Social and Governance report 2023

Carbon

Environmental issue	Absolute [1]	Intensity[2]
Individually heated homes, regulated emissions		
Scope 3[3]	35,195.32 tonnes CO^2e	SAP 71.66 2,175 kgCO^2e per home managed
Communal heating systems		
Metered data Scope 1	5,444.31 tonnes CO^2e	8,810 kWh per home managed
Metered data Scope 2	124.13 tonnes CO^2e	
Other landlord supply		
Scope 1	65.24 tonnes CO^2e	147.71 kgCO^2e per home managed
Scope 2[4]	2,324.54 tonnes CO^2e	
Offices		
Scope 1	17.16 tonnes CO^2e	8.62 kgCO^2e per m^2
Scope 4[4]	37.26 tonnes CO^2e	
Business mileage		
Scope 3	226.51 tonnes CO^2e	14kgCO^2e per home managed
Maintenance activities		
DLO Scope 1	0 tonnes CO^2e	29.07 kgCO^2e per home managed
Supply chain Scope 3	470.32 tonnes CO^2e	

The Network Homes' ESG report for 2022-23 will provide additional information on environmental, social, and governance matters.

[1] In line with best practice environmental reporting, the absolute environmental impact is given here – this gives an overall assessment of impact.

[2] In line with best practice environmental reporting, the intensity is given. Intensity is the environmental impact per meaningful unit. E.g., per home managed or per m2 of office space. Intensity allows organisations to monitor progress towards long term aims, even if they change in size e.g., gain more homes or office space. Intensity is used for SHIFT scoring and benchmarking.

[3] Scope 3 excludes supply chain data, as recommended by SHIFT.

[4] Scope 2 emissions shown here include Scope 3 transmission and distribution losses associated with UK electricity.

Independent Auditor's report

to the members of Network Homes Limited for the year ended 31 March 2023

Independent Auditor's report

to the members of Network Homes Limited for the year ended 31 March 2023

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2023 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

We have audited the financial statements of Network Homes Limited ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2023 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in reserves, the consolidated and Association cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the board members' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and of the Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the board with respect to going concern are described in the relevant sections of this report.

Other information

The board are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information. We do not express any form of assurance conclusion thereon. Our responsibility is to read the other information including the Chair's Review, the Group Chief Executive's review and the Report of the Board, including the Strategic Report, the Value for Money Statement and the Statement of Group Corporate Governance and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the Statement of Board's responsibilities set out on page 31, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for 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 the board either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's report
to the members of Network Homes Limited for the year ended 31 March 2023

Auditor's responsibilities for the audit of the financial statements

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Discussions with management, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud.
- Reviewing minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC and the Regulator to identify any actual or potential frauds or any potential weaknesses in internal control which could result in fraud susceptibility.
- Reviewing items included in the fraud register as well as the results of internal audit's investigation into these matters.
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the recoverable amount of assets and the appropriate allocation of costs.
- In addressing the risk of fraud, including the management override of controls and improper income recognition, we tested the appropriateness of certain manual journals, reviewed the application of judgements associated with accounting estimates for the indication of potential bias and tested the application of cut-off and revenue recognition.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities . This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them 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 and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

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BDO LLP

Statutory Auditor

Gatwick, Date:

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated and Association Statement of Comprehensive Income for the year ended 31 March 2023

	Note	Group 2023 £'000	Group 2022 Restated £'000	Association 2023 £'000	Association 2022 Restated £'000
Turnover	3	243,122	218,064	201,430	205,538
Cost of sales	3	(64,261)	(50,264)	(35,541)	(47,524)
Operating costs	3	(148,618)	(136,695)	(137,650)	(111,437)
Profit on disposal of housing properties	3	8,675	9,655	8,675	9,655
Movement in fair value of investment properties	3	246	2,319	426	2,239
Gift aid receivable		-	-	1,327	912
Operating surplus		**39,164**	**43,079**	**38,667**	**59,383**
Interest receivable and other income	7	1,442	179	1,393	177
Restructuring of financial instruments	7	105	101	105	101
Interest and financing costs	8	(35,516)	(34,099)	(37,652)	(35,112)
Surplus on ordinary activities before taxation		**5,195**	**9,260**	**2,513**	**24,549**
Tax credit on surplus on ordinary activities	10	-	309	-	-
Surplus for the year		**5,195**	**9,569**	**2,513**	**24,549**
Actuarial (loss)/gain on defined benefit pension scheme	35	(4,033)	2,567	(4,033)	2,567
Total comprehensive income/(loss) for the year		**1,162**	**12,136**	**(1,520)**	**27,116**

All activities are classed as continuing.
The amounts included in turnover and costs of sales have been restated to exclude profit on disposal of housing properties and revaluation surplus on investment properties, refer to note 3 for further details.

Notes on pages 42 to 86 form part of the financial statements.

Consolidated and Association Statement of Changes in Reserves for the year ended 31 March 2023

Group	Revenue reserve £'000	Fair value reserve £'000	Total £'000
At 31 March 2021	**492,637**	**7,635**	**500,272**
Surplus for the year	9,569	-	9,569
Reserve transfer	(2,157)	2,157	-
Pension re-measurement	2,567	-	2,567
At 31 March 2022	**502,616**	**9,792**	**512,408**
Surplus for the year	5,195	-	5,195
Reserve transfer	(246)	246	-
Pension re-measurement	(4,033)	-	(4,033)
At 31 March 2023	**503,532**	**10,038**	**513,570**

Association	Revenue reserve £'000	Fair value reserve £'000	Total £'000
At 31 March 2021	**517,472**	**6,006**	**523,478**
Surplus for the year	24,549	-	24,549
Reserves transfer	(2,077)	2,077	-
Pension re-measurement	2,567	-	2,567
At 31 March 2022	**542,511**	**8,083**	**550,594**
Surplus for the year	2,513	-	2,513
Reserves transfer	(426)	426	-
Pension re-measurement	(4,033)	-	(4,033)
At 31 March 2023	**540,565**	**8,509**	**549,074**

The Association has share capital of £10. The movement in share capital is disclosed in note 30.

Notes on pages 42 to 86 form part of the financial statements.

Consolidated and Association Statement of Financial Position at 31 March 2023
Co-operative and Community Benefit Societies No. RS007326

	Note	Group		Association	
		2023 £'000	2022 £'000	2023 £'000	2022 £'000
Fixed assets					
Intangible assets					
Computer software	12	14,867	15,026	14,867	15,026
Tangible Assets					
Housing properties at cost less depreciation and impairment	11	2,236,789	2,157,467	2,245,904	2,166,582
Other fixed assets	12	5,241	5,575	5,241	5,575
Investment properties	13	29,650	27,933	26,220	24,323
Total tangible fixed assets		**2,271,680**	**2,190,975**	**2,277,365**	**2,196,480**
Investments (financial)	14	5,251	5,230	5,251	5,230
Investment (shares)	15	25	25	105,025	105,025
Investment in joint venture	16	-	-	-	-
Shared Equity Loans	17	3,004	3,311	3,004	3,311
Debtors: amounts falling due after more than one year	18	1,610	117	-	117
Total fixed assets		**2,296,437**	**2,214,684**	**2,405,512**	**2,325,189**
Current assets					
Stock	19	76,492	110,126	79,113	82,488
Debtors: amounts falling due within one year	20	64,522	22,175	56,825	18,813
Cash and cash equivalents	21	71,602	68,398	64,738	63,836
		212,616	200,699	200,676	165,137
Creditors: amounts falling due within one year	22	(130,808)	(109,203)	(192,472)	(146,002)
Net current assets		**81,808**	**91,496**	**8,204**	**19,135**
Total assets less current liabilities		**2,378,245**	**2,306,180**	**2,413,716**	**2,344,324**
Creditors: amounts falling due after more than one year	23	(1,832,775)	(1,776,102)	(1,832,775)	(1,776,102)
Provisions for liabilities and charges	24	(32,260)	(20,277)	(32,227)	(20,235)
Pension surplus	35	360	2,607	360	2,607
Total net assets		**513,570**	**512,408**	**549,074**	**550,594**
Capital and reserves					
Non-equity share capital	30	-	-	-	-
Revenue reserves		503,532	502,616	540,565	542,511
Fair value reserves		10,038	9,792	8,509	8,083
Total reserves		**513,570**	**512,408**	**549,074**	**550,594**

Notes on pages 42 to 86 form part of the financial statements.
These financial statements on pages 38 to 86 were approved and authorised for issue by the Board on 25 August 2023.

Jon Gooding, Interim Chair

Anne Turner, Board member Anne Turner

Asantewaa Brenya, Company Secretary

The Directors have the power to amend the financial statements after this date.

Consolidated and Association Statement of Cash Flow for the year ended 31 March 2023

	Note	Group		Association	
		2023 £'000	2022 £'000	2023 £'000	2022 £'000
Net cash inflow from operating activities	**34**	**40,188**	**68,606**	**33,753**	**44,667**
Cash flow from investing activities					
Purchase of tangible fixed assets – housing properties		(117,617)	(168,689)	(107,805)	(139,772)
Purchase of tangible fixed assets – other fixed assets		(3,669)	(2,071)	(3,583)	(2,071)
Proceeds from disposal of tangible fixed assets		62,907	75,733	56,105	74,614
Grants received		3,312	25,768	3,312	25,768
Shared equity investments		350	386	350	386
Interest received		1,225	75	1,182	71
Investment in shares		-	-	-	(15,000)
Investment in joint venture		-	-	-	-
Gift aid received		-	-	1,080	12,526
Net cash used in investing activities		**(53,492)**	**(68,798)**	**(49,359)**	**(43,478)**
Cash flow from financing activities					
Interest paid		(45,867)	(42,080)	(45,867)	(42,080)
New borrowings		304,000	90,500	304,000	90,500
Repayment of borrowings		(241,625)	(45,694)	(241,625)	(45,694)
Net cash received from financing activities		**16,508**	**2,726**	**16,508**	**2,726**
Net increase in cash and cash equivalents		**3,204**	**2,534**	**902**	**3,915**
Cash and cash equivalents at the beginning of the year		68,398	65,864	63,836	59,921
Cash and cash equivalents at 31 March		**71,602**	**68,398**	**64,738**	**63,836**
Cash and cash equivalents consist of:					
Cash at bank and in hand		71,602	68,398	64,738	63,836
Bank overdraft		-	-	-	-
Cash and cash equivalents		**71,602**	**68,398**	**64,738**	**63,836**

Notes on pages 42 to 86 form part of the financial statements.

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

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

1. Accounting policies

The Association is incorporated in England. It is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 and is registered with Homes England as a social housing provider. The Association is a public benefit entity. The Group's registered address is The Hive, 22 Wembley Park Boulevard, Wembley, Middlesex HA9 0HP, United Kingdom.

The following policies have been applied consistently from one financial year to another and in dealing with items which are considered to be material in relation to the financial statements of the Group.

Basis of preparation and statement of compliance

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

The accounts are prepared under the historical cost basis except for the modification to a fair value for investment properties as specified in the accounting policies below. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The Group and Association's presentation currency is British Pounds (GBP). Amounts are presented in thousands unless otherwise stated.

Going Concern

These financial statements are prepared on a going concern basis. Internal monitoring structures remain strong with monitoring frequency of all operational parameters at increased levels including at committee and board level throughout the past 12 months. The external environment is expected to remain challenging, but Network Homes is well placed to meet these challenges from a continued position of strength.

The 30 year business plan is reviewed every quarter and stress tested showing the Association and its subsidiaries are viable over the next 30 years. The Group is able to remain covenant compliant under all but the most severe stress tests and has early warning as well as mitigation mechanisms in place to return the business plan to covenant compliance for the most severe stress scenarios should they arise. The Group has been operating in a high inflation environment for the year under review. The stress scenarios have been updated accordingly and its early warning indicators do not forecast it entering any of its stress scenarios in the foreseeable future. The Group has substantively reviewed its risk register and risk appetite and stress scenarios to reflect the significant changes in macroeconomic fundamentals.

The liquidity policy is set to retain sufficient liquidity to fund the business for the next 18 months, while as a matter of prudence allowing for some uncertainty in sales receipts. The policy was reviewed by the Finance Committee and upheld unchanged in March 2023. Cash flow is monitored and reported to Finance Committee on a monthly basis. A 25% reduction in sales proceeds is included as a contingency when the liquidity requirements are assessed. There is enough funding in place to meet development commitments.

The Association has remained compliant with all statutory, regulatory and disclosure requirements throughout the various stages of the pandemic, evidencing the strength of its business continuity plan and overall organisational resilience. It remains in close and regular contact with the Regulator of Social Housing on all relevant topics.

The Group's Board has a reasonable expectation that the Association has the financial strength and control mechanisms in place to continue in operational existence for the foreseeable future.

The Group Board commenced merger discussions with Sovereign Housing Association, having entered into a grouping agreement with Sovereign Housing Association on 10 March 2023. Due diligence and negotiations with funders are underway, subject to successful conclusion of which and further approval by the boards of the Group and Sovereign Housing Association, the Group may decide to change its rules to become a subsidiary of Sovereign Housing Group in 2023-24.

Should the merger with Sovereign go ahead a 30 year business plan has been prepared and reviewed by a Sovereign / Network Homes joint project board. This includes stress testing showing that the new Group is viable over the next 30 years. The new Group is able to remain covenant compliant under all but the most severe stress tests and will have early warning as well as mitigation mechanisms in place to return the business plan to covenant compliance for the most severe stress scenarios should they arise.

