STONEWATER

Stonewater Limited

Annual Report & Accounts

For the year ended 31 March 2024

Our Vision

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

Contents

Registered Society No: 20558R
Regulator of Social Housing Registration No: L1556

About Stonewater

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

We own and manage over 39,000 homes for more than 82,000 customers.

As a registered social landlord, Stonewater provides safe, affordable housing for people of all ages and backgrounds.

Driven by our Vision of everyone having the opportunity to have a place that they can call home, we offer homes for rent, shared ownership and sale. We also have specialist housing, retirement and supported living schemes for older and more vulnerable people, domestic abuse refuges, LGBTQ+ Safe Spaces, and young people's foyers.

We aim to become a truly customer-driven organisation by building a relationship built on respect, honesty, transparency, and a commitment to equality, diversity and inclusion.

Stonewater has an annual turnover of £271m and £2.9bn in fixed assets, and a rating of A, with a negative outlook, by an independent credit rating agency, S&P Global Ratings.

We are proud of our G1/V1 governance and viability rating, which reflects our strength and agility in delivering a significant number of affordable new homes, supported by our good governance and financial controls. Our financial and investment decisions are underpinned by robust processes and procedures that will ensure Stonewater remains financially resilient for the benefit of our existing and future customers and stakeholders.

The Stonewater Group is made up of commercial and not-for-profit subsidiaries. The Group undertakes a range of commercial activities in order to invest in our core social mission to provide homes for those who need them most.

Our customers

- A considerable proportion (38.7%) of our general needs customers are families with dependent children.
- 38.2% of our customers are older people (55+).
- 63.7% of our tenancies last for five years and longer.
- 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 use 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.

Providing homes is at the core of what we do as an organisation. As a housing association with a strong social purpose, we are committed to addressing the challenges of the current economic conditions, affecting both our customers and our sector.

Over the past year, we have built 1,185 homes (2023: 963), which is broken down into:

- 867 affordable rent, social rent, rent to buy.
- 318 shared ownership.

During 2023/24, 26 (2023: 33) void properties were sold. These are typically properties with limited stock in the vicinity or perhaps require some modernisation or have a low EPC rating which we do not want to retain. 78 units were sold via staircasing where shared owners chose to buy a further proportion of the property. Eight 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 foundation 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, chief officers and advisors

The Board

Sheila Collins

Chair 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 Chair 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.

Jennifer Bennett

Chair of Nominations and Remuneration Committee, Chair of Governance and Assurance Challenge and Assurance Panel

During her career as a solicitor working for clients in the social housing sector, Jennifer specialised in governance, 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 charity providing housing support in Portsmouth.

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

Claire Kearney

Chair of Technology and Data Challenge and Assurance Panel

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

She has significant experience in the creation and implementation of digital solutions that align with strategic aims, promoting high standards of technology governance through committee experience.

Heather Bowman

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.

Juliana Crowe

Chair of Customer Experience Challenge and Assurance Panel

Juliana has over 25 years' experience working in the social housing sector, most recently as housing director for a large Midlands-based housing group. Previously, she worked for the London Boroughs of Southwark, Tower Hamlets and Greenwich.

Juliana is a board member of Nehemiah Housing and a trustee of the Talensi Community Development Foundation in Ghana. She has also been Chair of the CIH West Midlands Board and a Trustee of HACT.

The Board

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 whose purposes he feels passionate about.

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 Wind Cymru.

Chris Edis

Chair of Stonewater Funding plc, Chair of Finance Challenge and Assurance Panel

Chris is a chartered accountant with extensive experience in top-tier financial services.

An experienced executive and finance director, Chris is currently the Director of Finance Transformation & Sustainability Reporting, Lloyds Bank Corporate Markets plc, bringing experience in strategy, treasury, liquidity, and capital management.

Angus Michie

Chair of Assets and Development Challenge and Assurance Panel, Chair of Stonewater Developments Limited, Chair of Stonewater Commercial Limited

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 Chair 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.

Hursh Shah

Hursh is a qualified accountant and finance professional with treasury, capital market and corporate finance experience. He is currently Head of Capital Markets at British Land responsible for managing existing finance and raising new finance and manages relationships with stakeholders including debt investors and rating agencies.

He has also been involved in the formation and operations of joint ventures between British Land and its partners and is a director for a number of these joint ventures.

Barry Hoffman

Barry is an experienced FTSE group HR director with an MBA and corporate governance expertise. With a track record in change management and HR, both in the UK and globally, he has developed a strong focus on delivering shareholder value and driving transformational change.

Barry is also an experienced non-executive director, having supported boards on governance, executive succession, remuneration and organisational change.

Martin Large

Chair of Greenoak Housing Association Ltd
Chair of Mount Green Housing Association Ltd

Martin is the current chair of the common board for Greenoak Housing Association Ltd and Mount Green Housing Association. He holds significant senior management and board experience in the housing sector.

This includes his work as the former CEO of GLE Group (London Local Authorities' regeneration and business investment, development and services group), former non-executive director roles at Pocket Living Ltd and Selwood Housing Society Ltd, and as the former vice-chair at Hexagon Housing Association. Executive Officers

Board members, chief 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

Personal leave until January 2025

Sue is Stonewater's Chief Officer for Customer Experience. She has worked at an executive level in a range of organisations for the past 20 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 coalfield 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 also a trustee for a domestic violence charity.

Anne Costain

Chief Financial Officer

Anne is a qualified Chartered Accountant and Corporate Treasurer. She has worked in housing for over 10 years at a senior level.

Before working in housing, Anne worked in manufacturing for a number of organisations from SME to Fortune 500 and FTSE 250 – latterly as Finance Director for De la Rue in their Currency and Supply Chain division.

Gareth Lloyd

Chief Information & Transformation Officer

Gareth joined Stonewater as Chief Information & Transformation Officer in 2023, bringing 18 years' experience as a CIO, COO and CDO in both the private and public sectors, working in the UK and internationally.

He has previously served as a non-executive director for a social housing group in the South West.

His experience includes high profile data programmes, sustainable digital transformation, Internet of Things programmes and mergers and acquisitions. He has a keen interest in using tech and data for social good.

Patrick Chauvin

Chief Officer Safety, Assets and Sustainability

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.

Jonathan Layzell

Chief Officer for Customer Experience and Growth

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.

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

Jonathan's role was expanded in July 2024 to include leadership of the Customer Experience Directorate (until January 2025). He will share responsibilities between Development and Customer Experience under this arrangement.

He has a wealth of experience in delivering transformational change within the social housing sector and has worked as Stonewater's Executive Sponsor for Equality and Diversity. His extensive experience in social housing and focus on social purpose will ensure Stonewater delivers positive

Secretary and registered office

Anne Harling
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Whetstone
Leicester
LE8 6EP

Advisors

Principal bankers	Auditor	Solicitors	Solicitors (Governance)
Barclays Bank Level 27 1 Churchill Place London E14 5HP	**BDO LLP** 55 Baker Street London W1U 7EU	**Devonshires Solicitors** 30 Finsbury Circus London EC2M 7DT	**Trowers and Hamlins LLP** 55 Princess Street Manchester M2 4EW

Our
Mission

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

Celebrating our customers' beautiful gardens.

Chair statement

As we prepare to celebrate Stonewater's 10th anniversary early next year, I've been reflecting on the past decade since Raglan Housing Association and Jephson Housing Group merged to form Stonewater in January 2015. Our journey since the beginning has been exciting, aided by our own incredible growth to the point where we are now proudly one of the largest social housing providers in the UK, managing and owning more than 39,000 homes for around 82,000 customers.

As Chair of Stonewater's Board, I am honoured and privileged to represent the association. The last year has seen many legislative changes in the sector, making it more important than ever to foster an effective governance process and guide the association's strategic direction.

Despite this, our commitment to our customers remains heightened but unchanged. Our Vision is to ensure that everyone has the opportunity to have a place that they can call home, and this is what we strive to achieve every day, in all aspects of our work.

In spite of the continuing economic uncertainty and insecurity overseas, Stonewater is able to meet its strategic objectives. We are committed to supporting customers and employees, and it's a tribute to our teams that in the face of increased scrutiny, for example from the Social Housing Act, we are prepared and able to respond efficiently and effectively.

All our achievements in the last financial year reflect our commitment to providing safe, affordable homes for our customers, such as:

- With the Longleigh Foundation, we continue to offer practical solutions to customers experiencing financial hardship, including flexible rent payments, assistance in accessing benefits, and individual hardship grants of £537k.
- Delivering 1,185 energy efficient new homes.
- Providing housing to people whose needs are not met by the open market.
- A reaffirmation of our top rating by the Regulator of Social Housing of G1/V1.
- Focusing on data, colleague skills and efficiency to maximise value through our homes and services for customers.
- Our 6,000th new home since Stonewater formed in 2015.
- We welcome Mount Green Housing Association to our Group, along with many other new customers.

We also have a commitment to our future customers and colleagues, which is why we are continuing to work towards a brighter future:

- We will continue to invest in modern, efficient customer service and improve our existing homes.
- We remain on track to upgrade our older homes by 2030 to Energy Performance Certificate (EPC) Level C or equivalent.
- In this latest report on [Environmental, Social and Governance] (www.stonewater.org/investors/sustainability/) we reaffirm our commitment to protect the environment.

Our colleagues' dedication drives our successes. I was delighted to see Stonewater recognised as having excellent engagement levels with a one-star "Best Companies" award in January 2024. In the national Ethnicity Awards, we also placed in the top 10 in the Outstanding Employer Engagement categories for our commitment to creating an inclusive environment.

We will always strive to be an outstanding employer and provide affordable homes to people in need and manage and maintain them so they're safe.

I am delighted to conclude this statement by expressing my personal appreciation and thanks to the Chief Executive Nicholas Harris, to the Board and Committee members and, of course, to every member of the Chief Officer Group and to every member of the Stonewater team who contributes to its ongoing success.

I look forward to the next decade!

Sheila Collins
Chair

Chief Executive's statement

The ability to deliver what matters to our customers has transformed Stonewater since we were founded in 2015. It is fair to say that this year has been an especially testing one for customers, colleagues, and for the entire sector, as a whole, because of the ongoing cost-of-living crisis and the continuing tough operating environment. I'm pleased to report that we are weathering the storm.

With international instability and a new Government at home, it's important for me to reflect on what we have achieved and how we keep true to what we hold dear. In addition to providing homes to those in need, we strive to create communities and safe places to live, and to be an exceptional place to work. We must continue to focus on our core purpose, and ensure our decisions reflect our core values. We must also remain vigilant and committed to protecting our people, properties and operations. Finally, we must remain dedicated to service excellence, ensuring our customers are served to the highest standards.

We are committed to putting our customers first, enshrined in our internal Customer Promise. We have spent years investing in providing proactive and efficient customer-centred services, so we are well prepared for the passage of the Social Housing Act this year.

Assuring customer safety in their homes;

- to listen to and respond promptly to customer complaints
- being accountable to customers and treating them fairly and respectfully
- to better understand each home's condition and residents' needs
- using effective data collection and analysis across a wide range of areas, including repairs.

This year, we are publishing our Tenancy Satisfaction Measures, which will help us better understand what we are doing right and what needs improvement.

Despite the winds of political change, what matters most to our customers remains the same. The sustainability of homes is increasingly important as they serve as a foundation for people to build their lives. Sustainability and decarbonisation are central to the new Government's ambitions, so I'm proud that Stonewater will fulfil its obligations to what customers want and what our consciences demand – more efficient houses that are cheaper and easier to run.

We've invested heavily in property repairs and retrofitting to strengthen them for the future, for example, by using our £9m Social Housing Decarbonisation Fund (SHDF) Wave 2 retrofit funding of which £3.9m has been received and utilised this financial year.

As part of our sustainability programme, we also established this year the Greenoak Centre of Excellence. Through this initiative, which is central to our partnership with Greenoak Housing Association, we identify and promote the most effective path towards a zero-carbon future for social housing using the strong credentials of both parties, as well as the collaboration of key sector influencers.

I am so proud of what we have accomplished this past year, even though it was challenging in many ways.

- Handed over 1,185 newly built homes.
- Our investments in technology allow us to cater better to the needs of our customers. Our new website was co-created with customers, and we continue training our colleagues on delivering the Customer Promise.
- Proactively conducting site surveys in older buildings to discount the presence of RAAC.
- As a result of our great employee engagement, we have earned a one-star rating from Best Companies.
- Being recognised as an 'Exemplary Employer' in the 'Investing in Ethnicity Maturity Matrix'.During a time of conflict internationally, I am gratified to see Stonewater contribute to creating inclusive and diverse communities at work and with our customers.
- Recognition for our Treasury Team and our customer Energy Hub, as well as several awards for engagement.
- Achieving the milestone of our 6000th new home in our ongoing efforts to alleviate the housing shortage in the country.
- Our newly formed partnership with Mount Green Housing Association and other acquisitions throughout the year.
- The G1/V1 rating from the Regulator of Social Housing. This demonstrates our professionalism, so we can continue to be strong and agile while meeting the needs of our customers.
- Our progress in ensuring no home by 2030 has an EPC rating below band C.

While we will never be complacent, I am proud of everything that has been delivered by the continued passion and compassion of our colleagues and partners for our customers. The work they do is greatly appreciated, and I would like to take this opportunity to thank them for that.

Nicholas Harris

Nicholas Harris
Chief Executive

Report of the Board of Management and Strategic Report

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

Governance and Viability

- We will practice strong governance and we will continue to deliver our legal and regulatory responsibilities through effective performance and assurance frameworks.
- Our financial viability will enable us to respond to our operating environment and deliver our Mission of offering quality homes and services for people whose needs are not met by the open market.

People and Culture

- As an exceptional place to work, we will have the organisational capability required to deliver our strategic objectives. Our organisational design will enable agility, responding effectively to an ever-changing operating environment and embracing the opportunities offered through innovation and new technology.
- Our values-based culture will be embedded across all areas of operations, ensuring our Customer Promise and Values are at the heart of decision making.

Data and Technology

- Technology will continue to play a pivotal role in delivering consistently good services and a great customer experience.
- Our homes, old and new, will benefit from the use of technology to increase environmental sustainability and customer wellbeing.
- Data will support effective decision making and actions that enhance the homes and services we provide to our customers.

Partnerships and Innovation

- We will develop sustainable, value adding partnerships across all areas of our business based on a culture of mutual trust and collaboration.
- As thought leaders, we will continue to innovate with partners across the housing sector and beyond.
- Performance against these objectives is set out in the Value for Money and performance sections of this report.

Group financial performance

The Group has had a particularly challenging year, with our financial position impacted by the tough economic environment that the sector and wider economy have been facing. The Group has seen significant increases in operational costs, a decrease in sales, and has continued to increase spending to ensure our homes are safe and comply with new regulations.

Consolidated statement of comprehensive income	2024 £'000	2023 £'000
Turnover	271,155	238,977
Operating costs	(187,230)	(157,291)
Cost of sales	(31,734)	(30,123)
Surplus on disposal of fixed assets	8,356	14,204
Operating surplus	**60,547**	65,767
Operating margin (excluding surplus on disposal of fixed assets)	***19%***	**22%**
Acquisition of business	121,715	21,356
Share of loss made by joint venture	(162)	(18)
Net interest	(51,979)	(42,084)
Movements in fair value of non hedging instruments	1,268	8,771
Surplus for the year	**131,389**	**53,792**
Actuarial losses on defined benefit pension schemes	(3,124)	(585)
Amounts recycled (to)/from Cashflow hedge reserve	(420)	4,015
Year end revaluation of hedging financial instruments	3,522	17,969
Total comprehensive income for the year	**131,367**	**75,191**

Group turnover increased to £271m (2023: £239m). Increased income came from £24.5m rental income, £6.1m service charge income, £1.1m other income, £0.4m amortisation of grant income and £1.5m from shared ownership first tranche sales. This was partly offset by a £1.4m reduction in receipts from open market sales. The increase in rental income has been driven by strong build figures, acquisitions and by year-on-year rent increases.

