

Stonewater Limited

Annual Report & Accounts 2022

For the year ended 31 March 2022

Our Vision

For everyone to have the opportunity to have
a place that they can call home.



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About Stonewater

Stonewater is proud to be one of the UK's leading social housing providers.

We manage around **34,500 homes** across England for over **76,000 customers**, and provide affordable properties for general rent, shared ownership and sale, alongside specialist accommodation such as retirement and supported living schemes for older and vulnerable people, domestic abuse refuges, a dedicated LGBTQ+ Safe Space, and young people's foyers.

In the context of housing demand and supply in the UK, our customers represent a diverse community of households who rent, who buy, and for a relatively small number, where we provide support as a stepping stone.

We provide homes to customers across England whose housing needs cannot be met by the open market, particularly in terms of both affordability and security.

- A considerable proportion (**38%**) of our general needs customers are families with dependent children
- **37%** of our customers are older people
- **64%** of our tenancies last for five years and above
- Our specialist housing provides support for many vulnerable groups within our society, this includes: young people, young families, those with mental health issues and learning disabilities, and those suffering domestic abuse.
- We also provide accommodation on behalf of a number of support agencies across the country, who utilise our properties to deliver services to people including those who are homeless, suffering domestic abuse, have mental or physical support needs, young people, drug and alcohol recovery, and ex-offenders.

We will continue to deliver our ambitions to build more homes and provide services that meet the needs of our customers.

Over the past year, we have built **836 homes** (2021: 671). We have plans to increase our build programme to reach **1,500** handovers a year from 2022/23 and have a good pipeline of development to achieve this.

For the past year, this figure is broken down into:

- **568** affordable rent, social rent, rent to buy
- **263** shared ownership
- **5** open market

At 31 March 2022, we were in contract to build **3,181 homes**.

During 2021/22, 34 (2021: 21) void properties were sold. These are typically properties where there is limited stock in the vicinity or perhaps require some modernisation or possibly a low EPC rating which we do not want to retain. 131 units were sold via staircasing where shared owners chose to buy a further proportion of the property. 20 units were sold through the Right to Buy and Right to Acquire schemes.

About Stonewater

Everything we do is guided by our Vision, Mission and Values.

Our Vision

For everyone to have the opportunity to have a place that they can call home.



Our Mission

To offer quality homes and services for people whose needs are not met by the open market.

Our Values

Our Values are the principles that guide us and set the tone for the way we behave.



We believe that in order to be successful, we have to build our foundations on strong values:

Ambitious

We are driven and competitive, always seeking the best solutions for our organisation and our customers.

We aim to be a landlord, partner and employer of choice.

Passionate

We genuinely care and are committed and motivated to always do the best we can.

Our enthusiasm and energy at every touchpoint inspires us to be an organisation everyone can be proud to be associated with.

Agile

By being adaptable and open-minded, we proactively make the most of opportunities.

Our innovation and collaboration helps drive continuous improvement.

Commercial

We are an efficient and astute organisation with a clear focus on delivering value for money.

Organisational efficiency translates into more homes for those who need them and improved choice and services for our customers.

Ethical

We take responsibility and are accountable for our decisions.

When we make a promise, we keep it.

We are inclusive, professional and honest.

Board members, executive officers and advisors

The Board



Sheila Collins
(Chairman of the Board)

Sheila has a wealth of experience in the governance of large complex organisations as well as that of smaller charities. She has served at board and trustee level across a number of different not-for-profit sectors including roles on the board of Bournemouth University and Macmillan Caring Locally. A retired solicitor, Sheila also brings a commercial perspective and a passion for the diversity and inclusion agenda.

Sheila was previously Chairman of the Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust.



Nicholas Harris
(Chief Executive)

Nicholas became Stonewater's CEO in 2016, having been CEO of Raglan Housing Association since January 2010. Prior to this, he held the CEO position at Raven Housing Trust for seven years and Group Operations Director for the Swaythling Housing Group for seven years. He has extensive experience in both the social housing sector and local authorities, and considerable knowledge in socio-economic regeneration matters.



Claire Kearney

After more than 20 years' experience in the publishing industry, Claire now works as an independent technology consultant, championing a user-centric approach to the provision of online services.

Claire brings experience of creating and implementing digital services which align with strategic aims, alongside promoting high standards of web governance.



Tariq Kazi

Tariq is a professional accountant and corporate treasurer, who has experience of working across different sectors, including audit, commercial banking, central government and local authorities, as well as social housing. He is currently Director of Corporate Finance at Optivo and has a special interest in people, culture and innovation. Tariq has served as a magistrate and, as a non-executive, he has undertaken a number of roles including as a member of the social housing regulation committee, board member of the Leasehold Advisory Service, membership of a housing association treasury committee and trustee of three charities. He is also a current member of the National Housing Federation's Board Member Group on Equality, Diversity & Inclusion as well as trustee and treasurer of the New Economics Foundation.

Tariq will resign from the board in October 2022 but will remain as an independent member of the Finance Challenge & Assurance Panel.



Jennifer Bennett
(Chair of Value Creation Challenge & Assurance Panel)

During her career as a solicitor working for clients in the social housing sector, Jennifer specialised in governance matters, securitisation, asset management and leasehold law.

She has also held a number of voluntary roles, including, a Non-Executive Director of Portsmouth Hospitals NHS Trust, an independent Member of Winchester City Council Standards Committee, a Non-Executive Director of Parity Trust, which provides loan finance for community-based projects, and a Trustee of the Roberts Centre, a registered charity providing housing and support to families and children in Portsmouth.

She is a founding member of Portsmouth Housing Community Trust established in 2019.



Anne Dokov
(Senior Independent Director, Chair of the Governance and People Challenge & Assurance Panel, Chair of Nominations and Remuneration Committee)

Anne's career has been mainly in the public sector, particularly local government. She has extensive experience of governance, organisational change and development, programme management and specialist knowledge of diversity, inclusion and human resources. She is a Lay Member of the Disciplinary Tribunal for the Chartered Institute of Legal Executives and Stonewater's Trustee on the Longleigh Foundation Board.



Juliana Crowe

(Chair of the Customer Experience Challenge and Assurance Panel)

Juliana has over 25 years' experience of working in the social housing sector, most recently as the housing director for a large Midlands based housing group. Previously she worked for the London Boroughs of Southwark, Tower Hamlets and Greenwich. She is a member of the European Structural Investments Funds Sub Committee (ESIF) in Worcestershire.

She has extensive experience at all levels of asset management, estate and housing management of inner city estates and rural affordable homes, with expertise in building sustainable communities. She has previously been the Chair of the Chartered Institute of Housing (CIH) West Midlands Board and a Trustee of HACT (the charity of the social housing sector).

In her spare time, Juliana is helping to build a school in the upper region of Ghana in memory of her father.



Andrew Lawrence

(Chair of the Risk and Assurance Committee)

Andrew is a chartered accountant with a special interest in corporate governance, strategic leadership, risk management, cultural change and innovation. Formerly a finance director in the commercial and international development sectors, he now has a portfolio of non-executive director roles in organisations in which he is passionate about the organisational purpose. Andrew is Chair of Bron Afon Community Housing, a community mutual social enterprise in South Wales, Chair of the Audit & Risk Committee of the Intellectual Property Office and a director of New Wine Cymru.



Hugh Shields

(Chair of the Finance Challenge & Assurance Panel, Chair of Technology Task and Finish Group) (resigned 29 June 2022)

Hugh's career has spanned a variety of complex organisations, including investment banking where he has held a number of directorships. His career has also encompassed leading on policy development within the accounting profession and responding to the digital challenge, most recently through work for the Institute of Chartered Accountants of Scotland. Hugh's interest in social housing and the wider not-for-profit sector is informed by his association with the homeless charity, Centrepoint, and his role as a member of the Church Commissioners' Audit Committee.



Chris Edis

Chris is a chartered accountant with extensive experience in top tier financial services institutions. An experienced executive and finance director, Chris is currently the Finance Director, Commercial Banking, of Lloyds Banking Group plc, bringing experience in strategy, treasury, liquidity, and capital management.



Angus Michie

(Chair of the Assets & Development Challenge & Assurance Panel)

Angus is a qualified chartered surveyor in the planning and development discipline with 30 years' experience in the residential development industry. He has a real passion for creating places for people to live that are attractive, well designed and sustainable. Angus spent 25 years with the Berkeley Group. As Divisional Chairman of a number of their operating businesses in London, the South East and the Midlands, he was responsible for a number of the Group's joint ventures with the Prudential and various local authorities. Angus is the Managing Director of SevenCapital which develops residential and mixed use communities across London, the Midlands and the South East.



Heather Bowman

(from 1 October 2021)

Heather is an experienced executive and non-executive director having worked in social housing and the third sector for over 35 years.

Most recently she was Chief Operating Officer at Sovereign, one of the largest housing associations, and is currently a board member with Raven Housing Trust and the Housing Plus Group. She is passionate that safe, secure, and good quality homes in great places give individuals, families and communities choices and opportunities to thrive.



Doug Wright

(Chair of the Assets and Development Challenge and Assurance Panel)(resigned 30 September 2021)

Doug is a finance and development professional who worked for Nationwide, Britain's largest building society, for 25 years. Doug initially worked as a branch manager but was subsequently employed by the development subsidiary Nationwide Housing Trust, building mixed tenure housing schemes including homes for sale, together with private and social housing for rent.

On leaving Nationwide, Doug established his own consultancy, specialising in finance for vulnerable homeowners who couldn't access finance to repair and improve their homes. In this role, Doug worked closely with local authorities and government carrying out research work which led to Doug establishing Art Homes Ltd, which made loans to vulnerable homeowners.

Board members, executive officers and advisors

Executive Officers



Nicholas Harris

Chief Executive

Prior to becoming Stonewater's Chief Executive Officer (CEO) in 2016, Nicholas worked as CEO at Raglan Housing from 2010 and previously Raven Housing Trust. He has extensive experience in both the social housing sector and local authorities and considerable knowledge in socio-economic regeneration matters.



Sue Shirt

Executive Director of Customer Experience

Sue is Stonewater's Executive Director for Customer Experience. She has worked at an executive level in a range of organisations for the past 19 years.

Sue has dedicated her career to improving and modernising housing services, driving organisations to challenge their service delivery to meet the changing expectations of customers. Her focus is to ensure that we always demonstrate respect for those we serve and for each other, and that the customer remains central to decision making.

Sue was part of the team which created Stonewater, focusing in particular on the development of customer-facing services and tenant scrutiny. Prior to this, her roles included housing consultant for a range of organisations, managing director for a rural LSVT and head of service in a former coal field regeneration area.

She is a graduate in economics, a Fellow of the Chartered Institute of Housing and a Member of the Chartered Management Institute. Sue is a trustee for a domestic violence charity.



Anne Costain

Executive Director of Finance

Anne is a qualified chartered accountant and corporate treasurer. She has worked in housing for the past eight years, as Deputy CFO and CFO of Radian Housing Association based near Southampton, and following their merger with Yarrington, as Director of Resources at Thrive Homes in Hemel Hempstead.

Before working in housing, Anne worked in manufacturing for a number of organisations, from SMEs to Fortune 500 and FTSE 250, as well as investment banking and insurance, and was Finance Director for De La Rue, in their currency and supply chain divisions.



Jonathan Layzell

Executive Director of Development

Jonathan has an extensive background in delivering homes with a particular interest in rural housing and sustainability of rural communities. He is also interested in how registered providers can use investment in new homes to support growth in the construction sector and wider economy.

Stonewater's development programme is strong and ambitious and is among the largest in the sector. Jonathan is responsible for the strategic delivery of Stonewater's housing development programme, including the implementation of innovative affordable rental and shared ownership schemes.



Patrick Chauvin

Executive Director of Homes

Patrick is a highly experienced property and asset management professional. He has held senior management positions across a range of disciplines within the housing sector, including Director of Asset Services at Amicus Horizon and Head of Strategic Portfolio at Circle.

He's a qualified building surveyor with extensive experience in housing and construction. His career began in private practice, working for high-profile clients on construction projects.

From there he moved into the housing sector, working on City Challenge in Newham. He then held a number of senior positions within Home Group, one of the largest housing associations in the UK. From there he moved to Amicus Horizon and was part of the executive management team that transformed it into one of the highest performing organisations. He was then appointed to a senior position within Circle Housing as Head of Strategic Portfolio and was subsequently appointed Head of Neighbourhood Planning for Clarion Housing Group, the largest Housing Association in the UK.



David Blower

Executive Director of Corporate Services

David has worked in the industry since 1993 and is passionate about creating high-performing cultures where individuals are equipped to succeed. Initially building his career in finance, he held a number of senior finance posts before moving into this wider role on the formation of Stonewater in 2015. He leads a multi-functional team that is driving the business forward across a range of disciplines, including People, Technology, Risk and Assurance, Communications, Strategic Planning, Performance and data.

He is a chartered certified accountant and holds an MBA from Warwick Business School.

Secretary and registered office

Anne Harling

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Solicitors

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Solicitors

(Governance)

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Our Mission

To offer quality homes and services for people whose needs are not met by the open market.



Chairman's statement

As I reflect on yet another tumultuous year, it's extraordinary to comprehend the scale of change we have experienced, both as a business and as a society. The pandemic, Brexit, the invasion of Ukraine and the ever-deepening cost of living crisis affects us all, but none more so than those who are already on the thin margin between 'surviving or thriving'.



In 2019, there were 3.16 million households in England living in fuel poverty. The latest predictions estimate this number could more than double - to reach 8.5 million by the end of 2022 - with even starker figures for 'relative poverty' (taking into account overall household costs) which could see as many as 14.5 million households forced to choose between heating or eating. With clearly established links between poverty and its impacts on wellbeing and life opportunities - as well as physical and mental health - the outlook is deeply concerning.

I believe this makes our Vision - for everyone to have the opportunity to have a place that they can call home - more compelling than ever. Having a safe, secure, affordable home is a fundamental right, on which so much else is built.

Stonewater's strong financial position and agility has ensured we've been able to respond to the 'here and now', continuing to be there for those who need us most. Over the last year we have:

- Continued to provide practical solutions for customers facing financial hardship, including offering flexible rent payments, help with accessing benefits and £0.5m worth of individual hardship grants through our charity partner, the Longleigh Foundation
- Delivered 836 energy efficient new homes and remained on target to build a further 1,500 new homes (as a minimum each year) from 2022/23
- Let over 1,960 homes to people whose circumstances mean their needs are not met by the open market
- Maintained our long-term A+ credit rating (by independent credit ratings agency, S&P Global Ratings) and the top G1/V1 governance and viability ranking from the Regulator of Social Housing
- Achieved an increase in turnover of £15 million, which allows us to continue improving our existing homes and invest in modern, efficient customer services.

While we've put a lot of focus on addressing the current challenges, we are also acutely aware that the decisions we make today will shape our world tomorrow. Our early commitment to the net zero agenda is already delivering

benefits, including pushing forward with ground source heat pump technology, upgrading older homes to meet EPC level C or equivalent, pioneering an innovative gas-free development of low carbon homes in Wakefield (the largest of its kind in the UK), and installing EV charging points across both new and existing schemes.

We're also continuing to raise the bar across the housing sector, in response to the climate emergency:

- Recently achieving Gold SHIFT accreditation (an independent assessment against challenging environmental targets)
- Our early adoption of the Environmental, Social and Governance (ESG) Framework (which links financial performance with environmental commitments)
- Our new Employers Agent Framework, to drive exacting standards in energy efficiency, use of sustainable materials and supply chain resilience
- Plus, the publication of our new Environmental and Corporate Social Responsibility (CSR) strategies, which will continue to stretch us in the right direction.

I am proud of what we've accomplished over the year and would like to thank Nicholas Harris and the Executive Directors for continuing to provide clear leadership in the face of such a challenging operating environment.

Of course, there is still much more to do to deliver our ambitions, and we will remain focused on the core values and strengths which enable us to drive innovation from a financially sound base. Our commitment to diversity and inclusiveness will also help us address the many inequalities facing both the housing sector and wider society, to create welcoming, sustainable communities where everyone can thrive. This is our purpose and being there for those who need us, whenever they need us, remains at the heart of everything we do.

Sheila Collins
Chairman

Chief Executive's statement

Despite the challenges of the past year, I am amazed and inspired by the resilience shown both by our communities and Stonewater colleagues. We have found strength in working together, to unlock an extraordinary spirit of care and co-operation, in a sea of uncertainty.



This makes the work we are doing more relevant than ever. The national housing crisis continues to grow, energy and food prices are soaring, and more people are being pulled into poverty through a perfect storm of economic volatility, rising inflation, increased taxes and static wages. Against this backdrop, we have continued to listen carefully to our customers, putting our Customer Promise - 'We're proud to make it personal. If it matters to our customers, it matters to us' - at the heart of our decision making.

Investing in technology is helping us shape our services around customer needs, ensuring we're accessible and responsive, whenever they choose to contact us. We've also continued the roll out of our customer service training across the organisation, empowering colleagues to do the right things, in the right ways, and exceed expectations. This is reflected in various ways, including our 4+ star customer rating on Trustpilot, our two star Best Companies rating, and being placed at number six in the top 25 housing associations to work for.

When I look back on the past 12 months, there are many highlights amidst the undoubtedly difficult challenges, not least:

- Supporting both customers and colleagues to open their homes as part of the government's Homes for Ukraine scheme
- Launching our new 'hubs' - transforming our former office spaces to provide modern, collaborative environments that support true hybrid working
- Expanding our domestic abuse and dedicated LGBTQ+

Safe Space services to support some of the most vulnerable people in our society

- Continuing to push forward with our net zero strategy, with innovative use of alternative energy technologies, alongside our extensive retrofit programme of existing homes
- Expanding our already successful relationship with The Guinness Partnership (TGP), through second-round funding of £250 million from Homes England in 2021 – allowing us to build an additional 4,180 high-quality, affordable homes by 2029.

These are just a few examples of how our organisational strength and agility has enabled us to respond in ways which make a real difference to our customers, our sector, and society more broadly.

We will certainly continue to need both creativity and vision to respond to what still lies ahead, including the government's recently published Levelling Up and Regeneration Bill - which has significant impacts on the planning system and how elements of affordable housing will be funded in future. I have every confidence that Stonewater is well placed to meet whatever challenges arise.

Nicholas Harris
Chief Executive

Report of the Board of Management and Strategic Report

Stonewater's Strategic Plan 2022-30

Our Strategic Plan 2021-22 was built on the achievements of previous years under the three themes of Customer Experience, Growth and Influence, and Business Excellence. The objectives were focused on Stonewater 25, an ambitious programme to shape the Stonewater of the future and help us deliver our Customer Promise: **'We're proud to make things personal. If it matters to our customers, it matters to us.'**

Stonewater 25 builds on the changes we have already made in how we operate, while continuing to put customers at the heart of everything we do, and helps us become an even stronger and more inclusive business that is equipped to face future challenges.

Performance against these objectives is set out in the Value for Money and performance sections of this report.

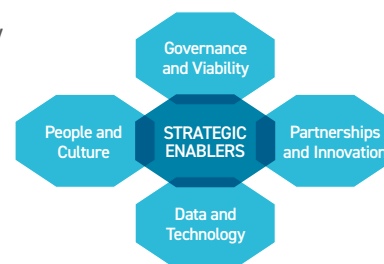
During 2021-22, the Board undertook a full review of the Strategic Plan, in light of the significant changes in the operating environment and new service delivery models adopted since it was first implemented. The review was also informed by the anticipated regulatory changes arising from the Social Housing White Paper. The new Strategic Plan picks up on key themes from the 2021-22 Strategic Plan covering our ongoing investment in homes, commitment to neighbourhoods, and the maximisation of social, environmental and financial value.

It documents our long-term commitments over a period of eight years to align with our current development and investment programme and sets out how we will deliver our Vision and Mission, under three overarching strategic objectives:

- Provide customer-centred services that are proactive and efficient, and that help us to retain and attract customers
- Supply, manage, and maintain homes and neighbourhoods that are safe, connected, efficient, affordable, and flexible
- Maximise the value we provide to our customers and communities through decision-making and initiatives that support environmental and social sustainability.

These are supported by four enablers - activities and investment we undertake to support the delivery of our objectives:

- Governance & Viability
- People & Culture
- Partnerships & Innovation
- Data & Technology



Customer Experience

- Deliver an effective service that meets the diverse needs and aspirations of our customer
- Deliver retirement living services that meet the needs and aspirations of our customers
- Deliver supported housing services that meet the needs of our customers and the aspirations of the business.



Growth and Influence

- Deliver an ambitious programme to provide more homes for people in need
- Develop an increased range of housing options, from home ownership to affordable rented homes to meet the changing needs of the market
- Build a reputation as a thought leader in the sector with influence on national and local agendas.



Business Excellence

- Achieve consistently high standards of performance for our business critical key performance indicators (KPIs) on income collection and compliance
- Invest in and support our people to attract, develop and retain a highly motivated and inclusive workforce who will deliver our strategic objectives
- Manage our resources efficiently, effectively and sustainably, and maximise the charging potential and return on our assets to ensure we have the financial capacity to deliver our priorities.

Our priorities in the Strategic Plan for the next four years, and the objectives we have set, take account of our assessment of the operating environment for housing, the opportunities available to us, and the challenges we face. As we move towards a post-pandemic world, we will all be living and working differently compared to pre-pandemic days.

The way we deliver our services will continue to evolve in response to these changes as we move towards our Future Operating Model. However, our focus will remain on providing quality services for our customers, delivering more much-needed new homes and making a positive contribution to the communities we serve.

Group financial performance

Our turnover increased this year by £15m. A number of factors contributed to this; £7.3m increase in rental income, £15.1m increase in proceeds from first tranche sales of shared ownership properties and £1m increase in proceeds from open market sales, which is new to the Group this year. This was partially offset by lower service charge income due to write-off of historical balances of £1.9m and a £5.3m decrease in other income as one-off settlements of three legal cases were received in the last financial year. Our rental income has grown by 5% from last year (2021: growth of 6.1%). Rental income increased due to the handover of 836 new units (2021: 671), rent increase of 1.5% (2021: 2.7%), and an acquisition of 186 homes from another provider in June 2021.

Operating costs increased by £16.2m this year. The increase in costs affected most cost categories, with large increases in maintenance, service charges costs, legal and professional costs, depreciation and there were additional donations made in this year to the Longleigh Foundation. These increases were partially offset by lower bad debts.

The surplus on disposal of fixed assets increased by £2.8m this year due to 146 more units being disposed and the higher margin at 51.8% this year comparing to 49.4% from last year.

The operating margin, excluding surplus on disposal of fixed assets but including surplus from first tranche shared ownership sales and open market sales, is 24%. This has decreased by 9% from the previous year due to the increase in operating costs. This key performance indicator (KPI) better reflects the trend in operating surplus as surplus on disposal of fixed assets can vary year-on-year.

The surplus generated for the year will continue to be reinvested into our development programme, enhancing our systems and providing excellent customer service.

Consolidated statement of comprehensive income	2022 £'000	2021 £'000
Turnover	225,426	210,383
Operating costs	(139,636)	(123,392)
Cost of sales	(31,103)	(18,426)
Surplus on disposal of fixed assets	11,020	8,171
Operating surplus	65,707	76,736
Operating margin excluding surplus on disposal of fixed assets (%)	24%	33%
Net interest	(39,178)	(33,784)
Movements in fair value of non-hedging instruments	(2,583)	5,865
Surplus for the year	23,946	48,817
Actuarial gains/(losses) on defined benefit schemes	8,080	(18,050)
Amounts recycled from Cash flow Hedge Reserve	4,480	6,370
Year end revaluation of hedging financial instruments	19,650	15,875
Total comprehensive income for the year	56,156	53,012

The Group's liquidity remains strong. At 31 March 2022, Stonewater had £472m of available but undrawn bank facilities (2021: £417m). In September 2021, Stonewater Funding issued a £250m bond from its Euro Medium-Term Note (EMTN) programme and proceeds were received from a £28m bond which had been previously been sold on a deferred basis. Proceeds from bonds were onlent to Stonewater Limited, Stonewater (2) Limited and Stonewater (5) Limited. We continue to deliver an ambitious development programme while maintaining a resilient balance sheet.

Housing properties increased by a net of £183.5m, which comprises £224.3m additions, £13.3m disposals and £27.5m depreciation and impairment charges.

Total reserves

Total reserves increased by £56.1m due to a £32m increase in income and expenditure reserve and a £24.1m increase due to a decrease in the cash flow hedge reserve.

Pension costs

Stonewater participates in three pension schemes: The Dorset County Pension Fund defined benefit pension scheme (DCPF), the Social Housing Pension Scheme (SHPS), and a multi-employer defined benefit scheme, which are accounted for as defined benefit schemes under section 28 of FRS102, and the SHPS defined contribution scheme.

From 1 April 2011, the SHPS defined benefit scheme was closed to new members. New employees are offered the SHPS defined contribution scheme, with the employer matching employees' contribution levels.

Stonewater's deficit in the DCPF reduced from £5.1m to £4.3m. The value of the assets increased from £5.9m to £6.2m, and the obligation reduced from £11.0m to £10.5m. The last formal valuation of the scheme was performed as at 31 March 2019 by a professionally qualified actuary using the Projected Unit Method.