The proposed liquidity policy is set to retain sufficient liquidity to fund the business for the next 18 months at least, while as a matter of prudence allowing for some uncertainty in sales receipts.

Exemptions for qualifying entities under FRS 102

In preparing the financial statements, the Association has taken advantage of the following disclosure exemptions available in FRS 102:

- 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 Network Homes Limited produces a consolidated statement.
- As permitted by FRS 102 Paragraph 33.1A, disclosures need not be given of transactions entered into between two or more members of the Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member. The disclosures provide details of related party transactions between the Association and its wholly owned subsidiaries. Intra-Group transactions required to be disclosed by The Accounting Direction 2022 are provided in note 38.

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

Basis of consolidation

As the parent company, Network Homes Limited has overall control of the business of the Association and its members. It will assist and support all subsidiaries in achieving compliance with regulatory requirements. The Board's responsibilities are set out in detail in the Board's Terms of Reference.

SW9 Community Housing, a subsidiary of Network Homes Limited, is a Charitable Company limited by guarantee (number 09574528). The relationship is governed by an Intra-Group Agreement, Management Agreement and Options Review Agreement between the two entities as well as the Articles of Association of SW9 Community Housing which further set out the mutual obligations.

The Group consolidated financial statements include the results of the Association and all of its subsidiaries. A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Any subsidiary undertakings acquired or sold during the year are included up to, or from, the date of change of control.

All intercompany transactions and balances between Group companies are eliminated in full.

Jointly controlled entities are entities in which the Group holds an interest on a long-term basis and has rights to the net assets through contractually agreed sharing of control. The Group's interest in joint ventures is accounted for using the equity method of accounting. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss, other comprehensive income and equity of the venture. Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Turnover

Turnover represents rental and service charge income receivable, income from the management of properties, income from sale of current assets, revenue grants receivable from local authorities, Homes England and the Ministry of Housing, Communities and Local Government (MHCLG), amortisation of deferred capital grants, management fees, gift aid receivable by Network Homes from its own subsidiaries and other income. Turnover excludes value added tax where applicable.

Income recognition

Income is measured at the fair value of the consideration received or receivable. The Group generates the following material income streams:

a. Rental income
Rental income is recognised on a receivable basis from the point when properties under development reach practical completion and are formally let. Rental income from properties owned by the Association is recognised net of void losses.

b. Property sales
Income from property sales is recognised at the point of legal completion of the sale. The profit or loss recognised in the Statement of Comprehensive Income is calculated by deducting the property's carrying amount and incidental cost of sale from the sale proceeds.

c. Amortised government grants
Revenue grants are recognised in the Statement of Comprehensive Income when the conditions for receipt of agreed grant funding have been met. Income from capital grants is recognised on a systematic basis over the useful economic life of the asset (usually the property's fabric) for which it was received.

d. Gift aid receivable
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. The Boards of the wholly owned subsidiaries have put in place deeds of covenants which will allow Companies to recognise and action gift aid payments.

e. Service charges receivable
Service charge income is recognised on an accruals basis as it falls due. 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.

f. Management fees
Network Homes Limited manages properties owned by entities outside the Group on behalf of local authorities. Management fees receivable (excluding VAT) for services provided to entities outside the Group are shown as income when they fall due. The costs of carrying out the management contracts are included in operating costs.

Internal fees are charged by the parent Network Homes Limited to the subsidiaries for management and support services provided. Intra-Group fees receivable in the parent company from the wholly owned subsidiaries are eliminated on consolidation.

g. Supporting people contracts
Support service income for the provision of extra care for residents with specific needs has been included in the Statement of Comprehensive Income and is recognised on an accruals basis as the services are provided.

h. Commercial activities
Income from the letting of commercial properties including rent and other income like electricity, mobile aerials and insurance is recognised as it falls due on an accruals basis.

i. Income from contractor services
Income earned from the construction contract for the Merrick Road project is stated at cost appropriate to the stage of completion plus attributable profits.

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

Long term contract
The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Income earned from the construction contract is stated at cost appropriate to the stage of completion plus attributable profits. Provision is made for any losses as soon as they are foreseen.

Cost of sales
Cost of sales comprises costs of stock sold and incidental costs incurred. Properties developed for outright sales or the first tranche component of shared ownership properties are held at the lower of cost of developing the unit or the estimate of fair value less cost to sell. Fair value less cost to sell is only used when the Association cannot fully recover through sales the cost of developing the units or when there is impairment of the property. Costs incurred for the construction contract for Merrick Road are stated at cost.

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 tax is recognised in respect of all timing differences that have occurred but not reversed as at the reporting date. Deferred tax relating to investment property that is measured at fair value in accordance with FRS 102 Section 16 Investment Property has been determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

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 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.

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 borrowing 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.

Other fixed assets
Other fixed assets are principally assets purchased for use by Network Homes. 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.

Any IT software acquired in the year is recognised at cost of acquisition and disclosed separately in note 12 'Intangible assets and other fixed assets'.

Housing properties
Housing properties are principally properties available for rent and shared ownership properties. Housing properties constructed or acquired on the open market are stated at cost less depreciation and impairment.

The cost of housing properties includes the cost of acquiring land and buildings, development costs, interest capitalised during the development period and directly attributable administration costs.

Direct overheads involved with administering development activities are capitalised to the extent that they are directly attributable to the development process and in bringing the properties into their intended use.

Interest payable on borrowing which has been drawn in order to finance the relevant construction or acquisition is capitalised using weighted average cost of capital (WACC) rates from the point of acquisition up to the date of practical completion of a property.

Any properties acquired in the year are recognised at cost of acquisition and disclosed separately in note 11 'Housing properties'. Housing properties under construction are reclassified as completed housing properties upon 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.

Mixed developments are held within housing properties and are accounted at cost less depreciation. Housing properties in the course of construction, excluding the estimated cost element of shared ownership properties expected to be sold as first tranche, are included in housing properties and held at cost less any impairment. These are transferred to completed properties at practical completion.

Depreciation of housing properties
Freehold land and housing properties under construction are stated at cost and are not depreciated. The proportion of shared ownership properties expected to be sold as first tranche is held as stock. When completed housing properties are added to the asset register, there is no depreciation in the year of addition and a full year's

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

depreciation is provided in the year of disposal. Housing properties are split between fabric and the major components which require periodic replacement. Each component is depreciated on a straight-line basis over its estimated useful economic life to its estimated residual value. The different components and their useful economic lives are as below:

Component Category	Life (Years)
Fabric	100
Roofs	60
Windows and doors	25
Kitchens	25
Bathrooms	25
Boilers	20
Mechanical and electrical	30
Service contractors	20

Service contractors comprise capital costs relating to lifts, FRA works, CCTV, warden call systems and other similar communal capital costs. Housing properties held on long leases are depreciated in the same manner as freehold properties, except where the unexpired lease term is shorter than the component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Impairment of housing properties and other fixed assets

Tangible fixed assets (mainly housing properties) are assessed for indicators of impairment at each reporting date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units (CGU) for which impairment is indicated 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.

The Group defines cash generating units as schemes except where its schemes are not sufficiently large enough in size or where it is geographically sensible to group schemes into larger cash generating units. Where the recoverable amount of an asset or cash generating unit is lower than its carrying value, an impairment is recognised in the income statement.

Depreciation of other tangible fixed assets

Other tangible fixed assets are stated at cost less accumulated depreciation and impairment. Depreciation is charged on a straight-line basis over the expected useful economic lives of other tangible fixed assets to write off the cost less estimated residual values. The useful economic lives for other tangible fixed assets are as follows:

Assets	Life (Years)
Computer hardware and software	3 - 5
Office fixtures and furniture	10
Office equipment	10
Office property	50

Building safety

Buildings that have been identified to require major works to give adequate protection against the risk of fire are investigated and the cost of works to remedy calculated. Following the introduction of the Building Safety Act, leaseholders can no longer be charged for cladding works. The obligation rests with Network Homes and Government is making available grant for those companies where the developer either does not sign up to the legislation or has gone into administration.

When a communication is issued to residents to begin remedial works to the buildings, a provision is created to recognise the total cost of the works. The provision is created as the communication to residents creates a constructive obligation to complete the works to the buildings. A provision will also be created when there is a legal obligation, that is, where Network Homes has a legal duty to ensure that its properties are safe for residents. The provision is only necessary when there is no reasonable alternative but to incur costs in the future.

The carrying value of the existing component that is being replaced is determined and this value is depreciated on an accelerated basis over the period of the capital works taking place. The leasehold portion of the works is recognised in the Statement of Comprehensive Income and the tenanted portion is capitalised as a replacement of an asset component within housing properties. Any expected recoveries for the costs of works are raised as accrual for income or grant providing that all performance related conditions have been met.

Investment properties

Investment properties consist of commercial properties and other properties not held for social benefit or for use in the business. These properties are held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost on initial recognition and subsequently carried at fair value at the reporting date, with changes in fair value recognised in the Statement of Comprehensive Income.

Fair value is determined annually by external valuers and derived from the current market rents and investment property yields for comparable properties, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Investment properties are not depreciated.

Valuation of investments

Investments in listed company shares, which have been classified as current asset investments, are re-measured to market value at each reporting date. Gains and losses on re-measurement are recognised in the Statement of Comprehensive Income.

Intangible assets

Intangible assets consist of software that is either acquired externally or is developed internally. Software is measured at cost less accumulated amortisation and impairment.

Software is recognised as an intangible asset when the following criteria are met:

- it is feasible that the software will be available for use to the Association and the software will generate probable future economic benefits such as improving efficiencies or reducing costs;
- adequate financial and other resources are available to complete the development and implementation of the software;
- the software is identifiable and there is an intention to implement and use it; and
- the costs attributable to the software during its development can be reliably measured.

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

Amortisation is charged using the straight-line method to allocate the cost of software over the estimated useful economic life. Software costs are amortised over a 3 to 5 year useful economic life.

Stock

Stock represents both completed properties and properties under construction:

- for outright sales carried out in the subsidiaries of Network Homes; and
- the proportion of shared ownership properties that is anticipated to be sold as a first tranche.

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.

Shared equity loans

Under the shared equity scheme, the Association lends the acquirer of one of its properties 20% of the purchase price as an interest free loan for up to five years. The acquirer may repay the loan at any time, but after five years the acquirer will be required to pay an interest rate as instructed by Homes England.

The loans are considered to be Public Benefit Entity Concessionary Loans (as defined by FRS 102 Paragraph PBE34.88) and are consequently measured at the amount advanced at the inception of the loan less amounts received and any provisions for impairment.

The Association receives a grant from Homes England to part finance the shared equity loan scheme. The grant is recognised as deferred income until the loan is redeemed.

Financial assets

Basic financial assets, including tenant debtors and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the Statement of Comprehensive Income.

Financial liabilities

Basic financial instruments, including trade and other payables, bank loans and loans from other Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the instrument is measured at the present value of the future payments discounted at a market rate of interest. These instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fair values are determined in line with paragraph 11.27 of FRS 102 using exit prices quoted by the counterparty as the best estimate of fair value where available. Where the terms of a financial liability are renegotiated with substantially different terms, the original financial liability is de-recognised and a new financial liability is recognised. The difference between the carrying amount of the financial liability de-recognised and the consideration paid (including any non-cash assets transferred or liabilities assumed) for the new financial liability is recognised in the Statement of Comprehensive Income.

Social housing grant (SHG) and other capital grants

SHG is receivable from Homes England and other grants are receivable from local authorities.

SHG and other capital grants are accounted for using the accruals model. Grant is recognised as deferred income in the Statement of Financial Position and released to the Statement of Comprehensive Income on a systematic basis over the useful economic life of the asset for which it was received. In accordance with the Housing SORP the useful economic life of a housing property's fabric is used.

When a grant funded property is sold, any attributable grant becomes recyclable and is transferred to the recycled capital grant fund (RCGF) until it is reinvested in a replacement property. The related grant amortisation is charged to the Statement of Comprehensive Income and is disclosed as part of the contingent liabilities until the property it funds is disposed of or ceases to be used for social housing purposes. The only exemption to this is the £10m grant received from the local authority for properties in Lambeth. This grant is not repayable and there is no need to recycle any part of it.

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 ageing 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 ageing group and on cash collected over a period of twelve months.

Operating leases

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

Employee benefits – short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Employee benefits – long term benefits

The Association operates both defined benefit and defined contribution schemes.

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

(a) Defined benefit schemes

The Group operated a defined benefit plan for employees in the past. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Association engages independent actuaries, Hymans Robertson LLP to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 're-measurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in the Statement of Comprehensive Income as employee costs, except where included in the cost of an asset, comprises:

(a) the increase in pension benefit liability arising from employee service during the period; and

(b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the Statement of Comprehensive Income as 'finance expense'.

A pension asset is recognised when the Group has an unconditional right to a refund or to reductions in future contributions.

(b) Defined contribution scheme

Contributions are recognised as an expense in the Statement of Comprehensive Income when due.

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Association and SW9 Community Housing pay fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. The assets of the plan are held separately from the Association in independently administered funds.

(c) Multi-employer pension scheme

The Group is a member of a multi-employer Social Housing Pension Scheme (SHPS). The Pensions Trust (TPT) administers this scheme, which provides benefits to non-associated participating employers. The scheme is classed as a defined benefit scheme in the UK.