Our rental income has grown by 14% from last year (2023: growth of 5%). Rental income increased due to the handover of 1,185 new units (2023: 963), rent increase of 7 % (2023: 4.1%), the full year impact of the Greenoak Housing Association acquisition and the addition of homes following Mount Green Housing Association joining the Stonewater Group in February 2024.

Mount Green Housing Association is based in Surrey and its properties (1,650 units) along with the Group's existing properties in the area provide an opportunity for Stonewater to grow its small internal repairs service and to develop a more localised housing management offering

Operating costs have increased to £187.2m from £157.3m, driven by an increase in repairs and maintenance costs. The overall costs reflect increased volumes of repairs, ongoing maintenance and improvements for our customers' existing homes and the investment in our transformation programme to drive future efficiencies.

Surplus on disposal of fixed assets includes net proceeds from staircasing, where shared owners increase their ownership share in their homes. Receipts were lower than last year, with our proceeds from staircasing receipts totalling £8m (2023: £14m).

The operating margin, excluding surplus on disposal of fixed assets, is an indication of profitability of operating assets before exceptional expenses. This margin decreased to 19% from 22% mainly due to a customer-focused decision to increase the resources and costs deployed to address the increased demand for reactive and responsive repairs by £15m from prior year.

Stonewater Group's surplus for the year of £131.4m (2023: £53.8m) was higher than the prior year mainly because of the recognition of a one-off gain £121.7m (£21.4m). This gain relates to £1m for the transfer of engagements of Puttenham and Wanborough Housing Society in January 2024 and £120.7m for the business combination with Mount Green Housing Association in February 2024.

The gain which is accounted for as a donation in the income and expenditure account represents the difference between the accounting fair value and historic cost of Mount Green's balance sheet at the acquisition date. The fair value adjustments affect housing properties, debt and grant.

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

The Group's liquidity remains strong. At 31 March 2024, Stonewater had £353m of available but undrawn bank facilities (2023: £473m). We continue to deliver our significant ongoing development programme while maintaining a resilient balance sheet.

The Group continues to maintain a strong financial position with net assets increasing by £131m to £611m in the year (2023: £480m). Our housing properties portfolio grew by £481m to £2,899m (2023: £2,418m) with £248m (2023: £194m) spent on developing new properties and £36m (2023: £32m) invested in existing properties. Grant receipts of £44m (2023: £37m) helped fund this expenditure. The financial robustness of the Group is important to existing and new customers and going forward we do expect the amount we invest in new properties to reduce.

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

Stonewater's deficit in the SHPS increased to £17.3m from £16.5m last year. The fair value of the assets comprising Stonewater's share of the scheme is £76m (2023: £74m) and the liabilities are £92m (2023: £90m).

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 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 2024, 78.6% (2023: 88.7%) of borrowings were at fixed interest rates or hedged by floating to fixed interest rate swaps.

Sustainable finance

As part of our aspiration 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.

During the year, Stonewater has put in place four Sustainability-Linked Loans (SLLs) as part of our portfolio of revolving credit facilities. These facilities include a reduction in the margin payable if agreed ESG Key Performance Indicators are met. We have committed to investing in retrofitting existing homes – which can reduce the amount of energy a home uses - to ensure our stock exceeds the current minimum regulations and achieves EPC C earlier than the 2030 milestone.

Stonewater has also pledged to deliver new affordable homes that surpass minimum planning regulations in relation to energy efficiency measures, with a high percentage reaching SAP 86 and above.

Currently rated as 'Gold' in the SHIFT sustainability framework, an amalgamation of 15 separate ESG KPIs into one overarching score, we hope to enhance our SHIFT score year-on-year, with the aim of achieving SHIFT 'Platinum'. Our performance on these KPIs can be found on page 23.

Debt structure

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

All of Stonewater Funding debt has similar security and limited cross guarantee arrangements to the Group.

During the year, Group companies have renewed and increased revolving credit facilities, which are used as a principal source of liquidity for future commitments. Two facilities have been entered into with new banks to the Group.

Total loan facilities and bond debt at 31 March 2024 amounted to £1,955m (2023: £1,861m) of which £353m was undrawn (2023: £477m).

Cash flows

Net cash from operating activities for the year was £119.6m (2023: £92.7m), an increase of £26.9m compared with the previous year. This increase was mainly due to favourable movements in working capital.

Stonewater continued to invest in existing and new homes with net cash outflow from investing activities of £291.9m (2023: £188.4m).

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 2024, cash balances were £49.7m (2023: £59.3m) and the balance of restricted cash was £6.7m (2023: £7.2m).

Cash balances are purposefully significantly lower than in prior years to reduce cost of carry. Cash and committed facilities, excluding restricted cash, exceeded the Group's contracted obligations for the next 18 months less grant by £192.9m (2023: £234.2m).

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 2024, the exposure position with counterparties on standalone derivatives was £7.6m (2023: £12m) and after the use of unsecured thresholds £0.0m (2023: £0.0m).

Loan covenants

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

	Covenant	Performance
Interest cover*	Must be > 110%	152%
Gearing	Must be < 70% of assets	48%

*Interest cover for the Association is tested against the annual results and also against the rolling average of the results of the last three years. The ratio shown for the Association is the three-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 against our strategic objectives

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.

This has been another year of considerable change as society and the economy deals with the challenging macroeconomic outlook. Despite the inevitable impact on activities, Stonewater has continued to embed the move from traditional Value for Money towards broader value maximisation across all aspects of the business. This cultural change continues to be 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 for Money

Our Strategic Plan 2022-30 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.

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.

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.

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Performance against Strategic Plan objectives – 2023/24

Customer-centred services

This objective works to ensure we effectively engage with our customers, developing universally good services that are built around them, flexible, and tailored to their needs. It sets out our approach to delivering more proactive services and facilitating and signposting support for customers where it's needed. It outlines our aspirations to deliver efficient, consistent, and reliable services that improve the customer experience: Maximising the resolution of enquiries at the first point of contact, increasing the provision of digital services, and being underpinned by streamlined processes.

The actions towards meeting this objective.

					Demonstrates VfM		
Strategic objective	**Outcome measure**	**Target 2024**	**Result 2024**	**2023 Benchmark (peer group)**	**Ec**	**Effic**	**Effec**
Provide customer-centred services that are proactive and efficient to help us retain and attract customers	Overall satisfaction with services (transactional)	84%	83.5%	n/a	✓	✓	✓
	% of tenancies terminated within two years	0.9%	0.4%	n/a		✓	✓
	Avoidable contact	10%	16%	n/a		✓	✓
	First-time resolution of customer enquiries	70%	76.6%	n/a		✓	✓
	% of transactions via our digital channels	50%	43%	n/a	✓	✓	✓
	Housing Ombudsman determinations found against Stonewater (% of total complaints)	0.5%	0.8%	n/a		✓	✓
	Responsive repairs customer satisfaction (transactional)	85%	83.5%	n/a	✓	✓	✓

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

Overall satisfaction with services (transactional)

Customer satisfaction is at 83.5%, which is close to our 84% target. The rating combines our customers' satisfaction with repairs and our Customer Service Centre services. Responsive repairs continue to be a key driver in customer satisfaction and the focus on WIP and ensuring effective communication to customers awaiting repairs remained critical through the year. It has been reassuring to see consistently good performance in the Customer Service Centre with customers being delighted with shorter queue times.

Alongside this, the roll out of case processing to damp, mould and condensation cases (DMC) and the pilot of new repair target dates are improving customer experience. Our Scrutiny Panel is now reviewing our approach to reasonable adjustments through the DMC, which will support further service enhancements.

Customer demand for support around the cost-of-living crisis, repairs and rent and service charge remained high during the financial year. Improving the complaint customer service does remains a key priority as we head into 2024/25.

Tenancies terminated within two years

This is at 0.4% which is favourable to our target of 0.9%. We have continued to provide a dedicated triage service which has included advice on budgeting, grants, benefits, employability and making referrals to the Longleigh Foundation and Circles of Support.

Our specialist tenancy sustainment team supported more than 200 households to secure grant funding from external partners and more than 300 households to access specialist fuel and energy saving advice. Stonewater has also partnered with LEAP, a free service, which is helping people keep warm and reduce their energy bills without costing them any money.

Avoidable contact

Avoidable contact, which measures the percentage of inbound calls classified as service failure was outside our target of 10%. The Customer Service Centre continues to work closely with colleagues through the review of improving automation and proactive customer contact. Our focus in 2024/25 will be on improving our estate management and will include the implementation of an online tool to help with managing the process.

First-time resolution of customer enquiries

This was 76.6% against a target of 70%. 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.

Transactions via our digital channels

This is 43% against a target of 50%. We continue to develop our online platforms so even more customers can have their say. 1,117 customers (2023: 1,475) are members of our Customer Hubb (Help Us Be Better) online community – a place where our customers can come together to ask questions, feedback about our services, have conversations, share information, discuss hobbies and post pictures. It is also where we come together with our customers to celebrate and mark important equality, diversity and inclusion days such as Pride, Black History Month and International Women's Day.

Our online quarterly newsletter, Here to Help, has been read over 7,000 times and our Customer Annual Review for 2022/23 has been viewed more than 3,000 times. We use these publications to make the customer voice heard.

Housing Ombudsman determinations found against Stonewater (% of total complaints)

This is at 0.8% compared to our target of 0.5%, which in part reflects the sector-wide increase in complaints raised to the Housing Ombudsman's Service (HOS). Our ability to respond effectively and resolve complaints is vital and discussions with the HOS has resulted in a commitment to appoint a HOS lead to manage Stonewater cases, which will help improve consistency, communication and resolution of complaints.

Responsive repairs customer satisfaction (transactional)

Responsive repairs customer satisfaction (transactional) is at 83.5% which is slightly below our target of 85%. Customers are generally satisfied with the professionalism and quality of works delivered by our contractors when they attend at the agreed times, with First Time Fix continuing to directly influence satisfaction overall. In 2024/25 we will undertake an end-to-end customer journey to map the responsive repairs service with a view to driving improvements across this pivotal service.

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Quality homes and neighbourhoods

This objective sets out our aspiration to continue to grow and maximise our capacity to provide quality affordable homes to those in need. It outlines planned investment in our homes ensuring their ongoing safety, efficiency and suitability for our customers. It also sets out our commitment to continue to work with our customers and partners to enable happy and healthy neighbourhoods.

Strategic objective	Outcome measure	Target 2024	Result 2024	2023 Benchmark (peer group)	Demonstrates VfM Ec	Demonstrates VfM Effic	Demonstrates VfM Effec
Supply, manage and maintain homes that are safe, connected, efficient, affordable and flexible and support happy and healthy neighbourhoods	Gas compliance	100%	99.82%	99.96%	✓	✓	✓
	Number of outstanding fire risk assessments	0	1	n/a		✓	✓
	Emergency repairs completed on time	97%	99.3%	n/a	✓	✓	✓

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

Gas compliance and fire risk assessments

The number of our homes with a valid landlord's gas safety certificate was 99.82% and was slightly behind our target of 100%. This is caused by 41 homes for which access could not be gained to service gas components. Appropriate action is under way to access these properties.

There has been an increase in spend on compliance, as new regulations have come in, and Stonewater has kept up to date with those. Only one fire risk assessment was outstanding at year end and plans have already been put in place to remediate this.

Emergency repairs completed on time

99.3% of emergency repairs were completed within 24 hours, significantly ahead of the target of 97%.

Maximising value for money

This objective sets out our approach to delivering value, in its broadest sense, in all we do. This means delivering value for our customers in terms of the services they receive and the quality of their homes, as well as our ability to continue to grow so that more people can benefit from affordable housing. It sets out the additional work we will continue to invest in to generate social value through support to our customers and beyond. We recognise the importance of environmental sustainability for our customers and future generations and this objective sets out challenging targets to achieve this.

					Demonstrates VfM		
Strategic objective	**Outcome measure**	**Target 2024**	**Result 2024**	**2023 Benchmark (peer group)**	**Ec**	**Effic**	**Effec**
Maximise the value we provide to our customers and communities through decision making and initiatives that support environmental and social sustainability	Average re-let time for all homes (days)	19.0	19.2	n/a		✓	✓
	% gross arrears	6.0%	5.0%	n/a	✓	✓	✓
	Income collected as a percentage of total due	99.5%	99.1%	n/a	✓	✓	✓
	% of shared ownership homes void for more than six months	4.0%	7.2%	n/a	✓	✓	✓
	Average sales time from handover to sale completion (weeks)	15	14	n/a	✓	✓	✓

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

Average re-let time for all homes (days)

Our average re-let time of 19.2 days was slightly outside our target of 19 days. We continue to work with colleagues to incentivise the letting of homes where we have multiple void homes in addition to utilising local agents and other platforms. At Stonewater we believe that everyone should have the opportunity to have a place to call home and in Lettings this Vision runs through everything we do.

Gross arrears

Gross arrears ended the year at 5% inside our target of 6%, which is a positive result against the backdrop of worsening economic conditions presented by increased rent and service charge costs and the cost-of-living crisis for residents.

Income collected as a percentage of total due

The overall rent collection rate finished the financial year at 99.15% against a target of 99.5%, which was close to our target. During the year we have invested in a new platform, which helped increase collection rates for March 2024.

Shared ownership homes void for more than six months

Shared ownership homes void after more than six months ended the year at 7.2% which was outside our target of 4%. At the end of the financial year, there were 22 properties void for longer than the 26-week sales period allowed in our appraisal model. Of the 22 properties, 15 are currently reserved with the rest to complete later in 2024/25.

Average sales time from handover to sale completion (weeks)

We ended the year slightly above target. Stonewater implemented a digital system last financial year to manage the sales process from the enquiry stage to completion. By doing so, we managed to address three key issues: improve customer satisfaction, improve colleague welfare and improve sales void times by enabling more efficient transactions and market launches.

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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 resources to deliver services rather than outsourcing.

Savings are calculated using internal methodologies which include measuring how much less has been spent in a period with any adverse budget variances being offset against savings.

Other measures include identifying cash savings resulting from the re-procurement of goods and services, grants received for investment in our homes and renegotiation of existing contracts.

Our performance against our target for 2023/24 is set out in the table below.

£'000	Result 2024	Target 2024	2023 Result
Value for Money cash savings	**9,000**	**8,600**	*8,900*

Summarised below are some of the Value for Money achievements and initiatives delivered in the year:

- £4.0m savings from the use of SHDF funding.
- £1.4m savings on negotiated land acquisitions and build contracts.
- £1.2m savings on the use of case management software and a new team to manage customer debt.
- £0.1m savings on compliance works within our Treasury team.
- £0.8m procurement savings on the boiler replacement programme.
- £0.2m on savings on use of alternative legally compliant solution for fire stopping works.
- £0.5m savings on the average sales time for shared ownership sales.
- £0.4m savings from in-sourcing publications, additional grants and team re-organisation.
- £0.4m savings on technology, data and people efficiencies across the organisation.

Regulatory Value for Money metrics

The Regulator for Social Housing (RSH) has outlined what it expects registered providers to deliver in relation to Value for Money (VFM) in its VfM Standard 2018. The VFM Standard requires that an organisation understands its costs and the outcomes of delivering specific services, and the underlying factors which impact these costs.

The Regulator has defined seven metrics which enable us to compare against the whole Global Accounts sample.