Stonewater's deficit in the SHPS decreased to £16.7m from £26.7m last year. The fair value of the assets comprising Stonewater's share of the scheme is £113.4m (2021: £109.2m) and the liabilities are £130.1m (2021: £135.9m).

Statement of financial position	2022 £'000	2021 £'000
Tangible fixed assets – housing properties	2,220,778	2,037,328
Other tangible fixed assets	10,389	9,384
Net current assets	113,515	107,315
Total assets less current liabilities	2,344,682	2,154,027
Creditors due after more than one year	(1,918,295)	(1,773,001)
Provisions for liabilities and charges	(541)	(556)
Pension scheme liability	(21,005)	(31,785)
Net assets	404,841	348,685
Cash flow hedge reserve	(36,877)	(61,007)
Income and expenditure reserve	441,718	409,692
Total reserves	404,841	348,685

Report of the Board of Management and Strategic Report

Treasury management

Treasury management policy

Stonewater has a formal treasury management policy agreed by the Board and reviewed regularly. The purpose of the policy is to establish the framework within which Stonewater seeks to control risk arising from its borrowings and cash holdings.

In order to achieve this, the policy provides a strategy for:

- Group borrowings and subsequent debt management
- Investment of surplus funds
- Relationship with bankers, lenders and advisors.

Derivatives are used to manage the interest rate exposure arising from variable rate bank debt.

The Group's interest rate policy for borrowings is to be between 60% and 100% fixed. If refinancing of floating rate bank debt with bond funding resulted in an enduring over fixed position, the position would be corrected.

As at 31 March 2022, 94.6% of borrowings were at fixed interest rates or hedged by floating to fixed interest rate swaps.

Sustainable finance

As part of our aspirations for a more sustainable future, Stonewater has established a Sustainable Finance Framework, which sets out the work being done on sustainability. Stonewater publishes an ESG (Environment, Social and Governance) report annually. The framework enabled Stonewater to attract new efficient funding and to broaden its investor base by issuing its debut sustainability bond in September 2021. Proceeds from the issue were allocated in accordance with the Sustainable Finance Framework (SFF). The SFF aligns with internationally recognised principles and outlines how our bond will be entered into. We recognise the importance of supporting the vision put forward by the United Nations Sustainable Development Goals (SDG) and the SFF has enabled us to improve our transparency to stakeholders and, where we believe to be possible, align debt instruments to specific SDGs relevant to our business.

LIBOR to SONIA transition

Stonewater successfully completed the floating benchmark rate transition from LIBOR to SONIA before 1 January 2022.

Debt structure

The Group's policy is to raise debt finance through bilateral loans and capital markets issuances.

The sustainability bond was the first issue from Stonewater Funding PLC's new EMTN programme. It settled on 10 September 2021 and was priced at 85bp over the 15 year gilt. Proceeds were onlent to Stonewater Limited, Stonewater (2) Limited and Stonewater (5) Limited.

£28m of 3.375% 2045 retained bonds, which were sold on a deferred basis in 2019, settled on 15 September. Proceeds were onlent to Stonewater Limited and Stonewater (2) Limited.

All of Stonewater Funding's debt has similar security and limited cross guarantee arrangements.

Total loan facilities and bond debt at 31 March 2022 amounted to £1,719m (2021: £1,509m) of which £472m was undrawn (2021: £417m).

Cash flows

Net cash from operating activities for the year was £98.2m (2021: £87.6m), an increase of £10.7m compared with the previous year.

Net cash outflow from investment activities was £206.5m (2021: £139m), mainly due to £216.4m investment in housing assets less grant receipt of £14.4m (2021: £181.5m less grant receipt £45.4m).

Liquidity

The Group maintains a list of investment limits for authorised organisations with which it will place deposits based on short-term credit ratings. As at 31 March 2022, cash balances were £136.7m (2021: £130.1m) and the balance of restricted cash was £4.7m (2021: £4.6m). Cash and committed facilities exceeded the Group's contracted obligations for the next 18 months less grant by £271.4m (2021: £234.6m). The excess of committed facilities over capital commitments is to ensure that committed developments for the next 18 months are fully funded.

As at 31 March 2022, the exposure position with counterparties on standalone derivatives was £42.7m (2021: £74.1m) and after the use of unsecured thresholds £28.8m (2021: £39.1m). This exposure was secured by charged property security.

Loan covenants

Stonewater's actual performance for the year against its loan covenants is as follows:

Interest cover*:	
Stonewater Limited	228% >110%
Stonewater (2) Limited	219% >110%
Gearing:	
Stonewater Limited	46% <70% of assets
Stonewater (2) Limited	43% <65% of assets

*Interest Cover for Stonewater Limited is tested against the annual results and also against the rolling average of the results of the last three years. The ratio shown for Stonewater Limited and Stonewater (2) Limited is the 3 year average which is the test with the lowest headroom.

Report of the Board of Management and Strategic Report

Value for Money (VfM) and performance

Stonewater's approach

Creating value for customers is at the heart of Stonewater's services and projects. The Board's approach to Value for Money reflects our Vision 'For everyone to have the opportunity to have a place that they can call home' and our Customer Promise: 'We're proud to make things personal. If it matters to our customers, it matters to us'. This means we go beyond monetary savings to deliver social value through the investment of our resources. In doing so, we seek to maximise gains for customers through all strands of our activities and operations.

In the current inflationary market with increasing demand on our customers' financial resources, there are limited opportunities to increase income to the organisation. Instead, we seek to safeguard current income streams while extracting maximum value from costs incurred. Our approach to achieving this is documented in our strategies, including those on:

- **Growth** - delivering homes to meet a range of needs in targeted geographical areas
- **Portfolio options (acquisitions and disposals)** – deriving optimal benefit from fixed assets
- **Treasury management** - minimising the cost of funds, minimising credit risk and ensuring sufficient liquidity is available.

During the year, we have further embedded the move from traditional value for money towards broader value maximisation across all aspects of the business. This cultural change has been supported through organisational structures, the internal control framework, the decision methodology for new projects and opportunities, and learning and development for colleagues.

Value maximisation for customers



Measuring value maximisation

Our Strategic Plan objectives flow from the vision and support our mission of offering quality homes and services for people whose needs are not met by the open market. As part of the annual review of the plan, the Board sets measurable outcome targets for each objective, against which we assess value for money gains. The plan has been updated for 2022-30 to reflect this and is refocused around a refreshed set of three objectives and six supporting strategic themes (enablers).

We continue to base our assessment of value for money on the three Es of Economy, Efficiency and Effectiveness. These are about making the best use of our resources to achieve the intended strategic outcomes:

- **Economy** – minimising the cost of resources used while having regard to quality – **spending less**
- **Efficiency** – the relationship between the output from goods or services and the resources to produce them – **spending well**
- **Effectiveness** – the extent to which objectives are achieved and the relationship between intended and actual impacts – **spending wisely**.

These can be summarised as cost **effectiveness** – making the best use of our resources to achieve the intended outcomes to maximise value for our customers.

In addition to the Strategic Plan outcome targets, the Board sets value for money targets, which cover the seven metrics included in the Value for Money Standard published by the Regulator of Social Housing on 1 April 2018. These include social housing cost per unit, which is based on the management, service charge, maintenance, major repair, and other social housing costs that a registered provider incurs divided by the number of properties to which these costs relate.

Social housing cost per unit compared to our peer group (based on Global Accounts) is used as a 'broad brush' measure for demonstrating economy in the delivery of our strategic

objectives. Where possible, we benchmark our performance for our outcome targets against a Housemark peer group of registered providers, which is based on our size and geographical spread. We also benchmark against our own past performance, through regular KPI reporting to the Board, committees and panels and the executive team. We review these KPIs annually and the Board sets targets for each which drive further value for money gains across the business.

Demonstrating efficiency is the most complex of the three Es to measure as it looks at the relationship between the outcomes achieved compared to the cost incurred in doing so. We use benchmarking against a suitable peer group of registered providers to measure whether we are efficient in the delivery of our strategic objectives. If our baseline costs, measured by the social housing cost per unit, are lower than, or in line with, those of our peer group and the outcome achieved is the same as, or better than, that of our peer group, we have demonstrated efficiency.

We measure effectiveness based on whether we have achieved the outcome target for a strategic objective.

Assessing performance

The Board monitors progress towards achieving our strategic objective outcome targets during the year. Reporting against these targets has been expanded this year to demonstrate the extent to which value maximisation is being achieved through each objective. The Board gains assurance on the delivery of economic gains through the work of the Finance Challenge and Assurance Panel, which oversees performance against the regulatory metrics, and the Value Creation Challenge and Assurance Panel, which provides governance oversight of projects to deliver efficiency and effectiveness.

The Strategic Plan contains high level actions to deliver the objectives and outcomes. During 2021-22, the actions have been delivered through a total of 19 projects. Of these, 17 were completed at the year end. There was some slippage on the remaining two projects due to the need for additional testing of new systems and competing pressures on resources; both are due to be completed during 2022-23. The section on reporting provides the context and commentary on the KPIs used for the strategic plan outcomes.

Delivering value for money in 2021-22

Economy gains

As part of our approach to ensure we are demonstrating economy in the delivery of our strategic objectives, we set targets for Value for Money (VfM) cash savings for each Stonewater Directorate as part of our annual budget setting process.

We monitor and report on progress against these targets every quarter to our Finance Challenge and Assurance Panel.

Savings include other grants received for investment in our homes, contract negotiations, procurement savings and use of internal resource to deliver services rather than outsourcing.

Savings are calculated using internal methodologies which include measuring how much less has been spent in period with any adverse budget variances being offset against savings. Other measures include identifying cash savings resulting from the re-procurement of good and services, grants received for investment in our homes and renegotiation of existing contracts.

Our performance against our target for 2021/22 is set out in the table below.

	2021 result	2022 Target	2022 result
VfM cash savings	£9.5m	£6.3m	£8.9m

Report of the Board of Management and Strategic Report

Strategic Plan objectives – performance against value for money targets 2021-22

Strategic theme 1- Customer Experience

The Customer Experience strategic objectives relate to overall customer satisfaction (objective 1) and satisfaction for Retirement Living customers specifically (objective 2). The actions towards meeting these objectives contribute directly to maximising value for customers through:

- Improving the experience of transacting with Stonewater by digitalising processes and providing self-serve opportunities
- maximising every opportunity for the customer voice and experience to influence service delivery
- embedding a learning culture which takes a continuous improvement approach to complaints and feedback.

During the last year, we have seen the embedding of a specialist, 'digital first' approach to our housing management services with centralised teams delivering services across the Stonewater geography. The actions towards delivering our Customer Experience strategic objectives contribute directly to maximising value for customers through:

- Improving the experience of transacting with Stonewater by digitalising processes and providing self-serve opportunities
- Maximising every opportunity for the customer voice and experience to influence service delivery
- Embedding a learning culture which takes a continuous improvement approach to complaints and feedback
- Minimising the resources required for back office functions, enabling greater investment in front-line services
- Refining the end-to-end customer journey and experience, through improvements such as reductions in re-let times and providing easy to use options for making payments to Stonewater
- Supporting the delivery of a service which reflects individuals' needs and preferences.



Customer Experience

Risk Appetite	Strategic Objective	Outcome measure	Target for 2022 %	2022 result %	Benchmark (peer group)	Demonstrates (VfM) ¹		
						Ec	Effic	Effec
Customer Experience Medium	1. Deliver an effective service that meets the diverse needs and aspirations of our customers.	i. Overall customer satisfaction	84	83.1	84%	✓	✓	✓
		ii. Online customer transactions through MyHome portal	50	37	n/a	✓	✓	✓
Health & safety - Low	2. Deliver Retirement Living services that meet the needs and aspirations of our customers.	Customer satisfaction - Retirement Living	84	85.5	n/a	✓		✓
	3. Deliver supported living services that meets the needs of our customers and aspirations of the business.		80	91	n/a			

¹ Key: Ec-Economy Effic-Efficiency Effec-Effectiveness

Objective 1 relates to overall customer satisfaction and **Objective 2** relates specifically to satisfaction for our retirement living customers, and whilst the out turn for overall customer satisfaction fell slightly below target this was against a backdrop of a challenging operating environment. We have seen increased customer demand across all service areas and a context of customer sentiment not unique to Stonewater. The Institute of Customer Service cite customers complaining about a problem has been at an all-time high.

Responsive repairs are a key driver in customer satisfaction and the service has faced significant sector-wide challenges throughout the year, linked to post pandemic recovery and labour and material shortages. It has been reassuring to see consistently good performance in areas such as lettings and

the Customer Service Centre and improving performance in areas such as anti-social behaviour in the latter part of the year. It is particularly positive to see that satisfaction within Retirement living has been strong across the year, exceeding target; and Supported Living significantly exceeding target in the number of customers who have sustained long-term independent living.

We developed a new 2022-2025 Customer Strategy, setting out our insight-led approach to service development to drive improvement in customer satisfaction. Our actions will focus on: listening and learning from customer feedback; developing our customer culture; developing proactive and joined up services; using insight and technology to design services for the future; and support happy, healthy communities.

Our service model continues to support delivering services right first time; enhancing digital services; and evolving a national specialist approach to provide expert support for customers where they need it. This allows us to maximise efficiency and improve customer experience to deliver our Customer Promise.

In particular, we've prioritised improving the quality of our data and customer insight, seeking to understand the things that matter most to customers, and using that insight to develop and adapt our operating model.

Listening to customers is at the heart of everything we do. In 2021/22, we co-created our new 'customer voice engagement toolbox' with over 300 customers. Together, we strengthened and improved our engagement platforms, supporting 3,163 customers to shape our services across the year. Together, we ensure that the improvements we are making through our services and partnerships deliver financial value to our customers, social value and minimise our impact on the environment.

All colleagues participated in Customer Promise training in the year, to improve customer conversations, customer outcomes, and understanding who our customers are to support our delivery of consistently good services and embed customers at the heart of the whole business.

Online customer transactions through MyHome continue to increase and customers have told us consistently that they find digital channels the easiest way to engage with Stonewater. We have and will continue to offer more services through self-serve to improve upon the current 37% of transactions made digitally, as we strive towards our 50% target.

In December 2021, we launched our MyRewards programme, which incentivises customers to register for My Home rewarding them with discounts for major retailers. By March 2022 MyRewards had saved customers over £13,500.

Our Retirement Living service has focused on Safe, Secure, Connected communities by working collaboratively with customers and communities and embracing co-production.

Stonewater currently calculates social value by measuring social return on investment (SROI) across selected individual projects and services. We utilise the Housing Association's Charitable Trust (HACT) Value Insight model to calculate SROI.

During 2021/22 the HACT model demonstrated that Stonewater delivered £6.2m (Retirement Living: £4.1m, Supported Living: £2.1m) in social value which is detailed below.

Our work in retirement living produced a Social Return on Investment of £4.1m in 2021/22, by delivering:

- 3,370 wellbeing contacts per week
- 9 dedicated sites with dementia exploration tables to support ageing well
- 80% of Stonewater colleagues trained as dementia friends
- Communities Can pilot project with 40 customers engaged across three locations to have conversations about their local community leading to improved support networks

- The INVITE project with the University of Stirling, engaging 100 customers across four sites to understand how technology can support independent living
- Founding an Ageing Well Board to shape future services, with 335 customers involved to date
- Recruiting new Customer Community and Wellbeing Champions.

Objective 3 relates to our supported living service, and against a sector standard target of 80% of customers maintaining sustainable, long-term independent living after moving on, Stonewater customers in supported living and domestic abuse services achieved an outcome of 91%.

Supported Living and Domestic Abuse teams spend dedicated time supporting customers to maintain their tenancies. We do this by equipping our customers with a strong skill set and understanding of how to manage their tenancy when they move on to a greater level of independence. Over the last year, we've delivered £2.1 million in social return on investment across our Supported Living services and over £60,000 across our Domestic Abuse services. In addition, our person-centred approach gives our customers autonomy over their choice of move-on accommodation, meaning they have personally invested in finding and securing their independent accommodation and are much more likely to have moved somewhere they want to call home for the foreseeable future.

We also offer opportunities for customers to live in step-down accommodation across our Young Peoples services in Swindon, Exeter, and Poole, as well as at our South Asian Womens Refuge. This offers a transitional stage for customers to live more independently but still have support on hand to help them navigate the challenges of living independently. Furthermore, all of our services offer up to six months move on support to help our customers transition into their new accommodation when they leave our supported and domestic abuse services.

Report of the Board of Management and Strategic Report



Growth and Influence

Risk Appetite	Strategic Objective	Outcome measure	Target for 2022 %	2022 result %	Bench-mark (peer group)	Demonstrates (ViM) ¹		
						Ec	Effic	Effec
Growth - Medium to High	4. Deliver an ambitious programme to provide more homes for people in need	i. At least 5,400 new affordable and sustainable homes completed by March 2025 with Stonewater building at a rate of 1,500 homes per annum from 2023-24	Contributes to 2025 target	836 units built in the year to 31 March 2022	n/a	✓		
		ii. All new Stonewater Land and Build developed homes are fossil fuel free, by 2024	Contributes to 2024 target	Contributes to 2024 target	n/a		✓	
		iii. 2,500 homes owned by others are in management by 2024	Contributes to 2024 target	Contributes to 2024 target	n/a	✓	✓	
Growth - Medium to High	5. Ensure there is a wide range of housing options to meet the changing needs of the market	A flexible portfolio of housing options is available to both existing and new customers that satisfies market demand, promotes sustainable communities and meets the aspirations of our customers by March 2024	Contributes to 2024 target	Contributes to 2024 target	n/a	✓		✓
Reputation - Low-Medium	6. Build a reputation as a thought leader in the sector with influence on national and local agendas	Stonewater is perceived as a thought leader for the environment, innovation and Equality, Diversity and Inclusion by March 2024 2022 Measures: 25% increase in our media coverage by March 2022, including a minimum of two positive articles on each of the themes annually; and 75% of colleagues perceive Stonewater as a thought leader in the sector (as measured by CPI)	Positive news articles 25% Perceived as a thought leader 75%	54% increase in our media coverage 74% increase in positive news 70% colleagues perceive Stonewater as a thought leader	n/a	✓		✓

¹ Key: Ec-Economy Effic-Efficiency Effec-Effectiveness

Strategic theme 2- Growth and Influence

The Growth and Influence strategic objectives relate to the development programme for new homes (objective 4), increasing the range of tenures available (objective 5) and influencing national and local agendas for the benefit of our customers and their communities (objective 6). The actions towards meeting these objectives contribute to maximising value for current and future customers through:

- Building new homes, the design of which takes account of changing customer needs and aspirations
- Creating homes which are affordable to run and provide a safe environment in which to live
- Offering flexibility to enable customers to move from rented to home ownership as their circumstances change
- Influencing national policy on matters which impact on our customers lives.

Objective 4 (i) relates to our target for the number of new homes delivered, with a target date of March 2025. Between 1st April 2021 and 31st March 2022, 836 homes were completed against a target of 1,100 units. Although below target, this was the highest number of handovers ever achieved by Stonewater and the rate of delivery does appear to be in line with the experience of others across the sector

due to delays within supply chains arising out of Brexit and the Covid-19 pandemic as well as delays in the planning process.

Across the forthcoming 3 financial years there is a pipeline of 4,399 future potential homes currently forecast as capable of handover by March 2025 of which 3,441 of the 4,399 pipeline have already been exchanged or are in contract and 213 of these have been approved by the Executive Asset Approval Team. This pipeline plus completions in 2021/22, totalling 5,235 homes, accounts for 96.95% of the 5,400 target. Based on the current profile of forecast completions, we are on track to achieve the 1,500 per year handover target in 2023/24.

Objective 4 (ii) relates to our target for all new Land and Build developed homes to be fossil fuel free homes by 2024. For 2021/22, 7.43% of all new Land and Build developed homes were fossil fuel free (45.37% of all handovers were Land and Build). It is estimated that for 2022/23, this will increase to 33.91% of all Land and Build developed homes being fossil fuel free (with 55.61% of all handovers being Land and Build). There will be no new approvals for fossil fuel Land and Build developed homes.

In addition to this, the Development Strategy 2022-2027 sets out an approach to moving Stonewater's S106 programme to being free of fossil fuel heating. In 2022/23 we will adopt a

target of 25%; 50% in 2023/24 and 75% in 2024/25. By 2025 we do not envisage approving any new S106 homes which rely upon fossil fuels for space or water heating.

Stonewater has an ambitious Environmental Strategy and we are committed to providing homes for our customers that are energy efficient, warm, comfortable and affordable and also minimising our overall impact on the environment. Our Environmental Strategy sets out our ambitions to reduce the running cost of our homes for our customers, allowing them to sustain their tenancies more easily. We have run a number of schemes using air source and ground source heat pumps, and these technologies are now our favoured approach in off-gas areas. Alongside this, we are trialing schemes using innovative methods of construction and technology. The feedback from our customers and knowledge gained from building these homes will help to influence future design and construction. We have developed an investment programme for our existing homes to ensure all new schemes reach a minimum of Energy Performance Certificate C by 2030. As part of an on-going initiative in partnership with the Community Forest Trust (CFT), in which we donate £50 for every house we build, which the CFT uses to plant five trees and to fund community outreach programmes. In addition, we plant at least one tree for every new home on our new schemes. This activity recognizes the timber consumed in our new build housing.

Objective 4 (iii) relates to our target for the number of homes owned by others under Stonewater's Management, with a target date of 2024. There are currently 635 homes owned by others under Stonewater's Management. 465 of the above are as part of the Legal and General Affordable Homes (LGAH) partnership. A further 400 homes are due to come under Stonewater's Management in 2022/23. Since the start of this partnership, the delivery of new homes by LGAH has been slower than anticipated due to the ongoing issues within the sector. These include contractor supply and labour shortages, planning delays and rising costs; however LGAH have provided assurance that larger numbers of homes will be handed into management over the coming months.

When the 400 homes anticipated this year are added to the 635 homes already in management, by March 2023 Stonewater will have achieved 41% of its 2024 target. We are continuing to pursue a number of stock management opportunities (including ongoing contractual discussions with Bristol City Council which will hopefully conclude shortly) and along with the expected increase in pipeline from LGAH for 2023/24, we are confident of achieving the target set.

Objective 5 relates to our aim to maintain a flexible portfolio of housing options to both existing and new customers by March 2023. Of the 836 new homes completed in 2021/22, there was a balance of tenure delivered across the schemes. The properties handed over were split between 68% rented/rent to buy, 31% shared ownership and the remainder for outright sale. Of the rented homes, these comprised of social rent at 23%, and affordable rent at 77%.

Our Environmental Strategy sets out how we will use the green space that exists within our schemes to help create sustainable communities. Many of Stonewater's new developments include edible planting. Our partnership with the Community Forest Trust (CFT) also supports community outreach programmes, helping children engage with nature and developing community sustainability.

Objective 6 sets out our aim to be recognised as EDI thought leader by March 2024. As part of our thought leadership agenda, we continue to share our knowledge and experience with other social housing providers. We have been asked to speak at a number of events throughout the year including the most recent which hosted by 'Connex', who are a peer to peer best practice EDI group. The event was attended by chief executives and Board members from other registered providers in social housing. This year our Head of EDI has taken up the roles of Co-Chair of the Chartered Institute of Housing (CIH) EDI Membership Group and Co-Chair of the London and South-East Diversity Group.

We continue to work closely with external partners to realise our common goal of becoming an EDI Anchor Organisation. For example, we are working with contractor organisations to share and deliver our popular and successful, bespoke Customer Promise Programme, sharing best practice in terms of policy and processes (e.g. Equality Impact Assessments) and Design Briefs for new build developments.

Report of the Board of Management and Strategic Report



Business Excellence

Risk Appetite	Strategic Objective	Outcome measure	Target for 2022 %	2022 result %	Bench-mark (peer group)	Demonstrates (VfM) ³		
						Ec	Effic	Effec
Finance-Medium Compliance-Low	7. Achieve consistently high standards of performance for our business critical key performance indicators.	Total rent & service charge.	99.50	99.56	99.5%	✓		✓
		% of arrears.	6	5.4	5	✓		✓
		% of properties compliant with LGSR.	100	99.6	99.9%	✓		✓
People & Culture-Medium Compliance-Low	8. Invest in and support our people to attract, develop and retain a highly motivated and inclusive workforce who will deliver our strategic objectives.	i. Level of colleague engagement is in the Top 10 Housing Associations to work for by March 2025 (measured by the Sunday Times Best Companies Survey)	Contributes to 2023 target	Contributes to 2023 target	n/a	✓		✓
		ii. Equality, diversity and inclusion are further embedded in Stonewater's culture, measured by delivering against the 'Achieving' level of the Social Housing Equality Framework (SHEF) by March 2022, and the Ethnicity Matrix, Disability Confident and Stonewall Index, by March 2025.)	(target is for 2025) (target is for 2025)	Assessment for SHEF 'Achieving' level deferred to 2022/23 by the Local Government Association due to the pandemic		✓		✓
Finance-Medium Compliance-Low	9. Manage our resources efficiently, effectively and sustainably and maximise the charging potential and return on our assets to ensure we have the financial capacity to deliver our priorities.	i. Social housing cost is £3,445 per unit by March 2022 and the target is achieved every year up to 2025	£3,445	£3,583	n/a	✓	✓	✓
		ii. Office carbon footprint from offices and business mileage have both reduced by 50% compared to pre-pandemic levels, by March 2022	50%	Offices Business mileage	n/a	✓	✓	✓

³ Key: Ec-Economy Effic-Efficiency Effec-Effectiveness

Strategic theme 3- Business Excellence

Objective 7 focuses on our 'business critical' key performance indicators (KPIs) for income collection and compliance. We have a 'zero tolerance' approach to our KPIs for compliance.