The scheme is classified as 'last man standing' arrangements. Therefore, each employer is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

The difference between the fair value of the assets held and the scheme's liabilities measured on an actuarial basis using the projected unit method is recognised as Other Comprehensive Income in the Income Statement and in the Group's Statement of Financial Position as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the Group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Value added tax (VAT)

The Group is partially exempt in relation to VAT and accordingly is able to recover from HM Revenue and Customs part of the VAT incurred on expenditure. At the year-end VAT recoverable or payable is included in the Statement of Financial Position. Irrecoverable VAT is accounted for in the Statement of Comprehensive Income within the relevant expense line.

Where the Group has entered into a VAT shelter arrangement (usually to assist with the regeneration of local authority housing stock), the financial statements reflect the underlying substance of the transaction on a gross basis. The receivable from the local authority is shown in current and non-current debtors and the Group's legally binding obligation to the local authority under the refurbishment contract is shown in provisions for liabilities and charges.

Gift aid

Gift aid payments are treated as distribution of reserves by the paying entity and recognised only on creation of a legal obligation. Gift aid receipts are treated as income from an investment in a subsidiary by the receiving entity. Gift aid from the Association's wholly owned subsidiary is recognised at year-end on a receivable basis and is disclosed in the Statement of Comprehensive Income. Gift aid across the Group is eliminated on consolidation. Gift aid payments by the subsidiaries are disclosed separately in their individual financial statements.

2. Judgements in applying accounting policies and estimation uncertainty

The preparation of financial statements in conformity with FRS 102 requires management to exercise judgement in applying the Association's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

a. Key judgements in applying the Group's accounting policies

The following are the significant management judgements made in applying the accounting policies of the Group that have the most significant effect on the financial statements.

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

(i) Capitalisation of property development costs and long term contracts
Management decision to allow capitalisation of development costs requires judgement. Once the Board decision is made and planning permission is granted, a project will continue and development costs will be capitalised. In times of political and economic uncertainty, the construction industry has the highest number of contractor insolvencies. Where contractors have gone into administration, it is expected that this will result in higher costs having to be incurred to complete the project. The costs to complete for projects are estimated by adjusting the original contract prices for inflation and cost estimates will be obtained from third party contractors. For long term contracts, management mitigates some of the impact by having performance bonds in place, which can absorb the higher cost from a new contractor. The forecast project cost is monitored on a regular basis and management considers whether these events indicate that an impairment review is required.

(ii) Recognition of construction income
The Group measures the stage of completion of a project using the proportion of costs incurred to date compared to the total expected cost to complete the project. Profit recognition on the project is recognised in the same proportion. Any costs incurred that are not recoverable by future income are recognised as an expense. The main contractor for the Merrick Road project, Henry Construction went into administration in May. The costs to complete the project have been estimated by adjusting for inflation uplifts and using cost estimates from third party contractors. The outcome of the contract can be foreseen with reasonable certainty and our judgement is that this is a non-adjusting event.

(iii) Capitalisation of building safety costs
Capitalisation for the total cost of building safety works requires judgement. Once the cost of work has been determined and 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 Network Homes has a legal duty to ensure that its properties are safe for residents. The provision is only necessary when there is no reasonable alternative but to incur costs in the future. The obligation rests with Network Homes and Government is making available grant for those companies where the developer either does not sign up to the legislation or has gone into administration.

(iv) Determining whether an impairment review is required (note 11)
Tangible fixed assets (mainly housing properties) are assessed for indicators of impairment at each reporting date in accordance with FRS 102 27.7. Indicators include changes in government policy including the 7% rent cap, a reduction in the market value of properties where the occupant has the right to acquire, a reduction in the demand for a property, losses from operating that property, obsolescence of a property or contamination of a site. Impairment is tested at cash generating unit (CGU) level which is at scheme level. Indicators for properties under construction include any unforeseen additional costs that do not add value.

The government guidelines for rent increases were changed in the year 2022-23. Usually an annual formula of CPI + 1 is adopted for increasing rent. In the year 2022-23 the government capped this increase at 7%. This rent cap is only expected to last one year and the rent cap in itself does not trigger a material reduction in rental streams over a longer period which means it is not seen as a trigger for impairment.

If there is no such indication, it may be assumed that there is no impairment. Any assets which elicit indicators of impairment are reviewed at each reporting date. The main recurring areas of review in respect of impairment are as follows:

- mixed tenure development schemes (part rented and part shared ownership);
- shared ownership schemes (newly developed units);
- properties intended for demolition;
- work in progress;
- units with high void rates;
- units with cladding issues;
- uncertainties occurring in the construction which put the forecast completion date at risk; and
- contractor failure leading to liquidation whilst a scheme is being built.

Where the carrying value of the asset is higher than its recoverable amount, there is impairment. The recoverable amount is the higher of value in use or fair value less costs to sell as represented by VIU-SP or EUV-SH. The Group uses Depreciated Replacement Cost (DRC) as a proxy of VIU-SP for recoverable amount.

For calculating DRC, the Association has estimated that the average build cost of developing new properties is between £3,382 and £4,777 per square metre depending on the property type (for example, whether the building is above or below 9 storeys high). This cost per square metre is multiplied by the size of individual units and then depreciated over the remaining useful life of the asset. The DRC for 2023 was calculated on the schemes where building safety works are due to take place. The calculation covered both general needs and shared ownership stock. The net calculation per unit is then grouped together into cash generating units (CGUs). The calculated DRC is compared against the net book value (NBV) of the CGU. For this calculation the Association included the cost of all components excluding land.

For schemes that are part completed, a discounted cash flow model can also be used to assess impairment. A discount rate applied to this model reflecting our marginal cost of capital and a scheme appropriate with risk margin. The cash flow length and scheme leakage percentage covering voids and bad debts are determined on a scheme by scheme basis in line with our current accounting policies and history on performance. A prudent approach is taken to determine these rates and percentages with external advice sought where appropriate. If a positive net present value is realised it is determined that no further impairment is required.

Based on the impairment review, no units were impaired in 2023 (2022: no units were impaired).

b. Key accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) Provisions (note 24)

Provisions in the year are made for dilapidations on lease termination, which requires management's best estimate of the costs that will be incurred at the time of lease handover. Timing of the cash flows is as per lease agreement. Discount rates used to establish net present value of the dilapidations obligations are based on statistical information.

(ii) Property valuation

Investment properties are professionally valued annually using a yield methodology. Where the property is let or there is a lack of comparable transactional sales evidence, the traditional investment method of valuation, capitalising the actual and estimated rental values using suitable yields has been used. Capitalisation rates which range between 5.5% and 9.5% depending on the nature of the individual asset have been used. The adopted capitalisation rates assume a continuation of recent inflation levels as measured by the RPI index (in the order of 9.0%). The value of each property has been assessed on an existing use basis.

(iii) Useful economic lives of tangible fixed assets and capitalisation of overheads (note 11)

Management reviews the useful economic lives of depreciable assets annually based on the expected utility of the assets. They are amended when necessary to reflect current estimates based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

The key judgements and estimates applied in respect of housing properties are disclosed in note 11 and include:

- the useful economic life of property fabric at 100 years; and
- properties have no residual value at the end of useful life.

Overheads departments provide information on time spent on each capital project. This information is the basis for the capitalisation of overhead costs.

The above assumptions have been aligned with general practice followed by other registered housing providers and increasingly impacting on property sales.

(iv) Stock (note 19)

Housing stock for sale is recognised at the lower of cost and net realisable value. In assessing net realisable value management considers publicly available information and internal forecasts on future sales activity.

The sales value of our homes for sale have been reviewed, both available for sale and in construction. Information from actual sales values achieved, mortgage valuations provided to potential residents and discussions with developers and estate agents have been used to review current sales values.

Network Homes has also incorporated higher selling costs, including staff resources and incentives, to reflect more difficult selling conditions. For example, cost inflation, contractor insolvencies and housing market volatility are becoming more significant considerations.

(v) Allocation of costs for mixed tenure developments (notes 11 and 19)

The Association develops mixed scheme properties and receives invoices for development costs that are not split by tenure such as shared ownership, outright sales or affordable rents in the mixed scheme. As a result, the Association makes estimates based on floor area or unit numbers as advised by the Board in advance of scheme development.

(vi) Market interest rates for financing transactions (note 25)

The weighted average cost of debt for the Group is 3.76% (2022: 3.48%).

For scheme specific transactions that are considered work in progress an interest rate of 4.99% has been used (2022: 2.73%). The rate was determined as the marginal rate for the most recent credit terms negotiated by the Group and as appropriate a markup is applied to reflect a risk premium. The markup applied is periodically verified through external advice and appropriately incorporates a premium to compensate for scheme risk. Furthermore the cashflow period for schemes under consideration is set at 50 years. This is a prudent assumption compared to our 100 year 'fabric lifetime' assumption in our component accounting policy.

(vii) Rent collection

Rental income collection has always been under strict monitoring and recently all internal monitoring structures have been further strengthened. The key assumptions for revenue are monitored through business plans, monthly budgets and forecasts. Although the external environment is expected to remain challenging, Network Homes currently estimates that the collection rates will remain broadly the same.

3. Particulars of turnover, cost of sales, operating costs and operating surplus

Group:

The profit on disposal of housing properties and revaluation surplus on investment properties have been reclassified from inclusion within turnover (reduced by £25,805k) and cost of sales (reduced by £13,831k) - see table opposite. These two items are classified separately in the Statement of Comprehensive Income within operating surplus. This error does not impact the reported surplus for the prior year.

Association:

The profit on disposal of housing properties and revaluation surplus on investment properties have been reclassified from inclusion within turnover (reduced by £25,725k) and cost of sales (reduced by £13,831k) - see table opposite. These two items are classified separately in the Statement of Comprehensive Income within operating surplus. This error does not impact the reported surplus for the prior year.

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3. Particulars of turnover, cost of sales, operating costs and operating surplus

Group	Turnover £'000	Cost of sales £'000	Operating costs £'000	Other £'000	2023 Operating surplus / (deficit) £'000	Turnover £'000	Cost of sales £'000	Operating costs £'000	Other £'000	2022 restated Operating surplus / (deficit) £'000
Social housing lettings (Note 4)	**156,449**	**-**	**(131,755)**	**-**	**24,694**	**148,048**	**-**	**(108,183)**	**-**	**39,865**
Other social housing activities										
London Living (Build to Rent)	5,270	-	(1,589)	-	3,681	4,775	-	(1,343)	-	3,432
Community development	-	-	(471)	-	(471)	-	-	(360)	-	(360)
Sale of first tranche properties	19,675	(16,643)	(4,257)	-	(1,225)	31,702	(29,220)	(1,284)	-	1,198
Other	3,912	-	(404)	-	3,508	1,800	-	(359)	-	1,441
Other social housing activities	**28,857**	**(16,643)**	**(6,721)**	**-**	**5,493**	**38,277**	**(29,220)**	**(3,346)**	**-**	**5,711**
Total social housing activities	**185,306**	**(16,643)**	**(138,476)**	**-**	**30,187**	**186,325**	**(29,220)**	**(111,529)**	**-**	**45,576**
Non-social housing activity										
Outright sale of properties	35,518	(34,898)	-	-	620	21,470	(19,116)	(48)	-	2,306
Garage rent	883	-	-	-	883	895	-	-	-	895
Commercial activities	2,397	-	(4,747)	-	(2,350)	2,583	-	(4,429)	-	(1,846)
Fully staircased properties	4,011	-	(5,300)	-	(1,289)	4,758	-	(4,742)	-	16
Impairment	-	-	-	-	-	-	-	(15,672)	-	(15,672)
Construction services and other	15,007	(12,720)	(95)	-	2,192	2,033	(1,928)	(275)	-	(170)
Total non-social activity	**57,816**	**(47,618)**	**(10,142)**	**-**	**56**	**31,739**	**(21,044)**	**(25,166)**	**-**	**(14,471)**
Other activities										
Profit on disposal of housing properties	-	-	-	8,675	8,675	-	-	-	9,655	9,655
Movement in fair value of investment properties	-	-	-	246	246	-	-	-	2,319	2,319
Total other activities	**-**	**-**	**-**	**8,921**	**8,921**	**-**	**-**	**-**	**11,974**	**11,974**
Total	**243,122**	**(64,261)**	**(148,618)**	**8,921**	**39,164**	**218,064**	**(50,264)**	**(136,695)**	**11,974**	**43,079**
Association										
Social housing lettings (Note 4)	**145,777**	**-**	**(121,036)**	**-**	**24,741**	**138,783**	**-**	**(98,994)**	**-**	**39,789**
Other social housing activities										
London Living (Build to Rent)	5,270	-	(1,589)	-	3,681	4,775	-	(1,343)	-	3,432
Community development	-	-	(419)	-	(419)	-	-	(290)	-	(290)
Sale of first tranche properties	19,675	(16,643)	(4,257)	-	(1,225)	31,702	(29,220)	(1,284)	-	1,198
Other	3,823	-	(404)	-	3,419	1,800	-	(359)	-	1,441
Other social housing activities	**28,768**	**(16,643)**	**(6,669)**	**-**	**5,456**	**38,277**	**(29,220)**	**(3,276)**	**-**	**5,781**
Total social housing activities	**174,545**	**(16,643)**	**(127,705)**	**-**	**30,197**	**177,060**	**(29,220)**	**(102,270)**	**-**	**45,570**
Non-social housing activity										
Outright sale of properties	19,518	(18,898)	-	-	620	20,350	(18,304)	-	-	2,046
Garage rent	764	-	-	-	764	767	-	-	-	767
Commercial activities	2,329	-	(4,645)	-	(2,316)	2,511	-	(4,425)	-	(1,914)
Fully staircased properties	4,011	-	(5,300)	-	(1,289)	4,758	-	(4,742)	-	16
Other	263	-	-	-	263	92	-	-	-	92
Total non-social activity	**26,885**	**(18,898)**	**(9,945)**	**-**	**(1,958)**	**28,478**	**(18,304)**	**(9,167)**	**-**	**1,007**
Other activities										
Profit on disposal of housing properties	-	-	-	8,675	8,675	-	-	-	9,655	9,655
Movement in fair value of investment properties	-	-	-	426	426	-	-	-	2,239	2,239
Gift aid receivable	-	-	-	1,327	1,327	-	-	-	912	912
Total other activities	**-**	**-**	**-**	**10,428**	**10,428**	**-**	**-**	**-**	**12,806**	**12,806**
Total	**201,430**	**(35,541)**	**(137,650)**	**10,428**	**38,667**	**205,538**	**(47,524)**	**(111,437)**	**12,806**	**59,383**