Metric	Stonewater 2023/24 Actual	Stonewater 2023/24 Target	Global Accounts: Global Accounts 2022/23 Median	Global Accounts: Stonewater 2022/23 Actual	Global Accounts: Stonewater 2022/23 Quartile
1. Reinvestment %	9.5%	8.6%	6.5%	9.4%	UQ
2a. New supply delivered % (social housing units)	3.4%	3.3%	1.4%	3.1%	UQ
2b. New supply delivered % (non-social housing units)	n/a	n/a	0.0%	n/a	n/a
3. Gearing %	53.2%	45.5%	44.1%	54.1%	UQ
4. EBITDA MRI interest cover %	79.3%	124%	145.7%	106.0%	LQ
5. Headline social housing cost per unit £	£4,663	£4,461	£4,150	£3,997	LQ
6a. Operating margin % (social housing lettings only)	21.0%	27.5%	23.3%	23.2%	MQ
6b. Operating margin % (overall)	19.3%	25.5%	20.5%	21.6%	MQ
7. Return on capital employed (ROCE)	2.2%	2.7%	3.2%	2.6%	LQ

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. New development expenditure has increased from £228m to £266m reflecting the uptick of activity.

New supply delivered % (social and non-social)

These metrics set out the number of new units (social or non-social) that have been acquired or developed in the year as a proportion of the total units owned at period end. The number of social units delivered this year is 1,185 compared to 963 in the previous year, reflective of a healthy pipeline activity.

Gearing

This metrics measures net loans (incl. finance lease obligations) as a percentage of the value of housing properties. Gearing decreased in the year from 54.1% to 53.2% reflecting a growth in assets funded by operating surpluses whilst maintaining net debt levels. We remain within our lender covenant and risk appetite set by the Board.

EBITDA MRI

This measures the level of operating surplus (including expenditure on capitalised major repairs and excluding depreciation and amortisation) compared to total interest payable. It also includes profits on first tranche and outright sales, which can be more volatile. This metric is currently showing 79.3% compared to a target of 124% and is a result of lower operating surplus and higher interest rates and higher investment in properties.

Headline social housing cost per unit

Assesses the costs that Stonewater incurs to manage social housing properties divided by the number of units managed. Our headline social housing operating cost per home increased by 19% compared to last year, primarily due to an increase in responsive maintenance, planned repairs, housing management and service charge costs. The service charge and housing management costs have been impacted by rising energy costs.

Operating margin (overall)

The operating margin demonstrates the profitability of operating assets. Our operating margin has declined this year and did not meet our target for the year. This was due to costs associated with increased responsive repairs and demand-price increases of building materials and trade-labour markets. This is representative of sector wide pressure across the cost base while maintaining service levels.

Return on capital employed (ROCE)

This metric compares operating surplus to total assets less current liabilities and is used to assess the efficient investment of capital resources. Our ROCE decreased this year mainly due to missing our target for operating surplus, caused by additional repair costs.

Environmental, Social and Governance (ESG) Reporting

As ESG reporting increasingly becomes a key driver for investors and stakeholders, we are developing our reporting against key metrics and most notably the Sustainability Reporting Standard (SRS). This will provide access to wider funding opportunities and ensure goal congruence between ESG, VfM and social value initiatives. The implementation of the Stonewater sustainability strategy, coupled with the adoption of a sustainable financing framework, demonstrates the long-term VfM commitment to deliver fair, affordable and sustainable housing for future generations to enjoy. Stonewater issued a £250m sustainability bond in September 2021.

The key performance indicators for 2023/24 are shown below.

Key performance indicator	%
Increase the percentage of existing homes that are EPC C or above	77%
Improve SHIFT score annually	65.3%
Increase the percentage of land and build homes that are SAP 86 or above	27.6%

*as this is the first year of reporting, the 2023 comparators are not available

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.

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.

Building safety and compliance

During 2023/24 we have registered our high-rise buildings, submitted key building information and created safety case files for all of our occupied blocks (four in total).

Together with our customer-led Building Safety Committee we have created a building safety resident engagement strategy and tailored communication plans, ensuring that our customers are fully informed regarding building safety.

We have recruited a Building Safety Manager who will ensure the safety of our in-scope buildings and work collaboratively with customers to ensure they are engaged regarding the management of their homes.

We have progressed our mid-rise survey programme and substantially completed all priority 1 sites. Where remediation has been identified as being required, we have worked with customers to put in place temporary measures to maintain customer safety, whilst works have been completed. We have successfully completed three large building safety schemes, accounting for just under £1 million investment in customer safety improvements.

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We have refreshed our asbestos management plan, re-procured new asbestos analytical and removal contracts, implemented a new colleague training programme and enhanced the information we provide customers regarding asbestos in their homes.

We have delivered a TSM performance level of 98.5% compliance (or higher) across all compliance measures at year end.

Sustainability

Stonewater has an ambitious Environmental Strategy. As part of this, we are continuously developing our plan to reduce the organisations' carbon emissions, supporting the Government target to become net zero by 2050. We have long term targets in place to enhance the efficiency of new and existing homes as well as mitigating the impact of climate change on our homes and customers.

Our biggest emissions as a housing organisation come from our existing homes. It is our ambition to upgrade all of our homes to a minimum energy efficiency rating of EPC Band C by 2030. Our retrofit programme has begun and this year we completed retrofit works on 127 homes. This included installing or renewing internal and external insulation, fitting heat pumps, high heat retention storage heaters and solar PV.

Our retrofit programme is continuing, and we have secured more than £9m in funding to make energy efficiency improvement works to more than 800 homes across England.

The funding from the Department for Energy Security and Net Zero (DESNZ) and SHDF Wave 2 will improve the energy efficiency and reduce running costs for customers, contributing to lowering the carbon footprint.

We continue to build as environmentally sustainable as possible as well as ensuring our homes are affordable lo live in. To help this all our Land and Build developments approved in 2022/23 have space and water heating provided by non-fossil fuel solutions. We are also well advanced in delivering homes utilising Modern Methods of Construction.

With the energy crisis having a huge effect on households, it has never been more pressing to involve customers in conversations about energy efficiency and their environmental impact. We have used digital methods to support customer throughout the energy crisis.

We harnessed social media to engage with as many people as possible, and organised Facebook Live events featuring expert panel discussions and customer Q&A sessions focused on energy and the cost-of-living crisis.

These included our digital Customer Energy Hub, providing a wealth of the most up-to-date information and advice on how to reduce energy consumption and bills. We also created a series of accompanying online videos around the subject.

The hub provides information on cutting energy consumption and CO_2 emissions, using heating systems efficiently, financial support available from the Government and other agencies, how to use smart meters to monitor energy use and much more.

Stonewater holds a gold rating in its Sustainable Homes Index for Tomorrow (SHIFT) accreditation. 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 CO_2 emissions, water use, landfill waste and response to climate change risks. Stonewater is committed to improving our SHIFT rating year on year and achieving a Platinum accreditation by 2030.

Responsive repairs and planned Maintenance

Our long-term partnering contractor relationships continue to develop and evolve to ensure we respond to an ever-changing environment in order to grow in strength. Our robust contract management framework supports and compliments our contracts and following a recent internal audit we received substantial assurance to our approach. Our contractors provide a customer-centric service for both responsive repairs and planned investment programmes, for which they provide valued insight into the needs of our homes to ensure they are safe and well maintained. By working closely with partnering contractors in relation to priority times and improved communication we have seen significant improvements with many of our contractors with many key performance indicators now being met and indeed exceeded.

Throughout 2023/24 we have continued to deliver our robust, data led damp, mould and condensation process; utilising a range of customer insight and property information to risk stratify our stock base and proactively engage with those households who are most likely to be experiencing or at risk of experiencing damp, mould and condensation. A plethora of customer facing communication tools have been developed to support this. In addition, to further strengthen our services we have procured a number of national specialist damp and mould contractors to ensure respond to customer requests and property remedial works at the earliest opportunity. We continue to review and evolve our approach to DMC ensuring that we encompass best practice and IT solutions at every stage. We responded to the formal consultation on Awaab's Law supporting key recommendations made and have already started to adapt our approach in readiness. We have been assured of this approach via external audit (receiving Substantial Assurance with no associated management actions).

Progress with this service and others is routinely reported to our Customer Scrutiny Panel, Chief Officers Group and Stonewater Board.

Procurement and outsourcing

Over the past 12 months, the Procurement team has begun the delivery of its three-year strategic plan. The initial focus has been on data and governance improvements, which have identified a number of areas of improvement as well as opportunities to generate value for colleagues and customers alike.

The team's internal contract database has continued to grow, which has facilitated an expansion in all directorate sourcing plans. These plans now offer contract managers better foresight on their supplier agreements as well as working towards a culture of proactivity when making all purchases. It is hoped that this will enable an increase in the number of ways Stonewater procure their contracts moving forwards, to leverage more and better value from a variety of markets.

The team is also supporting Stonewater in preparing for the changes brought about by the Procurement Act (2023) and the Procurement Regulations (2024), which are due to come into effect in October. This will be the first significant change to the regulations for nearly a decade, with the overarching aim of promoting national economic growth, by supporting UK businesses in accessing the public sector market for supply. The changes also place a greater focus on the accountability and transparency of contracting authorities when dealing with their suppliers, meaning that all processes and documentation need to be updated to ensure compliance.

The effects of the UK inflationary crisis are beginning to lessen in supply chains, following a period of price rises throughout 2023/24. The ongoing war in Ukraine is still having an impact, although supply chains have become more resilient to the initial challenges posed in 2022 and 2023, particularly in relation to fuel. The geopolitical tensions are likely to have the largest impact in the coming financial year, with disturbances to shipping lanes placing delays on the delivery and availability of a variety of items.

The Procurement team continues to monitor risks through Dun & Bradstreet, receiving real-time updates on a daily basis regarding the financial stability of all recognised and live suppliers. Support is also available to colleagues managing contracts for how best to raise concerns with their suppliers and to manage all known risks.

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. The feedback received is used by our operational teams to remove any areas of frustration and dissatisfaction from our services, ultimately improving customer experience. During 2023/24, 83.5% 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 colleagues' professionalism, and more specifically receiving a call back and the speed of delivery of our services.

External Environment

The last financial year was a relatively stable one in terms of political leadership in Westminster. However, the result of the General Election in July 2024 presents both opportunities and some risks to Stonewater and the wider sector.

Many of the challenges faced by the new Labour Government are the same as those endured by the previous government - the economy, costs of living, energy security, immigration, and waiting lists in the NHS.

We remain alert to how current politics and economics impact our customers and employees, and we continue to put their needs at the centre of all we do.

We were also well-prepared for the election, and acted to provide customers and our employees with the necessary tools to educate themselves about what the election might mean to them without the risk of being misled or dis-informed.

A new Parliament and new priorities

While the General Election date took everyone by surprise, we knew that it was going to take place at some stage this year and were well prepared for it.

Because of the generally rural and suburban nature of Stonewater's footprint, almost 80% of the constituencies where we have homes were previously represented by Conservative MPs. The election saw a significant shift in this: now 50% of Stonewater homes are represented by Labour MPs, and there has been a large increase in the number of Liberal Democrat MPs representing our customers. In addition, our largest area, North Herefordshire, now has Green MP. Additionally, 131 of the 220 constituencies with Stonewater homes have a new MP.

With new MPs looking to build their understanding of their constituencies and constituents, there may be more attention over the next 12 months on issues such as housing availability and new developments. Stonewater's considerable reach across smaller towns and rural areas, where housing provision is lower than average and opposition to development is persistent, may make attention more likely.

No matter who our MPs are, whatever party they represent, we adopt a consistent approach and ensure a united voice. We look forward to working with all of our MPs – new and returning – to ensure we can support Stonewater customers across the country.

The new Labour Government has already confirmed that housing will play a crucial role in its plans for growing the economy. Housing associations face a range of competing pressures, and we stand ready to work with the Government and our partners to deliver those homes. While there will inevitably be a focus on facilitating first-time home ownership, affordable housing for rent is also crucial. Stonewater will play a pivotal role in delivering both aspects.

Stonewater will continue, as we always have done, to engage with government and opposition parties so that forthcoming policy and legislation takes our customers' interests into account.

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Responding to the new Government's agenda

We are in the early days of the new Labour Government, but the King's Speech has clearly set out that housing will be a key issue in the coming Parliament. And the Deputy Prime Minister's commitment to reintroducing more ambitious mandatory housing targets, recognising the importance of social rented homes, and to overhauling the planning system is welcomed by us.

The Government also recognises that housing associations need support to build their capacity and make a greater contribution to affordable home supply. The new National Planning Policy Framework (NPPF) is an important first step in navigating our way through the housing crisis. We look forward to engaging with the announced NPPF consultation later this year.

Given Stonewater's presence in existing 'new towns' like Milton Keynes, we will also seek out opportunities to support the development of new towns should they be located in Stonewater areas.

Stonewater welcomes too the commitment to provide stronger, specialist responses to violence against women and girls as part of the forthcoming Crime and Policing Bill. Stonewater is proud of our work in supporting survivors of domestic abuse and will work to ensure that the role that housing can play is recognised.

The social housing sector has seen increased scrutiny in recent years, particularly through the Social Housing Regulation Act. The Act has already had a significant impact, and the Government continues to consult on the finer details. Among them are:

1. The implementation of 'Awaab's Law', which requires landlords to fix reported health hazards within specified timeframes.
2. Timeframes on how long landlords will have to investigate and make repairs. These timeframes will be written into tenancy agreements, enabling tenants to hold their landlords to account by law if they fail to provide a decent home.
3. Instructions by the Housing Ombudsman on service measurement and guidance on a variety of issues such as damp and mould.
4. Requirements for all senior social housing managers to gain a housing management qualification.

We do not expect the Labour Government to roll back on any of these reforms. As a social landlord, we understand how important it is to be the best landlord possible for our customers. Therefore, Stonewater welcomes ambitions of reform and will work with government and our stakeholders to ensure that any further strengthening of these measures work in the best interests of both customers and the sector.

We are actively participating in these consultations, and have already made progress toward implementing the expected outcomes, which include (but are not limited to):

- recognising our customers' 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
- our continuing commitment to the Net Zero agenda through both retrofit and sustainable new development – ensuring homes that are affordable today and fit for the future.

Reforming social housing funding and delivery

Registered providers have long demonstrated their value in serving those in society who need it most, and we are confident we will continue to do so. The sector's financial sustainability has, however, been affected by the inflationary situation. Consequently, this has put a strain on our operations and our customers' lives.

As a result of the cost-of-living crisis, Stonewater was pleased to see the re-instatement of a CPI + 1% increase cap on social housing rents for 2024/25 and 2025/26, even though we supported the 7% cap for 2023/24. We will continue to advocate for reliable funding streams, guaranteed by long-term settlements, which allow us to leverage further capital to make the most of what is available.

Stonewater also welcomes calls from the Independent Review of Homes England for establishing a five-year Affordable Homes Programme fund. We will continue to engage with discussions on a replacement for the Infrastructure Levy and other social housing funding mechanisms that may come in the next year.

Environment and sustainability

Sustainability and decarbonisation remain a key issue for the sector - specifically how to fund the retrofit of social housing - and are central to the new Government's ambitions. The cost-of-living crisis has heightened the importance of this, something that our Greenoak Centre of Excellence will continue to emphasise and address.

As well as the Centre of Excellence which brings the sector together to share best practices, Stonewater has been active in campaigning and advocacy, with IPPR reports, including All Hands to the Pump and GreenGo (2023), having a significant impact on Government and opposition policies. We welcome the new Government's emphasis on decarbonisation and cheaper energy and hope that future plans have a positive impact on this. Considering that energy bills are one of the most significant contributors to the cost-of-living crisis, it is more important than ever to find solutions.