At the outset of the pandemic, we implemented a new Income Management Strategy, recognising that many customers were likely to fall into financial difficulty. This allowed us to exceed target on income collection and limit gross arrears ahead of target.

Our strategy provides for a flexible approach to income management via our national specialist Income team, with the use of new tools such as flexible and deferred payment arrangements. While the country has begun to come through the pandemic, the financial environment for our customers has become increasingly challenging with the end of furlough, the end of the Universal Credit uplift, significant increases in energy costs and inflation causing a cost-of-living crisis.

This financial situation has meant that we have continued to work flexibly and holistically with customers, containing the impact on our material income stream and ensuring customers are supported to maintain their tenancy. During 2021/22, the Income team secured £275,276 in Discretionary Housing Payments for customers.

In February 2022, recognising the cost-of-living crisis and the impact of increasing housing costs we sent Stonewater's financial inclusion offer to all customers to highlight the support available. This led to over 500 contacts from customers seeking help and guidance, and the largest number of referrals to the Longleigh Foundation in a single month. This support produced a social return on investment of £825,000.

As at 31 March 2022, there were 87 Stonewater homes with an overdue LGSR, equating to 99.6% compliance across our stock. Whilst this was below our target of 100% compliance this performance was within the risk appetite tolerance level of 99.5% to 99.9% set by our Board.

Objective 8 relates to our aim to increase the level of colleague engagement so that it is in the top ten of housing associations by March 2025. Employee engagement at Stonewater is measured via the Best Companies 'b-heard' Survey. Our response rate remains outstanding at 86% against the sector average of 68%. We improved our overall rating this year from one star to two stars. We also improved on our position in the Top 100 Large Companies List (which replaces the previous not for profit list) and secured a place within the Top 10 Housing Associations. Best Companies organisation have changed their process this year and a new list will be published every quarter. We will continue to run the survey on an annual basis in the autumn and monitor the quarterly listings.

We have a second outcome target for Objective 8 based on equality, diversity and inclusion to be further embedded in Stonewater culture by March 2025. We were on track to deliver on our target to reach 'Achieving Level' of the Social Housing Equality Framework (SHEF) by the end of 2022/23 however, due to a significant backlog within the SHEF awarding body, and their priorities towards Local Authorities, we were unable to secure an assessment during the pandemic. The decision was taken to work towards the final level of accreditation which is 'Excellence'. Each of our Employee Networking Groups has identified a suitable external accreditation which they are making positive progress towards including Disability Confident Employer and the Stonewall Index.

Last year we were delighted to be recognised as an 'Advanced' level employer following assessment for the Investing in Ethnicity Matrix. Our 2GeTher Employee Networking Group continues to work with the business to achieve the fourth and final 'Advanced' level. We deliver this through a comprehensive plan covering 4 areas; employee lifecycle, culture and inclusion, policy and data and board/senior allies.

Objective 9 focuses on managing our resources efficiently and effectively, and the outcome target is based on reducing our social housing cost per unit. Our budgeted social housing cost per unit was set at £3,595 and we achieved £3,552. 2021/22 saw a gradual return to business as usual and movement of spend that was previously deferred, as restrictions were lifted allowing for greater access for non-emergency repairs, servicing and delivery of the Capital programme.

We had a second outcome target for Objective 9, which was to reduce both our office and business mileage carbon footprint by 50% compared to pre-pandemic levels, by March 2022. We exceeded our target for reducing both business mileage and our office carbon footprint, partly due to the pandemic and partly due to our decision to reduce our office footprint and adopt a fully hybrid working model. We have refurbished three offices which are now hubs for colleagues to meet, greet and work. 95% of colleagues are now home based and encouraged to work wherever they need to, as long as it suits them, their customers and their colleagues. Our workspace directory is populated by colleagues to promote local spaces to work and help to build colleague communities. We actively encourage colleagues to use public transport and reduce travel to improve wellbeing.

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Regulatory Value for Money (VfM) Metrics

The Regulator of Social Housing (RSH) Value for Money Standard (2018) includes seven measures to measure performance and establish how that performance compares to our peers.

When comparing against peers it must be taken into account that some variances may be due to business decisions, for example higher maintenance costs could be as a result of wanting to enhance customer satisfaction.

Stonewater's performance and comparison to average sector metrics are show below

LQ = Lower quartile MQ = Median quartile UQ = Upper quartile (as defined by the Regulator of Social Housing)

Metric	Description	Median per Global Accounts 2020-21	Stonewater per Global Accounts 2020-21	Stonewater Quartile 2020-21	Actuals 2021-22	Target 2021-22
1) Reinvestment %	This metric looks at the investment in properties (existing stock as well as new supply) as a percentage of the value of total properties held	5.8%	8.3%	UQ	9.4%	12.1%
2) New supply delivered %		1.3%	2.3%	UQ	2.8%	3.5%
a) New supply delivered (Social housing units) %	This metric sets out the number of new social housing and non-social housing units that have been acquired or developed in the year as a proportion of total social housing units and non-social housing units managed at period end	n/a	n/a	n/a	0.02%	n/a
2) New supply delivered %						
b) New supply delivered (Non-social housing units) %						
3) Gearing %	This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance	43.8%	46.5%	MQ	49.4%	49.1%
4) Earnings before Interest, Tax, Depreciation, Amortisation, Major Repairs included (EBITDA MRI) interest cover %	The EBITDA MRI interest cover measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a RP generates against interest payments	182.4%	215.1%	MQ	143.5%	146.0%
5) Headline social housing cost per unit	The unit cost metric assesses the headline social housing cost per unit which is made up of the main components of management, service charge costs, maintenance, major repairs and other social housing costs	£3,713	£2,930	UQ	£3,560	£3,595
6) Operating Margin %						
a) Operating Margin (social housing lettings only)	The Operating Margin demonstrates the profitability of operating assets before exceptional expenses are taken into account	28.0%	33.6%	UQ	28.3%	28.7%
b) Operating Margin (overall)	Excluding surplus on asset disposals	23.9%	32.6%	UQ	24.3%	26.6%
7) Return on capital employed (ROCE)	This metric compares operating surplus to total assets less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources	3.3%	3.5%	MQ	2.8%	2.9%

Stonewater aims to be in the median quartile for all metrics. The results of all seven metrics compare favourably or are in line with the 2020/21 median. At the start of each year Stonewater sets internal targets for these metrics based on the budget, and monitors forecast performance against these targets, and the median quartile, quarterly throughout the year. At the time 2021/22 VfM metrics were set the economic environment was expected to remain positive. However, the impact of supply chain issues caused by Brexit, and Covid have adversely affected the new supply delivered. Despite the high inflation of the last few months of the 2021/22 financial year Stonewater has performed satisfactorily against the financial targets.

Asset management

Our core business is to provide high quality housing and support services to meet the needs of existing and future customers. To do this, we spend a large proportion of our annual net expenditure on developing new homes, together with improving and maintaining our existing properties.

Asset investment decisions have long lead times and, once implemented, can affect customers' experiences for many years. Over such long periods of time there can be major changes in customers' expectations, the economy and the requirements of government, regulators and funders. To be prepared for such changes, those managing physical assets are required to think far ahead. Stonewater's property portfolio includes a diverse range of age, design and construction types. The investment approach is flexible in recognition of this diverse portfolio.

Following the tragic events at Grenfell Tower in June 2017, customer safety continues to be our number one priority. In response to this, we have reviewed the construction of our buildings and have also undertaken a major review of our fire safety strategy. We have 15 blocks over 18m high, and only one with ACM cladding, which has been decanted and has undergone replacement. We carried out fire risk assessments on all 15 blocks, and further in-depth surveys of each will be undertaken this year. All urgent works identified by the fire risk assessments have been completed, and a further budgetary provision has been set aside for upgrades to fire systems in all stock where a fire risk assessment is carried out.

Stonewater provides homes which are welcoming, well-maintained and offer facilities that meet customers' expectations and aspirations. The effective use of assets starts at the development stage and continues through the life of the property to eventual disposal. Active asset management is about maximising and maintaining the value of Stonewater's property assets and investing appropriately to meet corporate objectives.

Health & Safety and Compliance

Stonewater directly employs a dedicated team to oversee health & safety and compliance. Working with colleagues and our supply chain partners, the team ensures we have a safe working environment, our customers have safe homes, and as a business we are compliant with our health & safety statutory and regulatory responsibilities. This team includes chartered professionals who belong to bodies such as the Institute of Occupational Safety and Health, and the Institution of Fire Engineers.

Our health & safety organisational model is based upon HSG65; 'Plan-Do-Check-Act', and our health & safety governance is overseen by Stonewater's Safety Management Committee, chaired by a member of the Executive team. There are a number of safety groups that report to Safety Management Committee, and these groups hold regular health and safety meetings and are attended by colleagues from across the business.

Fire safety and compliance remain at the forefront of Stonewater's objectives. Stonewater undertakes annual Fire Risk Assessment and has achieved 100% compliance at year-end. A recent internal audit undertaken by RSM gave a

substantial assurance for our Fire Safety Processes.

99.85% of our properties were fully gas safety compliant at the year-end: this still met top 2021 quartile performance when compared with our peer group and was achieved during lockdown. A substantial assurance rating was also received for our gas safety processes from our internal auditors RSM.

The Health & Safety and Compliance Team offers advice and guidance across the whole organisation. The Head of Health & Safety and Compliance is a member of the Housing Quality Networks (HQN) Safetynet advisory group and Stonewater hosts best practice group meetings attended by other social housing providers. Stonewater is also a signatory to the Building a Safer Future Charter.

Sustainability

Stonewater has an ambitious Environmental Strategy. As part of this, we are reviewing our plan to reduce the organisations' carbon emissions, supporting the government's target to become net zero by 2050. In 2021/22, Stonewater's carbon emissions from business mileage reduced by 87% when compared to the previous year, largely due to enforced travel bans during the lockdown periods. However, through adopting a new hybrid working approach, our office carbon footprint has decreased by a further 14% when compared to the previous year.

Stonewater has long-term targets in place for improving the energy efficiency of its existing homes. This is for all homes to achieve a minimum EPC rating of Band C by 2030 and Band D by 2025. Stonewater is well on track to achieving the Band D target ahead of schedule, with over 400 homes below Band D. By achieving the EPC Band C target, our scope 3 carbon emissions of our homes will also reduce by 8,000 tonnes of CO₂ per year.

Stonewater has undertaken modelling to ascertain the investment required to improve all homes to a minimum of EPC Band B, alongside low carbon heating as well as the investment needed to reach net zero. The EPC band B with low carbon heating modelling also achieved very close to net zero when using 2050 projections for carbon intensity of the electricity grid. We will ensure that all improvements made to homes to achieve EPC Band C are also compatible with the net zero standard so that we make most efficient use of resources and are following the trajectory to net zero.

To aid this approach and identify 100% of underperforming assets (those with a negative net present value), a software system has been developed and was brought online during the last quarter of 2019. This software allows the team to complete detailed long-term appraisals of the stock to inform portfolio investment decisions.

For new homes, Stonewater is developing options to move away from fossil fuel heating and improve the overall energy performance of our homes. This will include increased insulation standards and the adoption of renewable technologies such as heat pumps and solar photovoltaic panels. Stonewater will no longer approve any new land and build schemes with fossil fuel heating.

Stonewater completed its second Sustainable Homes Index for Tomorrow (SHIFT) accreditation assessment

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in 2021/22. SHIFT is an independent assessment and accreditation scheme that demonstrates organisations are delivering against challenging environmental targets. The SHIFT assessment measures organisations against 21 environmental criteria, including CO₂ emissions, water use, landfill waste and response to climate change risks. Stonewater was awarded a Gold rating in March 2022.

Procurement and outsourcing

The Procurement Team has continued to work on their longer term strategy. Improving data within the team through the Contracts Register remains a priority, along with enhancing governance for all suppliers who are appointed to provide services to Stonewater, irrespective of the value of the contract. The desire to increase Value for Money potential in all contracts is a significant focus, alongside increasing the delivery of social value and sustainability benefits to the business.

The work with the Contracts Register continues to progress well, with additional items being added regularly and the existing data being enhanced through continual review by the team. However, there are question marks about whether the Delta portal, Stonewater's current repository for contract records and documents, offers enough value beyond being a storage facility. An ongoing project to explore the benefits of housing all contract records in Microsoft SharePoint and utilising PowerBI reporting functionality is expected to gather pace throughout the current financial year and allow the Procurement Team to utilise contract data in a more commercial manner.

The Cost Sharing Vehicle (CSV) employed in Stonewater's West Region with Platform Group went live on 1 April 2022. As Platform Housing Group already have a significant number of their own homes in this area as well as an internal repairs and maintenance service supported by some localised contractors, this collaboration means that we will be able to deliver a better, more responsive service for our customers. Along with an enhanced service for customers, as an added benefit, the reduction in travel for Platform's operatives also aligns with our wider commitment to reduce our carbon footprint.

The effects of the Covid-19 pandemic and Brexit related labour and material supply challenges are still being felt throughout the various supply chains connected to Stonewater contracts. However, through close communication with key supply partners, the majority of risks have been managed and allowed services to continue delivering successfully under the current government guidelines. Furthermore, through the improved data within the Procurement Team, all suppliers are monitored regularly through Dun & Bradstreet to assess financial stability, which is reported to Stonewater's Risk and Assurance Committee on a monthly basis.

As things return to normal, we would expect suppliers to operate more in line with their pre-pandemic practices, whilst ensuring that the wellbeing of Stonewater customers and employees is considered at all times. There may be a continued need for flexible working practices in some areas for the foreseeable future, but this will be agreed during discussions with relevant suppliers.

Our performance

In addition to Value for Money, we have set ambitious targets for our 'business critical' key performance indicators.

One of our key targets at Stonewater is achieving favourable results compared to a benchmarking peer group of similar sized housing associations.

Key indicators we consider are:

	2021/22	2020/21	2020/21
	Cost per unit	Cost per unit	Sector (median)
	£	£	£
Management	1,045	1,006	1,046
Average cost of responsive repairs	167	141	n/a
Maintenance	974	899	1,107
Major repairs	247	390	83

	2021/22	2020/21	2020/21
Customer satisfaction %	83%	85%	88%
Number of new homes built	863	671	n/a
Void re let time (days)	21	26	n/a

We continue to maximise value from our maintenance spend to ensure that our homes are fully functional and meet our customers' needs.

Customer satisfaction

Our Voice of the Customer programme using Rant & Rave's fast feedback platform allows us to understand how we are performing against our Customer Promise. It also ensures the feedback received can be used by our operational teams to remove any areas of frustration and dissatisfaction from our services, ultimately improving the customer experience. During 2021/22, 83.1% of our customers told us that they were satisfied with the service they had received from Stonewater. The key drivers of satisfaction for our customers were communication and more specifically receiving a call back, the quality of repairs and the speed of delivery of our services.

During the year, we have continued the roll out of our customer service training programme to ensure all our colleagues put our Customer Promise at the heart of how we deliver services.

External environment

Monday 21 February 2022 saw the end of Covid-19 restrictions in England. It was a moment that felt like the UK might soon be returning to a period of normality after what has been a tumultuous few years. It saw the UK's place in the world shift and a number of fundamental changes to the way we live and work. The government was talking about refocussing on its domestic agenda, and rebuilding the economy, but just three days later the invasion of Ukraine by Russia began. The impact of this on the already growing cost-of-living crisis, means that we are likely to be in for another unpredictable period.

It is clear that the cost-of-living crisis will be the defining issue for the coming years – a challenge that the government's policies will be targeted at alleviating.

Stonewater has a clear and vital role to play. We supported our customers through the pandemic with targeted support, grants and advice. As an employer, we will need to ensure that our colleagues – all of whom are now working within our hybrid model – are supported to live and work effectively and without fear of financial difficulties, as well being able to support our customers.

As the cost-of-living crisis deepens, exacerbated by continuing economic uncertainty, housing providers like Stonewater will need to look at how the homes we build and services we provide offer solutions to the difficulties faced by our customers, as well as looking ahead at new challenges that lie around the corner. And we need to offer these solutions to stakeholders and the wider sector too, to ensure that those who are most at risk from the impacts are protected.

Housing supply and affordability

The challenges faced by developers and housing providers during the Covid-19 pandemic still impact the delivery of new homes today. A shortage of materials, skills and labour remain significant issues, compounded by an increase in supply costs that will only get worse as inflation increases and the economy remains unstable.

As the Secretary of State for Levelling Up, Housing and Communities, Michael Gove said in a speech to Shelter in April 2022, there has for a long-time been a *"failure to ensure that there are homes which are genuinely affordable for all"*. The average house price in the UK continues to rise, hitting an all-time high of £286,079 in April 2022, which demonstrates why there is an urgent need to build more affordable homes.

It is clear that the housing association sector has been playing a key role in that, as the following statistics show:

- In 2021, an estimated 174,880 homes were started in England, of which 44,000 belong to housing associations
- In 2021, an estimated 175,390 homes were completed in England, of which 38,200 were delivered by housing associations
- In the year 2020 to 2021, 28,191 affordable houses (Affordable Rent, Social Rent, Intermediate Rent, Affordable Home Ownership) were started in England, excluding non-Homes England London delivery
- In the period 1st April to 30th September 2021, 70% of housing starts on site were for affordable homes
- Between July and September 2021, 67,820 households were initially assessed as homeless or threatened with homelessness and owed a statutory homelessness duty.

Should another recession occur, the housing association sector will be vital in ensuring that housing continues to be built. The contra-cyclical nature of affordable housing means that the sector will be able to support the government with its housing targets and improving affordability as private developers scale back.

But these homes cannot simply be the same as the ones we were building years ago. The world has significantly changed, as has what people want from their homes. Stonewater is consistently looking at how the needs of our customers change, including being able to work from home, and live in communities with public open space and good design.

This year, Stonewater funded original research by Demos, *Inside Jobs: The experience of low-paid homeworkers in Britain today*, which sought to find solutions to the challenges faced by low-paid workers in seeing the benefits of working from home. Since then, we have been working with stakeholders to highlight the need to ensure that the 'new normal' and benefits of modern ways of working are felt by everyone, not just the better off. Housing clearly has a role in that, and we are ensuring that new developments, such as one in Castle Cary, include flexible, inbuilt spaces for homeworking, including through innovative uses of space like double porches.

This approach chimes with the government's housing agenda, the-then Secretary of State for Levelling Up, Housing and Communities, Michael Gove's statement (May 2022): *"It's critically important that, even as we seek to improve housing supply, we also seek to build communities that people love and are proud of"*. As the reforms to the planning system emerge as part of the recently published Levelling Up and Regeneration Bill, Stonewater will be in a good place to ensure that we're already ahead of the curve in terms of design and open space.

Report of the Board of Management and Strategic Report

Responding to the government agenda

Levelling up and development

The 2019 General Election saw the government being elected on a manifesto that focussed on 'levelling up' the UK's regions, growing Britain's place in a post-Brexit world, and pushing towards net zero. Getting Brexit over the line, then the pandemic, and now the situation in Ukraine have all had delaying impacts on achieving these ambitions.

However, the new legislative programme announced by the government at the Queen's Speech in May 2022 is clearly designed to work towards this.

The Levelling Up and Regeneration Bill will have significant impacts on funding for local areas, as well as for how infrastructure like social housing is funded and delivered. The government has been clear that the new Infrastructure Levy will lead to at least as many affordable homes being delivered as the current Section 106 system does, but it's vital that the sector works with local authorities to ensure these homes are delivered quickly. We look forward to seeing more detail on how this will work, and the timescales for its introduction.

Stonewater is extremely positive about the emphasis on design and quality of place – this is something that we've embraced at the heart of our development approach for many years and look forward to responding to the legislation to improve this still further.

Social housing and management

The most significant piece of legislation coming forward in the near future for the sector will be the Social Housing Regulation Bill. We have already seen snippets of the text of the Bill, but it has also been confirmed that the Bill will be introduced in this parliamentary year. The Bill will legislate many of the elements of the Social Housing White Paper, including:

- Enabling the Regulator to intervene with landlords who are performing poorly on consumer issues, such as complaints handling and decency of homes, and to act in the interest of tenants to make sure issues are rectified
- Enabling the Regulator to inspect landlords to make sure they are providing tenants with the quality of accommodation and services that they deserve
- Creating new Tenant Satisfaction Measures which will allow tenants to see how their landlord is performing compared to other landlords and help the Regulator decide where to focus its attention
- Ensuring tenants of housing associations will be able to request information from their landlord in a similar way to how the Freedom of Information Act works for tenants of Local Authority landlords
- Guaranteeing that the Regulator will be able to act more

quickly where it has concerns about the decency of a home. They will only be required to give 48 hours' notice to a landlord before a survey is carried out

- Providing powers for the Regulator to arrange emergency repairs of tenants' homes following a survey and where there is evidence of systemic failure by the landlord. This will ensure that serious issues are resolved rapidly where a landlord is unable or unwilling to act
- Ensuring there will be no cap on the fines that the Regulator can issue to a landlord who fails to meet required standards.

Stonewater welcomes the ambition of the Social Housing Regulation Bill, but we are under no illusions that achieving this ambition will be a quick or simple fix. However, it is a necessary journey and should inspire us to be the best landlords we can be for our customers at what is a very challenging time.

We have already begun the journey. Our work in this space includes (but is not limited to), the development of our Customer Strategy, recognising our customer voice and truly understanding what matters most, our work on professionalisation across the sector, our investment in digital transformation to ensure services are both innovative and inclusive, and not least, our continuing commitment to the net zero agenda through both retrofit and sustainable new development – ensuring homes that are affordable today and also fit for the future.

When the Bill is published there will be an increased focus on the sector and performance. We have lots to be proud of regarding how we support customers and look forward to sharing our experience with stakeholders at all levels.

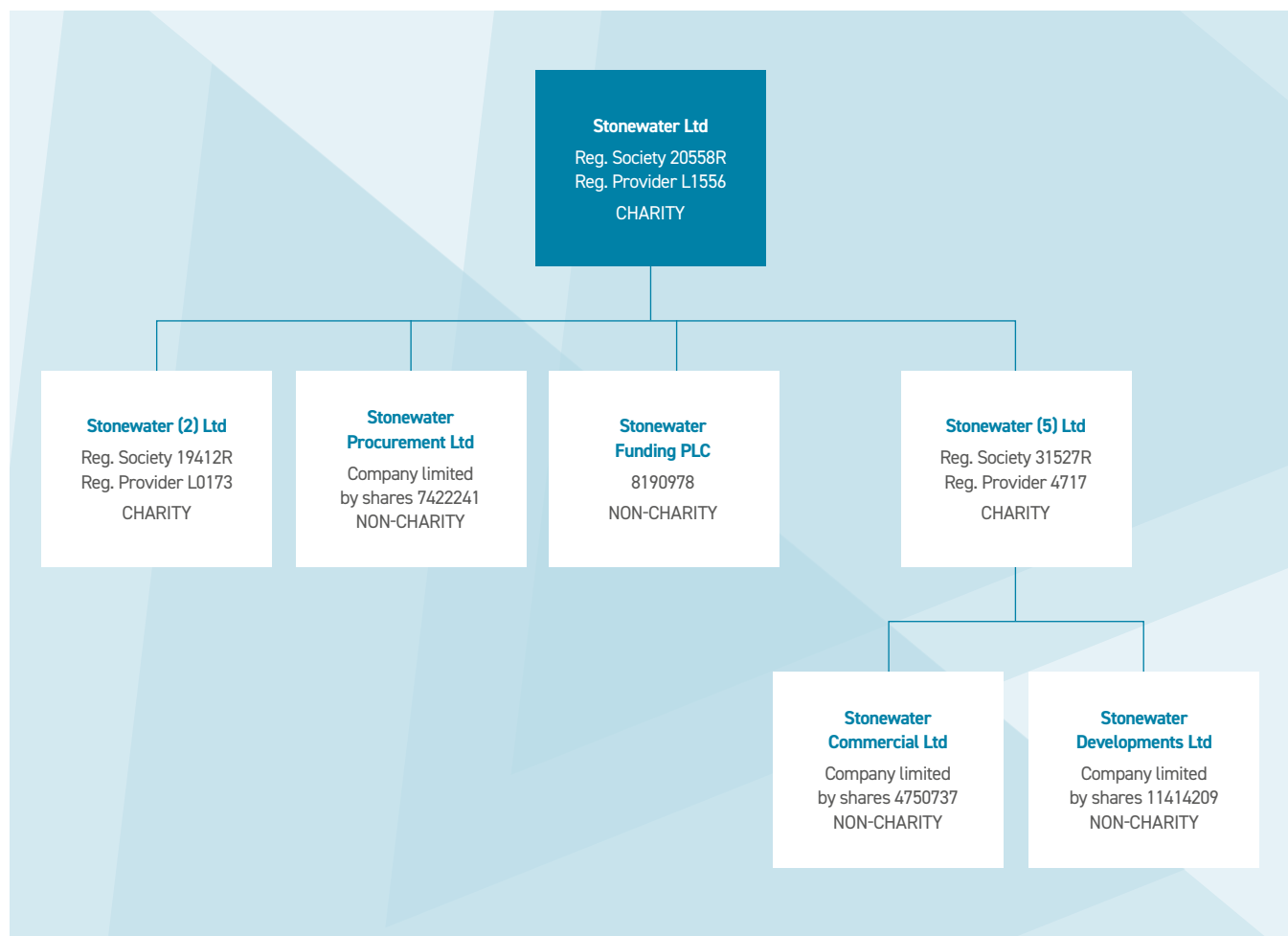
Environment and sustainability

Sustainability and decarbonisation continues to be a key area for the sector – in particular how to overcome the significant challenge of funding the retrofit of social housing across the UK. There has been significant interest in this from government in recent years – from the 10-Point Plan for a Green Industrial Revolution to the Heat and Building Strategy.