4. Income and expenditure from social housing lettings

Group 2023	General rented £'000	Sheltered £'000	Leasehold and Shared ownership £'000	Short stay £'000	Intermediate £'000	Total 2023 £'000
Income from letting activities						
Rent receivable	93,526	10,185	12,323	2,680	13,496	132,210
Charges for supporting services	-	120	-	-	-	120
Service charges receivable	6,119	3,866	4,990	1	457	15,433
Amortised government grants	8,227	-	-	-	-	8,227
Other income	455	-	-	4	-	459
	108,327	**14,171**	**17,313**	**2,685**	**13,953**	**156,449**
Expenditure on letting activities						
Management	17,255	1,562	4,226	1,100	4,654	28,797
Service charge costs	21,133	3,608	2,876	49	168	27,834
Routine maintenance	22,624	43	260	173	483	23,583
Planned maintenance	6,952	30	56	147	273	7,458
Major repairs	622	2	158	17	(31)	768
Property lease charges	699	-	-	1,392	494	2,585
Total depreciation and amortisation	34,364	-	2	-	-	34,366
Impairment	4,572	-	-	-	-	4,572
Rent losses from bad debts	1,050	51	342	16	333	1,792
	109,271	**5,296**	**7,920**	**2,894**	**6,374**	**131,755**
Operating surplus/(deficit) on lettings	**(944)**	**8,875**	**9,393**	**(209)**	**7,579**	**24,694**
Void losses	**(1,427)**	**(342)**	**(15)**	**(52)**	**(418)**	**(2,254)**

Group 2022	General rented £'000	Sheltered £'000	Leasehold and Shared ownership £'000	Short stay £'000	Intermediate £'000	Total 2022 £'000
Income from letting activities						
Rent receivable	89,585	10,179	10,369	2,853	12,574	125,560
Charges for supporting services	-	120	-	-	-	120
Service charges receivable	4,569	3,589	5,258	-	450	13,866
Amortised government grants	7,879	-	-	-	-	7,879
Other income	533	-	82	8	-	623
	102,566	**13,888**	**15,709**	**2,861**	**13,024**	**148,048**
Expenditure on letting activities						
Management	16,440	1,729	3,222	844	3,244	25,479
Service charge costs	15,005	2,367	2,146	31	177	19,726
Support costs	-	-	-	-	-	-
Routine maintenance	17,717	88	125	101	410	18,441
Planned maintenance	8,546	43	58	84	334	9,065
Major repairs	317	-	90	3	68	478
Property lease charges	1,160	-	-	1,625	520	3,305
Total depreciation and amortisation	30,912	1	1	-	-	30,914
Rent losses from bad debts	654	153	(176)	(16)	160	775
	90,751	**4,381**	**5,466**	**2,672**	**4,913**	**108,183**
Operating surplus on lettings	**11,815**	**9,507**	**10,243**	**189**	**8,111**	**39,865**
Void losses	**(1,322)**	**(305)**	**46**	**(119)**	**(1,256)**	**(2,956)**

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

4. Income and expenditure from social housing lettings – continued

Association 2023	General rented £'000	Sheltered £'000	Leasehold and Shared ownership £'000	Short stay £'000	Intermediate £'000	Total 2023 £'000
Income from letting activities						
Rent receivable	88,393	9,773	10,949	2,680	13,496	125,291
Charges for supporting services	-	120	-	-	-	120
Service charges receivable	4,540	3,781	3,356	1	457	12,135
Amortised government grants	8,227	-	-	-	-	8,227
Other income	-	-	-	4	-	4
	101,160	**13,674**	**14,305**	**2,685**	**13,953**	**145,777**
Expenditure on letting activities						
Management	13,458	1,298	2,657	1,100	4,654	23,167
Service charge costs	18,470	3,423	1,776	49	168	23,886
Routine maintenance	21,999	-	-	173	483	22,655
Planned maintenance	6,818	21	-	147	273	7,259
Major repairs	622	2	158	17	(31)	768
Property lease charges	699	-	-	1,392	494	2,585
Total depreciation and amortisation	34,359	-	-	-	-	34,359
Impairment	4,572	-	-	-	-	4,572
Rent losses from bad debts	1,045	51	340	16	333	1,785
	102,042	**4,795**	**4,931**	**2,894**	**6,374**	**121,036**
Operating surplus/(deficit) on lettings	**(882)**	**8,879**	**9,374**	**(209)**	**7,579**	**24,741**
Void losses	**(1,281)**	**(332)**	**-**	**(52)**	**(418)**	**(2,083)**

Association 2022	General rented £'000	Sheltered £'000	Leasehold and Shared ownership £'000	Short stay £'000	Intermediate £'000	Total 2022 £'000
Income from letting activities						
Rent receivable	84,311	9,420	9,932	2,853	12,574	119,090
Charges for supporting services	-	120	-	-	-	120
Service charges receivable	3,575	3,364	4,215	-	450	11,604
Amortised government grants	7,879	-	-	-	-	7,879
Other income	-	-	82	8	-	90
	95,765	**12,904**	**14,229**	**2,861**	**13,024**	**138,783**
Expenditure on letting activities						
Management	12,457	1,175	2,434	844	3,244	20,154
Service charge costs	13,089	2,101	1,767	31	177	17,165
Support costs	-	-	-	-	-	-
Routine maintenance	17,082	-	-	101	410	17,593
Planned maintenance	8,250	2	-	84	334	8,670
Major repairs	317	-	90	3	68	478
Property lease charges	1,160	-	-	1,625	520	3,305
Total depreciation and amortisation	30,906	-	-	-	-	30,906
Rent losses from bad debts	615	148	(184)	(16)	160	723
	83,876	**3,426**	**4,107**	**2,672**	**4,913**	**98,994**
Operating surplus on lettings	**11,889**	**9,478**	**10,122**	**189**	**8,111**	**39,789**
Void losses	**(1,007)**	**(300)**	**(27)**	**(119)**	**(1,256)**	**(2,709)**

5. Employee information

The monthly average number of persons employed during the year, including the Executive Officers, is based on an assumption that a full time equivalent employee (FTE) works 35 hours and includes employees on both permanent and fixed term contracts:

	Group		Association	
	2023 FTE	2022 FTE	2023 FTE	2022 FTE
Office-based staff	514	499	467	457
Scheme-based staff	27	27	25	25
	541	**526**	**492**	**482**

Staff costs for the above employees were:

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Wages and salaries	25,500	22,810	23,838	21,410
Redundancy payments	9	156	-	148
Social Security costs	2,767	2,513	2,601	2,377
Pension costs	1,314	1,172	1,235	1,097
Total	**29,590**	**26,651**	**27,674**	**25,032**

The Association participates in the SHPS defined contributions scheme and costs paid in the year were £1,235k (2022: £1,097k). This amount excludes £42k of administrative cost payable to TPT in respect of managing past service deficit.

During the year, the Association made a contribution towards past service deficit of £1,990k including TPT admin costs of £42k (2022: £1,717k). This contribution has offset the net pension liability as per note 35.

The number of staff (including the Chief Executive Officer) receiving remuneration in excess of £60,000 per annum at 31 March 2023 is as follows:

Banding	Group		Association	
	2023 FTE	2022 FTE	2023 FTE	2022 FTE
£60,000 - £69,999	43	50	43	49
£70,000 - £79,999	24	21	24	21
£80,000 - £89,999	21	11	20	10
£90,000 - £99,999	6	8	6	7
£100,000 - £109,999	5	3	4	3
£110,000 - £119,999	1	1	1	1
£120,000 - £129,999	3	1	2	1
£130,000 - £139,999	2	2	2	2
£140,000 - £149,999	1	6	1	5
£150,000 - £159,999	1	-	1	-
£160,000 - £169,999	2	2	2	2
£170,000 - £179,999	-	-	-	-
£180,000 - £189,999	-	-	-	-
£190,000 - £199,999	1	-	1	-
£200,000 - £209,999	3	4	3	4
£240,000 - £249,999	2	1	2	1
£250,000 - £259,999	-	-	-	-
£260,000 - £269,999	-	-	-	-
£270,000 - £279,999	-	1	-	1
	115	**111**	**112**	**107**

Notes to the Financial Statements
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6. Directors' emoluments

The Directors are defined as members of the Board and the Executive Leadership Team (ELT). Their emoluments, including bonuses and pension for 2022-23 are:

		Appointed (A) / Resigned (R)	Basic salary / fees	Expenses	Total remuneration	Bonus / other payments	Pension contribution	Benefits in kind (BUPA)	Total emoluments
Non-Executive Officers			£	£	£	£	£	£	£
Jonathan Gooding	Interim Chair of NH Board		22,767	-	22,767	-	-	-	22,767
Anne Turner	Vice Chair of NH Board & FC Chair		13,500	560	14,060	-	-	-	14,060
Sean West	Board Member		12,500	-	12,500	-	-	-	12,500
Matthew Backler	Board Member	A 01/02/2023	4,417	-	4,417	-	-	-	4,417
Mavis Boateng	Board Member	A 01/02/2023	4,417	-	4,417	-	-	-	4,417
Ronen Journo	Board Member	R 29/11/2022	6,667	138	6,805	-	-	-	6,805
Paul Plummer	Board Member		12,500	-	12,500	-	-	-	12,500
Rachel King	Board Member		10,000	-	10,000	-	-	-	10,000
Barbara Brownlee	Board Member		12,500	40	12,540	-	-	-	12,540
Adeoye Adebayo	Board Member		12,276	-	12,276	-	-	-	12,276
Amina Graham	Board Member		10,000	-	10,000	-	-	-	10,000
			121,544	**738**	**122,282**	**-**	**-**	**-**	**122,282**
Executive Officers									
Helen Evans			241,827	38	241,865	-	-	2,461	244,326
Jamie Ratcliff			180,833	-	180,833	-	18,083	905	199,821
Peter Benz			230,518	725	231,243	-	8,539	1,061	240,843
Gerry Doherty			184,450	562	185,012	-	18,083	1,633	204,728
David Gooch			180,833	-	180,833	-	18,269	1,787	200,889
Tabitha Kassem		R 20/07/2023	184,311	-	184,311	-	18,083	-	202,394
			1,202,772	**1,325**	**1,204,097**	**-**	**81,057**	**7,847**	**1,293,001**
			1,324,316	**2,063**	**1,326,379**	**-**	**81,057**	**7,847**	**1,415,283**

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

6. Directors' emoluments – continued

The Directors are defined as members of the Board and the Executive Leadership Team (ELT). Their emoluments, including bonuses and pension for 2021-22 are:

		Appointed (A) / Resigned (R)	Basic salary / fees	Expenses	Total remuneration	Bonus / other payments	Pension contribution	Benefits in kind (BUPA)	Total emoluments
Non-Executive Officers			£	£	£	£	£	£	£
Bernadette Conroy	Network Homes Limited Board Chair	R 28/03/2022	22,750	-	22,750	-	-	-	22,750
Anne Turner	Vice Chair of the Network Homes Board & FC Chair		13,500	45	13,545	-	-	-	13,545
Jonathan Gooding	Vice Chair of the Network Homes Board & IC Chair		13,500	-	13,500	-	-	-	13,500
Barbara Brownlee	Board Member		11,705	-	11,705	-	-	-	11,705
Alan Hall	Board Member	R 27/07/2021	4,167		4,167	-	-	-	4,167
Ronen Journo	Board Member		10,000	461	10,461	-	-	-	10,461
Rachel King	Board Member		10,000	-	10,000	-	-	-	10,000
Paul Plummer	Board Member		16,686	-	16,686	-	-	-	16,686
Jaz Saggu	Board Member	R 27/07/2021	3,333	-	3,333	-	-	-	3,333
Valerie Vaughan-Dick	Board Member	R 27/07/2021	4,167	-	4,167	-	-	-	4,167
Sean West	Board Member		11,705	-	11,705	-	-	-	11,705
Adeoye Adebayo	Board Member	A 27/07/2021	7,774	-	7,774	-	-	-	7,774
Amina Graham	Board Member	A 27/07/2021	7,774	-	7,774	-	-	-	7,774
			137,061	**506**	**137,567**	**-**	**-**	**-**	**137,567**
Executive Officers									
Helen Evans			231,475	11	231,486	38,091	-	2,321	271,898
Jamie Ratcliff			163,703	-	163,703	19,951	15,508	875	200,037
Peter Benz			209,962	603	210,565	22,815	7,340	2,564	243,284
Gerry Doherty			166,722	406	167,128	19,951	15,377	1,586	204,042
David Gooch			168,428	-	168,428	20,168	15,544	1,721	205,861
Fiona Deal		R 15/04/2021	6,896	-	6,896	135,581	647	37	143,161
Tabitha Kassem			166,084	71	166,155	19,186	15,314	-	200,655
			1,113,270	**1,091**	**1,114,361**	**275,743**	**69,730**	**9,104**	**1,468,938**
			1,250,331	**1,597**	**1,251,928**	**275,743**	**69,730**	**9,104**	**1,606,505**

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

6. Directors' emoluments – continued

	2023 £'000	2022 £'000
Aggregate emoluments payable to Executive Directors	1,212	1,399
Aggregate emoluments payable to non-executive Directors	122	138
	1,334	**1,537**
Pension contributions payable to Executive Directors	**81**	**70**
Total emoluments	**1,415**	**1,607**
Emoluments paid to the highest paid Director, excluding pension contributions	**244**	**272**

During the year, Network Homes did not pay any pension contributions into a defined contribution scheme on behalf of the Chief Executive (2022: £nil). The Association did not make any contribution to any individual pension arrangement on her behalf. The notice period for termination of her contract is six months.