Organisational structure, governance and risk management

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

As at 31 March 2024, Stonewater Limited has three registered provider subsidiaries:

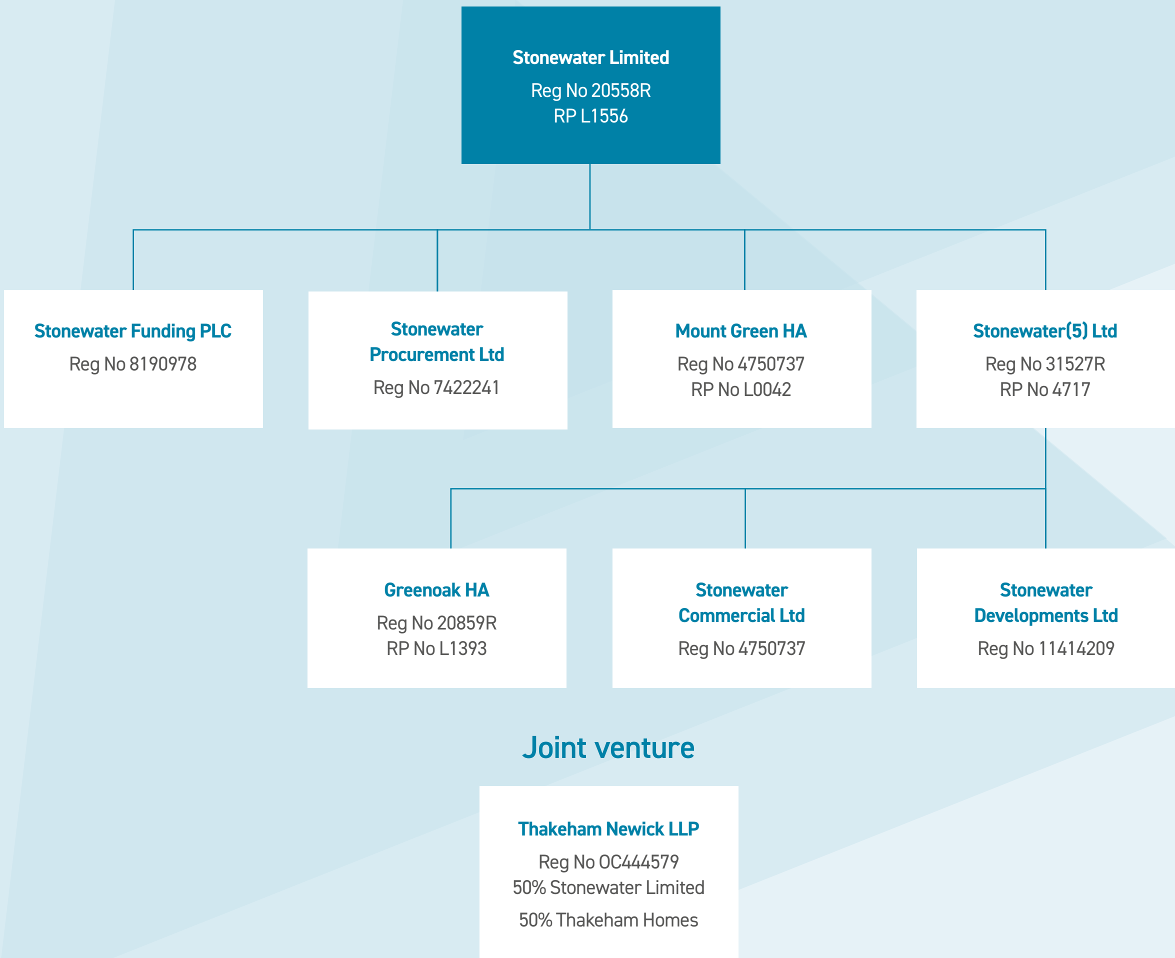
- Stonewater (5) Limited
- Greenoak Housing Association Limited
- Mount Green Housing Association Limited

Stonewater also has four wholly owned commercial subsidiaries:

- **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.
- **Stonewater Procurement Limited** – currently non-trading.

Mount Green Housing Association became a subsidiary of Stonewater Group on 31 January 2024. Mount Green is a charitable housing association managing more than 1,600 homes across Surrey and Sussex. Registered with and regulated by Homes England and the Regulator of Social Housing, Mount Green provides affordable homes for people to rent or buy.

Following discussions that began last year, 15 homes and their customers in the villages of Puttenham and Wanborough in Surrey have been welcomed by Stonewater through a transfer of engagements from Puttenham and Wanborough Housing Society. (PWHS). The transfer from PWHS, a volunteer-run organisation, includes funding to invest in the homes, which will be used to improve and maintain them for customers, as well as improving their energy-efficiency.



Report of the Board of Management and Strategic Report

Board

The parent 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 on 31 March 2024, including one executive member, as set out on page 5.

There is a common Board membership for Greenoak Housing Association and Mount Green Housing Association with both Boards meeting at the same time and with a common agenda. This supports an integrated approach to the oversight of the Greenoak and Mount Green operations which are being brought together and cover Group properties in Surrey and Sussex.

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 Group to stakeholders.

Governance arrangements

The parent Board and the subsidiary and commercial boards are supported by two Group committees and five Group challenge and assurance panels, each of which includes one or more members whose skills and experience supplement those of the Board member. The governance structure 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.

Nominations and Remuneration Committee

Oversees the recruitment and remuneration of non-executives, the Chief Executive and the Chief Officers. Advises the Board on annual pay reviews for Stonewater employees.

Risk and Assurance Committee

Oversees the 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.

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.

Homes and Development Challenge & Assurance Panel

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

Technology and Data Challenge & Assurance Panel

Oversees the implementation of Stonewater's digitalisation programme.

Chief Officer Group

Stonewater has an experienced Chief Officer Group which manages the day-to-day running of the business.

The Executive team consists of the Chief Executive and five Chief Officers.

The details of the Chief Officer Group are on page 8.

Skills, qualities and experience required by the parent Board

To discharge its responsibilities for setting the strategic direction and overseeing performance, Stonewater's parent 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. A succession plan is in place to ensure that there is a balance between refreshment of skills and continuity on the parent and subsidiary boards.

In addition, the parent 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. On 31 March 2024, the Board comprised 42% (2023:

42%) female members, 17% (2022: 18%) from a Black, Asian or minority ethnic background, and two members (2022: one member) who identify as disabled. The Board consists of members whose ages span four decades.

The parent Board undertakes an annual collective review of its performance, culminating in the identification of priorities for the year ahead. Progress against these targets 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 2023/24 and headline performance against these were:

Objective	Performance
Explore further merger and growth opportunities	Comprehensive assessment of operating environment informed Board away day to set direction of future strategic plan. Inorganic growth strategy reviewed and updated. Transfer of engagements from Puttenham and Wanborough Housing Society accepted. Mount Green HA joined the Stonewater Group.
Ensure continued financial strength and risk management	A credit rating. V1 regulatory viability rating. Strategic and critical operations risk register reviewed quarterly. Operating risks monitored and current impact assessed through parameters for key activities. Risk appetite reviewed.
Recognise the customer voice and customer resilience in 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.

Other actions for improvement arising from the annual review 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 on 31 March 2024.

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.

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 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 Chief Officer 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 to achieve the 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 Chief Officer Group and each of the subsidiary boards, committees and panels 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 risks arising from the volatile operating environment. During the last year these have covered the impact of movements in the financial markets, the unrest in the Middle East, the war in Ukraine, the cost-of-living crisis as well as the availability of operatives and the supply chain. This has been informed by bespoke risk parameters on the impact on Stonewater's customers, colleagues, contractors and suppliers and financial status.

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.

Area of risk	Risk responses	
	Example of control in place	**Actions during the year to strengthen controls**
Financial capacity 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	• Stress-testing which demonstrates ability to withstand various economic stresses. • Mid-year review of business plan. • Adjustments to the development programme to reflect the current operating environment and competing demands on resources.
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 • Participation in national interest groups and at national political and sector conferences
Customer insight is not embedded in business design and service review processes	• Voice of the Customer strategy • Customer engagement toolbox • Dedicated customer insights team • Independent methodology for customer satisfaction • Dedicated team managing complaints process	• Self-assessment against the Housing Ombudsman Service (HOS) Complaints Handling Code • Learning from complaints and Ombudsman cases • Customer communications plan implemented. • Voice of the Customer Action Plan
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 Homes & Development Panel • Compliance issues monitored by the Risk and Assurance Committee • Oversight of activity by strategic health and safety board and operational group. • Management plans in place for key risk areas, e.g. fire, asbestos etc.	• OHSAS accreditation being pursued • Plans established for compliance with new legislation on building safety and fire safety • Further development of the suite of KPIs
Stonewater's damp and mould strategy is not implemented effectively	• Overarching health and safety policy • Damp mould and condensation (DMC) policy • Full stock survey identifying Category 1 and 2 risks • Mandatory DMC learning and development programme for relevant colleagues and e-learning module available to all colleagues	• Full and timely engagement with the Regulator of Social Housing with regards to DMC • DMC reporting implemented • DMC customer communications plan • Additional, specialist DMC resources to ensure dedicated focus
Strategic planning is impeded by uncertainty about government priorities and evolving regulatory expectations	• 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	• Implementation of 10-year Strategic Plan • Action plan to implement the requirements of new social housing legislation • Non-executive and executive away days with focus on operating environment and strategic priorities. • Inorganic growth opportunities pursued. • Development plan implemented.
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	• Delivery of Strategic Plan objectives. • Level 2 status achieved against Portfolio, Programme, and Project Management Maturity Model • Implementation of requirements of Social Housing Act

Area of risk	Risk responses	
	Example of control in place	Actions during the year to strengthen controls
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	• Tech and Data strategy approved • Internet of Things strategy approved • Implementation of data management strategy
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 • Environmental social governance framework • Environmental strategy and action plan • Fuel engagement strategy and action plan	• Work towards establishing a long-term carbon reduction and net zero target • Development of new Sustainability Management System Lobbying to influence national policy on, and secure greater support & grant funding towards, retrofit
Resilience of Stonewater's IT systems to cyber attacks	• Operational and governance oversight of IT Strategy • Cyber essentials plus 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	• Enhancement of all third-party access controls security policy formulated • Review process of digital classification of data • Insurance cover increased
Partnerships and supply chain relationships do not deliver objectives	• Procurement procedures and contract management system • Contracts managed by nominated managers, with regular partnership management meetings • Regular Dun and Bradstreet checks undertaken on main contractors to ensure early visibility of any financial challenges • Value maximisation strategy	• Regular monitoring of supply chain and implementation of actions as needed to address issues arising with monthly reports to the board • Regular monitoring of financial status of key partners and suppliers with monthly reports to the board • Work with contractor partners to secure supply chains
Stonewater's leaders do not have the capacity to set and deliver the Strategic Plan and/or the supporting staff team does not have capacity to undertake the full range of responsibilities delegated to them	• Board succession plan • Chief Officer succession plan • Digitalised recruitment processes • Specialist recruitment team and employer branding supported by recruitment advertising specialist • Learning and development programme • Comprehensive benefits package for employees • Board role description including key competencies. • Specialist recruitment agency retained for non-executive and executive vacancies • Bespoke leadership development programme undertaken by all people managers • Non-executive learning & development plan supported by budget	• People Strategy implemented • Strategic Resource Planning to identify capacity issues and opportunities for next 12 months • Resource capacity monitored by the board monthly against bespoke risk appetite parameters • Organisational development activity to support digital transformation and strategic plan projects • Development of digital online learning tools and products • New approach to leadership development

Report of the Board of Management and Strategic Report

Effects of material estimates and judgements upon performance

The following are the material judgements and estimates 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 in note 1. 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 information and communication technology (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 2024 was £429.2m (2023: £398.7m), with the total charge in year of £35.3m (2023: £32.0m).

Defined benefit pension scheme obligations

At 31 March 2024, 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 2024 was £18.3m (2023: £18.4m).

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.

People Strategy

Our People Strategy 2023-2028 set out our ambition to become an Exceptional Place to Work. We have identified 10 cultural accelerators to enable us to go further, quicker, towards delivering our organisational goals.

Leadership and management development remain a key priority, and we are investing in a new 'Learning Leader' approach for managers at all levels, alongside our Step Up to Manager programme.

We have launched a new EDI Strategy to ensure that Equality, Diversity, and Inclusion continues to be central to all that we do. We are fully committed to creating and sustaining an environment free from discrimination, harassment, and victimisation. We are focused on identifying key measures to monitor our progress and ensure that customers and colleagues are treated with respect and where necessary, we can make reasonable adjustments.

We work hard to ensure that all decisions relating to employment practices are objective, free from bias, and based solely on work criteria and individual merit. For example, 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. Our four colleague Employee Networking Groups make a significant contribution to our EDI agenda. These are 2GeTher – our ethnicity network, Spectrum – LGBTQ+ network, Inspire – disability network and Alliance – gender equality network. We also have a number of listening groups for topics that really matter to colleagues such as menopause, men's health, carers and neurodiversity. These groups ensure that colleagues from under-represented parts of our workforce have an opportunity to use their voice to effect change and play a huge part in our organisation's commitment to be a diverse and inclusive place to work. We were proud to achieve Top 10 Employer and Top 10 Employee Networking Group at the Ethnicity Matrix Awards this year.

Our in-house recruitment team works closely with our recruitment advertising partner, Blue Octopus, 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. This enables more self-service, automates Human Resources (HR) and Learning and Development (L&D) products and services and ultimately improves the colleague experience to ensure that we are making the most of digitalisation.

We continue to work in partnership with the Information & Participation Association, who are experts in the field of employee relations. We continuously develop the skills and contribution of our colleague representatives and are looking to strengthen the links between this group and our EDI networking groups. This forum is chaired by our Chief Executive and other senior leaders, to ensure the colleague voice is heard and people are involved in decisions that affect them. This cross-company group widely consult, inform, and engage with colleagues across the organisation.

Our unique approach to hybrid is popular and the majority of colleagues continue to choose to work from home most of the time. We are proud of the range of benefits we have provided to support this way of working and the ability to offer truly flexible working arrangements to support people with diverse needs. We provide bespoke online training, developed in-house on a range of topics for colleagues and customers, ranging from reasonable adjustments to remove or reduce any disadvantage related to someone's disability in the workplace, safeguarding, domestic abuse and resilience. Our regular manager briefings enable us to keep managers and colleagues informed about matters that affect them.

We also continue to support colleagues through our unique benefits such as the employee assistance programme, healthcare, our myOwnHome supported housing scheme, Home Work Space and Environmental Loans and our Wellbeing Toolkit (mind, money, munch, move).

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 deliver excellent services to customers.

Continuously improve employee engagement so that colleagues feel proud, committed and are 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.

We monitor the success of our People Strategy through our employee engagement survey which we run via Best Companies. We also hold regular job house sessions with colleagues across the organisation and run our monthly Wellbeing Survey for line managers. We host a range of events throughout the year such as our annual Company Day and monthly Team Talks to give people the opportunity to connect, stay informed and get involved.

Report of the Board of Management and Strategic Report

Relationships

We work alongside our Charity Partner, the Longleigh Foundation, to support our customers to thrive in their homes and communities. This partnership enables us to support customers through individual and crisis grants, with customers receiving a total of £573k in grants over the year. In addition, through the Longleigh Foundation, customers have access to a range of specialist organisations providing support in relation to financial and mental wellbeing.

In addition to Longleigh, we work with charities and businesses across the country to create a growing database of organisations which can offer support and grants to our customers.