Our campaigning and advocacy work on this area – including our funding of IPPR's *All Hands to the Pump: A Home Improvement Plan for England* report in 2020 – has focussed on ensuring that enough funding is provided and a clear technological pathway is uncovered. The positions taken by Government have so far vindicated our position on much of this, and we look forward to making further progress on ensuring that progress is made in the years to come. With energy bills playing a significant role in the cost-of-living crisis, it is more important than ever that solutions to this challenge are delivered.

Organisational structure, governance and risk management

The Group structure is illustrated below; Stonewater Limited is the parent of the Group.



As at 31 March 2022, Stonewater Limited had two registered provider subsidiaries:

- Stonewater (2) Limited
- Stonewater (5) Limited.

Stonewater also has four wholly-owned commercial subsidiaries:

- **Stonewater Procurement Limited** – currently non trading
- **Stonewater Developments Limited** – a company which supports the Stonewater registered provider entities with their development activity by widening the scope of potential developments by selling fully or partially developed dwellings on the open market to Group entities. The company also provides design and build services to other Group companies
- **Stonewater Funding PLC** – a company which provides external funding for the Group via the capital markets and private placements
- **Stonewater Commercial Limited** – currently dormant.

Report of the Board of Management and Strategic Report

Board

The Board has responsibility for setting Stonewater's strategic direction and ensuring that the organisation meets its strategic aims and objectives. The delegation and control framework established by the Board includes accountability to customers and other stakeholders, such as funding providers and partner local authorities. The Board comprised 12 members at 31 March 2022, including one executive member, as set out on pages 6-8.

Current obligations of board members to the Board and the company

Board members are collectively responsible for ensuring Stonewater's success and for compliance with all legal and regulatory obligations. Individual Board members are expected to uphold Stonewater's purpose, values, objectives and policies, share responsibility for decisions taken and represent the company to stakeholders.

Governance arrangements

Following a review of the governance structure and arrangements in the light of the impact of the pandemic, a reimagined structure was implemented in late 2020. This provides agility and efficiency in decision taking with panels and committees being convened as and when needed and board meetings scheduled on a monthly basis. All transactional business is undertaken remotely, which provides for rapid implementation of new strategies and policies and, from a practical perspective enables us to secure maximum benefit from members by giving flexibility around meeting times.

Skills, qualities and experience required by the Board

To discharge its responsibilities for setting the strategic direction and overseeing performance, Stonewater's Board needs a broad range of skills, competencies, experience and knowledge. All members are expected to demonstrate customer focus, strong communication and interpersonal skills, strategic thinking and leadership. The succession plan and annual review of terms of office ensures that the governance structure maintains the appropriate breadth of expertise to take Stonewater forward and achieve its strategic objectives. During the year, a new board member with asset management experience was recruited to fill an identified skills gap arising from turnover on the board.

In addition, the board seeks to have a membership that reflects the diversity of Stonewater's customers and the communities in which Stonewater works. The Board has set targets for improving diversity across the governance structure. At 31 March 2022, the Board comprised 50% female members, 17% from a Black, Asian or minority ethnic background, and one member who identifies as disabled. The board consists of members whose ages span four decades.

The board undertakes an annual appraisal of its performance, culminating in the identification of key targets for the year ahead. Progress against these objectives is monitored through quarterly reporting against sub-targets and the final position is assessed through the annual collective board review at the end of the year. Four objectives were set for 2021/22 and headline performance against these was:

Objective	Performance
Prepare for post-pandemic world and ensure post-pandemic opportunities are considered	Comprehensive assessment of operating environment informed board away day to set direction of future strategic plan. Inorganic growth strategy reviewed and updated. All Directorates restructured and further changes implemented as needs identified to provide capacity to deliver opportunities.
Develop approach to Environmental, Social and Governance (ESG) compliance	Sustainable Finance Framework adopted. Early adopter of Sustainability reporting standard with first report published during the year. 3rd Place in the top 30 Sustainable Housing Associations by Digital Housing Sustainable Housing Index for Tomorrow ('SHIFT') gold rating status achieved.
Improve use of customer insight to inform decision making	Framework for capturing insights embedded. This includes data gathered from customer calls and digital interactions through the MyHome online portal, feedback from transactional and other surveys and learning from complaints.
Deliver growth targets	Homes England funding secured under the strategic partnership

Other actions for improvement arising from the appraisal are monitored through the governance action plan by the Governance and People Challenge & Assurance Panel. Individual members are required to play an active role in the work of the board and its committees or panels. Each member has an individual annual review with the relevant chair. This provides an opportunity to review performance during the year and set objectives for the year ahead with any specific development needs identified feeding into the member learning and development programme.

Code of Governance

The Board has adopted the 2020 National Housing Federation (NHF) Code of Governance and was fully compliant with it at 31 March 2022.

Shareholding policy

Under the rules for each registered society in the Stonewater Group, the parent board retains discretion over the issue of shares. The current policy is that Stonewater operates a closed membership, with shares only issued to individuals who are Board members.

The governance structure supporting the board comprises two committees, five challenge and assurance panels and a task and finish group. Each of these is chaired by a board member and includes places for independent members. The succession plan includes arrangements to ensure that the board continues to have access to specialist experts through these committees and panels.

Nominations and Remuneration Committee

Oversees the recruitment and remuneration of non-executives; the Chief Executive and the Executive Directors. Advises the board on annual pay reviews for Stonewater employees.

Risk and Assurance Committee

Oversees risk management and internal control framework, including the insurance provision and the audit function; considers the annual financial statements and external and internal auditors' reports.

Assets and Development Challenge & Assurance Panel

Oversees Stonewater's growth and home investment programmes, including sustainability initiatives and compliance performance.

Customer Experience Challenge & Assurance Panel

Oversees front-facing delivery of services, ensuring that Stonewater has knowledge and understanding of the impact of the service provision on customers and its wider activities on local communities.

Finance Challenge & Assurance Panel

Oversees Stonewater's finances and exercises borrowing and treasury powers.

Governance and People Challenge & Assurance Panel

Oversees Stonewater's governance arrangements and employee terms and conditions of service, other than those which are reserved for the board.

Value Creation Challenge & Assurance Panel

Oversees the delivery of efficiency and effectiveness gains, ensuring maximum value for customers across all areas of the business.

Executive Directors Group

Stonewater has an experienced Executive Directors' Group which manages the day-to-day running of the business. The Executive team consists of the Chief Executive and five Executive Directors.

The details of the Executive Directors' Group are disclosed on page 6.

Access to information

Stonewater aims to work in a transparent and open manner, making information publicly available unless there are justifiable reasons for not doing so, such as personal data or commercially sensitive information.

Information takes a variety of forms including reports, policy statements and publications. Many can be found on our website (www.stonewater.org) and copies are also available on request.

Risks and uncertainties

New, emerging and high scoring risks are monitored through the strategic and critical operations risk register. The Executive Directors' Group and the Risk and Assurance Committee keep the register under review to ensure that it fully reflects the risks to the delivery of Stonewater's operations and strategic plan. The Operational Directors Group members and specialist leads are responsible for the identified risk areas and the Company Secretary oversees progress against actions to mitigate risks.

The board has adopted a risk appetite statement which sets out the nature and levels of risk it is prepared to take in order to achieve our strategic objectives. Performance against this is kept under review facilitated through the use of metrics to enable the committees and panels to assess, and provide assurance to the board on, whether performance remains within the risk appetite parameters for the areas under their remit. The Executive Directors and each of the committee and panel identifies any emerging risks that could take operations outside of the risk appetite and escalates to the board through regular reporting. The Risk and Assurance Committee provides overall assurance to the board that risks are being managed appropriately.

In addition to the overarching risk appetite, the board has also received regular reports on the particular risks arising from the volatile operating environment. During the last year these have covered the impact of Brexit and the pandemic on the availability of operatives and the supply chain. This has been informed by bespoke risk parameters covering the impact on Stonewater's customers, colleagues, contractors and suppliers and financial status. This has been amended more recently to encompass the impact of the Ukraine crisis, particularly on cyber security and the supply chain.

The Chief Executive reports to the Risk and Assurance Committee on the effectiveness of the internal control environment.

Report of the Board of Management and Strategic Report

Key strategic risks

The following are the key strategic risks that the Board considers, and the actions that have been taken to mitigate these and strengthen controls. The Board is continuing to monitor the dynamic operating environment and implement further actions to ensure that the risks arising are managed appropriately and activities remain within the agreed risk appetite.

	Risk responses	
	Examples of controls in place	Actions during the year to strengthen controls
1 Financial capacity and income collection performance limits the delivery of growth and business transformation	- Treasury management strategy monitoring - Regular stress testing - Monitoring the metrics that are used in the credit rating process - Income collection and arrears performance monitoring	- Implementation of financial strategy - Business plan and stress-testing which demonstrate ability to withstand various economic stresses - Implementation of automated arrears system - Proactive work with customers to address risks arising from end of furlough provisions and universal credit uplift
2 The governance structures and processes are not aligned to the evolving regulatory environment	- Board succession plan - Annual board, panel and committee review process - Regular board review and stress testing of operating environment - Policy and strategy review framework	- In-year review of the operating environment as part of monitoring and reporting progress on delivery of the strategic plan - Implementation of board succession plan - Adoption of 2020 Code of Governance - Participation in national interest groups and at national political and sector conferences
3 Customer insight is not embedded in business design and service review processes	- Voice of the Customer strategy. - Competency Centre within Customer Experience (CX) including customer involvement, communications and feedback - Dedicated customer insights team - Independent methodology for customer satisfaction	- Customer satisfaction board level KPI - Customer Experience Panel oversight of insights programme - Learning from complaints and Ombudsman cases. - Establishment of Communications Steering Group overseeing customer communications - Development, and embedding the use, of Rant and Rave to capture customer feedback on services
4 Stonewater does not meet its health & safety obligations as a landlord, employer, developer and provider of care and support services	- Specialist team in place with subject experts embedded across the business - KPIs monitored by the board and Assets Panel - Compliance issues monitored by the Risk and Assurance Committee - Oversight of activity by safety management committee and specialist sub-groups - Management plans in place for key risk areas e.g. fire, asbestos etc.	- Implementation of compliance modules across all assets compliance activities - Further development of the suite of KPIs - Implementation of asbestos portal for contractors - Work towards publication of fire risk assessments allowing all key stakeholders to access in real time
5 Uncertainty about Government post-pandemic priorities inhibits strategic planning	- Compliance with regulatory and Government guidance - Regular review of operating environment supported by specialist agencies on public affairs and public relations - Stress testing - Future funding in place for forthcoming expenditure - Bespoke risk appetite measures for risks arising from operating environment	- Identification of opportunities for growth arising from the operating environment - Continued implementation of digitalisation programme - Review of strategic plan and period it covers. - Action plan to implement the requirements of new social housing legislation
6 Investment decisions do not give appropriate weight to competing strategic agendas e.g. environment, safety, growth, digitalisation	- Strategic plan monitoring - Growth strategy monitoring - Regular stress testing - Environmental strategy - Environmental Sustainable Homes Index for Tomorrow (SHIFT) 'gold' status - Value for money strategy	- Mapping procurement methodology, timing of delivery and location of new homes in the period 2019-2024 - Review of operating models to ensure aligned to achieve best outcomes for the business, customers and partners - Implementation of requirements of Building Safety Bill
7 Failure to embrace new technology and to invest in appropriate technological solutions	- IT strategy in place - Specialist consultants engaged to advise on strategic implementation - IT investment supporting delivery of future operating model - Business Design and Technology Group provide oversight of strategy, availability, security and risks	- Workshops to identify future technology strategy - Establishment of a specialist data team - Development of data management strategy - Establishment of a task and finish group to give governance oversight of technology strategy and provide assurance to the board
8 Failure to meet environmental objectives or mitigate the impact of climate change upon Stonewater and customers	- Environmental Accreditation specifically for Social Housing (SHIFT) – 'gold' status achieved. - Environmental social governance framework - Environmental strategy and action plan - Fuel engagement strategy and action plan	- Identification of achievable long term carbon reduction and net zero target - Work with partners to ensure they are able to support delivery of retrofit at scale - Establishment of carbon footprint methodology - Lobbying to influence national policy on, and secure greater support & grant funding towards, retrofit

9 Resilience of Stonewater's IT systems to cyber attacks	- Operational and governance oversight of IT Strategy - Cyber essentials accreditation - Modern security appliances and systems to protect against cyber attack - Cyber Security Strategy – aligned to National Institute of Standards and Technology Cyber Security Framework	- Implementation of additional security systems and processes - Implementation of regular assessment of internal controls and security architecture - Review of the cyber major incident response plan - Development of data strategy
10 Stonewater's offer does not attract and retain people with the skills and experience required to deliver the strategic plan	- Independent benchmarking of executive and senior manager salaries - Continuous pay framework review - Gender pay gap data, job evaluation and external benchmarking - Monitoring of changes to staff establishment and turnover	- Undertake organisation-wide skills analysis to provide assurance on capacity to deliver updated strategic plan - Development of hybrid working model - Leadership development & management coaching - Manager Briefings and Packs - Procurement of recruitment agencies to a preferred supplier list
11 Partnerships and supply chain relationships do not deliver objectives	- Procurement procedures and contract management system - Partnering advisor provides objective scrutiny of contract delivery - Contracts managed by nominated managers, with regular partnership management meetings - Value for Money Strategy	- Monitoring of supply chain and implementation of actions as needed to address issues arising - Actions to mitigate additional disruption from Ukraine crisis - Monitoring of financial status of key partners and suppliers
12 The workforce is not led effectively and leaders do not have the capacity or capability to set and deliver the strategic plan	- Board succession plan regularly monitored through governance structure, informed by annual audit of members' skills and gap analysis - Executive directors' succession plan - Member learning and development programme, monitored through governance structure - Leadership training provided to managers	- Recruitment and induction of new board members and senior leaders - Delivery of learning and development programme - Delivery of values based leadership Programme for Executive and senior managers - Independent review of member remuneration - Review of executive team structure

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Effects of material estimates and judgements upon performance

The following are the material judgements affecting performance.

Impairment

Management assesses the housing properties for indicators of impairment at each balance sheet date. Where indicators exist, a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. Judgements in assessing the level of cash generating units and the recoverable amounts could lead to increases or decreases in the impairment provision.

We continue to work with our partners to assess and manage the impact of the current operating environment including supply chain disruptions.

Consideration of property development costs

Management determines the anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, we then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the members' best estimate of sales value based on economic conditions within the area of development.

Useful lives of depreciable assets

We set out the expected useful lives of our assets in the accounting policies on page 64 and 65. Management reviews its estimate of the useful lives of depreciable assets periodically, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and ICT equipment, changes to decent homes standards which may require more frequent replacement of key components and changes to the ability to let the property which may reduce the economic life of the property. Our policies are well developed. Accumulated depreciation at 31 March 2022 was £373.6m, with the total charge in year of £29.9m.

Defined benefit pension scheme obligations

At 31 March 2022, we had two defined benefit pension schemes, both closed to new members, the Social Housing Pension Scheme (SHPS) and the Dorset County Pension Fund defined benefit pension scheme (DCPF). Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Management estimates these factors, using qualified actuaries, in determining the net pension obligation in the balance sheet (see note 31). Variations in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expenses (as analysed in note 31). The net liability of both schemes at 31 March 2022 was £21.0m.

Bad debt

We make a provision for the likelihood of debtors failing to pay. Our assumptions bandings are based on the type of debt (including customer analysis) and length of time the debt remains unpaid. In light of the likely impact of Covid-19 on our customers and in anticipation of higher arrears, we have reviewed and updated our assumptions.

Valuation of swaps

All swaps are valued at fair value by discounting expected cash flows at the risk free forward rate curve. This valuation is adopted across the registered provider sector. Had we applied credit and funding valuation adjustments the derivatives would have had a value of £40.1m at 31 March 2022, compared to the fair value adopted of £42.7m (2021: £69.4m compared to fair value adopted of £74.1m).

People Strategy

Stonewater's five-year People Strategy was developed in 2016 and sets out our ambition to become one of the best companies to work for in the UK. Having delivered this rating ahead of schedule, we are developing our new strategy for the next five years to ensure we continue to stretch ourselves towards becoming an exceptional place to work.

We have an active Colleague Forum, which widely consults, informs and engages with colleagues across the organisation. The forum has informed and influenced the implementation of the integrated change programme in order that the best outcomes for the company are achieved.

Leadership and management development remains a key priority and we are actively working towards equality, diversity and inclusion in all that we do, from recruitment and selection, through learning and development, appraisal and promotion, to retirement. It is our policy to promote an environment free from discrimination, harassment and victimisation.

All decisions relating to employment practices will be objective, free from bias, and based solely on work criteria and individual merit. To support this, we have applied the principles of the Rooney Rule into our 'Opportunity Pledge'. This includes avoiding recruitment panels that are single gender and ideally diverse across a range of protected characteristics. Also, where candidates meet the criteria for senior roles, we ensure those interviewed include candidates from under-represented groups. We have also developed four colleague Employee Networking Groups (2GeTher – the Black, Asian and Minority Ethnic network. Spectrum – the LGBTQ+ network, Inspire – the Disability network and Alliance – the Gender Equality network) ensuring that colleagues from under-represented groups have an opportunity to use their voice to effect change and support the organisations commitment to be a diverse and inclusive place to work.

Stonewater has an in-house recruitment team to ensure that we recruit people who share our Values and fit well within our culture. We are continuing with our Digital People Services Programme to improve the colleague experience and ensure that we are making the most of the benefits that digitalisation can offer.

We have extended our approach to people management and development into our response to the Covid-19 pandemic. We were quick to relocate colleagues to be able to work from home, making best use of our existing home working policies and procedures. We were able to provide flexible working arrangements for those who needed to care for dependants due to school closures and the effects of the lockdown. We provided bespoke online training, developed in-house on a range of topics from coronavirus to safeguarding, domestic abuse and resilience. Our regular manager briefings enabled us to keep managers and colleagues informed about matters that affected them. We were able to continue to support colleagues through our unique benefits such as the BUPA employee assistance programme, BHSF health and our Wellbeing Toolkit.

Our people strategy is designed to:

- Deliver our Strategic Plan objectives and long term vision to be an exceptional place to work
- Ensure that colleagues are engaged, developed and equipped to delivery excellent services to customers
- Continuously improve employee engagement so that colleagues feel proud, committed and advocates for our organisation
- Offer a best-in-class employee offer, designed to attract and retain a talented and motivated workforce
- Develop the skills, knowledge and confidence of our workforce to ensure colleagues feel empowered to make decisions on behalf of our customers and are digitally confident and capable, in order to deliver our Customer Promise
- Ensure that colleagues have the tools to deliver great services to customers.

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Relationships

During the last year we have seen the embedding of a specialist approach to our housing management services with centralised teams delivering services across the Stonewater geography focused on customers, communities and tackling anti-social behaviour.

We have set our new Customer Strategy which continues to embed our Customer Promise within service delivery, placing a framework and measurable outcomes around a number of initiatives, projects and action plans designed to improve customer experience and tenancy sustainability, develop a listening and learning culture and ensure happy and healthy communities.

Our specialist Connected Communities Peer Leader champions a community strengths based approach to resolving housing management related issues, influencing colleagues to step back and think through the root causes of this conflict and how existing assets in a community can be built on. Our Connected communities peer leader is skilled in working with third parties, including the third sector, who have skills and resources that have been effective in helping our customers and communities to sustain positive outcomes.

In 2021/22 we undertook an 11 month test and learn pilot with an organisation called Community Catalysts, across three Stonewater localities (Bedfordshire, Halifax and Southampton). The project was named 'Communities Can' and was an intentional way of Stonewater working within our communities to look at what matters to our customers, what matters to local communities and how we can build on what is strong, rather than what is wrong. The pilot involved engaging local communities, via a series of action groups and virtual forums, as well as training for our colleagues to understand this shift in approach. As a result of the pilot we saw community action take place in all three localities, with participants developing their own community assets and support networks.

In April 2021, we restructured our Retirement Living services to introduce a "wellbeing" element and team to our service offer. Introducing the role of Wellbeing and Community Connector, we recognised that co-production with our residents and community integration is an essential part of creating the vibrant, cohesive Retirement Living communities we aspire to. This shift in service delivery has seen us take a more holistic, strengths based approach in our Retirement Living services, asking customers what they want to do in services and their communities and opening our spaces to the wider community. This has led to a range of wellness activities being delivered on site such as arm chair exercises and yoga. This team has really taken forward the digital inclusion agenda, maximising use of our 9 digital experience tables particularly helpful to those with dementia, with one service setting up a "memory café." The team has also worked on a research project with the University of Stirling looking at the role technology plays in helping people to age well in their homes and promote independent living for

longer. To firm up our commitment to co-producing services with residents, in August 2021, we established our first Ageing Well Board which is made up of customers and colleagues and is a shared platform to shape and design the organisations Ageing Well agenda.

Customer engagement

At Stonewater, our customers are key to our success and we're committed to ensuring we are truly a listening organisation, where our customers' voices, feedback and experience influence, shape and direct the development and delivery of our services.

The Customer Voice and Influence team brings together our customer communications, engagement, complaints and feedback specialists to embed our promise in each project, process, decision and service Stonewater delivers.

In 2021/22, we directly engaged over 3,000 customers in shaping our services. We consulted on and launched a new customer engagement toolkit. Working with 300 customers, we added Instagram and Facebook Live to our existing engagement platforms, as well as kick started a project to pilot mystery shopping.

More than 600 customers attended consultation events on issues like our new My Rewards service, our home ownership offer and grounds maintenance service. We received almost 4,000 responses to 53 surveys, which asked customers for views about local improvement plans as well as our policies, procedures and how we're performing on the issues that matter to them.

On top of that, we recruited new members to our Scrutiny Panel, our Friend of Scrutiny readers' panel, and our Customer Complaints Panel. We've launched our learning from complaints project, and we're working with customers and colleagues from across Stonewater to embed a listening and learning culture (a theme at the heart of our new Customer Strategy).

Over 2,000 customers regularly read our quarterly newsletter, Here to Help, and over 2,500 read our Customer Annual Review. We've co-created 25 films with customers to share their stories and priorities over the last year, as well as helping 116 customers to develop new digital skills through our We are Digital partnership.

Our Scrutiny Panel reviewed our ASB noise and reactive repairs services, making 26 recommendations. We have already implemented 14, including rolling out our customer shadowing of our repairs contract management meetings.

Our Friends of Scrutiny group acts as a reader's panel, advising us on our customer communications. This year they've guided our communication on everything from rent and service charges, to our repairs handbook. Our online Yammer

groups provide us with feedback focused on the preferences of customers with specific disabilities and requirements.

We've heard from customers on social media over 5,000 times, sharing their views and opinions on our services. In November, we hosted our first Facebook live event on damp & mould attended by over 250 customers. Our Hubb platform and our Facebook group remain popular with over 900 and 1,000 members each.

We're now working hard with our customers to involve them in the roll out of the Tenant Satisfaction Measures, alongside our work to meet the commitments outlined within the Government's Charter for Social Housing Residents and the National Housing Federation's Together with Tenants Charter. To embed this, we have a Customer Voice work plan in place, which is helping us prepare for new consumer regulation.

Customer insight

Our approach to customer insight allows us to have a better understanding of our customers; who they are and what they expect of our services. Our customer personas are embedded throughout Stonewater, demonstrating our customers' needs, opinions and aspirations, and so better enabling us to tailor how we develop and deliver our services so that they are cost effective and provide great customer experiences across the business. We use a variety of customer engagement and involvement channels to feedback on and design our services with customers, including our Customer Scrutiny Panel, user-based design on digital services and in retirement living, and online Review Panels on policies.