No pension contributions were made on behalf of any non-executive Directors.

Ratio of highest to lowest earners

The ratio of the highest earner in the Group compared to the average earner (annualised salary) is as follows:

	2023	2022
Ratio of highest to average earner	4.77:1	5.32:1

Chief Executive, Board Chair's and total board members' remuneration as a £ per owned unit basis:

	2023	2022
Chief executive remuneration per home (£)	11.54	12.95
Executive remuneration per home (£)	49.48	56.95
Board Chair's remuneration per home (£)	1.08	0.99
Total Board members remuneration per home, incl chair (£)	6.61	6.91

Units 2023: 21,176 (2022: 21,003)

6. Directors' emoluments – continued

Other directorships

Board and Committee members had the following external directorships, not including directorships of subsidiaries or associates of Network Homes Limited.

Board/ Committee Member	External directorships/related parties	Network Homes Membership
Helen Evans	Non-Executive Director, South London and Maudsley NHS Trust; Non-Executive Director, Connected Living London RP Ltd.	Member of Network Homes Board; Member of Customer Services Committee, Investment Committee, Finance Committee; Board Member of Network Treasury Services Ltd.; Director of Network Living Limited
Anne Turner	Board Member of PA Housing ; Member of the SHPS Employer Committee (nominated by Network Homes)	Vice Chair and Member of Network Homes Board; Chair of Finance Committee and Network Treasury Services Ltd.; Standing Observer of Investment Committee
Sean West	Chief Financial Officer and Executive Board Director for the Arqiva Group (UK Broadcast and communications infrastructure business)	Member of Network Homes Board; Member of Network Treasury Services Ltd. Board; Chair and Member of Audit & Risk Committee; Member of Finance Committee
Paul Plummer	Non-Executive Director, National Grid Eso; Professor in Rail Strategy, University of Birmingham	Member of Network Homes Board; Chair and Member of People, Governance & Culture Committee;Member of Audit & Risk Committee
Rachel King	Group HR Director, Spire Health Care Plc	Member of Network Homes Board, People, Governance & Culture Committee and Customer Services Committee
Ronen Journo	Senior Managing Director: Head of European Management Services & Operations at Hines Europe; Board Advisor to several start-ups: Audit & Risk Committee Club, SpaceOs, Basking, Placense, JUCE., WorkClub – no remuneration other than symbolic stock options; Member of The Cabinet Office, GPA Challenge Panel	Member of Network Homes Board; Member of Customer Services Committee and People, Governance & Culture Committee
Jon Gooding	Member of Investment Committee UK Affordable Housing Fund, BMP REP; Chair, LTYD Homes Ltd. (part of Lendlease Group)	Interim Chair and Member of Network Homes Board; Member of Finance Committee and NTSL Board; Member of NHIL and NADL Boards
Barbara Brownlee	Chief Executive Officer, Soho Housing Association; Director of Soho Ltd.	Member of Network Homes Board, Chair and Member of Customer Services Committee, Member of Investment Committee
Amina Graham	Executive Director of People and Systems at H21; Member of the board of Paradigm Housing Group from Spring 2023	Member of Network Homes Board, Customer Services Committee and Audit & Risk Committee
Adeoye Adebayo	Director, AOA Property Consulting Limited; Non-Executive Director on the board of Sutton Housing Partnership from 7 December 2022	Member of Network Homes Board, People, Governance & Culture Committee and Interim Chair of Investment Committee
Mavis Oti Addo Boateng	None	Member of Finance Committee and Audit & Risk Committee

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

6. Directors' emoluments – continued

Board/ Committee Member	External directorships/related parties	Network Homes Membership
Matthew Backler	Deputy Director of Finance, East Sussex Healthcare NHS Trust	Member of Audit & Risk Committee and Finance Committee
Dee Alapafuja	Resident of Network Homes; Board Member of SW9 Community Housing	Member of Customer Services Committee
Charlene Jones	None	Member of Audit & Risk Committee
Shauna Hutchinson	None	Member of People, Governance & Culture Committee
Wissam Chouceir	None	Member of Investment Committee

7. Interest receivable and other income

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Interest receivable on deposits	1,303	57	1,263	56
Others	139	122	130	121
Total interest income on financial assets measured at amortised cost	**1,442**	**179**	**1,393**	**177**
Restructuring of financial instruments	**105**	**101**	**105**	**101**

8. Interest and financing costs

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Housing loans	44,778	40,129	47,375	41,715
Less: interest capitalised	(11,860)	(8,462)	(11,860)	(8,462)
Loan cost amortisation	600	710	600	710
Other finance costs	1,760	1,494	1,299	921
Local Government Pension Scheme interest	238	228	238	228
Total interest expense on financial liabilities measured at amortised cost	**35,516**	**34,099**	**37,652**	**35,112**
Interest capitalisation rate	3.76%	3.48%	3.76%	3.48%

9. Surplus on ordinary activities before taxation

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Surplus on ordinary activities before taxation is stated after charging/ (crediting):				
Depreciation and amortisation	34,366	31,391	34,359	27,795
Impairment of housing properties	4,572	15,624	4,572	(48)
Amortised government grant	(8,227)	(7,879)	(8,227)	(7,879)
Fees for the audit of the financial statements	236	255	199	192
Operating lease payments	2,585	3,321	2,585	3,321

10. Tax on surplus on ordinary activities

(a) Analysis of charge/ (credit) in year	Group		Association	
UK corporation tax on profit for the year	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Current tax on profit for the year	-	-	-	-
Deferred tax				
Origination and reversal of timing difference	-	(309)	-	-
Adjustment in respect of previous period	-	-	-	-
Effect of changes in tax rates	-	-	-	-
	-	**(309)**	**-**	**-**
Total Tax per income statement	**-**	**(309)**	**-**	**-**

The Association is exempt from tax on its charitable activities under tax law.

The tax assessed for the year is the same as the standard rate of corporation tax in the UK (19%) (2022: 19%).

(b) Factors affecting tax charge/ (credit) for the year	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Current tax reconciliation				
Surplus on ordinary activities before taxation	5,195	9,260	2,513	24,549
Current tax at 19% (2022: 19%)	987	1,759	477	4,664
Effects of:				
Non-taxable charitable activities	(399)	(4,656)	(225)	(4,491)
Expenses not deductible	6,133	30	-	-
Qualifying charitable donation made	-	-	(252)	(173)
Deferred tax not provided	(622)	-	-	-
Adjustment from previous periods	-	94	-	-
Income not taxable	(6,099)	-	-	-
Tax losses utilised	-	2,464	-	-
Total tax charge / (credit)	**-**	**(309)**	**-**	**-**

11. Housing properties

Group	Under Development		Completed (available for letting)		
	General rented £'000	Shared ownership £'000	General rented £'000	Shared ownership £'000	Total £'000
Cost					
At 1 April 2022	226,279	66,739	1,850,855	237,807	2,381,680
Additions	81,133	66,382	19,136	-	166,651
Transfer to/from stock	(16,100)	(18,181)	2,600	(973)	(32,654)
Transfer to investment properties	(4,960)	-	(165)	-	(5,125)
Transfer on completion	(23,875)	(11,001)	23,875	11,001	-
Disposals	(5,900)	-	(6,111)	(8,552)	(20,563)
Components replaced	-	-	(1,787)	(32)	(1,819)
Write off	(860)	-	-	-	(860)
At 31 March 2023	**255,717**	**103,939**	**1,888,403**	**239,251**	**2,487,310**
Accumulated depreciation					
At 1 April 2022	-	-	202,653	19,281	221,934
Charge for the year	-	-	23,946	3,586	27,532
Depreciation accrual for components	-	-	1,603	-	1,603
Disposals	-	-	(571)	(417)	(988)
Component replacement	-	-	(869)	(22)	(891)
At 31 March 2023	**-**	**-**	**226,762**	**22,428**	**249,190**
Impairment					
At 1 April 2022	-	-	2,279	-	2,279
Charge for the year	-	-	811	-	811
Released in the year	-	-	(1,759)	-	(1,759)
At 31 March 2023	**-**	**-**	**1,331**	**-**	**1,331**
Net book value					
At 31 March 2023	**255,717**	**103,939**	**1,660,310**	**216,823**	**2,236,789**
At 31 March 2022	**226,279**	**66,739**	**1,645,923**	**218,526**	**2,157,467**

Total expenditure on existing properties in the year was £50,931k (2022: £42,330k). This comprises £19,122k (2022: £14,346k) which was capitalised and £31,809k (2022: £27,984k) which was treated as revenue expenditure and charged to the Statement of Comprehensive Income.

Additions to housing properties during the year included capitalised interest of £11,860k (2022: £8,462k). The capitalisation rate used was 3.76% (2022: 3.48%). At 31 March 2023 the EUV-SH for the units charged was £1,425,844k (2022: £1,189,659k) and the number of units charged was 12,370 (2022: 11,232).

11. Housing properties – continued

Association	Under Development		Completed (available for letting)		
	General rented £'000	Shared ownership £'000	General rented £'000	Shared ownership £'000	Total £'000
Cost					
At 1 April 2022	223,543	66,739	1,860,496	237,807	2,388,585
Additions	81,133	66,382	19,136	-	166,651
Transfer to/from stock	(16,100)	(18,181)	2,600	(973)	(32,654)
Transfer to Investment Property	(4,960)	-	(165)	-	(5,125)
Transfer on completion	(23,875)	(11,001)	23,875	11,001	-
Disposals	(5,900)	-	(6,111)	(8,552)	(20,563)
Component replacement	-	-	(1,787)	(32)	(1,819)
Write off	(860)	-	-	-	(860)
At 31 March 2023	**252,981**	**103,939**	**1,898,044**	**239,251**	**2,494,215**
Accumulated depreciation					
At 1 April 2022	-	-	200,630	19,094	219,724
Charge for the year	-	-	23,946	3,586	27,532
Depreciation accrual for components	-	-	1,603	-	1,603
Disposals	-	-	(571)	(417)	(988)
Component replacement	-	-	(869)	(22)	(891)
At 31 March 2023	**-**	**-**	**224,739**	**22,241**	**246,980**
Impairment					
At 1 April 2022	-	-	2,279	-	2,279
Charge for the year	-	-	811	-	811
Released in the year	-	-	(1,759)	-	(1,759)
At 31 March 2023	**-**	**-**	**1,331**	**-**	**1,331**
Net book value					
At 31 March 2023	**252,981**	**103,939**	**1,671,974**	**217,010**	**2,245,904**
At 31 March 2022	**223,543**	**66,739**	**1,657,587**	**218,713**	**2,166,582**

Total expenditure on existing properties in the year was £49,804k (2022: £41,087k). This comprised £19,122k (2022: £14,346k) which was capitalised and £30,682k (2022: £26,741k) which was treated as revenue expenditure and charged to the Statement of Comprehensive Income.

Additions to housing properties during the year included capitalised interest of £11,860k (2022: £8,462k). The capitalisation rate used was 3.76% (2022: 3.48%). At 31 March 2023 the EUV-SH for the units charged was £1,425,844k (2022: £1,189,659k) and the number of units charged was 12,370 (2022: 11,232).

12. Intangible assets and other fixed assets

Group and Association	Computer hardware £'000	Freehold and leasehold office property £'000	Office fixtures and fittings £'000	Total tangible asset £'000	Computer software £'000	Total £'000
Cost						
At 1 April 2022	725	5,934	3,137	9,796	25,659	35,455
Additions	-	-	56	56	3,698	3,754
At 31 March 2023	**725**	**5,934**	**3,193**	**9,852**	**29,357**	**39,209**
Accumulated depreciation and amortisation						
At 1 April 2022	723	964	2,535	4,222	10,633	14,855
Amortisation for the year	-	-	-	-	3,857	3,857
Depreciation charge for the year	-	329	60	389	-	389
At 31 March 2023	**723**	**1,293**	**2,595**	**4,611**	**14,490**	**19,101**
Net book value						
At 31 March 2023	**2**	**4,641**	**598**	**5,241**	**14,867**	**20,108**
At 31 March 2022	**2**	**4,970**	**602**	**5,575**	**15,026**	**20,601**

13. Investment properties

	Group £'000	Association £'000
At 1 April 2022	**27,933**	**24,323**
Transfer from Housing Properties	5,125	5,125
Disposals	(3,654)	(3,654)
Revaluation surplus	246	426
At 31 March 2023	**29,650**	**26,220**

Completed investment properties

The valuation report dated 31 March 2023 was prepared by Lamberts Chartered Surveyors in accordance with the RICS Valuation Professional Standards incorporating the International Valuation Standards (January 2014 edition). This appraisal assumes the properties within the portfolio have not undergone material change since the formal and full revaluation of the portfolio in March 2019. Where the property is let or there is a lack of comparable transactional sales evidence, the traditional investment method of valuation, capitalising the actual and estimated rental values using suitable yields has been used. Capitalisation rates which range between 5.5% and 9.5% depending on the nature of the individual asset have been used. The adopted capitalisation rates assume a continuation of recent inflation levels as measured by the RPI index (in the order of 9.0%). The value of each property has been assessed on an existing use basis.