Our specialist tenancy sustainment team supported over 200 households to secure grant funding from external partners and over 300 households to access specialist fuel and energy saving advice. Stonewater has also partnered with LEAP, a free service, which is helping people keep warm and reduce their energy bills without costing them any money.

We have been working to establish partnerships with local furniture projects and we have arrangements in place with organisations such as Provision House in Dudley and SCRATCH in Southampton. These organisations work to address local need, for example, Provision House provides affordable furniture starter packs and new beds to customers in the Dudley area. To further tackle the growing issue of furniture poverty, we've also entered a welfare partnership with the British Heart Foundation, enabling customers to purchase goods up to a pre-authorised amount to furnish their new homes.

We have continued to develop our stakeholder relationships with local authorities (LAs) and ensuring we remain a responsive, proactive partner. With new development schemes we work with our LA partners in ensuring that our schemes are addressing local needs and that we form effective letting strategies to develop sustainable communities.

In the last year, we have proactively stepped up to work with partnering LAs to support in meeting their objectives. We are now working with 11 LAs, increasing by six in the last year, through joint development projects, acquiring an additional 76 properties in a range of locations and sizes (Bristol City Council, Coventry City Council, Herefordshire County Council, Huntingdonshire District Council and South Gloucestershire Council). In addition, we are now working with three local authorities to establish 'Housing First' projects, to accommodate and support people with a past of street homelessness.

Our relationship with the University of Stirling has continued to grow as we delivered on the INVITE project. The research between the university and our Retirement Living services was to explore how technology can maximise opportunities to support residents to live well and safely, including when they develop conditions such as dementia. The research report was published in the last year and the findings will be used to develop good practice guidance for implementation of technology-enabled support that emphasises equality, inclusive design and linking people together within inclusive environments. It has had a wide reach and led to us developing relationships with the Department of Health and Social Care.

On employability, training and volunteering, we have established partnerships with various training providers as well as employers through attending careers fairs in some priority areas. We promote our employability offer through a variety of channels, including our customer hubb, newsletter, targeted emails and via our frontline staff. So far, we've had 39 customers respond to our promotion and we've contacted them to discuss the support they need. Some of the support customers has received included CV and interview support, digital upskilling, volunteering placements and more. We also have strong partnerships with training providers who can deliver various upskilling opportunities including the National Careers Service, Prince's Trust, Strive Training and Babington, to name a few.

Customer engagement

Customer engagement at Stonewater is all part of how we listen, learn and work with our customers to co-create solutions and deliver better customer experiences.

Stonewater's Customer Strategy emphasises the importance we place on listening to our customers' feedback to improve our services. This work is led by our specialist Customer Voice and Influence team, which brings together our customer communications, engagement and complaints teams to champion the customer voice.

In the last financial year, we directly engaged with more than 1,500 customers, working with them to shape our services and gain a greater understanding of their needs. This includes developing our new Customer Guide to Engagement, which is helping us to get even more customers involved in improving Stonewater's services. We've also worked closely with customers to prepare for important regulatory changes, including the new Housing Ombudsman Service Complaint Handling Code and the incoming Consumer Standards.

Our Customer Scrutiny Panel is at the heart of our approach to co-regulation and plays a critical role in influencing and improving our services. In 2023/24, the Panel worked with Stonewater to review our approach to managing Anti-Social Behaviour and to improve our communication around rents and service charges, making 24 recommendations.

Our priority for the coming year is promoting inclusion and accessibility, embedding new locality action plans across our communities and rolling our exciting new initiatives like our mystery shopping pilot as well as making sure our customers are at the heart of how we develop our support and services.

Customer influencing groups

Our customers like to get involved in lots of different ways, and we're continuing to innovate so every customer can have their say and get involved in whatever way works for them.

We've delivered a full programme of customer consultation events over the last 12 months, and 77 customers have joined us to provide feedback about the issues which most matter to them. These have included key areas such as our Neighbourhoods policy, pest policy, grounds maintenance reporting and our complaint policy. Customers have also contributed to procurement exercises, helping us to find the right contracting partners to deliver services on their behalf.

We've also been proactively seeking customer insight, and more than 1,600 customers replied to our surveys, which has helped us to put financial support in place to assist customers, refine our engagement offer, understand the information our leaseholder and shared ownership customers would like to receive and get candid customer feedback about the customer service that Stonewater offers.

Our Friends of Scrutiny group gives customers an opportunity to be part the wider Scrutiny network. Over the year, almost 40 customers contributed to policy reviews, publication reviews, online surveys and consultations.

Alongside this, the eight members of our Ageing Well Board continue to give us some valuable insight into our services from the perspective of people aged over 55.

Our Customer Complaints Panel made 50 recommendations. In 2024/25 and, following guidance from the Housing Ombudsman we have developed this group into a learning panel. This group will become even more crucial as they start to provide guidance and advice on how we can learn from complaints.

In the community

It's really important to us that we're able to maximise customer influence over how we deliver our services, and we find that direct engagement with the people in our communities is a great way to do this.

During 2023/24, we ran regular consultation events seeking direct feedback from customers in communities about issues like parking, garden projects and anti-social behaviour to make sure our community and neighbourhood work is customer-led at all times.

We always seek ways to include as many customers as possible in our engagement work, and a great example of this is the way we've created new ways for customers with lived experience of disabilities to inform and shape our services.

Using online surveys and QR codes at specialist support schemes, we've been able to make sure that customers are able to have a say in an environment where they feel safe and comfortable, and the results from these activities has helped us to deliver more relevant support. Through the use of surveys across our domestic abuse safe accommodation services, we're able to measure the perceived safety of those residing in refuge. Within four weeks, 96% felt safer from external risks. Upon leaving, 88% of survivors felt ready for independent living.

Another valuable group of customers we work with is our 23 community champions, our team of customer volunteers dedicated to improving the appearance of their local area. In total, our Community Champions have completed a huge 112 walkabouts over the course of the year. This involves feeding back on the standard of grounds maintenance and reporting any community-wide concerns such as parking and anti-social behaviour.

We've conducted our annual local authority mapping exercise, using internal and external data we've identified our priority Local Authorities for community work over the next 12 months. This mapping exercise uses the data from a number of directorates across the business and we are working with key partners to look at what matters most to our customers in these areas.

During the year we completed 113 Area Improvement projects, delivering transformation to bin store areas, car parks, scheme signage and bike store facilities. Improving areas in communities that matter most to our customers.

Through our Community Investment grant we've issued over 200 grants, from 400 applications to the fund, spending over £100,000, that has enhanced customer experience and added significant value to communities. We've also given sim cards to customers with limited or no connectivity providing access to free texts, calls and data for a period of six months.

Our mobile associates have been effective and efficient in providing an on-site presence and ensuring that our schemes are maintained and compliant in terms of health and safety. Over the year they have carried out over 3,500 scheme inspections and over 3,600 site visits. We've continued to develop our mobile associates through bespoke training on compliance, health & safety, and safeguarding, to ensure that they have the skills to deliver a responsive and effective housing management service whilst on site.

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Over the past year our specialist teams have managed and completed 4,905 cases, addressing issues such as anti-social behaviour, domestic abuse, safeguarding, communal nuisance and environmental issues within communities, helping to make them happier and healthier places to live.

In January 2024, we launched our "multi-disciplinary team" pilot in Somerset to evolve on the housing operational delivery model and build a greater sense of local presence (an issue of concern highlighted in customer feedback). Much like the NHS, a team of specialists work to solve customer and community issues, ensuring co-ordination and avoiding pass off, deploying colleagues to site as appropriate. Communication is a critical element of this pilot, ahead of the pilot we communicated to customers and other stakeholders the details of what the team do, who they are and how to make contact. In addition, we are communicating regularly to customers via localised newsletters and text messaging. While this pilot has only been live for three months, we have seen a 22% improvement in overall customer satisfaction from the previous three months.

Connecting digitally

In 2023/24, we further developed our online platforms so even more customers can have their say.

1,117 customers are members of our Customer Hubb (Help Us Be Better) online community – a place where our customers can come together to ask questions, feedback about our services, have conversations, share information, discuss hobbies, and post pictures. It's also where we come together with our customers to celebrate our communities, including our annual garden competition.

We hosted two Facebook live events which were viewed a total of 2,468 times, either live or recorded. These events allow our customers to see behind the scenes, meet some of our team and our partners, and give customers a chance to get answers to any questions they have about specific service areas. This has been really important as we have been supporting customers during the cost-of-living crisis, making sure we're providing customers with as much information so they know how we can help.

Our online quarterly newsletter, Here to Help, has been read over 7,000 times and our Customer Annual Review for 2022/23 has been viewed more than 3,000 times. We use these publications to make the customer voice heard.

Customer insight

Our approach to customer insight allows us to have a better understanding of who our customers are and what they expect of our services.

This approach tells us a lot of what we need to know about our customers and is obtained from a wide variety of sources of information, such as demographic data, customer feedback through surveys, complaints and involvement, operational data and staff knowledge. It allows us to understand our customers better, who they are and what their expectations of our services are. It enables us to demonstrate our customer's needs, opinions and aspirations. It's a great way for us to then tailor how we develop and deliver our services so that they are cost effective and provide great customer experiences throughout Stonewater.

Our approach to gathering and understanding insight falls under four headings: Customer demand, Customer feedback, Customer involvement and Customer complaints.

Our customer personas are embedded throughout Stonewater, demonstrating their needs, opinions and aspirations. Knowing this enables 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 are currently in the process of refreshing our customer personas to ensure that they provide an accurate representation of our customer base and how it is changing over time taking account of the post pandemic world and the cost-of-living crisis.

Following this activity the personas will be used to undertake project specific analysis looking into key areas including service demand, void tenancies, tenancy sustainment, and vulnerable customers.

We utilise data obtained from Consolidated Analysis Centre Incorporated (CACI) to gain insight into our customer's financial circumstances in order to better understand the impact of increases in housing costs arising from the annual rent and service charge review. This enables our Board to make informed decisions and proactive outreach to ensure we are supporting those customers most impacted.

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. Insight arising from complaints and feedback is utilised by the Customer Scrutiny Panel in each of their reviews.

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 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 2023/24 within an average of 26 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 a Strategic Partnership with Homes England to deliver two programmes; the Strategic Place Partnership (SPP1) which is in partnership with Guinness Partnership to deliver 4,500 homes by March 2026 with grant funding of £224m and SPP2 to solely deliver 2,680 homes by March 2029 with grant funding of £229m.

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 area 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. We have also been using the Investing in Ethnicity Maturity Matrix accreditation to embed our diversity work. Our EDI board is chaired by the Chief Growth & Development Officer and is taking action with the support of the Employee Networking Groups and the Colleague Forum to achieve the SHEF 'Excellent' level across the business as a whole.

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

Gender	58% Male, 42% Female
Ethnicity	82% White, 18% Black, Asian and Minority Ethnicity
Sexuality	88% identify as heterosexual, 12% identify as LGBTQ+
Disability	96% non-disabled, 4% disabled
Age span	19 - 60+

Pay gap reporting

Stonewater continues to be committed to equality of all its employees including the treatment and pay of men and women. We have initiated many actions to work towards gender parity and the elimination of our gender pay gap ensuring the compliance of our legal obligation to publish a number of details relating to the gender pay gap. Under current requirements for gender pay gap reporting, gender is reported in a binary way that recognises only men and women.

In April 2024, we published our latest gender pay gap data. The report shows our latest median gender pay gap has marginally increased by 2.1% to 21.4% from 19.3% last year. The mean pay gap has increased to 2.4%. The male to female percentage split across the four quartiles continues the trend seen in previous years of a majority of women to men at all levels from 77:2 in the lowest quartile, evening out to 45:55 in the upper quartile.

Following the equal pay review in 2023, we do not believe that the gender pay gap reported is attributable to paying men and women differently for the same or equivalent work, and we continue to regularly monitor our practices to ensure this remains the case.

Our gender pay gap is primarily caused by the 77:23 imbalance between men and women in more junior and lower paid roles in the lower quartiles. We will continue to recruit the best person for the role and would not recommend we positively discriminate. We can be confident that actions in place to promote and recruit women into senior roles continues to positively impact the representation we see in the upper quartiles. We are continuing to improve our pay gap performance through our work with our Gender Equality Group and continuing with our leadership development programme, as well as ensuring our employee policies support family friendly principles. We are also working to recruit to roles not normally held by women, (for example in the tech and IT sectors) through Stonewater recruitment support programmes such as Routes into Stonewater.

Report of the Board of Management and Strategic Report

We continue to voluntarily report on our Ethnicity pay gap. This year our ethnicity pay gap has reduced by 4.4%. This is due to the initiatives in place to support the diversity of our organisation. We have actively encouraged our colleagues to assist in providing their voluntary ethnicity data. We continue to use the opportunity pledge for senior vacancies so that any person of colour with the minimum requirements for the role secures a place in the first stages of interview/ assessment. Whilst we acknowledge the increase in the diversity of our workforce, we recognise that there is still work to do to improve our diversity and reduce our ethnicity pay gap. We continue to support the work of our Race Equality Network Group and the continued delivery of the Ethnicity Pay Gap Action plan, along with the continued work to gain the Investing in Ethnicity Maturity Matrix.

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 2024, is available via our website.

Financial inclusion

We have continued to develop a customer focused, flexible approach through our Income Maximisation Strategy which enhances our support offer for customers due to the cost-of-living placing more challenges on limited resources. We're able to support customers with 'flexible' payment arrangements to help them through unexpected circumstances as well as offering advice, support and guidance for those struggling with the challenges of general everyday costs.

During the year our specialist income team secured over £162,000 in Discretionary Housing Payments for customers as well as continued to work in partnership with StepChange Debt Charity and Cleanslate to provide enhanced support on debt, budgeting, benefits and ensuring all customers have access to financial guidance when they need it.

We've continued to work closely with the Longleigh Foundation on key initiatives designed to support customers experiencing financial hardship:

Referring customers for individual grants, helping customers cope with the impact of difficult, unexpected and unknown crisis situations as well as those known situations that are about to happen but that will still cause financial hardship, such as moving home.

Our kickstart project was established in October 2022 and designed to re-engineer our onboarding process to better support new customers with the emotional and financial pressures of moving home. This project also provides a dedicated specialist resource to avoid new customer debt and minimise low-level debt through prevention, enhanced monitoring and early intervention.

Since its formation, this project has enabled Stonewater to increase tenancy sustainment and reduced the number of tenancies ending in their first two years by half. We additionally provide three specialist roles embedded in our frontline customer facing teams focused on employability, grants, other third sector support and fuel poverty. These roles are able to work directly with customers, signposting and facilitating them to access support to improve financial circumstances, living environments and emotional wellbeing.

In November 2023, we contacted all customers to remind them of our financial inclusion offer and that we are here to help them navigate the cost-of-living crisis. The insight gathered has enabled us to inform a Scrutiny Panel review and enhance our support offer and communications ahead of our annual rent review.

We've provided a dedicated triage service and have spoken to over 1,700 customers to answer queries, with over 600 of these being given one to one support. This has included advice on budgeting, grants, benefits, employability and making referrals to the Longleigh Foundation, Cleanslate and StepChange as appropriate.

We continue to seek to influence national policy; campaigning for better support for Heat Networks customers, promoting social tariffs, improving connectivity within homes and linking customers to opportunities 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, 2024/25, is based on the approved budget.

Rents

Rents on social and affordable rent properties increases under the rent settlement of CPI + 1% throughout the plan.

Inflation – Consumer Price Index (CPI)

6.7% for 2024/25, 2.5% in 2025/26, 2.25% in 2026/27 and 2% thereafter.