Suppliers

At Stonewater, we place great value on the significant contribution made by our supply partners, irrespective of their size or the volume of work they complete for us each year. Therefore, maintaining strong and positive relationships is crucial to ensure the effective delivery of a variety of services to our business.

We do this through this through two simple but effective principles: clear and regular communication with all suppliers, through agreed mediums; and ensuring that all payments are made early or on time, in line with agreed schedules in each contractual agreement. By following these two principles, we provide clarity to businesses and ensure that we contribute positively to their financial security and wellbeing during difficult and uncertain times. We paid invoices received during 2021/22 within an average of 23 days.

Homes England

Stonewater has been a development partner with Homes England for over 15 years delivering affordable homes across England. During that period, Stonewater has secured grant funding from Homes England to deliver a variety of tenures, including social rent, affordable rent, Rent to Buy, and shared ownership. The relationship with Homes England has always been open, transparent, and strong and committed, which has enabled Stonewater to deliver much-needed affordable homes across the country.

Stonewater has an existing Strategic Partnership with The Guinness Partnership (TGP) and Homes England to deliver a total of 4,500 new grant funded homes by March 2024 with grant funding of £224m (some exceptions can run to March 2025 by specific agreement with Homes England). This is the largest allocation with the current Strategic Partnership.

Funders

We maintain strong relationships with our bank and capital market funders by ensuring they are updated on Stonewater's operational and financial performance. Relevant operational information is published on Stonewater's investor relations pages on our website, and both half year and annual performance information is published there too. Update meetings are held regularly.

Equality, diversity and inclusion

Stonewater has adopted the Social Housing Equality Framework (SHEF) to support and drive the organisation's equality, diversity and inclusion (EDI) agenda. Our EDI Board is chaired by the Executive Director of Corporate Services and is taking action to achieve the SHEF 'Excellent' level across the business as a whole.

When looking at our Board, Executive and Operational Delivery Group combined, our diversity is as follows:

Gender	54% Male, 46% Female
Ethnicity	87% White, 13% BAME
Sexuality	88% identify as heterosexual, 12% identify as LGBTQ+
Disability	96% non-disabled, 4% disabled
Age span	19 - 60+

Pay gap reporting

Stonewater is committed to equality in treatment and pay of men and women. From April 2017, all UK employers with more than 250 employees were required by law to publish a number of details relating to the gender pay gap in their organisation.

During April 2022, we published our latest gender pay gap data as at 5 April 2021. This report shows an improvement in our performance, with the median gender pay gap being 18.14% (2020: 16.84%) Our full report is available on our website. We are continuing to work to improve our performance in this area, for example through our Gender Equality Group and continuing with our leadership development programme, as well as ensuring our employee policies support family friendly principles. We have also voluntarily reported on our Black, Asian and minority ethnic (BAME) pay gap data again this year and were pleased that we continue to maintain a marginal gap, with a median BAME pay gap of 1.26%. We recognise there is still work to do to create a more diverse workforce and continue to take action to address this, such as our employee networking groups.

Further information can be found at www.stonewater.org/about-us/performance/

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Modern slavery and human trafficking

Stonewater's modern slavery and human trafficking statement, under the Modern Slavery Act 2015, for the financial year ending 31 March 2022, is available via our website [modern-slavery-and-human-trafficking-statement](#)

Financial inclusion

From the outset of the pandemic we have adopted a customer focused, flexible approach through our Income Maximisation Strategy, supporting customers with welfare benefits and introducing 'deferred' and 'flexible' payment arrangements to support customers in navigating through challenging circumstances. During the year our specialist income team secured over £275k in Discretionary Housing Payments for customers.

We continue to work closely with the Longleigh Foundation in a number of ways but have two key initiatives designed to support customers experiencing financial hardship:

1. Referring customers for individual grants which for helping customers cope with the impact of difficult, unexpected and unknown situations as well as those known situations that are about to happen but that will still cause financial hardship.
2. The Circles of Support programme offers customers holistic and wrap around support in three areas of their life: economic, emotional and physical wellbeing. Colleagues can refer into the programme and our customers can also self-refer. Financial support is provided via Clean Slate who are able to work with customers regarding budgeting and income maximisation.

We are currently working on a kickstart project re-engineering our onboarding process better to support new customers and dedicating specialist resource to avoid new customer debt and minimise low level debt through prevention, enhanced monitoring and early intervention.

We benefit from three specialist roles embedded in our frontline customer facing teams focused on employability, grants and other third sector support and fuel poverty. These roles are able to work directly with customers, signposting and facilitating customers to access support to improve financial circumstances, living environments and emotional wellbeing.

During January 2022, we contacted all customers to remind them of our financial inclusion offer and that we are here to help. As a result of this communication, we spoke to over 500 customers making referrals to the Longleigh Foundation as appropriate.

We launched the findings of a research project we commissioned with Demos looking at the impact of new ways of working on lower earners. This research found that new ways of working such as home working present great opportunity and benefits for lower earners but lower earners are more exposed to challenges such as increased costs, lack of equipment, space and connectivity.

While continuing to seek to influence national policy we are now better promoting social tariffs, improving connectivity within homes, providing working space in new homes, linking customers to opportunities and seeking to work with partners locally to better support new ways of working.

Future prospects

The key assumptions included in the business plan are:

Year 1 of the plan, 2022/23, is based on the final budget.

Rents

Rents on social and affordable rent properties increases under the new rent settlement of CPI + 1% until 2024/25. Increases of CPI only are assumed thereafter.

Inflation – Consumer Price Index (CPI)

4% for 2023/24, 3% in 2024/25, and 2% thereafter

SONIA (Sterling Overnight Index Average)

2.0% in 2022/23, rising to 3% by 2030/31

Earnings

CPI + 0.5%, rising to CPI + 1% from 2026/27 thereafter

Maintenance and development costs

CPI + 2.5% until 2027/28, CPI + 1% until 2033/34, CPI only thereafter

Other costs

CPI + 0.5% throughout

Voids and bad debts

Voids 0.8%, rising to 1%. Bad debts at 1.125%, reducing to 1.0% from 2023-24

Pension contributions

SHPS annual recovery payments per latest review schedule for 2022/23, with assumptions for increases made beyond that

Business Plan Forecast Summary

Expected Income and expenditure	2022/23 £'m	2023/24 £'m	2024/25 £'m	2025/26 £'m	2026/27 £'m
Turnover	249.4	273.6	293.7	309.6	342.7
Cost of sales	(38.8)	(44.0)	(45.0)	(46.9)	(62.2)
Operating costs	(145.3)	(158.0)	(167.8)	(178.5)	(189.0)
Surplus on disposal of fixed assets	5.7	5.2	6.2	6.5	6.8
Operating surplus	71.0	76.8	87.1	90.7	98.3
Net interest	(36.2)	(41.3)	(45.9)	(51.0)	(56.1)
Movement in fair value of non-hedging financial instruments	1.2	1.2	1.2	1.2	0.9
Surplus for the year	36.0	36.7	42.4	40.9	43.1
Capitalised components	31.1	28.4	29.9	33.3	34.5

Stonewater reviewed its 30-year plan in May 2022. Following the Group restructure, additional financial capacity has been freed up within the Group, with the continued aim to provide homes for people in need.

The 2022 forecasts continue the post-pandemic recovery, with increases in repairs and maintenance expected.

Development over the next five years is planned to total 7,500 social rent, affordable rent, shared ownership and Rent to Buy units. This period covers the end of the initial Strategic Partnership Programme (SPP) with Homes England covering the delivery of 1,500 homes, and the start of the second SPP, approved in September 2021, in which Stonewater was

successful in securing further grant funding and is continuing its partnership with The Guinness Partnership (TGP). Furthermore, there is a limited build for sale programme.

The plan has been stress tested for a 'perfect storm' of events the Board consider might affect the plan. Further stress testing confirms resistance to the factors modelled, including adverse movements in inflation, interest, Government rent policy and market values. Since the Business Plan was finalised it has become apparent that the impact of inflation on costs, over the next few years, maybe greater than forecast. However, the stress testing of the plan considers more extreme economic scenarios than the one currently being experienced.

Additional stress testing modelled the impact of the cost of works to move properties to EPC B energy efficiency in line with Government aspirations.

Where remedies are required to ensure compliance with bank covenants, priorities have been set within parameters set by the Board.

Business planning, risk and internal controls assurance

Purpose

The statement of internal controls provides information to both internal and external stakeholders on how Stonewater governs its business, manages risks and delivers the business plan.

Responsibility

The Board has overall responsibility for establishing and maintaining the system of business planning, risk and internal control and for reviewing its effectiveness across Stonewater. The Risk and Assurance Committee is responsible to the Board for monitoring this system and ensuring its effectiveness.

Approach

Stonewater has adopted the three lines of defence assurance framework, whereby we employ qualified colleagues and put good policies and procedures in place; monitor these through management activity and governance reporting and seek external assurance through audits, accreditations etc.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which Stonewater is exposed though:

- **Identification and evaluation of key risks**

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. The Executive Directors Group regularly considers significant risks facing Stonewater from both existing and proposed new business, and these are identified and evaluated.

- **Monitoring and corrective action**

A process of control self-assessment and regular management reporting on regulatory and control issues, including any raised by the external auditors, provides hierarchical assurance to successive levels of management and to the Board.

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- **Control environment and control procedures**

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. Stonewater's own Code of Conduct based on the NHF model sets out Stonewater's stance with regard to the quality, integrity and ethics of its employees. A framework of policies and procedures is in place covering issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data protection and fraud.

- **Information and financial reporting systems**

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

Stonewater's operations have continued to evolve during 2021/22 in response to the changing operating environment. The Board has received regular reports on key risk areas, including the impact on services of issues relating to the supply of materials and labour and, more recently, of inflation on our customers and business costs. The crisis in Ukraine has exacerbated these risks, particularly the impact on fuel costs, and bespoke risk indicators have been developed to enable the Board to ensure that operations remain within the risk appetite.

The Board has continued to meet monthly to ensure strong governance oversight and efficient decision making. Changes to the wider governance structure to deliver more agile decisions taking have been embedded and were independently assessed as providing substantial assurance in May 2021.

A suite of performance indicators, scenario models and risk appetite measures are in place to inform Board decisions and performance monitoring. The Board's priority is to safeguard health and safety, along with other legal, regulatory

and financial compliance. Revised and new policies and procedures have been put in place to reflect the revised operating environment and strengthen internal controls.

The internal control framework and the risk management process are subject to regular review by the internal auditors, who are responsible for providing independent assurance to the Board via the Risk and Assurance Committee.

Confirmation from the Board

The Board has received from the Chief Executive an annual report, has conducted its annual review of the effectiveness of the system of internal control, has reviewed the fraud register and has taken account of any changes needed to maintain the effectiveness of risk management and the control process.

The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by Stonewater. 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 is able to confirm to the best of its knowledge compliance with its adopted code of governance and the regulatory governance, financial viability standard as set by Regulator of Social Housing.

Compliance with the regulatory standards

The latest regulatory judgement issued by the Regulator of Social Housing in November 2021 confirms that Stonewater meets the requirements set out in the Governance and Financial Viability standard of the 2015 Regulatory Framework with the top ratings of G1 (The provider meets the requirements on governance set out in the Governance and Financial Viability standard) and V1 (The provider meets the requirements on viability set out in the Governance and Financial Viability Standard and has the capacity to mitigate its exposures effectively). Since then the board has undertaken a self-assessment of compliance with the Governance and Viability standard, taking account of the Code of Practice, and confirms that Stonewater remains compliant with the standard.

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

The Board members are responsible for preparing the report of the Report of the Board of Management and Strategic Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the Board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the Board members are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2018 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 Group and Association will continue in business.

The Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Association's transactions, and disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 and the Accounting Direction for Private Registered Providers of Social Housing 2022. They are also responsible for safeguarding

the assets of the Group and Association, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Board is responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

Financial statements are published on the Association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Association's website is the responsibility of the Board members. The Board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Disclosure of information to auditors

The Board members who held office at the date of approval of this report confirm that in fulfilling their duties as a Board member they have taken the steps they ought to have taken to make themselves aware of any information relevant to the audit and the auditors are aware of that information. So far as they are aware there is no relevant audit information which they have not made the auditors aware of.

BDO LLP were appointed as Stonewater's external auditors for 2021/22 on 20 July 2021.

The report of the Board was approved on 23 August 2022 and signed on its behalf by:



Sheila Collins
Chairman of Board

Independent auditor's report to the members of Stonewater Limited

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 2022 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 Stonewater Limited ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2022 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 statement of cash flows 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. Our audit opinion is consistent with the additional report to the Risk and Assurance committee.

Independence

Following the recommendation of the Risk and Assurance Committee, we were appointed by the board on 6 October 2015 to audit the financial statements for the year ending 31 March 2016 and subsequent financial periods. The period of total uninterrupted engagement including retenders and reappointments is 7 years, covering the years ending 31 March 2016 to 31 March 2022.

We remain independent of the Group and the Parent 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 as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Association.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Board's assessment of the Group and the Parent Association's ability to continue to adopt the going concern basis of accounting included:

- Assessment of the internal forecasting process to confirm the projections are prepared by appropriate personnel that are aware of the detailed figures in the forecast but also to have a high-level understanding of the entity's market, strategy and profile in the customer base.
- Obtaining and assessing the availability of financing facilities, including the nature of facilities, repayment terms and financial covenants. We considered management's financial covenant compliance calculations through to December 2023 and concluded on the consistency of such calculations with the ratios stated in the relevant lender agreements.
- Consideration of the forecasts prepared by management and challenge of the key assumptions based on our knowledge of the business. As referred to in the going concern accounting policy note, management have performed stress testing on the financial plan.
- We challenged management on the suitability of the mitigating actions identified by management in their assessment and the quantum and period ascribed to these mitigating actions. Scenarios modelled by management to analyse the impact on covenant compliance in conditions including interest rates, inflation, reduction in property sales and the level of bad debt. We reviewed the reasonableness of the proposed mitigations and if the mitigations were entirely in the control of management to action.
- We considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure against the forecasts and stress test scenario.

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 and Parent 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.

Overview

Coverage	100% (2021: 100%) of Group surplus 100% (2021: 100%) of Group turnover 100% (2021: 100%) of Group total assets		
Key audit matters		2022	2021
	Refinancing		☒
	Net realisable value of property developed for sale	☒	☒
	Refinancing is no longer considered to be a key audit matter because the restructure that led to refinancing was specific to the prior year.		
Materiality	Group financial statements as a whole		
	£7,050,000 (2021: £8,080,000) based on 8% (2021: 8%) of adjusted operating surplus (2021: adjusted operating surplus).		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Board that may have represented a risk of material misstatement.

The only significant components for Group purposes were the parent entity and Stonewater (2) Limited based on their size and risk characteristics. We have performed statutory audits on all components in the group for the purposes of reporting on their individual financial statements and for group/consolidation purposes.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter
Net realisable value of property developed for sale. <i>This relates to items included in note 18 of the financial statements.</i> <i>This area also represents a key judgement made by management as described on page 62.</i>	As explained in the accounting policies, properties developed for sale, including shared ownership first tranches and properties developed for outright sale, are measured at the lower of cost and net realisable value resulting in an amount recognised in the balance sheet of £45,161,000 (2021: £32,641,000) and of the Association of £34,063,000 (2021: £18,937,000). For properties in development at the balance sheet date, an assessment is needed of an anticipated selling price and a determination of the expected costs to complete. Due to the volume of properties under construction and the level of judgement involved in estimating both selling price and costs to complete, we considered there to be a significant risk that the carrying amount of properties developed for sale is misstated and was therefore a key audit matter. Having obtained management's assessment of the net realisable value of properties developed for sale, we tested this on a sample basis. Our samples were chosen from the populations of items that represented both developments under construction as well as completed developments at year-end. For a sample of completed properties we agreed the amounts involved to supporting documentation where the property was sold post-year end. For a sample of properties under development, we obtained details of the expected costs to complete from the scheme budget for that development and agreed the budgeted contracted cost of the development to the latest contract documentation. We compared the incurred expenditure to the balance sheet date to the estimated amount at that date. We have also considered the completeness of the estimated costs by reviewing the contracts to confirm these are fixed price contracts. In addition we have reviewed minutes and held discussions with the development team for any evidence of contractors seeking to renegotiate contracts indicating that the current costs to complete are inaccurate. We also compared for the same sample of properties the estimated sales proceeds to third party supporting evidence, for example estate agent valuations. We assessed the accuracy of cost forecasting by looking at outturn costs compared to budget on schemes that completed in the year. We stress-tested the appraisals for a number of properties under development. These stress tests looked at the impact of increasing costs to complete and reducing sales prices by a range of percentages up to 10%. We then considered if this had a material impact on the level of impairment required.

Key observations:

We noted no material exceptions through performing these procedures.

Independent auditor's report to the members of Stonewater Limited - continued

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Association financial statements	
	2022	2021	2022	2021
Materiality	7,050,000	8,080,000	4,520,000	5,540,000
Basis for determining materiality	8% of adjusted operating surplus	8% of adjusted operating surplus	8% of adjusted operating surplus	8% of adjusted operating surplus
Performance materiality	4,935,000	5,656,000	3,164,000	3,878,000
Basis for determining performance materiality	70% of materiality	70% of materiality	70% of materiality	70% of materiality

Rationale for the benchmark applied

For the current year we have used 8% of adjusted operating surplus as the basis of materiality. The adjustments to operating surplus are to add back depreciation and any profit or loss on the sale of fixed assets which is in line with the strictest loan covenant definition. We have used this benchmark as we considered this to be the area of financial statements with the greatest interest to the principle users and the area with the greatest impact on investor and lender decisions. The materiality approach is the same as the prior year.

The level of performance materiality applied was set after having considered a number of factors including the expected total value of known and likely misstatements.

Component materiality

We set materiality for each component of the Group based on a percentage of between 0.1% and 64.1% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £6,000 to £4,520,000. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Risk and Assurance Committee that we would report to them all individual audit differences in excess of £141,000 (2021: £162,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds..

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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 and 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 Association;
- a satisfactory system of control has not been maintained over transactions;
- the 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 the board's responsibilities set out on page 41, 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.

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.

Independent auditor's report to the members of Stonewater Limited - continued

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:

Based on our understanding of the Group and Association and the industry in which it operates, we identified that the principal laws and regulations that directly affect the financial statements to be 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 assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

In addition, the Group and Association are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: employment law, data protection and health and safety legislation.

In order to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, we made enquiries of management and those charged with Governance about whether the entity is in compliance with such laws and regulations and we inspected any relevant regulatory and legal correspondence.

In our assessment, the areas of the financial statements most susceptible to material misstatement (either from fraud or error) are the calculation of any required impairments to assets. This is because these areas require a high degree of management judgment and accounting estimation. The responsible individual specifically reviewed the individuals allocated to work on these sections to ensure that they have the requisite competence to perform this work.

Audit procedures performed by the engagement team included:

- Discussions with those charged with governance, management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading minutes of meeting of those charged with governance, and reviewing correspondence with HMRC;
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the net realisable value of properties held for sale; and
- In addressing the risk of fraud through management override of controls; testing the appropriateness of journal entries and other adjustments, in particular any journals posted to cash and material journal adjustments.

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 is available 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
Statutory Auditor
London

02 September 2022

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

Consolidated statement of comprehensive income for the year ended 31 March 2022

	Note	2022 £'000	2021 £'000
Turnover	4	225,426	210,383
Cost of sales	4	(31,103)	(18,426)
Operating costs	4	(139,636)	(123,392)
Surplus on disposal of fixed assets	4 & 11	11,020	8,171
Operating surplus	7	65,707	76,736
Interest receivable and similar income	12	116	26
Interest payable and financing costs	13	(39,294)	(33,810)
Movement in fair value of financial instruments	13	(2,583)	5,865
Surplus before tax		23,946	48,817
Taxation	14	-	-
Surplus for the year		23,946	48,817
Actuarial gains/(losses) on defined benefit pension scheme	31	8,080	(18,050)
Amount recycled from Cash flow hedge reserve	26	4,480	6,370
Year end revaluation of hedging financial instruments	26	19,650	15,875
Total comprehensive income for the year		56,156	53,012

The notes on pages 56 to 88 form part of these financial statements.

Association statement of comprehensive income as at 31 March 2022

	Note	2022 £'000	2021 £'000
Turnover	4	162,019	153,597
Cost of sales	4	(20,880)	(13,110)
Operating costs	4	(107,109)	(92,721)
Surplus on disposal of fixed assets	4 & 11	7,164	6,146
Operating surplus	7	41,194	53,912
Interest receivable and similar income	12	215	226
Interest payable and financing costs	13	(23,783)	(20,467)
Movement in fair value of nonhedged financial instruments	13	(4,458)	4,512
Surplus before tax		13,168	38,183
Taxation	14	-	-
Surplus for the year		13,168	38,183
Actuarial gains on defined benefit pension scheme	31	4,778	(9,213)
Amount recycled from Cash flow Hedge Reserve		1,123	3,051
Year end revaluation of hedging financial instruments		13,778	13,306
Total comprehensive income for the year		32,847	45,327

The notes on pages 56 to 88 form part of these financial statements.

Consolidated statement of financial position as at 31 March 2022

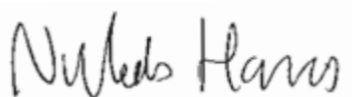
	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Fixed assets					
Tangible fixed assets housing properties	15		2,220,778		2,037,328
Other tangible fixed assets	16		10,389		9,384
			2,231,167		2,046,712
Current assets					
Properties held for sale	18	45,161		32,641	
Debtors	19	25,148		28,748	
Restricted cash	20	4,653		4,646	
Cash and cash equivalents		136,685		130,126	
		211,647		196,161	
Creditors: amounts falling due within one year	21	(98,132)		(88,846)	
Net current assets			113,515		107,315
Total assets less current liabilities			2,344,682		2,154,027
Creditors: amounts falling due after more than one year	22		(1,918,295)		(1,773,001)
Provisions for liabilities					
Provisions	27	(541)		(556)	
Pension liability	31	(21,005)		(31,785)	
			(21,546)		(32,341)
Net assets			404,841		348,685
Capital and reserves					
Cash flow hedge reserve			(36,877)		(61,007)
Income and Expenditure Reserve			441,718		409,692
			404,841		348,685

The notes on pages 56 to 88 form part of these financial statements

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 23 August 2022.



Sheila Collins
Chairman of the Board



Nicholas Harris
Board Member



Anne Harling
Secretary

Association statement of financial position as at 31 March 2022

	Note	2022 £'000	2022 £'000	2021 £'000	2021 £'000
Fixed assets					
Tangible fixed assets housing properties	15		1,518,230		1,376,255
Other tangible fixed assets	16		9,034		8,218
Investments	17		50		50
			1,527,314		1,384,523
Current assets					
Properties Held for Sale	18	34,063		18,937	
Debtors	19	27,683		28,190	
Restricted Cash	20	3,109		3,102	
Cash and cash equivalents		66,353		66,026	
		131,208		116,255	
Creditors: amounts falling due within one year	21	(69,604)		(59,478)	
Net current assets			61,604		56,777
Total assets less current liabilities			1,588,918		1,441,300
Creditors: amounts falling due after more than one year	22		(1,253,528)		(1,132,728)
Provisions for liabilities					
Other provisions	27	(541)		(556)	
Pension liability	31	(12,117)		(18,131)	
			(12,658)		(18,687)
Net assets			322,732		289,885
Capital and reserves					
Cash flow hedge reserve			(21,567)		(36,468)
Income and expenditure Reserve			344,299		326,353
			322,732		289,885

The notes on pages 56 to 88 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 23 August 2022.



Sheila Collins
Chairman of the Board



Nicholas Harris
Board Member



Anne Harling
Secretary

Consolidated statement of changes in reserves for the year ended 31 March 2022

		Cash flow hedge reserve	Income and expenditure reserve	Total reserves
	Note	£'000	£'000	£'000
At 1 April 2021		(61,007)	409,692	348,685
Surplus for the year		-	23,946	23,946
Actuarial gains on defined benefit pension scheme (SHPS)	31	-	7,240	7,240
Actuarial gains on defined benefit pension scheme (DCC)	31	-	840	840
Amounts recycled from Cash flow hedge reserve	26	4,480	-	4,480
Year end revaluation of hedging financial instruments	26	19,650	-	19,650
At 31 March 2022		(36,877)	441,718	404,841

The notes on pages 56 to 88 form part of these financial statements.

Consolidated statement of changes in reserves for the year ended 31 March 2021

		Cash flow hedge reserve	Income and expenditure reserve	Total reserves
	Note	£'000	£'000	£'000
At 1 April 2020		(83,252)	378,925	295,673
Surplus for the year		-	48,817	48,817
Actuarial losses on defined benefit pension scheme (SHPS)	31	-	(17,398)	(17,398)
Actuarial losses on defined benefit pension scheme (DCC)	31	-	(652)	(652)
Amounts recycled from Cash flow hedge reserve	26	6,370	-	6,370
Year end revaluation of hedging financial instruments	26	15,875	-	15,875
At 31 March 2021		(61,007)	409,692	348,685

The notes on pages 56 to 88 form part of these financial statements.