There is significant uncertainty and concern regarding the UK economy, which is being influenced by several negative factors including high inflation, the long term effects of the Covid-19 Pandemic, the war in Ukraine, extreme energy prices and the "cost of living crisis". The recent well publicised issues for Credit Suisse and Silicon Valley Bank highlight a possible risk of financial instability within the banking sector and there are fears of "contagion" to other banks and financial institutions. These major issues result in the estimates of value having a higher than usual element of uncertainty. Undoubtedly property values are uncertain and potentially volatile in the immediate to mid-term future.

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

Investment properties under construction
Investment properties under construction are valued at cost less any impairment at stage of completion. These costs are included in the values in the above summary. As 31 March 2023, costs in relation to investment properties under construction were £0 (2022: £0).

14. Investments (financial)

	Group and Association £'000
At 1 April 2022	5,230
Additions	-
Disposal	-
Amortisation of cost	-
Interest	21
At 31 March 2023	**5,251**

The investment relates to a deposit with Santander and the investment is restricted and not available for general use.

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

15. Investment in Shares
Investment in Group entities
The Association has interests in the following Group entities:

Name of entity	Notes	Country of incorporation	Nature of business	Interest
Network Living Limited	1	UK	Dormant	100% ordinary shares (1 share)
Network New Build Limited	1	UK	Build and design	100% ordinary shares (1 share)
Network Homes Investments Limited	1	UK	Property Development	100% ordinary shares (65,000,001 shares)
Network Homes Investments (Stockwell) Limited	1	UK	Property Development	100% ordinary shares (1 share)
Network Treasury Services Limited	1	UK	Treasury vehicle	100% ordinary shares (1 share)
Pimlico Village Developments Limited	1	UK	Property Management	100% ordinary shares (2 shares)
Network Affordable Developments Limited	1	UK	Property Development	100% ordinary shares (40,000,001 shares)
SW9 Community Housing	1 and 2	UK	Management of properties in Lambeth	Interest in property management
Venice House Management Company Limited	1	UK	Dormant	N/A (Private company limited by guarantee without share capital)
Aylesbury House Management Company Limited	1	UK	Dormant	N/A (Private company limited by guarantee without share capital)
Marsworth House Management Company Limited	1	UK	Dormant	N/A (Private company limited by guarantee without share capital)
Cosgrove House Management Company Limited	1	UK	Dormant	N/A (Private company limited by guarantee without share capital)
Unconsolidated entities: these entities are associates with immaterial balances				
Churchill Gardens Amenity Limited	1	UK	Property Management	Interest in property management
Tay Road Amenity Limited	1	UK	Property Management	Interest in property management

Notes
1. Companies incorporated under the Companies Act 2006.
2. Entities incorporated under the Charities Act 2022.

Investment in MORhomes PLC
At 31 March 2023, the Group held an investment of 40,000 ordinary shares of 10p each, a share of 0.8% in the company. This represents a passive investment as Network Homes does not have significant control. The value of this investment is £25k as per the financial statements at 31 March 2022. The historic cost of this investment is £30k.

16. Investment in joint venture
In the consolidated financial statements, joint ventures are accounted using the equity accounting method. Within the subsidiary company's individual financial statements in which the joint venture investment is held, the joint venture is accounted for as a fixed asset investment and shown at cost less any impairment. The joint venture during the year is as follows:

Joint venture entities	Partner	Group interest	Group voting rights
Northwick Park Developments LLP	Vistry Partnerships Limited	50% through Network Homes Investments Limited	50% through Network Homes Investments Limited

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

17. Shared equity loans

	Group and Association	
	2023 £'000	2022 £'000
At 1 April	3,311	3,610
Loans issued during the year	-	-
Redeemed during the year	(349)	(386)
Interest	42	87
At 31 March	**3,004**	**3,311**

Shared equity loans meet the criteria for concessionary loans and are therefore measured in accordance with FRS 102 PBE34.90 to PBE34.92. The loans are initially measured at amount received. In subsequent years the carrying amount of the loans are adjusted to reflect any repayment and accrued interest receivable.

18. Debtors: amounts falling due after more than one year

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Loan finance charges	-	117	-	117
Amounts owed by third parties	1,610	-	-	-
	1,610	**117**	**-**	**117**

19. Stock

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Completed schemes:				
Shared ownership properties	2,109	11,914	2,109	11,914
Open market sales	1,295	164	1,131	-
	3,404	**12,078**	**3,240**	**11,914**
Under construction:				
Shared ownership first tranche	67,541	70,574	75,873	70,574
Open market sales	5,547	27,474	-	-
Total	**76,492**	**110,126**	**79,113**	**82,488**

There was impairment of stock recognised during the year £3,270k (2022: £15,672k for the land at Merrick Road).

None of the stock is pledged as collateral against borrowing by the Group (2022: £nil).

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

20. Debtors: amounts falling due within one year

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Rent and service charges	16,266	16,240	15,891	15,893
Less: provision for bad and doubtful debts	(7,460)	(6,816)	(7,415)	(6,758)
	8,806	**9,424**	**8,476**	**9,135**
Other debtors	9,395	9,026	8,222	6,338
Less: provision for bad and doubtful debts	(197)	(455)	(197)	(455)
Trade debtors	26,011	3,103	9,186	1,637
Amount recoverable under long term contract	11,600	-	-	-
Amount owed from Group undertakings	-	-	22,231	1,081
Prepayments and accrued income	8,907	1,077	8,907	1,077
	64,522	**22,175**	**56,825**	**18,813**

21. Cash and cash equivalents

		Group		Association	
	Note	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Cash at bank and in hand		64,061	61,566	57,246	57,055
Cash held for client accounts	22	7,541	6,832	7,492	6,781
		71,602	**68,398**	**64,738**	**63,836**

All the cash other than cash held for client accounts is available for general use. Cash held in client accounts is restricted as this is tenants' money.

22. Creditors: amounts falling due within one year

		Group		Association	
	Note	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Client accounts					
Service charge and client funds		7,707	6,883	7,658	6,832
Client bank accounts		(166)	(51)	(166)	(51)
Total client account creditors		**7,541**	**6,832**	**7,492**	**6,781**
Other creditors					
Housing loans	25	21,310	14,113	21,310	14,113
Trade creditors		3,101	6,718	1,876	5,434
Rent and service charges received in advance		7,811	8,052	7,594	7,840
Owed to Group undertakings		-	-	93,731	65,691
Other creditors		5,263	2,336	4,764	2,251
Social housing grant within one year		5,380	6,088	5,380	6,088
Other grant within one year		1,855	2,139	1,855	2,139
Accruals		78,547	62,925	48,470	35,665
		130,808	**109,203**	**192,472**	**146,002**

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

23. Creditors: amounts falling due after more than one year

		Group		Association	
	Note	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Housing loans*	25	1,196,867	1,141,109	1,196,867	1,141,109
Recycled capital grant fund	26	9,709	9,313	9,709	9,313
Social housing grant	27	587,360	585,306	587,360	585,306
Other capital grant	28	36,866	38,266	36,866	38,266
Shared equity grant	29	1,973	2,108	1,973	2,108
		1,832,775	**1,776,102**	**1,832,775**	**1,776,102**

* Housing loans are carried at amortised cost using the effective interest method when they are classified as basic loans. The nominal carrying values of housing loans are £1,202,342k (2022: £1,139,966k), as per note 25. They also include restructured loan of £12,952k (2022: £13,057k) and the THFC financing surplus of £5,946k (2022: £5,336k).

The housing loans in the Association include a loan of £382,200k (2022: £429,245k) from Network Treasury Services Limited

24. Provisions for liabilities and charges

Group	Lease termination repairs £'000	Building safety £'000	LGPS £'000	The Pensions Trust £'000	Total £'000
At 1 April 2022	2,777	6,972	1,000	9,528	20,277
Additions in the year	658	19,648	-	1,826	22,132
Released in the year	(176)	(6,972)	(1,000)	(2,001)	(10,149)
At 31 March 2023	**3,259**	**19,648**	**-**	**9,353**	**32,260**

	2023 £'000	2022 £'000
Amount payable within one year	16,222	5,978
Amount payable after one year	16,038	14,299
	32,260	**20,277**

Association	Lease termination repairs £'000	Building safety £'000	LGPS £'000	The Pensions Trust £'000	Total £'000
At 1 April 2022	2,735	6,972	1,000	9,528	20,235
Additions in the year	497	19,648	-	1,826	21,971
Released in the year	(6)	(6,972)	(1,000)	(2,001)	(9,979)
At 31 March 2023	**3,226**	**19,648**	**-**	**9,353**	**32,227**

	2023 £'000	2022 £'000
Amount payable within one year	16,222	5,978
Amount payable after one year	16,005	14,257
	32,227	**20,235**

Lease termination repairs

The provisions for termination repairs 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

A provision of £19,648k has been made for remediation works to be carried out by Network Homes Limited in the current financial year. Once the Building Safety team have determined which block of properties require remediation work and 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 Network Homes has a legal duty to ensure that its properties are safe for residents.

The Pensions Trust

The provision relates to the pension past service deficit. The amount of £2,001k was paid to The Pensions Trust in this financial year. Provision payable within the next 12 months is £2,109k.

25. Housing loans

Financial liabilities measured at amortised cost – GROUP

				Group 2023 £'000
Fixed rate loans at 1 April 2022				913,801
Fixed Rate Debt Instruments	**Rate**	**Maturity**	**Repayment**	
Bilateral bank loan	2.2%	Instalment	Apr-41	(963)
Bilateral bank loan	4.7%	Instalment	Dec-37	(6,250)
Bilateral bank loan	4.8%	Instalment	Nov-35	(1,945)
Local Authority Investment	3.5%	On Maturity	Apr-21	-
Bilateral bank loan	10.6%	Instalment	Sep-25	(455)
Bilateral bank loan	9.9%	Instalment	Sep-23	(51)
Local Authority Investment	3.6%	On Maturity	Apr-21	-
Deep Discounted Loan Note	5.0%	On Maturity	Sep-27	608
Barings	2.7%	On Maturity	May-52	50,000
Met Life	2.8%	On Maturity	May-42	25,000
Met Life	2.7%	On Maturity	May-52	75,000
Nuveen	2.7%	On Maturity	May-37	50,000
M & G		On Maturity	Mar-83	(12)
				190,932
Fixed rate loans at 31 March 2023				**1,104,733**

Notes to the Financial Statements
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25. Housing loans – continued

				Group 2023 £'000
Variable rate loans at 1 April 2022				231,503
Variable Rate Debt Instruments	**Rate**	**Maturity**	**Repayment**	
Bilateral bank loan	1.1%	On Maturity	Aug-24	(35,500)
Bilateral bank loan	0.3%	Instalment	May-38	(1,576)
Bilateral bank loan	0.4%	Instalment	Nov-35	(1,774)
Bilateral bank loan	1.0%	On Maturity	May-24	(60,000)
Bilateral bank loan	1.0%	Instalment	Mar-36	(1,098)
RBS FFL/RCF	1.3%	On Maturity	May-22	(35,000)
Barclays Trade Loan	0.6%	On Maturity	Mar-23	7,000
				(127,948)
Variable rate loans at 31 March 2023				**103,555**
Financial liabilities				**1,208,288**
Unamortised loan issue costs				(3,063)
Restructured loan				12,952
Total financial liabilities measured at amortised cost (note 22 & 23)				**1,218,177**
Less: THFC financing surplus				(5,946)
Less: Restructured loan				(12,952)
Total loan repayable (as per repayment profile below)				**1,199,279**

Unencumbered asset value

The EUV-SH value of all unencumbered assets for the Association at year-end is £436,840k (2022: £495,821k).

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

25. Housing loans – continued

Repayment profile of financial instruments - at nominal value	Group		
	Payable by instalment £'000	Payable on maturity £'000	2023 Total £'000
Less than one year	14,310	7,000	21,310
Between one and five years	62,384	69,632	132,016
In more than five years	248,860	800,156	1,049,016
Total	**325,554**	**876,788**	**1,202,342**
Less: Amortised cost			**(3,063)**
Total (at amortised cost)			**1,199,279**
	Payable by instalment £'000	Payable on maturity £'000	2022 Total £'000
Less than one year	13,150	963	14,113
Between one and five years	59,845	191,537	251,382
In more than five years	265,709	608,762	874,471
Total	**338,704**	**801,262**	**1,139,966**
Less: Amortised cost			**(3,139)**
Total (at amortised cost)			**1,136,827**

Repayment profile of financial instruments - at nominal value	Association		
	Payable by instalment £'000	Payable on maturity £'000	2023 Total £'000
Less than one year	2,660	7,000	9,660
Between one and five years	15,979	69,632	85,611
In more than five years	69,715	655,156	724,871
Total	**88,354**	**731,788**	**820,142**
Less: Amortised cost			**(1,456)**
Total (at amortised cost)			**818,686**
	Payable by instalment £'000	Payable on maturity £'000	2022 Total £'000
Less than one year	1,605	963	2,568
Between one and five years	13,860	156,037	169,897
In more than five years	74,494	463,762	538,256
Total	**89,959**	**620,762**	**710,721**
Less: Amortised cost			**(1,332)**
Total (at amortised cost)			**709,389**

The loans taken by the Association above exclude internal loans from NTSL.