SONIA (Sterling Overnight Index Average)

5.25% in 2024/25, falling to 4% by 2026/27, further decreases to 3.5% by 2030/31 and then the long-term rate of 3% from 2032/33.

Earnings

CPI only throughout the plan.

Maintenance and development costs

CPI + 1% until 2033/34, CPI only thereafter.

Other costs

CPI + 0.5% throughout.

Voids and bad debts

Voids and bad debts both at 1% throughout the plan.

Pension contributions

SHPS annual recovery payments per latest review schedule for 2022/23.

The 2024 forecasts cover the challenging economic climate of continuing high interest rates and the impacts of the high inflation increases over the last two years.

Development over the next five years is planned to total 4,600 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. The second SPP programme will deliver 4,180 high-quality affordable homes by 2029 with grant funding of £249.9m.

The plan has been stress tested for a 'perfect storm' of events the Board considers might affect the plan. Further stress testing confirms resistance to the factors modelled, including adverse movements in inflation, interest, sales values and high value one-off financial events. It is apparent that the impact of inflation on costs, over the next few years maybe challenging to Stonewater. The stress testing of the plan considers more extreme economic scenarios than the one currently being experienced.

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

Expected income and expenditure	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m
Turnover	308.6	324.5	338.5	338.5	346.5
Cost of sales	(31.5)	(33.7)	(34.4)	(18.3)	(14.3)
Operating costs	(199.4)	(209.9)	(217.4)	(225.7)	(231.5)
Surplus on disposal of fixed assets	10.2	7.7	8.1	8.5	8.8
Operating surplus	**87.9**	**88.6**	**94.8**	**103.0**	**109.5**
Net interest	(58.0)	(62.6)	(66.9)	(71.9)	(72.1)
Movement in fair value of non-hedging financial instruments	0.3	0.3	0.2	0.2	0.2
Surplus for the year	**30.2**	**26.3**	**28.1**	**31.3**	**37.7**
Capitalised components	37.0	31.1	35.4	38.2	42.5

Before disposals, the base plan shows a flat operating margin for the first few years with the margin increasing as assumed rent increases are greater than the increase in maintenance costs and growth in overheads. Although the spend on development is reduced compared to prior year business plans, the increase in debt (mainly at fixed rates) leads to a higher interest charge over the five years although the SONIA benchmark rate is reducing.

Report of the Board of Management and Strategic Report

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 through:

- **Identification and evaluation of key risks**

  Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. The Chief Officer 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.

- **Control environment and control procedures**

  The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. The Board has adopted the NHF Code of Conduct 2022 reflecting Stonewater's stance on the quality, integrity and ethics of its non-executives and 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 2023/24 in response to the changing operating environment. The Board has received regular reports on key risk areas, including the cost-of-living crisis and its impact on our customers and business costs. Bespoke risk indicators have been developed to enable the board to ensure that operations remain within the risk appetite.

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 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 2023 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.

Going concern

After making enquires, the Board has a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future.

The Board obtains assurance of financial viability through the annual budgeting, re-forecasting, and long-term business planning exercises. As part of this, we review and stress test the availability of funding, liquidity, and compliance with lenders' covenants alongside other key metrics considered by our external stakeholders such as our regulators and credit rating agencies. Together, this ensures the Board has a continual and rolling process of reviewing and assessing our financial strength and viability.

The general UK economic environment and outlook has improved in the past year and this is factored into our macroeconomic assumptions. Board has considered the risks from the current operating environment and possible lower rent settlements from the Government. These scenarios are included in stress testing of our financial plan. This stress testing shows the business to be robust even in extreme downside scenarios. Board is confident our viability can be maintained and having assessed our plans, liquidity levels and mitigating actions available. There is reasonable expectation that the Group has adequate resources to continue in operational existence for the 12 months to August 2025. For these reasons, it continues to adopt a going concern basis for the preparation of the financial statements.

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.
- Prepare the financial statements on a 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 was appointed as Stonewater's external auditors for 2023/24 on 26 July 2023 by the Board.

The report of the Board was approved on 4 September 2024 and signed on its behalf by:

Sheila Collins

Chair 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 2024 and of the Group's and the Association's surplus for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been properly prepared in accordance with the requirements of 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 (together "the Group") for the year ended 31 March 2024, which comprise the consolidated statement of comprehensive income, the Association statement of comprehensive income, the consolidated statement of financial position, the Association statement of financial position, the consolidated statement of changes in reserves, the 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 audit 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 9 years, covering the years ending 31 March 2016 to 31 March 2024.

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 listed 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 who are aware of the detailed figures in the forecast but also 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 2025 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 have reviewed the stress testing scenarios modelled by management, which include assessing the impact on covenant compliance when sensitising the model for changes in interest rates, inflation, reduction in property sales and the level of bad debt. We did not note any significant omissions in the stress testing performed.
- 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. We reviewed the reasonableness of the proposed mitigations and whether 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 the Parent Association's ability to continue as a going concern for a period of at least 12 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	*99.1% (2023: 98.8%) of Group surplus before tax* *99.1% (2023: 99.7%) of Group revenue* *99.8% (2023: 99.1%) of Group total assets*		
Key audit matters		2024	2023
	The recoverable amount of property developed for sale	✓	✓
Materiality	*Group financial statements as a whole* £43m based on 1.5% of total assets ((2023: £7.6m based on 8% adjusted operating surplus) *Group specific* £5.3m based on 2% of turnover (2023: n/a).		

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 Funding PLC based on their size and risk characteristics. These components are both audited by the group audit team.

Three of the four non-significant components are also audited by the group audit team.

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
The recoverable amount of property developed for sale. This relates to items included in note 18 of the financial statements. This area also represents a key judgement made by management as described on page 61.	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 expected sales proceeds less costs to complete and sell, resulting in an amount recognised in the balance sheet of the Group of £56,204,000 (2023: £60,880,000) and of the Association of £54,980,000 (2023: £59,201,000). For properties under construction at the balance sheet date, an assessment is needed of an expected selling price and costs to complete and sell. 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 this was therefore a key audit matter.	Our response included the following: Having obtained management's assessment of the expected sales proceeds less costs to complete and sell for property 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 at year end, as well as completed developments. For a sample of completed properties we agreed the amounts involved to supporting documentation where the property was sold post-year end or where the property was not yet sold, we obtained third-party housing market information in relation to the same locality to confirm that properties were held at the lower of cost and estimated selling price less costs to sell. For a sample of properties under development we performed the following procedures: • Obtained details of the expected costs to complete and sell from the scheme budget for that development and agreed the budgeted contracted cost of the development to the latest contract documentation. • Considered the completeness of the estimated costs by reviewing the contracts to confirm these are fixed price contracts. • 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 assessed the accuracy of cost forecasting by looking at outturn costs compared to budget on schemes that completed in the year. For the same sample of properties we also compared the estimated sales proceeds to third party supporting evidence, for example estate agent valuations, to confirm that properties were held at the lower of cost and estimated selling price less costs to sell. 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 whether this had a material impact on the level of impairment required. For costs to sell – we reviewed computations of selling costs and compared against known selling costs that have been incurred in the year.

Key observations:

Based on the evidence obtained we did not identify any indications that the assessments of the recoverable amount made by management were inappropriate.

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	
	2024	2023	2024	2023
Financial statement materiality				
Materiality	£43.0m	£7.6m	£42.0m	£7.22m
Basis for determining materiality	1.5% of total assets	8% of adjusted operating surplus	1.5% of total assets	8% of adjusted operating surplus
Performance materiality	£32.25m	£5.32m	£31.5m	£5.054m
Basis for determining performance materiality	70% of materiality	70% of materiality	70% of materiality	70% of materiality
Specific materiality				
Specific materiality	£5.3m	N/A	£5.1m	N/A
Basis for determining specific materiality	2% of revenue	N/A	2% of revenue	N/A
Specific performance materiality	£3.975m	N/A	£3.825m	N/A
Basis for determining specific performance materiality	70% of materiality	N/A	70% of materiality	N/A

Rationale for the benchmarks applied

The materiality benchmark in the previous year was adjusted operating surplus. We have reflected on our approach to materiality and concluded that for housing associations key stakeholders are primarily focused on the value of the stable, rented asset portfolio, as their debt is secured on these assets. Total assets is therefore considered to be the appropriate benchmark for determining overall materiality. However, we also determined that for other classes of transactions and balances in income and expenditure recognised within the statement of comprehensive income that are used in covenant calculations and sector benchmarking metrics, as well as other financial statement areas such as property for sale stock and rent arrears that are subject to greater scrutiny by key stakeholders, a misstatement of less than materiality for the financial statements as a whole could influence the economic decisions of the users of the financial statements. As a result, we applied a specific materiality calculated using Revenue as the benchmark to these balances and transactions. Revenue is considered to be a more stable metric to use for this purpose than adjusted operating surplus and is also more transparent and more easily understood by the users of the financial statements.

We have determined that 70% of materiality is an appropriate basis for performance materiality based on our previous experience of the audit and factors such as the low levels of misstatements previously identified partially offset by the number areas of the financial statements subject to significant estimation uncertainty.

Component materiality

For the purposes of our Group audit opinion, we set materiality for each significant component of the Group, based on a percentage of between 26.0% and 97.7% (2023: 2.9% and 95%) of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £11,200,000 to £42,000,000 (2023: £220,000 to £7,220,000). In the audit of each component, we further applied performance materiality levels of 70% (2023: 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 Audit & Risk Committee that we would report to them all individual audit differences in excess of £860,000 (2023: £152,000) for the Group and differences in excess of £840,000 (2023: £144,000) for the Association. 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 and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in Statement of the Board's responsibilities in respect of the Board of

Management and Strategic Report and the financial statements, 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.

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:

Non-compliance with laws and regulations

Based on:

- our understanding of the Group and the industry in which it operates;
- discussion with management and those charged with governance; and
- obtaining an understanding of the Group's policies and procedures regarding compliance with laws and regulations,

We considered the significant laws and regulations 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.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be employment law, Financial Conduct Authority ("FCA") regulations, the Regulator of Social Housing's Regulatory Standards, data protection and health and safety legislation.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance and internal audit reports for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls including the posting of inappropriate journals to manipulate financial results and management bias in accounting estimates. In addition, we considered cut off of property sales revenue to be an area susceptible to fraud.

Our procedures in respect of the above included:

- Testing a sample of journal entries throughout the year, which met defined risk criterion, as well as an additional random sample, by agreeing to supporting documentation;
- Challenging assumptions made by management in their significant accounting estimates in particular in relation to the recoverable amount of properties developed for sale (see Key Audit Matter), impairment of tangible fixed assets, the valuation of defined benefit pension liabilities and the valuation of derivative financial instruments; and
- Testing the application of cut off of revenue, notably shared ownership and outright property sales, for the evidence that it was recorded in the correct period.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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.

Elizabeth Kulczycki (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor

London, UK
27 September 2024

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 2024

	Note	20243 £'000	2023 £'000
Turnover	4	**271,155**	*238,977*
Cost of sales	4	**(31,734)**	*(30,123)*
Operating costs	4	**(187,208)**	*(157,291)*
Surplus on disposal of fixed assets	4,11	**8,356**	*14,204*
Operating surplus	7	**60,547**	*65,767*
Gain on acquisition of business	35	**121,715**	*21,356*
Share of loss made by joint venture	17	**(162)**	*(18)*
Interest receivable and similar income	12	**3,212**	*1,046*
Interest payable and financing costs	13	**(55,191)**	*(43,130)*
Movement in fair value of non-hedged financial instruments	13	**1,268**	*8,771*
Surplus for the year before Tax		**131,389**	*53,792*
Taxation	14	**-**	*-*
Surplus for the year		**131,389**	*53,792*
Actuarial losses on defined pension schemes	31	**(3,124)**	*(585)*
Amounts recycled from Cashflow hedge reserve	26	**(420)**	*4,015*
Movement in fair value of hedged financial instruments	26	**3,522**	*17,969*
Total comprehensive income for the year		**131,367**	*75,191*

All amounts relate to continuing activities.

The notes on pages 67 to 119 form part of these financial statements.

Association statement of comprehensive income for the year ended 31 March 2024

	Note	2024 £'000	2023 £'000
Turnover	4	**257,763**	*230,938*
Cost of sales	4	**(31,705)**	*(28,925)*
Operating costs	4	**(175,206)**	*(149,457)*
Surplus on disposal of fixed assets	4,11	**7,403**	*14,045*
Operating surplus	7	**58,255**	*66,601*
Interest receivable and similar income	12	**2,148**	*518*
Interest payable and financing costs	13	**(50,396)**	*(40,198)*
Movement in fair value of non-hedged financial instruments	13	**1,268**	*8,771*
Surplus for the year before Tax		**11,275**	*35,692*
Taxation	14	**-**	*-*
Surplus for the year		**11,275**	*35,692*
Actuarial losses on defined pension schemes	31	**(3,124)**	*(585)*
Amounts recycled (to)/from Cashflow hedge reserve	26	**(420)**	*4,015*
Movement in fair value of hedged financial instruments	26	**3,522**	*17,969*
Total comprehensive income for the year		**11,253**	*57,091*

All amounts relate to continuing activities.

The notes on pages 56 to 89 form part of these financial statements.

Consolidated statement of financial position as at 31 March 2024

	Note	**2024** **£'000**	**2024** **£'000**	*2022* *£'000*	*2022* *£'000*
Fixed assets					
Tangible fixed assets housing properties	15		**2,899,323**		*2,418,003*
Other tangible fixed assets	16		**16,133**		*10,075*
Investments	17		**19**		*-*
Share of assets/(liabilities) in joint venture	17		**(180)**		*(18)*
			2,915,295		*2,428,060*
Current assets					
Properties held for sale	18	**56,204**		*60,880*	
Debtors	19	**73,375**		*103,148*	
Restricted cash	20	**6,693**		*7,227*	
Cash and cash equivalents		**49,741**		*59,312*	
		186,013		*230,567*	
Creditors: amounts due within one year	21	**(127,026)**		*(99,292)*	
Net current assets			**58,987**		*131,275*
Total assets less current liabilities			**2,974,282**		*2,559,335*
Creditors: amounts falling due after more than one year	22		**(2,343,595)**		*(2,060,553)*
Provisions for liabilities					
Provisions	27	**(305)**		*(359)*	
Pension liability	31	**(18,983)**		*(18,391)*	
			(19,288)		*(18,750)*
Net assets			**611,399**		*480,032*
Capital and reserves					
Cashflow hedge reserve			**(11,791)**		*(14,893)*
Income and expenditure reserve			**623,190**		*494,925*
			611,399		*480,032*

The notes on pages 56 to 89 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 4 September 2024.

Sheila Collins
Chair of Board

Nicholas Harris
Board member

Anne Harling
Secretary

Association statement of financial position as at 31 March 2024

	Note	**2024**	**2024**	*2023*	*2023*
		£'000	**£'000**	*£'000*	*£'000*
Fixed assets					
Tangible fixed assets housing properties	15		**2,671,655**		*2,380,517*
Other tangible fixed assets	16		**12,965**		*9,225*
Investments	17		**50**		*50*
			2,684,670		*2,389,792*
Current assets					
Properties held for sale	18	**54,980**		*59,201*	
Debtors	19	**110,169**		*102,073*	
Restricted cash	20	**5,142**		*5,290*	
Cash and cash equivalents		**14,790**		*25,546*	
		185,081		*192,110*	
Creditors: amounts due within one year	21	**(129,945)**		*(103,109)*	
Net current assets			**55,136**		*89,001*
Total assets less current liabilities			**2,739,806**		*2,478,793*
Creditors: amounts falling due after more than one year	22		**(2,215,930)**		*(1,966,052)*
Provisions for liabilities					
Provisions	27	**(305)**		*(359)*	
Pension Liability	31	**(18,327)**		*(18,391)*	
			(18,632)		*(18,750)*
Net assets			**505,244**		*493,991*
Capital and reserves					
Cashflow hedge reserve			**(11,791)**		*14,893)*
Income and Expenditure Reserve			**517,035**		*508,884*
			505,244		*493,991*

The notes on pages 56 to 89 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 4 September 2024.