Association statement of changes in reserves for the year ended 31 March 2022

		Other reserves	Income and expenditure reserve	Total reserves
	Note	£'000	£'000	£'000
At 1 April 2021		(36,468)	326,353	289,885
Surplus for the year		-	13,168	13,168
Actuarial gains on defined benefit pension scheme (SHPS)	31	-	3,938	3,938
Actuarial gains on defined benefit pension scheme (DCC)	31	-	840	840
Amounts recycled from Cash flow hedge reserve	26	1,123	-	1,123
Year end revaluation of hedging financial instruments	26	13,778	-	13,778
At 31 March 2022		(21,567)	344,299	322,732

The notes on pages 56 to 88 form part of these financial statements.

Association statement of changes in reserves for the year ended 31 March 2021

		Other reserves	Income and expenditure reserve	Total reserves
	Note	£'000	£'000	£'000
At 1 April 2020		(52,825)	297,383	244,558
Surplus for the year		-	38,183	38,183
Actuarial losses on defined benefit pension scheme (SHPS)	31	-	(8,561)	(8,561)
Actuarial losses on defined benefit pension scheme (DCC)	31	-	(652)	(652)
Amount recycled from Cash flow hedge reserve	26	3,051	-	3,051
Year end revaluation of hedging financial instruments	26	13,306	-	13,306
At 31 March 2021		(36,468)	326,353	289,885

The notes on pages 56 to 88 form part of these financial statements.

Consolidated statement of cash flows

	Group 2022 £'000	Group 2021 £'000
Surplus for the financial year	23,946	48,817
Carrying value of fixed assets disposed	9,671	8,498
Adjustments for:		
- Accelerated depreciation and depreciation of fixed assets - housing properties	31,099	28,907
- Impairment of fixed assets - housing properties	68	624
- Depreciation and impairment of other fixed assets	3,640	2,899
- Amortised grant	(7,139)	(6,988)
- Net fair value losses/(gains) recognised in income and expenditure account	2,583	(5,865)
- Interest payable and finance costs	39,294	33,810
- Non cash movement on defined benefit pension scheme	(2,700)	(2,949)
- Interest receivable	(116)	(26)
- Decrease/(increase) in trade and other debtors	8,935	(8,450)
- (Increase)/decrease in properties held for sale	(12,520)	3,144
- (Decrease)/increase in provisions	(15)	471
- Increase/(decrease) in trade and other creditors	1,405	(15,331)
Net cash generated from operating activities	98,151	87,561
Cash flows from investing activities		
Purchase of fixed assets - housing properties	(216,342)	(182,157)
Purchase of other fixed assets	(4,493)	(2,283)
Receipt of grant	14,448	45,417
Net cash outflow from investing activities	(206,387)	(139,023)
Cash flows from financing activities		
Interest paid	(41,642)	(37,061)
Interest received	116	26
Increase in short term investment	(7)	(7)
New bank loans	15,220	28,000
Bond proceeds	275,920	146,870
Bond payments	(2,536)	(1,821)
Repayment of bank loans	(132,276)	(49,000)
Net cash received in financing activities	114,795	87,007
Net increase in cash and cash equivalents	6,559	35,545
Cash and cash equivalents at the beginning of the year	130,126	94,581
Cash and cash equivalents at the end of the year	136,685	130,126

Notes to the financial statements

1. Legal status
2. Accounting policies
3. Judgements in applying accounting policies and key sources of estimation uncertainty
4. (a) (b) Particulars of turnover, costs of sales, operating costs and operating surplus/(deficit)
5. (a) Particulars of the income and expenditure from social housing lettings
5. (b) Particulars of the income and expenditure from social housing lettings
6. Units of housing stock
7. Operating Surplus
8. Employees
9. Directors' and senior executives' remuneration
10. Board members' remuneration
11. Surplus on disposal of fixed assets
12. Interest receivable and similar income
13. Interest payable and financing costs
14. Taxation
15. (a) (b) (c) Tangible fixed assets housing properties
15. (d) Tangible fixed assets housing properties – Impairment
16. Other tangible fixed assets
16. Other tangible fixed assets
17. Fixed asset investments
18. Properties held for sale
19. Trade and other debtors
20. Restricted cash
21. Creditors: Amounts falling due within one year
22. Creditors: Amounts falling due after more than one year
23. Deferred capital grant
24. Recycled capital grant fund (RCGF)
25. Loans and borrowings – Group
26. Financial Instruments
27. Provisions for liabilities and charges
28. Share capital
29. Operating leases
30. Capital commitments
31. Pensions
32. Related party disclosures
33. Net debt reconciliation
34. Contingent Liabilities
35. Post balance sheet event

1. Legal status

Stonewater Limited is registered with the Financial Conduct Authority under the Cooperative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a social housing provider. The Association is a public benefit entity. On 31 March 2021, two registered social housing providers, Stonewater (3) Limited and Stonewater (4) Limited were merged into Stonewater Limited by way of transfer of engagement which was treated as a group reconstruction and so merger accounting has been applied.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Stonewater includes the Cooperative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland," the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018, "Accounting by registered social housing providers" and the Accounting Direction for Private Registered Providers of Social Housing 2022.

The financial statements are prepared under the historical cost basis except for the modification to a fair value basis for certain financial instruments 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 Group management to exercise judgement in applying the Group's accounting policies.

The financial statements are presented in Sterling (£'000) except where specifically stated otherwise.

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent company would be identical
- No cash flow statement has been presented for the parent company
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

Notes to the financial statements

2.2 Basis of consolidation

The consolidated financial statements present the results of Stonewater Limited and its subsidiaries ('the Group') as if they formed a single entity.

Uniform accounting policies have been adopted across the Group, and intercompany transactions and balances between have therefore been eliminated in full.

2.3 Going concern

After making enquiries and reviewing the Group 30 year financial plan, updated for current economic and business assumptions including stress testing and analysis of potential impact on covenants, the Board has a reasonable expectation that the Group and Association has adequate resources to continue in operational existence for at least 12 months from the date on which the financial statements were approved for release. The financial statements have therefore been prepared on a going concern basis.

The current economic environment has been challenging for both customers and the organisation. Starting with Covid and Brexit related labour and material supply challenges, inflationary pressures have now been exacerbated by the war in Ukraine, coupled with significant increases in UK energy costs. Stress testing covered the impact on our business of key economic factors, we considered increase in capital and revenue works to achieve EPC B, increase in rent arrears and bad debts, loss of rental income due to delayed handovers, temporary inability to sell new shared ownership properties and adverse movements in inflation and interest rates. Although the plans do not exceed covenant safeguards, the more severe stresses may approach or exceed the covenants. The principal remedy in these more stressed scenarios is to reduce development expenditure followed by reduction in capital repairs and achieving operating costs savings. We have modelled various scenarios and identified the limits that the business can withstand.

We have a policy of maintaining cash and committed bank facilities equal to contractual commitments (less grant associated with them) for at least the following 18 months. At 31 March 2022, Stonewater had £136.7m of cash, £4.7m of short term investments and £472m of undrawn facilities, which exceeded contracted obligations less grant by £271m.

2.4 Turnover

Turnover represents rental and service charge income, grants receivable from local authorities and from Homes England, income from shared ownership first tranche sales, and proceeds from property sales, grant amortisation and other income, all of which arises in the UK.

- Rent and service charge income receivable (net of void losses), is recognised on an accruals basis as they fall due
- The amortisation of social housing grant is applied by the accrual model in accordance with FRS102, and the

income is released over the life of the associated structure component

- Fixed service charge income is recognised in the year to which it relates. Variable service charge income is recognised in the year the related cost is recognised
- Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale
- IntraGroup income and expenditure is included in turnover and operating costs in the financial statements of the Association but is eliminated within the Group consolidated financial statements.

2.5 Operating segments

As there are publicly traded securities within the Group, a requirement arises to disclose information about Group operating segments under IFRS 8, even though the Group does not report under IFRS. Segmental information is disclosed in note 4(a) and 5(a) and as part of the analysis of housing properties in note 15. Information about income, expenditure and assets attributable to material operating segments are based on the nature and function of assets held rather than geography. This is appropriate based on the similarity of the services, nature of risks, type of customer and nature of regulatory environment across all geographical locations in which the Group operates. Operating segments are analysed along the lines of information presented to the Chief Operating Decision Maker who for the purpose of these accounts is determined to be the Board.

2.6 Properties for sale

Properties developed for shared ownership sale are divided into first tranche element and staircasing element. First tranche elements are included within turnover, cost of sales and operating costs.

Subsequent tranches (staircasing) are shown separately within the surplus on sale of housing properties before operating surplus in the statement of comprehensive income. All other sales of fixed asset properties are shown in surplus on sale of housing properties in the statement of comprehensive income.

2.7 Service charges

The Group adopts a mixture of fixed and variable methods for calculating and charging service charges to its tenants and leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the estimated or fixed amounts chargeable.

2.8 Schemes managed by agents

Income is shown as rent receivable and management fees payable to agents are included in operating costs.

Notes to the financial statements

2.9 Cost of sales

Cost of sales represents development/construction costs including capitalised interest, direct overheads incurred during the course of development of those properties and marketing and other incidental costs incurred during the course of the sale of those properties. Land costs originally incurred during construction are attributed to each sales transaction.

Also included within costs of sales are expenses relating to fees expended in promotion developments through the planning system which are written off to the statement of comprehensive income until the viability of such a development is reasonably secure, after which such costs are capitalised in accordance with the accounting policy in respect of land and properties held for sale. At the date a sale is recognised a relevant proportion of costs inclusive of inhouse development staff, shared ownership sales staff, and a proportion of other staff in other departments which work on development activity attributable to that sale are taken to cost of sales.

2.10 Operating costs

Direct employee, administration and operating costs are allocated to either the statement of comprehensive income or capital schemes on the basis of costs of staff or the extent to which they are directly engaged in the operations concerned.

2.11 Value added tax

A large proportion of the Group's income comprises rental income, which is exempt for VAT purposes and gives rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT. Recoverable VAT arising from partially exempt activities is credited to the consolidated statement of comprehensive income.

2.12 Coronavirus Job retention Scheme

Stonewater participated in the job retention, or furlough, scheme during the year. Amounts received under the scheme have been coded to other income in the income and expenditure account and are reported as such.

2.13 Government and other grants

Social Housing Grant (SHG) is receivable from Homes England, and is accounted for using the accrual method of accounting for government grants and any new grant received is included as part of creditors. The grant is recognised within income when amortised over the useful economic life of the asset. Grant is amortised even if there are no related depreciation charges.

In accordance with Housing SORP 2018 the useful economic life of the housing property structure has been selected (see table of useful economic lives on page 59).

SHG received against new schemes, which are under construction, is included as a long term liability. Amortisation becomes active once the unit is in active management

Grants relating to revenue are recognised in the statement of comprehensive income over the same period as the expenditure to which they relate once performance related conditions have been met.

SHG can be recycled by the Association under certain circumstances such as if a property is sold, or if another relevant event takes place. In these cases, the SHG can be recycled for use on projects approved by Homes England and is held on the statement of financial position as a liability in the recycled capital grant fund. However, SHG may need to be repaid in certain circumstances.

2.14 Housing properties

Housing properties constructed or acquired (including land), excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are held at cost less any impairment.

Cost comprises of acquiring of land and buildings, development costs, and interest charges incurred during development. In addition are the staff costs attributable to bringing housing property into working condition for their intended use.

Housing properties in the course of construction are stated at cost and not depreciated and are transferred to completed properties when they are ready for letting.

Expenditure on major refurbishment to properties is capitalised where the works increase the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the net rental income, a reduction in future maintenance costs, or a subsequent extension in the life of the property. All other repair and replacement expenditure is charged to the statement of comprehensive income.

Expenditure on replaced components is capitalised if the component is classified as being wholly replaced. Any remaining net book value of the replaced component is disposed of and recognised as accelerated depreciation.

Expenditure on schemes which are subsequently aborted, is written off in the period in which it is recognised the scheme will not be developed to completion.

Gains and losses on disposals of housing properties are determined by comparing the proceeds with the carrying amount and incidental costs of sales and amortised grant written back are recognised within surplus on disposal of fixed assets in the statement of comprehensive income.

Notes to the financial statements

2.15 Fixed assets and depreciation

Freehold land is not depreciated.

The useful economic lives of all tangible fixed assets are reviewed annually.

Housing components are depreciated from the month following replacement.

The estimated useful lives range as follows:

Description	Estimated economic life (years)
Boilers	15
Kitchens	20
Lifts	20
Heating systems	30
Bathrooms and wet rooms	30
Windows and doors	35
Electrics	40
Roof cover	70
Structure	100

Leasehold properties are depreciated over the length of the lease except where the expected useful economic life of properties is shorter than the lease; when the lease and building elements are depreciated separately over their expected useful economic lives.

Social Housing Grant (SHG) is amortised to income over 100 years for social housing lettings.

Where a purchase of completed properties is made including transfer of properties between Group entities, the useful lives of the components are adjusted to reflect the actual remaining lives of the properties, using the information obtained from the other social landlord during due diligence. Where accurate cost information on the components is not available, the cost for each unit is apportioned based on the predetermined assumptions that the Group uses for new build properties.

2.16 Impairment

An annual review is undertaken of existing social housing properties to determine if there have been indicators of impairment in the current financial year for assets which may have suffered an impairment loss. The review is done on a scheme level, which is deemed to be a cashgenerating unit. Impairment reviews are carried out in accordance with the Housing SORP, with consideration of the following impairment indicators:

- Development issues
- Change in legislation
- Average void time/change in demand
- Material reduction on market value
- Schemes being redeveloped/demolished.

If there is an indicator of an impairment, the recoverable amount of any affected asset is estimated and compared to the carrying amount. If the estimated recoverable amount is lower than the carrying amount, then the carrying amount is adjusted down to the recoverable value and an impairment loss is recognised as operating expenditure.

2.17 Other fixed assets

Other tangible fixed assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

2.18 Depreciation of other fixed assets

Freehold land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straightline method. The estimated useful lives range as follows:

- The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.
- Residual values for other tangible fixed assets are assumed to be nil.
- Gains and losses on disposals of other fixed assets are determined by comparing the proceeds with the carrying amount and incidental costs of sales and are recognised within Surplus on disposal of fixed assets in the statement of comprehensive income.

2.19 Allocation of costs for mixed tenure and shared ownership developments

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure, costs are allocated on a floor area basis.

2.20 Donated land and other assets

Land and other assets donated by local authorities and other government sources are added to cost at the fair value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body, an amount equivalent to the increase in value between fair value and consideration paid is treated as a non-monetary grant and recognised in the statement of financial position as a liability. Where the donation is from a non-public source, the value of the donation is included as income.

Notes to the financial statements

2.21 Acquisition of housing properties from other social landlords

Housing properties acquired from other Housing Associations are measured at fair value, measured at the purchase price. Grant associated with the transfers is assumed to be fully amortised and therefore not recognised in the statement of financial position. On disposal of the properties the grant must be recorded on the statement of financial position where the obligation to repay or recycle exists.

2.22 Shared ownership properties and staircasing

Shared ownership sales are treated as follows:

- Shared ownership properties are split proportionately between current and fixed assets based on the first tranche proportion.
- The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover.
- The remaining element is classed as a fixed asset, and included in housing properties at cost, less any provisions needed for depreciation or impairment.

2.23 Properties held for sale

Properties held for sale represent work in progress and completed properties, including housing properties developed for transfer to registered providers and shared ownership properties. For shared ownership properties the value held as stock is the estimated cost to be sold as a first tranche.

2.24 Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating costs.

2.25 Impairment of rental and other trade receivables

The Group estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt.

2.26 Rent and service charge agreements

The Group has made arrangement with individuals and households for arrears payments of rent and service charges. These arrangements are effectively loans granted at nil interest rate.

2.27 Loans, investments and short term deposits

All loans, investments and short term deposits held by the Group, are classified as basic financial instruments in accordance with FRS 102. These instruments are initially accounted for at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference

between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the statement of financial position at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Bonds and bond on lending are accounted for using the effective interest rate method.

Under FRS102 a substantial modification of the terms of an existing financial liability or a part of is treated as an extinguishment of the original financial liability and the recognition of a new financial liability. The Group assesses whether Debt has been substantially modified by comparing a number of subjective factors pre and postrefinancing, including changes to the contractually loan cash flows. If determined that the loan has not been substantially modified the amortisation period for issue costs is adjusted to the new loan maturity and no gain or loss on modification is recognised. If the modification is substantial the remaining unamortised issue costs associated with the loan are written off and the costs associated with the new loan are amortised over the life of the new loan.

2.28 Cash and cash equivalents

Cash and cash equivalents in the Group's consolidated financial position consist of cash at bank, deposits and investments in low volatility net asset value (LNAV) money market funds. In all cases capital preservation is key.

The Group has also identified some investments, which meet the definition of cash and cash equivalents but are restricted in their use and therefore not highly liquid. These investments have been classified as restricted cash equivalents and disclosed as current investments in the statement of financial position.

2.29 Derivative instruments and hedge accounting

The Group holds floating rate loans which expose the Group to interest rate risk. To mitigate against this risk the Group uses interest rate swaps. These instruments are measured at fair value at each reporting date. They are carried as assets when the fair value is positive, and as liabilities when the fair value is negative.

Derivatives are accounted for in accordance with Section 12 of FRS 102. Derivatives are financial instruments held at fair value through profit or loss.

With the exception of swaps with cancellation options and inflation linked swaps the Group has designated each against either existing drawn floating rate debt or against highly probable floating rate debt. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and result in a change in the cash flow hedge reserve. Any movements in fair value relating to ineffectiveness (other than our own or counterparty credit risk) are recognised in income and expenditure.

Notes to the financial statements

On the early termination, sale or exercise of swaps the difference between the cash paid on termination, sale or expiry of the swap and the balance sheet value of the swap if a profit is classified as interest receivable and if a loss interest payable.

If the item that the swap is hedging is still in existence at the time of the early termination, sale or exercise the accumulated balance in the cash flow hedge reserve relating to the swap is released to interest payable over the remaining life of the hedging item. Otherwise the balance relating to the swap in cash flow hedge reserve is written off.

Where a loan is modified and it has been assessed as a nonsubstantial modification and the hedge documentation allows for the replacement of the hedged item by another similar loan the hedging relationship with the stand alone derivative continues.

2.30 Interest rate benchmarks

In the accounts the Group has applied the December 2019 Amendments to FRS 102: Interest rate benchmark reform. The amendments provide relief in applying the requirements of hedge accounting to certain hedges, including allowing the Group to assume that interest rate benchmarks on which hedged cash flows are based (e.g. LIBOR) will not be altered as a result of interest rate benchmark reform. Consequently, hedging relationships that may have otherwise been impacted by interest rate benchmark reform have remained in place and no additional ineffective portion of the hedge has been recognised.

2.31 Leased assets: lessee

All leases are considered to be operating leases. Their annual rentals are charged to statement of comprehensive income on a straightline basis over the term of the lease. Reverse premiums and similar incentives received to enter into operating lease agreements are released to the statement of comprehensive income over the term of the lease.

2.32 Leasehold sinking funds

Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in creditors.

2.33 Provisions for liabilities

Provisions are included where there is a probable but not certain economic obligation. Any provision included is expected to cover the future liability and are recognised in the statement of financial position.

Provisions are measured at the best estimate of the expenditure required to settle the obligation at the statement of financial position date.

2.34 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the statement of financial position date and carried forward to future periods.

This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the statement of financial position date.

2.35 Contingent liabilities

A contingent liability is disclosed for a possible obligation of a past event, for which it is not yet confirmed that a present obligation exists that could lead to an outflow of resources; or for a present obligation that does not meet the definitions of a provision or a liability as it is not probable that an outflow of resources will be required to settle the obligation or when a sufficiently reliable estimate of the amount cannot be made.

2.36 Finance costs

For Stonewater bonds and notes, finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount including any premium recognised. Issue costs are initially recognised as a reduction in the proceeds of the instrument.

For all other borrowings, finance costs are charged on a historic cost basis.

2.37 Pension costs

The Group participates in a number of defined contribution and defined benefit pension schemes.

Contributions to the Group's defined contribution pension schemes are charged to the comprehensive income statement in the year in which they come payable.

Under defined benefit accounting the scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the statement of financial position. The current service cost and costs from settlements and curtailments are charged to operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Remeasurements are reported in statement of comprehensive income.

2.38 Income and expenditure reserve

Income and expenditure reserve represents surpluses generated from operating activities each year.

2.39 Cash flow hedge reserve

Cash flow hedge reserve is created from the movement in the fair value of hedging derivatives that are deemed as effective.

The cash flow hedge reserve will be released over the life of the instruments to which it relates.

The movement in fair value of the financial instrument is made of two parts the interest paid (which is recycled

Notes to the financial statements

from other comprehensive income to the income and expenditure statement) and the year end revaluation of the financial instrument.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the key judgements have been made in respect of the following:

- Whether there are indicators of impairment of the Group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cashgenerating unit, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUVSH or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash or assetgenerating units.
- Determining the anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, we then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the members' best estimate of sales value based on economic conditions within the area of development.
- What constitutes a cashgenerating unit when indicators of impairment require there to be an impairment review.
- We continue to work with our partners to assess and manage the impact of the current operating environment including supply chain disruptions.

Other key sources of estimation uncertainty:

- The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense. Assumptions used are based on actuarial advice.
- Determining the appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets. Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure, costs are allocated on a floor area basis.
- **Valuation of swaps**
All swaps are valued at fair value by discounting expected cash flows at the risk free forward rate curve.

This valuation is adopted across the registered provider sector. Had we applied credit and funding valuation adjustments, the derivatives would have had a value of £40.1m at 31 March 2022, compared to the fair value adopted of £42.7m (2021: £69.4m compared to fair value adopted of £74.1m).

• Tangible fixed assets (note 15 and 16)

Tangible fixed assets are depreciated over their useful economic lives. The actual lives of the assets are assessed annually and may vary depending on a number of factors. For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

• Pensions

The critical selection of financial and actuarial assumptions in relation to defined benefit scheme obligation based on best estimates derived from the Group's policies and practices and their applications to all the pension schemes operated by the Group where appropriate and confirmed with actuaries where these are beyond management expertise, e.g. mortality tables have been chosen based on published research by the Continuous Mortality Investigation Bureau of the Institute of Actuaries and Faculty of Actuaries.

Variation in these assumptions may significantly impact the defined benefit obligation amount and the annual defined benefit expenses. Mortality rates for scheme members are set out in note 31.

The Association has relied upon the information provided by the actuary for SHPS and DCC pension schemes. Using information provided from one of our actuaries for the DCC pension scheme, the table below illustrates the sensitivities of the discount rate, long term salary increases, pension increases and deferred revaluation and life expectancy on the total obligation. The discount rate used is given in note 31, along with the inflation rates, CPI and RPI that were used in the calculations.

Sensitivity analysis	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	(0.1)%
Present value of total obligation	10,366	10,528	10,692
Projected service cost	74	77	80
Adjustment to long term salary increase	+0.1%	0.0%	(0.1)%
Present value of total obligation	10,532	10,528	10,524
Projected service cost	77	77	77
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	(0.1)%
Present value of total obligation	10,687	10,528	10,371
Projected service cost	80	77	75
Adjustment to life expectancy assumptions	+0.1%	0.0%	(0.1)%
Present value of total obligation	11,053	10,528	10,029
Projected service cost	80	77	74

Notes to the financial statements

4. (a) Particulars of turnover, costs of sales, operating costs and operating surplus/(deficit)

Group	Note	Turnover 2022 £'000	Cost of Sales 2022 £'000	Operating costs 2022 £'000	Surplus on disposal of fixed assets 2022 £'000	Operating surplus / (deficit) 2022 £'000
Social housing lettings	5	187,082	-	(134,156)	-	52,926
Other social housing activities						
First tranche shared ownership sales		37,381	(30,399)	-	-	6,982
Open market sales		951	(704)	-	-	247
Development staff costs		-	-	(1,351)	-	(1,351)
Charitable donations		-	-	(4,050)	-	(4,050)
Job retention		12	-	-	-	12
Surplus on disposal of fixed assets	11	-	-	-	11,020	11,020
Activities other than social housing activities		-	-	-	-	-
Other		-	-	(79)	-	(79)
Total		225,426	(31,103)	(139,636)	11,020	65,707

Stonewater participated in the Coronavirus job retention scheme and received £12,000 (2021: £1m).

During 2021/22, Stonewater settled no legal cases out of court (2021: £5.7m).

Charitable donation is money donated to Lingleigh Foundation to support its charitable causes.