Unencumbered asset value

The value of all unencumbered assets at year-end is £436,840k (2022: £495,821k).

26. Recycled capital grant fund

The movement on the recycled capital grant fund is shown below:

Group and Association Funds pertaining to activities within areas covered by:		HCA £'000	GLA £'000	Other £'000	Total £'000
At 1 April 2022		1,473	5,764	2,076	9,313
Inputs to RCGF (source of funds):	Funds recycled	100	2,814	487	3,401
	Interest accrued	-	83	-	83
Use/allocation of funds:	New build/Released	-	(525)	(2,563)	(3,088)
Repayment of grant to GLA		-	-	-	-
As at 31 March 2023		**1,573**	**8,136**	**-**	**9,709**
Amounts 3 years or older where repayment may be required		**-**	**-**	**-**	**-**

27. Social housing grant

Group and Association	Under development		Completed (available for letting)		
	General rented £'000	Shared ownership £'000	General rented £'000	Shared ownership £'000	Total £'000
At 1 April 2022	48,695	19,077	488,596	35,026	591,394
Reclassification	-	-	1,262	-	1,262
Received	980	-	-	-	980
Receivable	7,690	-	-	-	7,690
Amortisation for year	-	-	(5,692)	(387)	(6,079)
Disposal	-	-	(747)	(1,760)	(2,507)
Transfer on completion	(4,389)	(1,255)	4,389	1,255	-
As at 31 March 2023	**52,976**	**17,822**	**487,808**	**34,134**	**592,740**

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

28. Other capital grants

Group and Association	Under development		Completed (available for letting)		
	General rented £'000	Shared ownership £'000	General rented £'000	Shared ownership £'000	Total £'000
At 1 April 2022	476	33	39,751	145	40,405
Reclassification	-	-	(1,262)	-	(1,262)
Received	356	-	-	1,977	2,333
Amortisation for year	-	-	(2,148)	-	(2,148)
Disposal	-	-	(486)	-	(486)
Transfer to income statement	-	-	(121)	-	(121)
As at 31 March 2023	**832**	**33**	**35,734**	**2,122**	**38,721**

Other grants are grants from local authorities.

29. Shared equity grants

Group and Association	2023 £'000	2022 £'000
At 1 April	2,108	2,178
Grants received during the year	-	-
Recycled during the year	(135)	(70)
At 31 March	**1,973**	**2,108**

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.

30. Non-equity share capital

Association	2023 £	2022 £
Ordinary shares of £1 each, issued and fully paid:		
At 1 April	10	10
Issued during the year	-	-
Surrendered during the year	-	-
At 31 March	**10**	**10**

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends, redemptions of capital or distributions on a winding up. Shares in issue are not capable of being repaid or transferred. Where a shareholder ceases to be a member, that person's share is cancelled and the amount paid up thereon becomes the property of the Association. Therefore all shareholdings relate to non-equity interests.

31. Legislative provisions

The Group and Association are registered under the Co-operative and Community Benefit Societies Act 2014 and are required by statute to prepare consolidated financial statements as the Association is the ultimate parent entity in the Group. The Association is registered with Homes England as a social provider.

32. Capital commitments

Group	2023 £'000	2022 £'000
Expenditure contracted for but not provided for in the financial statements	312,917	379,784
Capital Expenditure authorised by board but not yet contracted for	151,202	57,693
	464,119	**437,477**

Capital commitments are in relation to the development programme that Board has approved. Capital commitments will be financed through a combination of retained reserves, long-term committed loan facilities from banks and other lending institutions, social housing grant awarded by Homes England and proceeds from the sale of outright sale or non-core properties. Borrowings mentioned below relate to existing and new loans which will be taken when required.

In May 2023, the main contractor for the development at Merrick Road went into administration and hence contractual obligations have been released.

The summary below shows how the Group expects to finance capital commitments through:

Group	2023 £'000	2022 £'000
Social Housing Grants	57,138	57,138
Surpluses / borrowings / financed by third party	406,981	380,339
Total	**464,119**	**437,477**

33. Leases

The total of future minimum lease payments under non-cancellable leases for each of the following periods is:

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Amount payable in:				
Not later than one year	2,257	2,351	2,286	2,389
Later than one year and not later than five years	8,387	8,722	8,387	8,722
Later than five years	18,828	20,732	18,828	20,732
Total	**29,472**	**31,805**	**29,501**	**31,843**

The amount of lease payments recognised as an expense in the year was £2,585k (2022: £3,305k).

34. Notes to the cash flow statement

	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Surplus for the financial year	5,195	9,569	2,513	24,549
Profit on sale of fixed assets	(8,070)	(13,061)	(8,070)	(12,899)
Revenue grant income	-	-	-	-
Revaluation (surplus) on investment properties	(246)	(2,325)	(426)	(2,239)
Interest receivable and other income	(1,442)	(179)	(1,393)	(177)
Interest payable and similar charges	35,516	34,099	37,652	35,113
Restructuring of financial instruments	(105)	(101)	(105)	(101)
Share of Joint Venture	-	-	-	-
Taxation	-	(310)	-	-
Gift aid receivable	-	-	(1,327)	(912)
Operating surplus	**30,848**	**27,692**	**28,844**	**43,334**
Depreciation charges	34,366	31,359	34,359	31,303
Amortised government grants	(8,227)	(7,879)	(8,227)	(7,879)
Impairment of assets	4,572	15,624	4,572	-
Working capital movements				
(Increase)/Decrease in debtors	(43,840)	64	(37,650)	5,229
Increase/(Decrease) in creditors	22,469	1,746	11,855	(27,320)
Net cash inflow from operating activities	**40,188**	**68,606**	**33,753**	**44,667**

Group	1 April 2022 £'000	Cash flow £'000	Non-cash £'000	31 March 2023 £'000
Analysis of changes in net debt				
Cash and cash equivalents	66,678	3,104	-	69,782
Sinking fund	1,720	100	-	1,820
Bank overdraft	-	-	-	-
	68,398	**3,204**	**-**	**71,602**
Debt due within one year	(14,113)	14,113	(21,310)	(21,310)
Debt due after more than one year	(1,135,771)	(76,460)	21,310	(1,190,921)
THFC debt	(5,338)	(608)	-	(5,946)
	(1,086,824)	**(59,751)**	**-**	**(1,146,575)**

Association	1 April 2022 £'000	Cash flow £'000	Non-cash £'000	31 March 2023 £'000
Analysis of changes in net debt				
Cash and cash equivalents	62,116	802	-	62,918
Sinking fund	1,720	100	-	1,820
Bank overdraft	-	-	-	-
	63,836	**902**	**-**	**64,738**
Debt due within one year	(14,113)	14,113	(21,310)	(21,310)
Debt due after more than one year	(1,135,771)	(76,460)	21,310	(1,190,921)
THFC debt	(5,338)	(608)	-	(5,946)
	(1,091,386)	**(62,053)**	**-**	**(1,153,439)**

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35. Pension schemes

During the year, the Group members participated in three pension schemes: two defined benefit schemes providing benefits based on final pensionable pay (one local government pension scheme and the multi-employer Social Housing Pension Scheme SHPS) and the third scheme which provides benefits based on contributions made (a defined contribution scheme).

The amount recognised in the Statement of Comprehensive Income is as follows:

		2023 £'000	2022 £'000
Charged in operating profit			
Defined benefit schemes: service costs - LGPF	note 35a	-	-
Defined benefit scheme - SHPS	note 35b	1,990	1,717
Defined contribution scheme: contributions paid	note 35c	1,235	1,097
		3,225	**2,814**
Interest and finance costs			
Defined benefit schemes - LGPF	note 35a	-	(25)
Defined benefit scheme - SHPS	note 35b	238	253
		238	**228**

The amount recognised in the Other Comprehensive Income is as follows:

	2023 £'000	2022 £'000
SHPS - OCI items from current year	(1,786)	1,513
SHPS - OCI adjustment to recognise full DB liability	-	-
LGPF - OCI items from current year	(2,247)	1,054
	(4,033)	**2,567**

(a) Defined benefit schemes

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

	2023	2022
Members of the Schemes employed by the Group		
Deferred pensioners	31	41
Pensioners	54	48

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% per annum for both males and females.

35. Pension schemes – continued

Based on the assumptions, the average future life expectancies are summarised below:

	2023	2022
Future pensioners *		
Males	23.7 years	22.9 years
Females	26.1 years	26.0 years
Current pensioners		
Males	21.6 years	21.9 years
Females	24.0 years	24.4 years

* Figures assume members aged 45 as at the last formal valuation date.

A full actuarial valuation of the scheme was performed at 31 March 2023 by a qualified independent actuary, Hymans Robertson LLP, using the projected unit credit method. The principal financial assumptions used by the actuary were:

	2023 %	2022 %
Expected rate of salary increase	3.50	3.60
Expected rate of pension increase	3.00	3.20
Discount rate	4.75	2.70

	Assets £'000	Liabilities £'000	Total £'000
At 1 April 2022	16,377	(13,770)	2,607
Benefits paid	-	-	-
Employer contribution	-	-	-
Interest income / (expense)	-	-	-
Actuarial gain / (loss)	-	-	-
Write down of assets to other comprehensive income	(2,247)	-	(2,247)
At 31 March 2023	**14,130**	**(13,770)**	**360**

The fair value of the plan assets was:	2023 %	2023 £'000	2022 %	2022 £'000
Equity instruments	50	7,065	55	9,007
Bonds	23	3,250	25	4,094
Property	15	2,120	13	2,129
Cash	12	1696	7	1,147
	100	**14,130**	**100**	**16,377**

The returns on the plan assets were:	2023 £'000	2022 £'000
Interest income	-	317
Actual return on plan assets less interest income	-	123
	-	**440**

35. Pension schemes – continued

(b) Defined benefit scheme

The Association is a member of a multi-employer Social Housing Pension Scheme (SHPS). The Pensions Trust, which administers this scheme, provides benefits to non-associated participating employers. The scheme is classed as a defined benefit scheme in the UK.

The scheme is classified as 'last man standing' arrangements. Therefore, each employer is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

The net pension liability decreased by £175k from £9,529k at 31 March 2022 to £9,354k at 31 March 2023. The change was recognised on the statement of financial position through other comprehensive income for any actuarial gains and losses (£1,535k) and through SOCI for interest (£238k) and other pension related costs (£42k). Top-up paid in the year in respect of past service deficit was £2,001k.

	31 March 2023 £'000	31 March 2022 £'000
Fair value of plan assets	41,929	60,686
Present value of defined benefit obligation	(51,283)	(70,215)
Deficit in plan	(9,354)	(9,529)
Unrecognised surplus	-	-
Defined liability to be recognised	(9,354)	(9,529)
Deferred tax	-	-
Net defined benefit liability to be recognised	(9,354)	(9,529)

Fair value of the plan assets is Network Homes' share of the market value of scheme assets at 31 March 2023. This includes the share of assets in relation to 'orphan' members and split-service members.

Net defined benefit liability is the ultimate liability that Network Homes has recognised in the accounts for 2023.

Reconciliation of opening and closing balances of the fair value of plan assets	2023 £'000	2022 £'000
Fair value of plan assets at start of period	**60,686**	**59,543**
Interest income	1,697	1,281
Experience on plan assets (excluding amount included in interest income) - (loss)	(20,794)	(295)
Contribution by the employer	1,990	1,717
Benefits aid and expenses	(1,650)	(1,560)
Fair value of plan assets at end of period	**41,929**	**60,686**

The actual return on the plan assets, including any changes in share of assets, over the period ended 31 March 2023 was £(19,097)k (2022: £986k).

Reconciliation of opening and closing balances of the defined benefit obligation	2023 £'000	2022 £'000
Defined benefit obligation at start of period	**70,215**	**72,166**
Expenses	42	39
Interest expense	1,935	1,534
Actuarial losses due to scheme experience	125	4,064
Actuarial (gains) due to changes in demographic assumptions	(123)	(1,132)
Actuarial (gains) due to changes in financial assumptions	(19,261)	(4,896)
Total defined benefit recognised in SOCI	**(17,282)**	**(391)**
Benefits paid	**(1,650)**	**(1,560)**
Defined benefit obligation at end of period	**51,283**	**70,215**

The pension liability decreased by £18,932k (2022: decreased by £1,951k) in the period ended 31 March 2023.