Sheila Collins
Chair of Board

Nicholas Harris
Board member

Anne Harling
Secretary

Consolidated statement of changes in reserves for the year ended 31 March 2024

	Note	Cash flow hedge reserve £'000	Income and expenditure reserve £'000	Total reserves £'000
At 1 April 2023		(14,893)	494,925	**480,032**
Surplus for the year		-	31,389	**131,389**
Actuarial gains on defined benefit pension scheme (DCC)	31	-	466	**466**
Actuarial losses on defined benefit pension scheme (SHPS)	31	-	(3,590)	**(3,590)**
Amounts recycled from cash flow hedge reserve	26	(420)	-	**(420)**
Year end revaluation of hedging financial instruments	26	3,522	-	**3,522**
At 31 March 2024		(11,791)	623,190	**611,399**

	Note	Cash flow hedge reserve £'000	Income and expenditure reserve £'000	Total reserves £'000
At 1 April 2022		*(36,877)*	*441,718*	*404,841*
Surplus for the year		-	*53,792*	*53,792*
Actuarial gains on defined benefit pension scheme (DCC)	31		*2,482*	*2,482*
Actuarial losses on defined benefit pension scheme (SHPS)	31		*(3,067)*	*(3,067)*
Amounts recycled from cash flow hedge reserve	26	*4,015*	-	*4,015*
Year end revaluation of hedging financial instruments	26	*17,969*	-	*17,969*
At 31 March 2023		*(14,893)*	*494,925*	*480,032*

The notes on pages 56 to 89 form part of these financial statements.

Association statement of changes in reserves for the year ended 31 March 2024

	Note	**Cash flow hedge reserve £'000**	**Income and expenditure reserve £'000**	**Total reserves £'000**
At 1 April 2023		(14,893)	508,884	**493,991**
Surplus for the year		-	11,275	**11,275**
Actuarial gains on defined benefit pension scheme (DCC)	31	-	466	**466**
Actuarial losses on defined benefit pension scheme (SHPS)	31	-	(3,590)	**(3,590)**
Amounts recycled from cash flow hedge reserve	26	(420)	-	**(420)**
Year-end revaluation of hedging financial instruments	26	3,522	-	**3,522**
At 31 March 2024		(11,791)	517,035	**505,244**

	Note	Other reserves £'000	Income and expenditure reserve £'000	Total reserves £'000
At 1 April 2023		*(36,877)*	*473,777*	*436,900*
Surplus for the year		-	*35,692*	*35,692*
Actuarial gains on defined benefit pension scheme (DCC)	*31*	-	*2,482*	*2,482*
Actuarial losses on defined benefit pension scheme (SHPS)	*31*	-	*(3,067)*	*(3,067)*
Amounts recycled from cash flow hedge reserve	*26*	*4,015*	-	*4,015*
Year-end revaluation of hedging financial instruments	*26*	*17,969*	-	*17,969*
At 31 March 2023		*(14,893)*	*508,884*	*493,991*

The notes on pages 56 to 89 form part of these financial statements.

Consolidated statement of cashflows for the year ended 31 March 2024

	Group 2024 £'000	*Group 2023 £'000*
Surplus for the financial year	131,389	*53,792*
Carrying value of fixed assets disposed	9,064	*14,941*
Adjustments for:		
Accelerated depreciation and depreciation of fixed assets - housing properties	37,482	*34,763*
Impairment of fixed assets - housing properties	437	*5,226*
Depreciation and impairment of other fixed assets	2,798	*3,737*
Amortised grant	(7,698)	*(7,308)*
Net fair value losses recognised in income and expenditure account	(1,268)	*(8,771)*
Interest payable and finance costs	55,191	*43,130*
Difference between pension cost and employer contributions	(3,357)	*(3,724)*
Fair value gain on acquisition of subsidiary	(121,715)	*(21,936)*
Share of operating deficit in joint venture	162	*18*
Interest received	(3,212)	*(1,046)*
(Increase) in trade and other debtors	(3,856)	*(3,152)*
Decrease/(Increase) in properties held for sale	4,676	*(15,719)*
Decrease in provisions	(54)	*(182)*
Increase/(decrease) in trade and other creditors	19,605	*(1,057)*
Net cash generated from operating activities	**119,644**	*92,712*
Cash flows from investing activities		
Purchase of fixed assets - housing properties	(329,318)	*(222,758)*
Purchase of other fixed assets	(6,725)	*(3,901)*
Receipt of grants	43,973	*37,322*
Investment in joint venture	(3,978)	*(4,684)*
Cash arising from business combination	287	*4,561*
Cash arising from transfer of engagement	613	*-*
Interest received	3,212	*1,046*
Net cash outflow from investing activities	**(291,936)**	*(188,414)*
Cash flows from financing activities		
Interest paid	(56,452)	*(46,750)*
Decrease/(increase) in short term investment	534	*(2,574)*
New bank loans	240,000	*96,618*
Bond proceeds	70,000	*3,740*
Bond payments	-	*(13,706)*
Repayment of bank loans	(91,361)	*(18,999)*
Other loans	-	*-*
Net cash received in financing activities	**162,721**	*18,329*
Net decrease in cash and cash equivalents	**(9,571)**	*(77,373)*
Cash and cash equivalents at the beginning of the year	59,312	*136,685*
Cash and cash equivalents at the end of the year	49,741	*59,312*

Notes to the financial statements

1. Legal status

Stonewater Limited is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a social housing provider.

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 Co-operative 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.

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 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. 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 the following 18 months. At 31 March 2024, Stonewater had £49.1m of cash, £0.6m of short term investments and £353m of undrawn facilities, which exceeded contracted obligations less grant by £192.9m.

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.
- Intra-Group 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.

Notes to the 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 Joint ventures
A joint venture is a contractual arrangement whereby the Group undertakes an economic activity that is subject to joint control with third parties and the parties have rights to the net assets of the arrangement. The Group's interest in joint ventures is accounted for using the equity method of accounting. Under this method, the consolidated statement of comprehensive income includes the Group's share of the operating results, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with those of the Group. In the consolidated statement of financial position, the Group's share of the identifiable net assets attributable to its joint ventures are shown separately. Within individual entities, these joint ventures are recognised as investments and accounted for at cost. Dividends received or receivable from joint ventures are recognised as a reduction in the carrying amount of the investment.

2.7 Business combinations
Where there is a business combination that is in substance a gift, any excess of the fair value of the assets received over the fair value of the liabilities assumed is recognised as a gain in the statement of comprehensive income. The gain represents the gift of the value of one entity to another and shall be recognised as income. Where the fair value of the liabilities exceeds the fair value of the assets, the loss represents the net obligation assumed and shall be recognised as an expense in the statement of comprehensive income, below operating surplus.

Costs directly attributable to the execution of business combinations that are in substance a gift are recognised within the overall gain or loss on the gift of net assets.

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

Disposal of 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.

2.9 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. Where income is estimated an adjustment is made in subsequent years once the actual income has been determined.

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

2.11 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 in-house 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.

2.12 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.

2.13 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.

2.14 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

Notes to the financial statements

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 58).

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.

2.15 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.

2.16 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
Solar panels	20
Heating systems	30
Bathrooms and wet rooms	30
Windows and doors	35
Electrics	40
Roof cover	70
Retrofit/sustainability works	Up to 100
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 pre-determined assumptions that the Group uses for new build properties.

2.17 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 cash-generating unit. Impairment reviews are carried out in accordance with the Housing SORP, with consideration including 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

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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.

2.18 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.

2.19 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 straight-line method. The estimated useful lives range as follows:

Description	Estimated economic life (years)
Freehold office	100
Furniture and office equipment	5 to 25
Computer equipment	3 or 5

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.

Intangible fixed assets are amortised over their useful lives taking into account residual values where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

2.20 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.

2.21 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.

2.22 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.

2.23 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.

2.24 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.

2.25 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.

2.26 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.

2.27 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.

2.28 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

Notes to the financial statements

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 post-refinancing, 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.

2.29 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.

2.30 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.

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 non- substantial 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.

2.31 Leased assets: lessee

All leases are considered to be operating leases. Their annual rentals are charged to statement of comprehensive income on a straight-line 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

Notes to the financial statements

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. Re- measurements are reported in the 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 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 cash-generating 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 EUV-SH or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash or asset-generating 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 cash-generating unit when indicators of impairment require there to be an impairment review.

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.

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. Savills Financial Consultants value the swaps and has a large team of specialists with backgrounds in banking, accounting, treasury, and surveying.

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.

Notes to the financial statements

The Group capitalises software and attributable project costs in intangible assets when it has been identified that these costs can be reliably measured and will provide future economic benefit to the group. These assets are regularly reviewed for impairment with any reduction in value charged to the statement of comprehensive income. Further details are provided in note 15.

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 Social Housing Pension Scheme (SHPS) and Dorset County Council (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				
Adjustment to discount rate	**0.5%**	**0.1%**	**-**	**(0.1)%**	**(0.5)%**
Present value of total obligation	7,095	7,449	7,542	7,637	8,037
Projected service cost	27	31	32	33	38
Adjustment to long term salary increase	**0.5%**	**0.1%**	**-**	**(0.1)%**	**(0.5)%**
Present value of total obligation	7,563	7,546	7,542	7,538	7,522
Projected service cost	32	32	32	32	32
Adjustment to pension increase and deferred revaluations	**0.5%**	**0.1%**	**-**	**(0.1)%**	**(0.5)%**
Present value of total obligation	8,024	7,635	7,542	7,451	7,105
Projected service cost	38	33	32	31	27

Adjustment to life expectancy assumptions	+ 1 Year	None	- 1 Year
Present value of total obligation	7,875	7,542	7,224
Projected service cost	33	32	31

Estimates used to FV assets acquired through business combination

On 31 December 2023, the activities of Puttenham and Wanborough Housing Society (PWHS), along with all of its assets and liabilities, were transferred to Stonewater 5 Limited (S5) as a Transfer of Engagements. Acquisition accounting was applied to the transaction, with the net assets of PWHS being transferred at their carrying amount and not adjusted to fair value as the difference between the book value and fair value was immaterial. The results of PWHS have been included in the group statement of comprehensive income from the effective date of the transfer only.

On 31 January 2024, Mount Green Housing Association (MGHA) became a subsidiary of Stonewater Group. Acquisition accounting was applied to the transaction, with the net assets of MGHA being transferred at their carrying amount and adjusted to fair value. The excess of the fair value of the assets received from MGHA over the fair value of the liabilities assumed was recognised as a gain in the group statement of comprehensive income. The gain represents the gift of the value of MGHA's net assets to Stonewater and was recognised as income. The results of MGHA have been included in the group statement of comprehensive income from the effective date of the business combination only.

Notes to the financial statements

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

Group	Note	Turnover £'000 2024	Cost of sales £'000 2024	Operating costs £'000 2024	Surplus on disposal of fixed assets £'000 2024	Operating surplus/(deficit) £'000 2024
Social housing lettings	5	235,487	-	(186,010)	-	**49,477**
Other social housing activities						
First tranche shared ownership sales		35,668	(30,925)	-	-	**4,743**
Development staff costs		-	(809)	-	-	**(809)**
Charitable donations		-	-	(904)	-	**(904)**
Surplus on disposal of fixed assets	11	-	-	-	8,356	**8,356**
Other social housing activities		-	-	(316)	-	**(316)**
		35,668	**(31,734)**	**(1,220)**	**8,356**	**11,070**
Non-social housing activities						
Open market sales		-	-	-	-	-
Total		**271,155**	**(31,734)**	**187,230**	**8,356**	**60,547**

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

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

Group	Note	Turnover £'000 2023	Cost of sales £'000 2023	Operating costs £'000 2023	Surplus on disposal of fixed assets £'000 2023	Operating surplus/(deficit) £'000 2023
Social housing lettings	5	203,427	-	(156,277)	-	**47,150**
Other social housing activities						
First tranche shared ownership sales		34,131	(28,925)	-	-	**5,206**
Development staff costs		-	-	(761)	-	**(761)**
Charitable donations		-	-	-	-	-
Surplus on disposal of fixed assets	11	-	-	-	14,204	**14,204**
Other social housing activities		-	-	(253)	-	**(253)**
		34,131	(28,925)	(1,014)	14,204	**18,396**
Non-social housing activities						
Open market sales		1,419	(1,198)	-	-	**221**
Total		**238,977**	**(30,123)**	**(157,291)**	**14,204**	**65,767**

Notes to the financial statements

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

Association	Note	Turnover £'000 2024	Cost of sales £'000 2024	Operating costs £'000 2024	Surplus on disposal of fixed assets £'000 2024	Operating surplus/ (deficit) £'000 2024
Social housing lettings	5	222,095	-	(174,302)	-	47,793
Other social housing activities						
First tranche shared ownership sales		35,668	(30,925)	-	-	4,743
Development staff costs		-	(780)	-	-	(780)
Charitable donations		-	-	(904)	-	(904)
Surplus on disposal of fixed assets	11	-	-	-	7,403	7,403
Other social housing activities		-	-	-	-	-
		35,668	**(31,705)**	**(904)**	**7,403**	**10,462**
Non-social housing activities						
Open market sales		-	-	-	-	-
Total		**257,763**	**(31,705)**	**(175,206)**	**7,403**	**58,255**

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

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

Association	Note	Turnover £'000 2023	Cost of sales £'000 2023	Operating costs £'000 2023	Surplus on disposal of fixed assets £'000 2023	Operating surplus/ (deficit) £'000 2023
Social housing lettings	5	196,807	-	(148,697)	-	48,110
Other social housing activities						
First tranche shared ownership sales		34,131	(28,925)	-	-	5,206
Development staff costs		-	-	(760)	-	(760)
Surplus on disposal of fixed assets	11	-	-	-	14,045	14,045
Other social housing activities		-	-	-	-	-
		34,131	**(28,925)**	**(760)**	**14,045**	**18,491**
Non-social housing activities						
Open market sales		-	-	-	-	-
Total		**230,938**	**(28,925)**	**(149,457)**	**14,045**	**66,601**

Notes to the financial statements

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

Group	General needs 2024 £'000	Supported and housing for older people 2024 £'000	Shared ownership 2024 £'000	Affordable rent 2024 £'000	Total 2024 £'000	*Total 2023 £'000*
Rent receivable net of identifiable service charges	128,582	15,483	13,160	40,692	**197,917**	*173,462*
Service charge income	11,581	12,375	1,325	1,165	**26,446**	*20,380*
Net rent receivable	**140,163**	**27,858**	**14,485**	**41,857**	**224,363**	*193,842*
Amortised government grants (note 23)	5,818	793	319	768	**7,698**	*7,308*
Other income	2,701	201	396	128	**3,426**	*2,277*
Income from social housing lettings	**148,682**	**28,852**	**15,200**	**42,753**	**235,487**	*203,427*