4. (a) Particulars of turnover, costs of sales, operating costs and operating surplus/(deficit)

Group	Note	Turnover 2021 £'000	Cost of Sales 2021 £'000	Operating costs 2021 £'000	Surplus on disposal of fixed assets 2021 £'000	Operating surplus / (deficit) 2021 £'000
Social housing lettings	5	181,427	-	(120,378)	-	61,049
Other social housing activities						
First tranche shared ownership sales		22,248	(18,426)	-	-	3,822
Open market sales		-	-	-	-	-
Development staff costs		-	-	(1,047)	-	(1,047)
Charitable donations		-	-	(1,907)	-	(1,907)
Job retention		1,017	-	-	-	1,017
Legal settlements		5,691	-	-	-	5,691
Surplus on disposal of fixed assets	11	-	-	-	8,171	8,171
Activities other than social housing activities		-	-	-	-	-
Other		-	-	(60)	-	(60)
Total		210,383	(18,426)	(123,392)	8,171	76,736

Notes to the financial statements

4. (b) Particulars of turnover, costs of sales, operating costs and operating surplus/(deficit)

Association	Note	Turnover 2022 £'000	Cost of Sales 2022 £'000	Operating costs 2022 £'000	Surplus on disposal of fixed assets 2022 £'000	Operating surplus / (deficit) 2022 £'000
Social housing lettings	5	136,432	-	(101,949)	-	34,483
Other social housing activities						
First tranche shared ownership sales		25,575	(20,880)	-	-	4,695
Open market sales		-	-	-	-	-
Development staff costs		-	-	(1,110)	-	(1,110)
Charitable donations		-	-	(4,050)	-	(4,050)
Job retention		12	-	-	-	12
Surplus on disposal of fixed assets	11	-	-	-	7,164	7,164
Activities other than social housing activities		-	-	-	-	-
Other		-	-	-	-	-
Total		162,019	(20,880)	(107,109)	7,164	41,194

4. (b) Particulars of turnover, costs of sales, operating costs and operating surplus/(deficit)

Association	Note	Turnover 2021 £'000	Cost of Sales 2021 £'000	Operating costs 2021 £'000	Surplus on disposal of fixed assets 2021 £'000	Operating surplus / (deficit) 2021 £'000
Social housing lettings	5	131,198	-	(89,767)	-	41,431
Other social housing activities						
First tranche shared ownership sales		15,691	(13,110)	-	-	2,581
Open market sales		-	-	-	-	-
Development staff costs		-	-	(1,047)	-	(1,047)
Charitable donations		-	-	(1,907)	-	(1,907)
Job retention		1,017	-	-	-	1,017
Legal settlements		5,691	-	-	-	5,691
Surplus on disposal of fixed assets	11	-	-	-	6,146	6,146
Activities other than social housing activities		-	-	-	-	-
Other		-	-	-	-	-
Total		153,597	(13,110)	(92,721)	6,146	53,912

Notes to the financial statements

5. (a) Particulars of the income and expenditure from social housing lettings

Group	General Needs	Supported and housing for older people	Shared ownership	Affordable Rent	Total	Total
	2022	2022	2022	2022	2022	2021
	£'000	£'000	£'000	£'000	£'000	£'000
Income from social housing lettings:						
Rent receivable net of identifiable service charges	110,827	12,241	8,931	28,930	160,929	153,644
Service charge income	8,702	8,224	786	(185)	17,527	19,696
Net rent receivable	119,529	20,465	9,717	28,745	178,456	173,340
Amortised government grants (note 23)	5,599	744	268	528	7,139	6,988
Other income	1,106	236	145	-	1,487	1,099
Income from social housing lettings	126,234	21,445	10,130	29,273	187,082	181,427
Expenditure on social housing lettings:						
Management	(35,613)	(658)	(293)	(292)	(36,856)	(34,473)
Service charge costs	(10,737)	(9,682)	(536)	(862)	(21,817)	(20,276)
Routine maintenance	(23,969)	(2,272)	(150)	(1,428)	(27,819)	(24,070)
Planned maintenance	(6,473)	(114)	(7)	(87)	(6,681)	(6,747)
Major repairs (note 15c)	(6,259)	(2,039)	(159)	(300)	(8,757)	(3,247)
Bad debts	(647)	(244)	(10)	(189)	(1,090)	(2,034)
Depreciation on housing properties - annual charge (note 7 and 15a)	(21,245)	(2,704)	(1,590)	(4,431)	(29,970)	(28,385)
Depreciation on housing properties - accelerated on disposal of components (note 7 and 15a)	(774)	(277)	-	(47)	(1,098)	(522)
Impairment on housing properties (note 7 and 15a)	-	-	(131)	(351)	(482)	(1,046)
Reversal of impairment (note 7 and 15a)	273	-	135	6	414	422
Expenditure on social housing lettings	(105,444)	(17,990)	(2,741)	(7,981)	(134,156)	(120,378)
Operating surplus on social housing lettings	20,790	3,455	7,389	21,292	52,926	61,049
Void losses	(792)	(680)	(57)	(188)	(1,717)	(1,333)

Notes to the financial statements

5. (b) Particulars of the income and expenditure from social housing lettings

Association	General Needs	Supported and housing for older people	Shared ownership	Affordable Rent	Total	Total
	2022	2022	2022	2022	2022	2021
	£'000	£'000	£'000	£'000	£'000	£'000
Income from social housing lettings:						
Rent receivable net of identifiable service charges	67,614	9,750	5,490	21,532	104,386	99,664
Service charge income	5,607	6,769	364	(366)	12,374	13,962
Net rent receivable	73,221	16,519	5,854	21,166	116,760	113,626
Amortised government grants (note 23)	3,347	581	146	487	4,561	4,435
Other income	9,895	1,705	1,334	2,177	15,111	13,137
Income from social housing lettings	86,463	18,805	7,334	23,830	136,432	131,198
Expenditure on social housing lettings:						
Management	(35,302)	(271)	(247)	(107)	(35,927)	(33,933)
Service charge costs	(6,691)	(7,539)	(690)	(783)	(15,703)	(14,826)
Routine maintenance	(15,346)	(1,877)	(94)	(1,084)	(18,401)	(14,456)
Planned maintenance	(4,293)	(104)	(6)	(54)	(4,457)	(4,402)
Major repairs (note 15c)	(4,614)	(1,758)	(149)	(233)	(6,754)	(2,000)
Bad debts	(361)	(218)	(5)	(133)	(717)	(1,375)
Depreciation on housing properties – annual charge (note 7 and 15b)	(12,343)	(2,154)	(1,059)	(3,553)	(19,109)	(18,001)
Depreciation on housing properties – accelerated on disposal of components (note 7 and 15b)	(492)	(255)	-	(39)	(786)	(296)
Impairment on housing properties (note 7 and 15b)	-	-	(120)	(351)	(471)	(800)
Reversal of impairment (note 7 and 15b)	236	-	135	5	376	322
Expenditure on social housing lettings	(79,206)	(14,176)	(2,235)	(6,332)	(101,949)	(89,767)
Operating surplus on social housing lettings	7,257	4,629	5,099	17,498	34,483	41,431
Void losses	(494)	(585)	(54)	(143)	(1,276)	(992)

Included in other income is £13.5m (2021: £12.4m) management charges to group companies.

Notes to the financial statements

6. Units of housing stock

Group	At the start of the year	Additions	Disposals	Reclassifications	At the end of the year
	Number	Number	Number	Number	Number
General needs	20,901	358	(18)	(169)	21,072
Affordable	3,813	338	(1)	137	4,287
Shared ownership	2,720	327	(39)	99	3,107
Supported housing	440	-	-	12	452
Housing for older people	2,207	1	-	(2)	2,206
Other	33	-	-	-	33
Total owned	30,114	1,024	(58)	77	31,157
Accommodation managed for others	3,557	239	(38)	(72)	3,686
Total managed accommodation	33,671	1,263	(96)	5	34,843
Units managed by other associations	584	11	-	(5)	590
Total owned and managed accommodation	34,255	1,274	(96)	-	35,433
Units under construction	2,577	605	-	-	3,182

Association	At the start of the year	Additions	Disposals	Reclassifications	At the end of the year
	Number	Number	Number	Number	Number
General needs	12,640	271	(9)	(124)	12,778
Affordable	2,812	214	-	103	3,129
Shared ownership	1,555	254	(12)	(2)	1,795
Supported housing	367	-	-	7	374
Housing for older people	1,737	1	-	(2)	1,736
Other	26	-	-	-	26
Total owned and managed accommodation	19,137	740	(21)	(18)	19,838
Accommodation managed for others	1,860	233	(36)	23	2,080
Total managed accommodation	20,997	973	(57)	5	21,918
Units managed by other associations	415	11	-	(5)	421
Total owned and managed accommodation	21,412	984	(57)	-	22,339
Units under construction	1,765	379	-	-	2,144

Notes to the financial statements

7. Operating Surplus

	Group	Group	Association	Association
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
This is arrived at after charging/(crediting):				
Depreciation of housing properties				
annual charge (note 5 and 15)	29,970	28,385	19,109	18,001
accelerated depreciation (note 5 and 15)	1,098	522	786	296
Depreciation of other tangible fixed assets (note 16)	3,551	2,810	3,422	2,679
Impairment of housing properties (note 5 and 15)	482	1,046	471	800
Reversal of impairment of housing properties (note 5 and 15)	(414)	(422)	(376)	(322)
Impairment of other tangible fixed assets (note 16)	89	89	89	89
Operating lease charges – land and building	470	676	470	676
Operating lease charges – other	157	246	157	246

Audit remuneration of £90,000 (excluding VAT) (2021:£90,000) represents the audit fee for all Group entities. The Association fee is £69,000 (excluding VAT) (2021: £70,000). Fees for other services were paid by the Group and Association of £28,373 (excluding VAT) (2021: £5,580). These included: £3,567 (2021: £3,480) for covenant compliance, £4,306 (2021: £2,100) for grant funding reviews and £20,500 (2021:£nil) for professional fees associated with the new bond issue.

8. Employees

Staff costs were as follows:

The average number of employees expressed as full-time equivalents (FTE - calculated based on 37.5 hours) during the year, also total expenditure was as follows:

	2022	2021
	£'000	£'000
FTE	663	676
Staff costs consist of:		
Wages and salaries	26,395	25,142
Social security costs	2,589	2,401
Other pension costs	1,225	1,186
Redundancy	174	829
Total	30,383	29,558

Notes to the financial statements

9. Directors' and senior executives' remuneration

The directors are defined as the members of the Board of Management, the Chief Executive and the Executive Management Team disclosed on page 6.

	Group 2022 £'000	Group 2021 £'000
Executive directors' remuneration	1,365	1,080
Amounts paid to non-executive directors (note 10)	170	170
Pension contributions	48	35
Benefits in kind	33	34
Total	1,616	1,319

The highest total paid is to the Chief Executive in respect of remuneration, and the value was £249,000 (2021: £221,000), in addition pension contributions of £10,292 (2021: £9,693) were made to SHPS on his behalf.

The remuneration paid to staff (including Executive Management Team) earning over £60,000 (including performance related pay, benefits in kind and pension contributions paid by the employer) is:

Band	Group 2022 £'000	Group 2021 £'000
£60,000 - £69,999	27	26
£70,000 - £79,999	23	17
£80,000 - £89,999	10	9
£90,000 - £99,999	12	8
£100,000 - £109,999	4	6
£110,000 - £119,999	7	-
£120,000 - £129,999	1	1
£130,000 - £139,999	-	-
£140,000 - £149,999	1	2
£150,000 - £159,999	-	1
£160,000 - £169,999	-	1
£170,000 - £179,999	1	-
£180,000 - £189,999	1	1
£190,000 - £199,999	2	-
£200,000 - £209,999	1	1
£210,000 - £219,999	1	-
£240,000 - £249,999	-	1
£250,000 - £259,999	1	-
Total	92	74

10. Board members' remuneration

Name	Group 2022 £	Group 2021 £
Mrs H Bowman	7,000	-
Mrs S Collins	26,500	25,000
Mr T Kazi	13,000	15,000
Mr P Hammond	-	5,000
Ms A Dokov	16,000	15,000
Mr B Roebuck	-	7,500
Mr D Wright	8,000	15,000
Ms J Crowe	16,000	15,000
Ms C Kearny	11,000	10,000
Mr A Lawrence	16,000	15,000
Ms J Bennett	16,000	15,000
Mr H Shields	16,000	14,167
Mr C Edis	11,000	10,000
Mr A Michie	13,500	8,333
	170,000	170,000

Notes to the financial statements

11. Surplus on disposal of fixed assets

Group	Shared ownership properties	Other housing properties	Total	Total
	2022	2022	2022	2021
	£'000	£'000	£'000	£'000
Disposal proceeds	12,701	8,978	21,679	16,776
Net book value of disposals (note 15a)	(7,003)	(2,668)	(9,671)	(8,498)
Other costs	(250)	(738)	(988)	(107)
Surplus on disposal of fixed assets	5,448	5,572	11,020	8,171

Association	Shared ownership properties	Other housing properties	Total	Total
	2022	2022	2022	2021
	£'000	£'000	£'000	£'000
Disposal proceeds	7,616	6,715	14,331	11,536
Net book value of disposals (note 15b)	(4,542)	(1,877)	(6,419)	(5,674)
Other costs	(135)	(613)	(748)	284
Surplus on disposal of fixed assets	2,939	4,225	7,164	6,146

12. Interest receivable and similar income

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Interest receivable from group undertakings	-	-	143	205
Interest receivable and similar income	116	26	72	21
Total	116	26	215	226

Notes to the financial statements

13. Interest payable and financing costs

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Interest on loans and overdrafts	42,332	37,191	14,894	15,218
Amortisation of issue costs	1,231	1,117	1,186	907
Interest payable to group undertakings	-	-	10,614	7,144
Interest capitalised on construction on housing properties (note 15c)	(4,931)	(4,866)	(3,287)	(3,034)
Recycled capital grant fund (note 24)	19	12	10	7
Net interest on net defined benefit liability (note 31)	643	356	366	225
Total	39,294	33,810	23,783	20,467
Other financing costs through income and expenditure				
Ineffective portion of hedging financial instruments	5,884	(1,837)	5,914	(1,867)
Change in Fair Value of non-hedging financial instruments	(3,301)	(4,028)	(1,456)	(2,645)
	2,583	(5,865)	4,458	(4,512)

14. Taxation

Stonewater Limited is registered with charitable rules under Cooperative and Community Benefit Societies Act and as such received charitable relief from Corporation Tax.

The non registered providers within the group structure would be subject to corporation tax, however their taxable profits are transferred to Stonewater (5) Limited by qualifying charitable donation within 9 months of the year end so no tax liability crystallises.

Notes to the financial statements

15. (a) Tangible fixed assets housing properties

Group	Housing properties held for lettings £'000	Housing properties for letting under construction £'000	Shared ownership properties held for lettings £'000	Shared ownership under construction £'000	Total £'000
Cost:					
At 1 April 2021	2,018,018	107,887	191,038	71,150	2,388,093
Additions:					
construction costs	-	154,089	-	33,430	187,519
replace components	16,128	-	2,691	-	18,819
completed properties	14,739	-	1,866	-	16,605
Transfer to completed properties	93,096	(93,096)	38,955	(38,955)	-
My Own Home scheme	-	-	1,345	-	1,345
Disposals:					
staircasing (note 11)	-	-	(7,513)	-	(7,513)
replaced components	(2,539)	-	-	-	(2,539)
other sales (note 11)	(3,246)	-	-	-	(3,246)
At 31 March 2022	2,136,196	168,880	228,382	65,625	2,599,083
Depreciation:					
At 1 April 2021	335,818	-	10,378	-	346,196
Charge for the year (note 5 and 7)	28,384	-	1,586	-	29,970
Disposals during the year:					
staircasing (note 11)	-	-	(510)	-	(510)
other sales (note 11)	(578)	-	-	-	(578)
replaced components	(1,441)	-	-	-	(1,441)
My Own Home scheme	-	-	31	-	31
At 31 March 2022	362,183	-	11,485	-	373,668
Provision for impairment:					
At 1 April 2021	851	-	3,700	18	4,569
Charge for the year (note 5 and 7)	362	-	120	-	482
Release in the year (note 5 and 7)	(279)	-	(135)	-	(414)
At 31 March 2022	934	-	3,685	18	4,637
Net book value:					
At 31 March 2022	1,773,079	168,880	213,212	65,607	2,220,778
At 31 March 2021	1,681,349	107,887	176,960	71,132	2,037,328

Notes to the financial statements

15. (b) Tangible fixed assets housing properties

Association	Housing properties held for lettings £'000	Housing properties for letting under construction £'000	Shared ownership properties held for lettings £'000	Shared ownership under construction £'000	Total £'000
Cost:					
At 1 April 2021	1,345,790	70,724	129,756	48,148	1,594,418
Additions:					
construction costs	-	108,255	-	28,589	136,844
replace components	10,934	-	2,691	-	13,625
completed properties	14,739	-	1,861	-	16,600
Transfer to completed properties	59,257	(59,257)	26,731	(26,731)	-
My Own Home scheme	-	-	1,345	-	1,345
Disposals:					
staircasing (note 11)	-	-	(4,807)	-	(4,807)
replaced components	(1,704)	-	-	-	(1,704)
other sales (note 11)	(2,308)	-	-	-	(2,308)
At 31 March 2022	1,426,708	119,722	157,577	50,006	1,754,013
Depreciation:					
At 1 April 2021	208,623	-	5,374	-	213,997
Charge for the year (note 5 and 7)	18,055	-	1,054	-	19,109
Disposals during the year:					
staircasing (note 11)	-	-	(265)	-	(265)
other sales (note 11)	(431)	-	-	-	(431)
replaced components	(918)	-	-	-	(918)
My Own Home scheme	-	-	31	-	31
At 31 March 2022	225,329	-	6,194	-	231,523
Provision for impairment:					
At 1 April 2021	448	-	3,700	17	4,165
Charge for the year (note 5 and 7)	351	-	120	-	471
Release in the year (note 5 and 7)	(241)	-	(135)	-	(376)
At 31 March 2022	558	-	3,685	17	4,260
Net book value:					
At 31 March 2022	1,200,821	119,722	147,698	49,989	1,518,230
At 31 March 2021	1,136,719	70,724	120,682	48,131	1,376,256

Notes to the financial statements

15. (c) Tangible fixed assets housing properties

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
The net book value of housing and other properties comprises:				
Freehold	1,883,349	1,966,669	1,479,533	1,337,411
Long leasehold	337,429	70,659	38,697	38,844
	2,220,778	2,037,328	1,518,230	1,376,255
Interest capitalisation:				
Interest capitalised in the year (note 13)	4,931	4,866	3,287	3,034
Cumulative interest capitalised	55,857	50,926	33,603	30,316
Rate used for capitalisation %	3.7%	3.8%	3.7%	3.8%
Works to properties:				
Improvements to existing properties capitalised Note 15a	18,819	10,132	13,625	7,557
Major repairs expenditure to income and expenditure account (note 5)	8,757	3,247	6,754	2,000
	27,576	13,379	20,379	9,557
Total social housing grant received or receivable to date as follows:				
Capital grant held in deferred income (note 23)	665,392	651,385	451,547	438,835
Recycled capital grant fund (note 24)	10,110	11,052	4,931	6,505
Amortised to statement of comprehensive income in year (note 5)	7,139	6,988	4,561	4,435
Write back amortisation on disposals (note 23)	(425)	(632)	(268)	(470)
Cumulative amortisation to reserves	85,913	79,201	56,438	52,144

15. (d) Tangible fixed assets housing properties – Impairment

The Group considers individual schemes to represent separate cash-generating units (CGUs) when assessing for impairment in accordance with the requirements of FRS102 and SORP 2018. Group review takes into account efficiencies from having groups of properties held together and the fact that properties are usually acquired as schemes rather than individual properties and are assessed as such for development purposes.

The Group's policy for impairment is to record a loss when the recoverable amount of a cash-generating unit is less than its carrying value. A cash generating unit for the purposes of the Group is a scheme.

Impairment loss occurs when the carrying amount of the asset exceeds its recoverable amount, and according to the SORP, there are a number of indicators to consider:

- A contamination or other similar issue that was not identified as part of the planning of a development which results in a material increase in development costs. For example, identification of asbestos which requires material additional expenditure for removal of the asbestos in order to complete the development
- A change in government policy, regulation or legislation

which has a material detrimental impact on the development programme or scheme. For example, a change in health and safety legislation resulting in a material increase in expenditure incurred to ensure compliance with the new regulations or a change to the rent regime which has a material impact on the net income that is expected to be collected (i.e. the rental income less relevant expenditure) for a social housing property

- A change in demand for a property that is considered irreversible. For example, a material increase in the level of voids exceeding those originally forecast and which is not anticipated to reverse in future periods without material additional expenditure being incurred
- A material reduction in the market value of properties in those circumstances where assets are intended or expected to be sold or where the occupant has the right to purchase under shared ownership arrangements.

Obsolescence of a property, or part of a property, for example, where it is probable that a plan to regenerate existing properties by demolishing them or replacing components of existing properties will go ahead.

The Stonewater group assessed its portfolio for indicators of impairment at the balance sheet date 31/03/2022. At 31st March 2022 and the previous two consecutive years, Stonewater determined that the global pandemic

Notes to the financial statements

Coronavirus was not a trigger for a full impairment review. As Stonewater reviews its properties based on EUVSH there is no reason to conclude that properties will not remain occupied. More than ever social housing will be in demand so this does not suggest that our portfolio is impaired as a result of the crisis.

Stonewater looked at the indicators above and assessed their impact, those having an impact are set out below.

- One scheme required impairment to the project as a whole
- Two schemes required impairment due to expected losses at the sale of 1st tranche
- Four schemes with prior Impairment charge were reconsidered for impairment charge/release in this financial year. These were reviewed again with the latest outturn projections, of which two schemes required additional charge, one scheme partial release and one scheme full release of prior charge.

The schemes impaired are as follows:

Group			
Scheme	Charge/ (Reversal) £,000	No. of units affected	Carrying value prior to impairment
Affordable scheme 1	(6)	1	420
Active Development scheme 1	124	10	2,513
Active Development scheme 2	(135)	10	2,484
Active Development scheme 3	19	5	1,092
Active Development scheme 4	35	9	2,314
Active Development scheme 5	229	10	2,480
Active Development scheme 6	10	2	538
General needs scheme 1	(38)	33	3,075
Sewage treatment plant	(236)	-	-
High rise block	66	32	66
Total	68	112	14,982

Group		
Scheme	Brought forward £,000	Reason for impairment
Active Development scheme 1	68	Variance to outturn exceeded 4% of original value
Active Development scheme 2	274	Cost to value exceeds 100%
Active Development scheme 3	16	Cost to value exceeds 100%
Active Development scheme 4	2	Cost to value exceeds 100%
General needs scheme 1	405	Recoverable amount exceeded Net Book Value (NBV)
Supported housing scheme 1	145	Dilapidation costs on lease surrender
High rise block	3,423	Cost of remedial works
Sewage treatment plant	236	Cost of works
Total	4,569	

Association			
Scheme	Charge/ (Reversal) £,000	No. of units affected	Carrying value prior to impairment
Affordable scheme 1	(6)	1	420
Active Development scheme 1	124	10	2,513
Active Development scheme 2	(135)	10	2,484
Active Development scheme 3	19	5	1,092
Active Development scheme 4	35	9	2,314
Active Development scheme 5	229	10	2,480
Sewage treatment plant	(236)	-	-
High rise block	66	32	66
Total	96	77	11,369

Association		
Scheme	Brought forward £,000	Reason for impairment
Active development scheme 1	68	Variance to outturn exceeded 4% of original value
Active development scheme 2	274	Cost to value exceeds 100%
Active development scheme 3	16	Cost to value exceeds 100%
Active development scheme 4	2	Cost to value exceeds 100%
Affordable scheme 1	145	NBV exceeds recoverable amount
High rise block	3,424	Cost of remedial works
Sewage treatment plant	236	Cost of works
Total	4,165	

Properties held for security

The Association had 17,800 properties pledged as security at 31 March 2022 with a net book value of £1,107m (2021: 15,156 properties, NBV £853.3m).

The Association had 2,459 completed assets that have not been charged, with a net book value of £241.5m (2021: 4,396 assets, NBV £404.1m).

Notes to the financial statements

16. Other tangible fixed assets

Group	Freehold office £'000	Furniture and office equipment £'000	Computer equipment £'000	Total £'000
Cost or valuation				
At 1 April 2021	582	9,166	11,275	21,023
Additions	-	2,236	2,409	4,645
Disposals	-	(1,190)	-	(1,190)
At 31 March 2022	582	10,212	13,684	24,478
Depreciation				
At 1 April 2021	417	5,642	5,580	11,639
Charge for the year	3	775	2,773	3,551
Disposals	-	(1,190)	-	(1,190)
Impairment charge	-	89	-	89
At 31 March 2022	420	5,316	8,353	14,089
Net book value				
At 31 March 2022	162	4,896	5,331	10,389
At 31 March 2021	165	3,524	5,695	9,384

16. Other tangible fixed assets

Association	Freehold office £'000	Furniture and office equipment £'000	Computer equipment £'000	Total £'000
Cost or valuation				
At 1 April 2021	139	6,353	11,277	17,769
Additions	-	1,918	2,409	4,327
Disposals	-	(1,175)	-	(1,175)
At 31 March 2022	139	7,096	13,686	20,921
Depreciation				
At 1 April 2021	9	3,962	5,580	9,551
Charge for the year	1	648	2,773	3,422
Disposals	-	(1,175)	-	(1,175)
Impairment charge	-	89	-	89
At 31 March 2022	10	3,524	8,353	11,887
Net book value				
At 31 March 2022	129	3,572	5,333	9,034
At 31 March 2021	130	2,391	5,697	8,218

Notes to the financial statements

17. Fixed asset investments

Name	Country of incorporation	Proportion of voting rights/ordinary share capital held	Nature of business	Nature of entity
Stonewater (2) Limited	England	100%	Registered provider of social housing	Registered Social Landlord
Stonewater (5) Limited	England	100%	Registered provider of social housing	Registered Social Landlord
Stonewater Procurement Limited	England	100%	Non Trading	Incorporated company
Stonewater Funding PLC	England	100%	Funding / Finance company	Incorporated company
Stonewater Commercial Limited*	England	100%	Dormant company	Incorporated company
Stonewater Developments Limited*	England	100%	Development/Building company	Incorporated company

Investments held of £50,000 represent the Association's 50,000 £1 shares in Stonewater Funding PLC, £12,500 of which is paid and £37,500 is unpaid. The Association has indirect ownership of these companies.