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35. Pension schemes – continued

Defined benefit cost recognised in Statement of Comprehensive Income (SOCI)	2023 £'000	2022 £'000
Expenses	42	39
Net interest expense	238	253
Defined benefit costs recognised	**280**	**292**

Analysis of plan assets	2023 %	2023 £'000	2022 %	2022 £'000
Global Equity	2	782	19	11,646
Absolute Return	1	454	4	2,434
Distressed Opportunities	3	1,269	4	2,172
Credit Relative Value	4	1,583	3	2,017
Alternative Risk Premia	0	78	3	2,001
Fund of Hedge Funds	0	-	0	-
Emerging Markets Debt	1	225	3	1,766
Risk Sharing	7	3,087	3	1,998
Insurance-Linked Securities	3	1,058	2	1,415
Property	4	1,805	3	1,639
Infrastructure	11	4,789	7	4,323
Private Debt	4	1,866	3	1,556
Opportunistic Illiquid Credit	4	1,794	3	2,039
High Yield	0	147	1	523
Opportunistic Credit	0	3	0	216
Cash	1	302	0	206
Corporate Bond Fund	0	-	7	4,048
Liquid Credit	0	-	0	-
Long Lease Property	3	1,265	3	1,562
Secured Income	5	1,925	4	2,261
Liability Driven Investment	47	19,310	28	16,933
Currency Hedging	0	80	0	(238)
Net Current Assets	0	107	0	169
	100	**41,929**	**100**	**60,686**

Network Homes Limited will pay £2,109k (£2,067k plus admin fees £42k) over the next 12 months towards the past service deficit.

At the date of last valuation on 30 September 2021 the estimated debt on withdrawal for Network Homes Limited was £44,086k. This information has been provided by The Pensions Trust and confirmed in May 2023.

35. Pension schemes – continued

Assumptions	2023	2022
Discount rate assumptions	4.88%	2.79%
Inflation (RPI) assumptions	3.20%	3.62%
Inflation (CPI) assumptions	2.74%	3.21%
Pensionable earning increases assumptions	3.74%	4.21%
Mortality before retirement	No allowance	No allowance
Life expectancy for a male currently age 65	21.0 years	21.1 years
Proportion married at retirement	75% for males and 75% for females	75% for males and 75% for females
Allowance for cash commutation	75% of maximum allowance	75% of maximum allowance
Discretionary increases	No allowance	No allowance

As at 31 March 2023 details of the scheme were:

Active members	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	6	398	55
Females	20	857	58
Total	**26**	**1,255**	**57**

Deferred members	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	90	416	56
Females	166	499	56
Total	**256**	**915**	**56**

Pensioners	Number	Total earnings (£'000s p.a.)	Average age (unweighted)
Males	64	529	72
Females	171	900	70
Total	**235**	**1,429**	**71**

(c) Defined contribution scheme

The amount recognised as an expense was:	Group		Association	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Contributions	1,313	1,172	1,235	1,097
	1,313	**1,172**	**1,235**	**1,097**

Members' contributions are based on their pensionable salaries and paid between 4% and 10% by the members. These contributions are matched by the Association and paid to The Pensions Trust. Members' contributions in excess of 10% are only matched up to 10%.

36. Contingent assets and liabilities

As at 31 March 2023, the Group had the following contingent liabilities:

i. A number of performance bonds, total amount of £60k. They are repayable by Network Homes Limited if the contracted work described is not completed in accordance with the terms of the respective bond.

ii. Cross collateralisation and cross guarantees are in place for £382m of loans borrowed by Network Treasury Services Limited, the Group's Treasury vehicle, as at 31 March 2023. The loans are secured against property assets held by Group entities and are included within housing loans in note 25.

iii. There is a likelihood that income of £10,743k will be received on a claim from an insurer. Our legal team have advised us that success with this claim is probable.

37. Government assistance

The Group receives financial assistance from government sources such as Homes England and local authorities. These government grants are accounted for as deferred income in the statement of financial position and are amortised annually to the statement of comprehensive income based on the life of the building component, which is 100 years. The amount amortised represents a contingent liability to the entity and will be recognised as a liability when the properties funded by the relevant government grant are disposed of or when the property ceases to be used for social housing purposes.

Below is the analysis of the assistance from government sources in the form of government grants:

	Group and Association	
	2023 £'000	2022 £'000
Government funding received (Note 27,28 & 29)	633,434	633,906
Grants amortised to date	114,504	106,277

38. Related parties

As permitted by FRS 102 Paragraph 33.1A, disclosures need not be given of transactions entered into between two or more members of the Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member. The disclosures below provide details of related party transactions between the Association and its wholly owned subsidiaries. The rents of the tenant Board members are on normal commercial terms and they are not able to use their position to any advantage.

All gift aid payments from non-regulated entities are receivable by the Association.

Group member Total receipts from non-regulated Group members	Details	2023 £'000	2022 £'000
Network Affordable Developments Ltd	Gift aid	745	152
Network New Build Limited	Gift aid	352	408
Network Treasury Services Limited	Gift aid	221	160
Network Homes Investments (Stockwell) Limited	Gift aid	8	360
SW9 Community Housing Limited	Management fees	3,492	3,217
Network Homes Investments Limited	Stock disposal	16,100	-
Northwick Park Developments LLP	Recharges	5,900	-
		26,818	**4,297**

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38. Related parties – continued

Group member	Details	2023 £'000	2022 £'000
Total payments to non-regulated Group members			
Network Homes Investments Limited	Interest paid on loans	1,116	427
Network Affordable Developments Limited	Interest paid on loans	679	120
Network Homes Investments Limited	Office rent	38	38
Network Homes Investments (Stockwell) Limited	Interest paid on loans	7	207
Network Treasury Services Limited	Interest paid on loans	19,025	18,521
Network New Build Limited	Design & Build	71,653	87,649
Network Affordable Developments Ltd	Design & Build	18,742	-
		111,260	**106,962**

Gift aid from the subsidiaries is recognised at year-end on a receivable basis and is calculated based on the profit for the year end. Design and build costs incurred by Network New Build Limited including fees that are calculated as a percentage of build cost are recharged to other Group members.

Network Homes Investments Limited received office rent from the Association for Riversmead House in Hertfordshire. Network Treasury Services Limited receives interest on loans to the Association.

Intercompany debtors and creditors

Intercompany current account (£'000): Description	NHL	NHISL	NTSL	PVD	NHIL	NNBL	NADL	SW9
Network Homes Investments (Stockwell) Limited (NHISL)	8	(8)	-	-	-	-	-	-
Network Treasury Services Limited (NTSL)	225	-	(225)	-	-	-	-	-
Pimlico Village Developments Limited (PVD)	(3)	-	-	3	-	-	-	-
Network Homes Investments Limited (NHIL)	20,795	-	-	-	(20,795)	-	-	-
Network New Build Limited (NNBL)	(16,423)	-	-	-	-	16,423	-	-
SW9 Community Housing (SW9)	487	-	-	-	-	-	-	(487)
Network Affordable Developments Limited (NADL)	716	-	-	-	-	-	(716)	-
	5,805	**(8)**	**(225)**	**3**	**(20,795)**	**16,423**	**(716)**	**(487)**

Intercompany loans (£'000): Description	NHL	NHISL	NTSL	NHIL	NADL
Network Homes Investments Limited (NHIL)	(44,255)	-	-	44,255	-
Network Treasury Services Limited (Loans less than 1 Year)	(11,650)	-	11,650	-	-
Network Treasury Services Limited more than 1 year	(368,943)	-	368,943	-	-
Network Affordable Developments Limited (NADL)	(33,050)	-	-	-	33,050
	(457,898)	**-**	**380,593**	**44,255**	**33,050**

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

39. Housing stock

The number of units of accommodation in management at the end of the year was as follows:

	2023			2022		
	Owned	Managed	Total	Owned	Managed	Total
Social housing rental stock						
General needs (inclusive of Short Stay)	9,090	7	9,097	8,727	7	8,734
Affordable	2,862	-	2,862	2,848	-	2,848
Total general needs and affordable	**11,952**	**7**	**11,959**	**11,575**	**7**	**11,582**
Supported housing and housing for older people	1,825	-	1,825	1,964	-	1,964
Shared ownership	2,149	-	2,149	2,153	-	2,153
Leasehold	2,569	-	2,569	2,430	-	2,430
Intermediate rents	2,117	-	2,117	2,219	-	2,219
Total	**20,612**	**7**	**20,619**	**20,341**	**7**	**20,348**
Non-social housing stock						
Leasehold	504	-	504	502	-	502
Intermediate rents	53	-	53	132	21	153
Market rented	-	-	-	-	-	-
Total	**557**	**-**	**557**	**634**	**21**	**655**
Total	**21,169**	**7**	**21,176**	**20,975**	**28**	**21,003**
Properties owned but managed by others externally						
General needs	1,121	-	1,121	917	-	917
Affordable	33	-	33	33	-	33
Supported housing and housing for older people	395	-	395	526	-	526
Intermediate rent	28	-	28	-	-	-
Sub total	**1,577**	**-**	**1,577**	**1,476**	**-**	**1,476**

The table above is prepared according to Statistical Data Return (SDR) definitions. For the purposes of this data collection, a provider is the owner of a property when it owns the freehold title or where a lease is granted by the freeholder (the leasehold for that property). The 'owner' is the landlord. The landlord has legal responsibility for the tenancy or issuing a licence and charging of rent or licence fee for occupants of the property. Landlords may (and usually do) directly manage the properties they own, or they may have an agreement for another organisation for the management of lettings and rent collection. The form of any management agreement may vary; however the landlord retains overall control of the property and all occupiers of its properties are tenants of that provider.

The lease can be of any duration, as the length of lease that the landlord holds does not determine whether it is social housing or not. Stock held on shorter leases will have been counted as stock that is managed for others.

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

40. Financial instruments and financial management

	2023 £'000	2022 £'000
Financial assets measured at amortised cost		
Investment - financial	5,251	5,230
Shared Equity Loans	3,004	3,311
Rents receivables	8,806	9,425
Trade debtors	37,611	3,103
Other receivables	18,105	9,648
Cash and cash equivalents	71,602	68,398
Total financial assets	**144,379**	**99,115**
Financial liabilities measured at amortised cost		
Housing loans less than one year	21,310	14,113
Housing loans more than one year	1,196,867	1,141,109
Trade creditors	3,101	6,718
Rent and service charges received in advance	7,811	8,052
Accruals	78,547	62,925
Recycled capital grant fund	9,709	9,313
Other creditors	5,263	2,336
Total financial liabilities	**1,322,608**	**1,244,566**

Financial Management
The main risks arising from the Group's financial instruments are as follows:

- liquidity risk;
- interest rate risk;
- counter party risk; and
- customer credit exposure.

Liquidity risk
The purpose of managing liquidity risk is to ensure that the Group meets its financial obligations when they fall due. The Group meets its financial obligations through cash flows from operating activities such as the underlying cash from rental income streams and property sales, grants from government sources and through long term borrowing from lenders.

Each year the Group's Board approves the treasury management strategy and updates the treasury policy for the Group. This policy addresses funding and liquidity risk, covenant compliance and investment policy. In addition, the Group's Board receives reports on treasury activities.

Treasury services are provided to the Group by the Association.

Treasury management activities are monitored by the Finance Committee.

The Group borrows at both fixed and floating interest rates, with the treasury policy requiring a minimum of 50% of drawn debt to be on fixed interest rates or hedged.

The Group's debt is a mixture of fixed and floating rate loans. As at 31 March 2023, 91% (2022: 80%) of the Group's debt was at fixed rates and 9% (2022: 20%) at floating rates.

The Group's treasury team monitors covenant compliance for the Group on a regular basis and is required to report on covenant compliance to the Group's lenders on a quarterly basis. At 31 March 2023 the Group complied with its loan covenants. The business plan projects that it will continue to do so in the future.

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

40. Financial instruments and financial management - continued

Interest rate risk

The Group borrows from lenders using a mixture of short and long-term loans, the tenor of which depends on the 30-year business planning cycle and the Board's assessment of the macro-economic environment; for instance, the Board's view of the future direction of interest rate, assessment of demand and assessment of the political and legal environment. To mitigate interest risk, the Group ensures it has the right balance between fixed and variable loans in its loan portfolio.

Counter party risk

The Group's treasury policy sets minimum credit ratings for counter parties on investments to reduce counter party risk.

The short-term counter party ratings for investments must be at least an A1/P1 or F1. There are limits of £15m for approved investment institutions with the exception of the Group's main clearing bank where the £15m limit can be exceeded for short periods or £25m for AAA rated Money Market Fund's (MMF's).

The treasury policy is reviewed annually.

The Group has a procurement policy in place and manages counter party risk by carefully selecting suppliers and development partners. This risk is mitigated by strong on-going relationship with contractors and suppliers.

Customer credit exposure

The Group is exposed to the possibility of tenants not paying their rents. To mitigate this risk, the Group monitors arrears on a weekly basis and engages with tenants. Income management teams follow up any late payments promptly and have strong on-going customer relationships with our tenants.

41. Subsequent events

(i) The Group Board commenced merger discussions with Sovereign Housing Association, having entered into a grouping agreement with Sovereign Housing Association on 10 March 2023. Subject to successful conclusion of due diligence and negotiations with funders and further approval by the boards of Network Homes and Sovereign Housing Association, Network Homes will become a subsidiary of Sovereign Housing Association on 1 October 2023.

(ii) In May 2023, Henry Construction went into administration. Henry was the main contractor for the Merrick Road project. The profits recognised in the year are primarily based on a contractual relation that has broken post year end and as a result this event is treated as a non-adjusted subsequent event. Income recognisable in accordance with this long term contract will be revised in the next financial year. Negotiations are currently under way to secure a new contractor for this project.


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