*The Association has indirect ownership of these incorporated companies.

18. Properties held for sale

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Housing properties held for sale:				
Shared ownership work in progress	40,987	25,985	31,480	12,755
Shared ownership completed properties	1,752	5,841	1,371	5,425
Open market sales	951	-	-	-
Other property sales	1,471	815	1,212	757
	45,161	32,641	34,063	18,937

19. Trade and other debtors

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Debtors: amounts due within one year				
Rent and service charge arrears	11,841	11,613	7,453	7,501
Less: Provision for doubtful debts	(3,660)	(3,899)	(2,345)	(2,715)
	8,181	7,714	5,108	4,786
Service costs to be charged in future periods	4,686	7,120	3,671	6,209
Amounts owed to Group undertakings	-	-	7,028	7,468
Other debtors	1,430	7,745	1,048	3,561
Prepayments and accrued income	2,268	2,921	2,268	2,921
Social housing grants receivable	8,583	3,248	8,560	3,245
	25,148	28,748	27,683	28,190

Notes to the financial statements

20. Restricted cash

	Group	Group	Association	Association
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Brought forward	4,646	4,639	3,102	3,096
Additions	7	7	7	6
Carried forward	4,653	4,646	3,109	3,102

Restricted cash primarily represents cash which is held in escrow as part of the Group and Association's financing arrangements.

21. Creditors: Amounts falling due within one year

	Group	Group	Association	Association
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Housing loans external (note 25)	21,823	27,856	8,219	14,484
Issue costs (note 25)	(1,330)	(739)	(923)	(502)
Housing loans internal (note 25)	-	-	147	175
Issue costs internal (note 25)	-	-	(128)	(40)
Trade creditors	1,637	244	1,637	242
Other creditors	14,172	20,911	10,413	16,504
Taxation and social security	2,128	1,711	1,899	1,699
Accruals and deferred income	23,304	4,584	11,207	155
Accrued interest	6,786	6,128	1,826	1,824
Retentions	5,828	2,813	-	480
Amounts owed to Group undertakings	-	-	22,863	9,510
Deferred capital grant (note 23)	7,126	7,107	4,551	4,517
Recycled capital grant fund (note 24)	3,185	2,479	-	1,083
Derivatives financial instruments (note 26)	6,607	9,678	3,451	5,402
Leaseholder sinking fund	6,866	6,074	4,442	3,945
	98,132	88,846	69,604	59,478

Included in Group other creditors is rent and service charges in advance of £8.2m (2021: £7.6m).

Included in Association other creditors is rent and service charges in advance of £5.6m (2021: £5.3m)

22. Creditors: Amounts falling due after more than one year

	Group	Group	Association	Association
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Housing loans external (note 25)	1,225,206	1,063,730	338,372	439,352
Issue costs external (note 25)	(8,220)	(7,998)	(2,957)	(4,302)
Bond on lending (note 25)	-	-	451,385	223,351
Issue costs internal (note 25)	-	-	(2,312)	(842)
Deferred capital grant (note 23)	658,266	644,278	446,996	434,318
Recycled capital grant fund (note 24)	6,925	8,573	4,931	5,422
Derivatives financial instruments (note 26)	36,118	64,418	17,113	35,429
	1,918,295	1,773,001	1,253,528	1,132,728

Notes to the financial statements

23. Deferred capital grant

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
At 1 April	651,385	619,640	438,835	408,898
Grants received during the year	19,783	38,665	15,424	34,458
Transfer to RCGF (note 24)	(2,178)	(1,825)	(1,391)	(970)
Transfer from RCGF (note 24)	3,140	2,133	2,975	1,397
Released to income in the year (note 5)	(7,139)	(6,988)	(4,561)	(4,435)
Write back amortisation on disposals (note 15c)	425	632	268	470
Other movements	(24)	(872)	(3)	(983)
At 31 March	665,392	651,385	451,547	438,835
Amounts due for repayments:				
within one year (note 21)	7,126	7,107	4,551	4,517
greater than one year (note 22)	658,266	644,278	446,996	434,318
	665,392	651,385	451,547	438,835

24. Recycled capital grant fund (RCGF)

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
At 1 April	11,052	11,348	6,505	7,048
Inputs to fund:				
Grants recycled from deferred capital grants (note 23)	2,178	1,825	1,391	970
Interest accrued (note 13)	19	12	10	7
Recycling of grant:				
New build (note 23)	(3,140)	(2,133)	(2,975)	(1,397)
Transfer to other Group members	-	-	-	(123)
At 31 March	10,110	11,052	4,931	6,505
Amounts due for repayments:				
within one year (note 21)	3,185	2,479	-	1,083
greater than one year (note 22)	6,925	8,573	4,931	5,422
	10,110	11,052	4,931	6,505

Notes to the financial statements

25. Loans and borrowings – Group

Maturity of debt:	Bank loans	Bond finance	Other loans	Total
	2022	2022	2022	2022
	£'000	£'000	£'000	£'000
In one year or less, or on demand	18,663	2,818	342	21,823
Issue costs <1 year	(1,054)	(276)	-	(1,330)
Within one year (note 21)	17,609	2,542	342	20,493
In more than one year but not more than two years	15,768	2,977	382	19,127
In more than two years but not more than five years	136,888	10,185	1,427	148,500
After five years	190,490	856,038	11,051	1,057,579
Issue costs	(2,614)	(5,606)	-	(8,220)
Greater than one year (note 22)	340,532	863,594	12,860	1,216,986
Total loans	358,141	866,136	13,202	1,237,479

During the year, the Group received proceeds of £30.3m from the settlement of £28.0m of 3.375% bonds with a maturity of 2045 which had been issued on a deferred basis. The group received proceeds of £245.9m from the issuance of £250m EMTN sustainability bond. Part of the proceeds from this bond were used to repay some of the other debt during the financial year.

All of the bank loans mature by 2038.

Of the £872m bond finance, £846m has a repayment date between 2040 and 2050.

The Group has entered into floating to fixed interest rate swaps. These are accounted for as a cash flow hedge (note 26).

Loans are secured by specific charges on the housing properties of the Group. Total loan facilities at 31 March 2022 were £1,719m (2021: £1,509m) of which £472m were undrawn (2021: £418m).

The amount of drawn debt secured on property assets is £1,247m (2021: £1,091m).

Before hedging is applied, the Group has 79% fixed interest rates, with an average rate of 3.2%. The 21% variable interest rates are at an SONIA plus margin.

Interest Rate Benchmark Reform – The transition from LIBOR to SONIA was completed by 31 December 2021. The Group managed the risk arising from interest rate benchmark reform for its financial instruments by engaging with lenders to monitor the transition and ensure the deadline was met, and the rates were checked by the Treasury team and approved by the Executive Director - Finance. Each payment made since the transition has been verified to ensure the rate has been correctly applied and any differences queried before payment is made. The Group did make use of the practical expedient in paragraph 11.20C of FRS102 and these changes were therefore not treated as substantial modifications.

Loans and borrowings – Group Continued

Maturity of debt:	Bank loans	Bond finance	Other loans	Total
	2021	2021	2021	2021
	£'000	£'000	£'000	£'000
In one year or less, or on demand	24,875	2,673	308	27,856
Issue costs <1 year	(625)	(114)	-	(739)
Within one year (note 21)	24,250	2,559	308	27,117
In more than one year but not more than two years	46,172	2,818	342	49,332
In more than two years but not more than five years	174,865	9,554	1,280	185,699
After five years	233,531	583,589	11,579	828,699
Issue costs	(4,251)	(3,747)	-	(7,998)
Greater than one year (note 22)	450,317	592,214	13,201	1,055,732
Total loans	474,567	594,773	13,509	1,082,849

Notes to the financial statements

Loans and borrowings – Association

The amount of drawn debt secured on property assets is £798m (2021: £677m).

Maturity of debt:	Bank loans	Bond finance	Bond onlending	Other loans	Total
	2022	2022	2022	2022	2022
	£'000	£'000	£'000	£'000	£'000
In one year or less, or on demand (note 21)	7,734	354	147	131	8,366
Issue costs < 1 year (note 21)	(893)	(30)	(128)	-	(1,051)
Within one year (note 21)	6,841	324	19	131	7,315
In more than one year but not more than two years	4,834	363	135	146	5,478
In more than two years but not more than five years	108,659	1,144	493	548	110,844
After five years	108,240	107,840	450,757	6,598	673,435
Issue costs	(2,303)	(654)	(2,312)	-	(5,269)
Greater than one year (note 22)	219,430	108,693	449,073	7,292	784,488
Total loans	226,271	109,017	449,092	7,423	791,803

Loans and borrowings – Association continued

Maturity of debt:	Bank loans	Bond finance	Bond onlending	Other loans	Total
	2021	2021	2021	2021	2021
	£'000	£'000	£'000	£'000	£'000
In one year or less, or on demand	14,022	344	175	118	14,659
Issue costs <1 year	(473)	(29)	(40)	-	(542)
Within one year (note 21)	13,549	315	135	118	14,117
In more than one year but not more than two years	35,244	354	171	131	35,900
In more than two years but not more than five years	144,956	1,113	539	492	147,100
After five years	142,027	108,234	222,641	6,801	479,703
Issue costs	(3,630)	(672)	(842)	-	(5,144)
Greater than one year (note 22)	318,597	109,029	222,509	7,424	657,559
Total loans	332,146	109,344	222,644	7,542	671,676

Bond on lending is the process by which funds raised by Stonewater Funding PLC are on lent to Group members.

Notes to the financial statements

26. Financial Instruments

	Note	Group 2022 £'000	Group 2021 £'000
Derivative Financial Instruments designated as cashflow hedges within one year	21	5,188	8,059
Other Derivative Financial Instruments due within one year	21	1,419	1,619
Derivative Financial Instruments designated as cashflow hedges greater than one year	22	24,047	49,249
Other Derivative Financial Instruments greater than one year	22	12,070	15,169
		42,724	74,096

Other derivative financial instruments are measured at fair value through the profit and loss based at each reporting date.

Hedge of variable interest rate risk arising from bank loan liabilities

To hedge the volatility of floating interest rates that it is charged on bank loans, the Group has entered into standalone derivatives with a notional amount of £195.6m. All the derivatives are interest rate swaps with the majority swapping floating rates of interest to fixed rates of interest. For accounting, where possible the Group designates a hedging relationship between the derivative and the bank loan (the hedged item). Swaps with a notional of £119.0m have been designated as cash flow hedges. Over the next 7 years swaps with a notional of £77.5m which are designated as cash flow hedges will mature. There was a £24.1m reduction in the fair value of hedging value of hedging instruments recognised in other comprehensive income, comprising £4.5m recycled from the cashflow hedge reserve, and £19.6m being the year end revaluation of hedging financial instruments.

The derivatives which are not designated for accounting purposes as cash flow hedges still reduce the volatility of Stonewater's floating interest rate exposure. The majority of these swaps mature in the period 2027 and then 2033 - 2035.

Overall the Group pays 3.5% (2021: 3.7%) fixed and receives LIBOR or SONIA (though cash flows are settled on a net basis) on its standalone swap portfolio.

After taking into account the derivatives, the Group pays an average interest rate on its borrowings of 3.4% (2021: 3.5% per annum).

The cashflows of the instruments were analysed to identify the payments and receipts due within one year and these are disclosed above and in Note 21.

Interest Rate Benchmark Reform – The transition from LIBOR to SONIA was completed by 31 December 2021. The Group managed the risk arising from interest rate benchmark reform for its financial instruments by engaging with lenders to monitor the transition and ensure the deadline was met, and the rates were checked by the Treasury team and approved by the Executive Director - Finance. Each payment made since the transition has been verified to ensure the rate has been correctly applied and any differences queried before payment is made. The Group did make use of the practical expedient in paragraph 11.20C of FRS102 and these changes were therefore not treated as substantial modifications.

27. Provisions for liabilities and charges

Group	Dilapidations £'000	Total £'000
At 1 April 2021	556	556
Charged to profit or loss	(15)	(15)
At 31 March 2022	541	541

Association	Dilapidations £'000	Total £'000
At 1 April 2021	556	556
Charged to profit or loss	(15)	(15)
At 31 March 2022	541	541

Notes to the financial statements

28. Share capital

	2022	2021
	£	£
Association		
Authorised, allotted, called up and fully paid 11 (2021: 11) shares of £1 each	11	11

The share capital of Stonewater consists of shares with a nominal value of £1 each, which carry no rights to dividends or other income. Shares in issue are not capable of being repaid or transferred. When a shareholder ceases to be a member, that share is cancelled and the amount paid thereon becomes the property of Stonewater. Therefore, all shareholdings relate to nonequity interests.

29. Operating leases

The Group and Stonewater had minimum lease payments under noncancellable operating leases as set out below:

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Amounts payable as lessee:				
Not later than one year	616	671	616	671
Later than one year and not later than five years	1,708	712	1,708	712
Later than five years	42	125	42	125
	2,366	1,508	2,366	1,508

30. Capital commitments

	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Commitments contracted but not provided for construction	758,191	692,174	505,222	423,334
Commitments approved by the Board but not contracted for construction	134,240	106,215	125,265	27,808
Total	892,431	798,389	630,487	451,142

The above capital commitments for the Group are projected to be funded from £139.9m SHG (2021: £103.1m) and property sales of £186m (2021: £174m) with the remainder funded from operating cash flow and external borrowings £566.5m.

Capital commitments for the association will be funded from £98.6m SHG, with the remainder funded from property sales £130m and external borrowing/surplus £401.9m.

Notes to the financial statements

31. Pensions

Three schemes are operated by the Group. The tables below set out the impact of the pension scheme movements via other comprehensive income, and the statement of financial position.

Other comprehensive income	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Actuarial movements				
DCC	840	(652)	840	(652)
SHPS	7,240	(17,398)	3,938	(8,561)
Total	8,080	(18,050)	4,778	(9,213)
Statement of financial position	Group 2022 £'000	Group 2021 £'000	Association 2022 £'000	Association 2021 £'000
Net Pension Scheme liability				
DCC	4,336	5,124	4,336	5,124
SHPS	16,669	26,661	7,781	13,007
Total	21,005	31,785	12,117	18,131

The Social Housing Pension Scheme Defined Benefit Scheme Group participates in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

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

The last completed triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

The Scheme is classified as a 'lastman standing arrangement'. Therefore the Group 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.

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting yearends from 31 March 2019 to 29 February 2020 inclusive.

Similarly, actuarial valuations of the scheme were carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive, and as at 30 September 2020 to inform the liabilities for accounting year ends from 31 March 2021 to 28 February 2022 inclusive.

The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the Group's net deficit or surplus.

Notes to the financial statements

Defined benefit pension scheme Dorset County Council (DCC)

Stonewater participates in the local government scheme run by Dorset County Council as an admitted body, which is a defined benefit scheme.

A full actuarial valuation of the defined benefit scheme was carried out at 31 March 2019 by a qualified independent actuary. Contributions to the scheme are made by the Group based on the advice of the actuary and with the aim of making good the deficit over the remaining working life of the employees. The next valuation will be carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. The actuarial gain for the year of £840,000 has been recognised in the statement of comprehensive income.

There were no changes to the scheme during the year and no amounts owing to the scheme at the year end.

Social Housing Pension Scheme (SHPS) Defined contribution scheme

The Group also participates in the SHPS. It is funded and is contracted out of the state pension scheme.

The amount charged to the statement of consolidated income represents the contributions payable to the scheme in respect of the accounting period.

	DCC	SHPS Association	SHPS Group	Total Group	Total Group
	2022	2022	2022	2022	2021
	£'000	£'000	£'000	£'000	£'000
Fair value of plan assets	6,192	53,883	113,470	119,662	115,073
Present value of plan liabilities	(10,528)	(61,664)	(130,139)	(140,667)	(146,858)
Net pension scheme liability	(4,336)	(7,781)	(16,669)	(21,005)	(31,785)
Reconciliation of fair value of plan assets					
At the beginning of the year	5,870	51,538	109,203	115,073	103,544
Interest income on plan assets	112	1,123	2,377	2,489	2,459
Return on assets less interest	465	1,194	1,563	2,028	9,238
Other actuarial gains	-	-	-	-	-
Administration expenses	(5)	-	-	(5)	(4)
Contributions by Employer	136	1,597	3,378	3,514	3,442
Contributions by fund participants	16	-	-	16	14
Estimated benefits paid plus expenses	(402)	(1,569)	(3,051)	(3,453)	(3,620)
At the end of the year	6,192	53,883	113,470	119,662	115,073
Reconciliation of present value of plan liabilities					
Defined benefit obligation at start of period	(10,994)	(64,545)	(135,864)	(146,858)	(120,228)
Current service cost	(84)	-	-	(84)	(51)
Expenses	-	(42)	(82)	(82)	(82)
Interest expense	(211)	(1,390)	(2,921)	(3,132)	(2,815)
Contributions by plan participants	(16)	-	-	(16)	(14)
Actuarial gains (losses) due to scheme experience	(20)	(3,282)	(6,686)	(6,706)	2,708
Actuarial gains (losses) due to changes in demographic assumptions	-	967	2,075	2,075	(397)
Actuarial gains (losses) due to changes in financial assumptions	395	5,059	10,288	10,683	(29,599)
Benefit paid and expenses	402	1,569	3,051	3,453	3,620
At the end of the year	(10,528)	(61,664)	(130,139)	(140,667)	(146,858)
Amounts recognised in other comprehensive income are as follows					
Included in administrative expenses					
Service costs	84	-	-	84	51
Administrative expenses	5	42	82	87	86
Total Administrative costs	89	42	82	171	137
Amounts included in other finance costs					
Net interest costs (note 13)	99	267	544	643	356

Notes to the financial statements

	DCC 2022 £'000	SHPS Association 2022 £'000	SHPS Group 2022 £'000	Total Group 2022 £'000	Total Group 2021 £'000
Analysis of actuarial movements recognised in other comprehensive income					
Return on fund assets in excess of interest	465	1,194	1,563	2,028	9,238
Change in financial assumptions	395	5,059	10,288	10,683	(29,599)
Change in demographic assumptions gain (loss)	-	967	2,075	2,075	(397)
Experience loss on defined benefit obligation	(20)	(3,282)	(6,686)	(6,706)	2,708
Total actuarial gains (losses)	840	3,938	7,240	8,080	(18,050)
	DCC 2022 £'000	SHPS Association 2022 £'000	SHPS Group 2022 £'000	Total Group 2022 £'000	Total Group 2021 £'000
Composition of plan assets					
Equities	3,292	10,340	21,775	25,067	20,606
Liability driven investment	769	15,035	31,662	32,431	28,424
Cash	124	333	701	825	798
Other bonds	312	3,594	7,569	7,881	6,790
Diversified growth fund	408	-	-	408	289
Property	580	2,842	5,984	6,564	4,958
Infrastructure	423	3,839	8,084	8,507	7,639
Multi asset credit	284	-	-	284	300
Secured income funds	-	-	-	-	29
Debt	-	4,205	8,856	8,856	9,636
Alternatives	-	13,695	28,839	28,839	35,604
Total	6,192	53,883	113,470	119,662	115,073

The actual return on the plan assets (including any changes in share of assets) over the period ended 31 March 2022 was £4,517,000 (2021: £11,697,000).

	DCC 2022 %	DCC 2021 %	SHPS 2022 %	SHPS 2021 %
Principal actuarial assumptions used at the statement of financial position date:				
Discount rates:	2.6	1.95	2.79	2.18
Future salary increases	4.35	3.90	4.17	3.87
Future pension increases	3.35	2.90	2.91	2.91
Inflation assumptions RPI	3.54	3.35	3.54	3.27
Inflation assumptions CPI	3.35	2.90	3.17	2.87
Mortality rates:				
For a male aged 65 now	23.1	23.1	21.1	21.6
For a female aged 65 now	24.7	24.6	23.7	23.5
At 65 for a male member aged 45 now	24.4	24.4	22.4	22.9
At 65 for a female member aged 45 now	26.1	26.0	25.2	25.1

Notes to the financial statements

32. Related party disclosures

The Association transacts with a number of non-regulated entities: Stonewater Funding PLC, whose principal activity is to act as the capital markets issuance vehicle for the Group, and Stonewater Developments Limited, a company which supports the Stonewater registered provider entities with their development activity by widening the scope of potential developments by selling fully or partially developed dwellings on the open market to Group entities. The company will also provide design and build services to other Group companies.

Intra-Group revenue

The Association provides staff services to Stonewater Developments Limited to manage various design and build projects.

The Association recharges the staff costs to Stonewater Developments Limited.

The Association provides management services to other Group companies including non-regulated entities. The management fee is calculated under different methods which includes number of units in each company, Development spend and Asset spend. For nonregulated entities, the management fee is based on % of corporate overheads. The intercompany agreement between the Association and other Group companies sets out that the management fee is determined by the Group Finance Director on the basis that the cost allocation is both fair and reasonable.

Total income for the year from the non-regulated entities was:

	2022	2021
	£'000	£'000
Staff costs recharge to Stonewater Developments Limited	2,132	1,564
Management services provided to Stonewater Developments Limited and Stonewater Funding Plc	508	407

Intra-Group costs

The Association receives a full development service from Stonewater Developments Limited, the recharge includes an admin fee based on 2.5% of the contract costs.

The Association receives financial services from Stonewater Funding PLC.

Total costs for the year paid to the non-regulated entities were:

	2022	2021
	£'000	£'000
Charge for the design and build service provided by	60,219	39,733
2.5% admin charge from Stonewater Developments Limited	1,505	1,003
Charge for development services provided by Stonewater Developments Limited	25,527	21,744
2.5% admin charge from Stonewater Developments Limited	635	543
Management fee charged by Stonewater Funding PLC	197	65

Notes to the financial statements

Intra-Group Liabilities

Stonewater Limited has loans in place with Stonewater Funding PLC. At 31 March 2022 the outstanding amount was £451.5m (2021: £222.6m).

Stonewater (2) Limited has loans in place with Stonewater Funding PLC. At 31 March 2022 the outstanding amount was £218.4m (2021: £174.1m).

Stonewater (5) Limited has a loan in place with Stonewater Funding PLC. At 31 March 2022 the outstanding amount was £78.2m (2021: £74.0m).

	2022	2021
	£'000	£'000
Loan balance provided by Stonewater Funding PLC (after issue costs) (note 25)	748,084	470,762
Interest charged by Stonewater Funding PLC	19,595	14,034

Under the facilities the loans, which are repayable at various dates through to 2050, are secured by fixed charges over the housing properties of Stonewater Limited, Stonewater (2) Limited and Stonewater (5) Limited; cross guarantees cover any shortfall in the security and any unpaid interest and fees in respect of the loans. At 31 March 2022, the potential shortfall covered by the guarantee was nil as the valuation of the security provided by Stonewater Limited, Stonewater (2) Limited and Stonewater (5) exceeded the amount required.

33. Net debt reconciliation

	1 April 2021	Cash flows	Other non-cash changes	31 March 2022
	£'000	£'000	£'000	£'000
Cash at bank and in hand	130,126	6,559	-	136,685
Bank loans	(474,567)	117,056	(630)	(358,141)
Bond finance	(594,773)	(273,384)	2,021	(866,136)
Other loans	(13,509)	-	307	(13,202)
Derivatives	(74,096)	17,583	13,789	(42,724)
Net debt	(1,026,819)	(132,186)	15,486	(1,143,518)

The definition of debt in the gearing covenants in Stonewater's loan facilities does not include the mark to market of derivatives.

34. Contingent Liabilities

Stonewater has been notified by the administrators of Armour Risk Management of a potential legal claim of which the maximum potential payment is £1.2m.

As at 31 March 2022, Stonewater is uncertain as to the potential outcome of the case and is currently disputing this through its solicitors.

35. Post balance sheet event

On 21 June 2022 Stonewater announced that it is in discussions with Greenoak Housing Association Limited (Greenoak), a community benefit society with registered number 20859R and a registered provider of social housing with registration number L1393. The current intention, subject to, amongst other things, completion of due diligence and funder consents, is for Greenoak to join the Stonewater Group as a direct subsidiary of Stonewater (5) Limited on or prior to 31 March 2023. Greenoak owns and manages approximately 550 affordable homes across Surrey and Sussex.

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