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

Group	General needs 2024 £'000	Supported and housing for older people 2024 £'000	Shared ownership 2024 £'000	Affordable rent 2024 £'000	Total 2024 £'000	*Total 2023 £'000*
Management	(47,870)	(1,097)	(327)	(837)	**50,153**	*(40,591)*
Service charge costs	(15,093)	(13,232)	(1,139)	(1,281)	**(30,745)**	*(24,905)*
Routine maintenance	(40,318)	(3,394)	(426)	(2,600)	**(46,738)**	*(32,471)*
Planned maintenance	(8,422)	(114)	(33)	(234)	**(8,803)**	*(6,887)*
Major repairs (note 15c)	(7,995)	(997)	(245)	(529)	**(9,766)**	*(9,820)*
Bad debts	(1,052)	(508)	22	(348)	**(1,886)**	*(1,614)*
Depreciation on housing properties – annual charge (note 7 and 15a)	(23,709)	(3,001)	(2,171)	(6,375)	**(35,256)**	*(32,034)*
Depreciation on housing properties – accelerated on disposal of components (note 7 and 15a)	(1,845)	(251)	(5)	(125)	**(2,226)**	*(2,729)*
Impairment on housing properties (note 7 and 15a)	(813)	-	(82)	(598)	**(1,493)**	*(5,457)*
Reversal of impairment (note 7 and 15a)	358	-	328	370	**1,056**	*231*
Expenditure on social housing lettings	**(146,759)**	**(22,594)**	**(4,078)**	**(12,557)**	**(186,010)**	*(156,277)*
Operating surplus on social housing lettings	**1,923**	**6,258**	**11,122**	**30,196**	**49,477**	*47,150*
Void losses	(645)	(984)	(247)	(840)	**(2,716)**	*(1,718)*

Notes to the financial statements

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

Association	General needs 2024 £'000	Supported and housing for older people 2024 £'000	Shared ownership 2024 £'000	Affordable rent 2024 £'000	Total 2024 £'000	*Total 2023 £'000*
Rent receivable net of identifiable service charges	119,496	13,905	12,995	40,365	186,761	*166,514*
Service charge income	10,640	11,604	1,181	968	24,393	*19,247*
Net rent receivable	**130,136**	**25,509**	**14,176**	**41,333**	**211,154**	*185,761*
Amortised government grants (note 23)	5,568	740	314	761	7,383	*7,103*
Other income	2,602	202	386	368	3,558	*3,943*
Income from social housing lettings	**138,306**	**26,451**	**14,876**	**42,462**	**222,095**	*196,807*

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

Association	General needs 2024 £'000	Supported and housing for older people 2024 £'000	Shared ownership 2024 £'000	Affordable rent 2024 £'000	Total 2024 £'000	*Total 2023 £'000*
Management	(44,717)	(783)	(261)	**(791)**	(46,552)	*(40,517)*
Service charge costs	(12,960)	(12,164)	(1,041)	**(1,249)**	(27,414)	*(23,404)*
Routine maintenance	(38,773)	(3,223)	(365)	**(2,557)**	(44,918)	*(30,975)*
Planned maintenance	(8,105)	(103)	(33)	**(231)**	(8,472)	*(6,639)*
Major repairs (note 15c)	(7,654)	(976)	(211)	**(526)**	(9,367)	*(8,599)*
Bad debts	(1,012)	(456)	22	**(345)**	(1,791)	*(1,535)*
Depreciation on housing properties - annual charge (note 7 and 15b)	(22,112)	(2,721)	(2,147)	**(6,301)**	(33,281)	*(30,709)*
Depreciation on housing properties – accelerated on disposal of components (note 7 and 15b)	(1,674)	(250)	(5)	**(124)**	(2,053)	*(2,620)*
Impairment on housing properties (note 7 and 15b)	(813)	-	(82)	**(598)**	(1,493)	*(3,930)*
Reversal of impairment (note 7 and 15b)	341	-	328	**370**	1,039	*231*
Expenditure on social housing lettings	**(137,479)**	**(20,676)**	**(3,795)**	**(12,352)**	**(174,302)**	*(148,697)*
Operating surplus on social housing lettings	**827**	**5,775**	**11,081**	**30,110**	**47,793**	***48,110***
Void losses	(516)	(935)	(247)	**(840)**	(2,538)	*(1,617)*

Notes to the financial statements

6. Units of housing stock

Group

Group	At the start of the year Number	Acquired from business combination Number	Additions Number	Disposals Number	Reclassifications Number	At the end of the year Number
General needs	21,237	775	432	(15)	64	22,493
Affordable	4,824	147	615	(1)	(2)	5,583
Shared ownership	3,289	192	481	(25)	(76)	3,861
Supported housing	471	47	28	(8)	15	553
Housing for older people	2,339	287	-	(26)	(1)	2,599
Other	52	177	-	-	(17)	212
Total owned	**32,212**	**1,625**	**1,556**	**(75)**	**(17)**	**35,301**
Accommodation managed for others	4,178	42	241	(940)	13	3,534
Total managed accommodation	**36,390**	**1,667**	**1,797**	**(1,015)**	**(4)**	**38,835**
Units managed by other associations	591	19	39	-	4	653
Total owned and managed accommodation	**36,981**	**1,686**	**1,836**	**(1,015)**	**-**	**39,488**
Units under construction	3,440		970		(1,169)	3,241

6. Units of housing stock

Association

Association	At the start of the year Number	Additions Number	Disposals Number	Reclassifications Number	At the end of the year Number
General needs	20,017	432	(15)	(243)	20,191
Affordable	4,786	615	(1)	(223)	5,177
Shared ownership	3,229	481	(25)	(131)	3,554
Supported housing	458	28	(8)	(4)	474
Housing for older people	2,033	-	(20)	(7)	2,006
Other	35	-		-	35
Total owned	**30,558**	**1,556**	**(69)**	**(608)**	**31,437**
Accommodation for others	3,989	272	(838)	(12)	3,411
Total managed accommodation	**34,547**	**1,828**	**(907)**	**(620)**	**34,848**
Units managed by other associations	596	24	(5)	620	1,235
Total owned and managed accommodation	**35,143**	**1,852**	**(912)**	**-**	**36,083**
Units under construction	3,426	970	-	(1,155)	3,241

Notes to the financial statements

7. Operating surplus

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
This is arrived at after charging/(crediting):				
Depreciation of housing properties				
annual charge (note 5 and 15)	35,256	32,034	33,281	30,709
accelerated depreciation (note 5 and 15)	2,226	2,729	2,053	2,620
Depreciation of other tangible fixed assets (note 16)	2,797	3,737	2,678	3,701
Impairment of housing properties (note 5 and 15)	1,493	5,457	1,493	3,930
Reversal of impairment of housing properties (note 5 and 15)	(1,056)	(231)	(1,039)	(231)
Impairment of other tangible fixed assets (note 16)	-	-	-	-
Operating lease charges - land and building	307	489	307	489
Operating lease charges - other	89	136	89	136

Audit remuneration of £230,200 (excluding VAT) (2023: £186,000) represents the audit fee for all Group entities. The Association fee is £171,000 (excluding VAT) (2023: £131,000). Total fees for other services were paid by the Group and Association of £31,280 (excluding VAT) (2023: £32,340) relating to: EMTN programme reporting £25,000 (2023: £22,000) and services for grant fund reporting to Homes England £6,820 (2023: £6,315).

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 was as follows:

	2024 Number	2023 Number
FTE	841	746

Total expenditure was as follows:

	2024 £'000	2023 £'000
Staff costs consist of:		
Wages and salaries	33,791	29,336
Social security costs	3,308	2,953
Other pension costs	1,527	1,317
Redundancy	218	150
Total	38,844	33,756

Headcount and salaries for Mount Green Housing Association Limited are reflected in the above numbers for the two month period commencing February 2024.

The increase in the FTE mainly is due to new recruitments in Stonewater Limited, the full year effect of Greenoak Housing Association employees and additional employees from the acquisition of Mount Green Housing Association.

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 2024 £'000	Group 2023 £'000
Executive directors' remuneration	1,344	1,317
Amounts paid to non-executive directors (note 10)	173	166
Pension contributions	59	52
Benefits in kind	11	21
Total	1,587	1,556

The highest total paid is to the Chief Executive in respect of remuneration, and the value was £272,000 (2023: £258,000), in addition pension contributions of £10,898 (2022: £10,327) were made to SHPS on his behalf.

The Chief Executive is a member of Stonewater's defined contribution scheme which is managed by TPT Retirement Solutions. There are no enhanced or special terms that apply to the Chief Executive's pension scheme arrangements.

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	2024 Number	2023 Number
£60,000 - £69,999	35	25
£70,000 - £79,999	25	16
£80,000 - £89,999	18	15
£90,000 - £99,999	11	12
£100,000 - £109,999	7	4
£110,000 - £119,999	4	6
£120,000 - £129,999	6	3
£140,000 - £149,999	2	1
£150,000 - £159,999	1	-
£180,000 - £189,999	-	1
£190,000 - £199,999	-	2
£200,000 - £209,999	1	2
£210,000 - £219,999	1	1
£220,000 - £229,999	2	-
£230,000 - £239,999	1	0
£260,000 - £269,999	-	1
£280,000 - £289,999	1	-
	115	89

10. Board members' remuneration

	Group 2024 £	Group 2023 £
Mrs. H Bowman	11,000	11,000
Mrs. S Collins	26,500	26,500
Mr. T Kazi	1,500	7,000
Mr. H Shah	11,000	8,500
Ms. A Dokov	-	8,000
Mr. B Hoffman	11,000	5,500
Ms. J Crowe	16,000	16,000
Ms. C Kearney	16,000	14,750
Mr. A Lawrence	16,000	16,000
Ms. J Bennet	16,000	16,000
Mr. H Shields	-	4,000
Mr. C Edis	16,000	14,333
Mr. A Michie	16,000	16,000
Mr. M Large	16,000	2,458
	173,000	166,041

Notes to the financial statements

11. Surplus on disposal of fixed assets

Group	Shared ownership properties	Other housing properties	Other housing fixed assets	Total	Total
	2024	2024	2024	2024	2023
	£'000	£'000	£'000	£'000	£'000
Disposal proceeds	8,454	9,153	-	**17,607**	*28,708*
Net book value of disposals (note 15a)	(5,204)	(3,860)	-	**(9,064)**	*(14,941)*
Other costs	-	-	(187)	**(187)**	*437*
Surplus on disposal of fixed assets	**3,250**	**5,293**	**(187)**	**8,356**	*14,204*

Association	Shared ownership properties	Other housing properties	Other housing fixed assets	Total	Total
	2024	2024	2024	2024	2023
	£'000	£'000	£'000	£'000	£'000
Disposal proceeds	8,454	6,708	-	**15,162**	*28,362*
Net book value of disposals (note 15b)	(5,204)	(2,368)	-	**(7,572)**	*(14,794)*
Other costs	-	-	(187)	**(187)**	*477*
Surplus on disposal of fixed assets	**3,250**	**4,340**	**(187)**	**7,403**	*14,045*

12. Interest receivable and other income

	Group	Group	Association	Association
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Interest receivable from group undertakings	-	-	**46**	*446*
Interest receivable and similar income	**3,212**	1,046	**2,102**	*72*
Total	**3,212**	1,046	**2,148**	*518*

13. Interest payable and financing costs

	Group	Group	Association	Association
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Interest on loans and overdrafts	**58,383**	46,575	**34,775**	*24,351*
Amortisation of issue costs	**2,748**	1,292	**2,342**	*1,461*
Interest payable to Group undertakings	-	-	**19,269**	*19,111*
Interest capitalised on construction onhousing properties (note 15c)	**(7,266)**	(5,507)	**(7,261)**	*(5,484)*
Recycled capital grant fund (note 24)	**501**	245	**472**	*234*
Net interest on net defined benefit liability (note 31)	**825**	525	**799**	*525*
Total	**55,191**	43,130	**50,396**	*40,198*
Fair value (gains)/losses on hedging financial instruments recognised in income or expenditure				
Change in fair value of non-hedging financial instruments	**241**	(324)	**241**	*(324)*
Ineffective portion of hedging financial instruments	**(1,509)**	(8,447)	**(1,509)**	*(8,447)*
	(1,268)	(8,771)	**(1,268)**	*(8,771)*

14. Taxation

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 nine months of the year end so no tax liability crystalises. No taxation is payable on the charitable surpluses of the Association, Stonewater Limited.

Notes to the financial statements

15. (a) Tangible fixed assets housing properties: Group

Group	Social housing properties held for lettings £'000	Housing properties for letting under construction £'000	Completed shared ownership properties held for lettings £'000	Shared ownership properties under construction £'000	Total £'000
Cost:/Valuation					
At 1 April 2023	2,300,004	186,742	258,326	81,532	**2,826,604**
Additions:					
Construction costs	-	192,253	-	55,801	**248,054**
Component replacements	35,486	-	-	-	**35,486**
Completed properties	53,804	-	-	-	**53,804**
Acquisition of properties on business combination	188,386	-	-	-	**188,386**
Transfer to completed properties	181,458	(181,458)	41,639	(41,639)	**-**
Transfer to completed properties held for sale	(96)				**(96)**
MyOwnHome scheme	-	-	625	-	**625**
Disposals:					
Staircasing (note 11)	-	-	(5,504)	-	**(5,504)**
Replaced components	(4,129)	-	-	-	**(4,129)**
Other sales (note 11)	(4,358)	-	-	-	**(4,358)**
At 31 March 2024	**2,750,555**	**197,537**	**295,086**	**95,694**	**3,338,872**
Depreciation:					
At 1 April 2023	385,882	-	12,856	-	**398,738**
Charge for the year (note 5 and 7)	33,091	-	2,165	-	**35,256**
My Own Home scheme			50		**50**
Disposals during the year:					
Staircasing (note 11)	-	-	(300)		**(300)**
Replaced components	(3,997)	-	-	-	**(3,997)**
Other sales (note 11)	(498)	-	-	-	**(498)**
At 31 March 2024	**414,478**	**-**	**14,771**	**-**	**429,249**
Provision for impairment:					
At 1 April 2023	2,749	855	5,944	315	**9,863**
Charge for the year (note 5 & 7)	1,411	-	82	-	**1,493**
Release in the year (note 5 & 7)	(728)	-	(328)	-	**(1,056)**
At 31 March 2024	**3,432**	**855**	**5,698**	**315**	**10,300**
Net book value:					
At 31 March 2024	**2,332,645**	**196,682**	**274,617**	**95,379**	**2,899,323**
At 31 March 2023	1,911,373	185,887	239,526	81,217	**2,418,003**

On the acquisition of Mount Green Housing Association, Stonewater carried out a valuation on the completed housing properties portfolio acquired, using that amount as fair value. Stonewater engaged JLL Valuers Limited to value housing properties on an Existing Use Value for Social Housing (EUV-SH) basis. More information can be found in note 35.

Government grants of £43.2m associated with housing properties acquired from the business combination with Mount Green Housing Association Limited were included within the Gain arising from Gift of Net Assets within the consolidated statement of comprehensive income. As these properties were included at fair value on acquisition, no grant is disclosed within creditors. In the event of the housing properties being disposed of, Stonewater is responsible for the repayment or the recycling of the grant.

Notes to the financial statements

15. (b) Tangible fixed assets housing properties: Association

Association	Social housing properties held for lettings £'000	Housing properties for letting under construction £'000	Completed shared ownership properties held for lettings £'000	Shared ownership properties under construction £'000	**Total £'000**
Cost or Valuation					
At 1 April 2023	2,229,111	201,117	258,953	80,956	**2,770,137**
Additions:					
Construction costs	-	192,247		56,207	**248,454**
Component replacements	31,391	-	-	-	**31,391**
Completed properties	54,078	-	-	-	**54,078**
Transfer to completed properties	181,458	(181,458)	41,639	(41,639)	**-**
MyOwnHome scheme	-	-	625	-	**625**
Transfer to properties held for sale	-	-	-	-	**-**
Disposals:					
Staircasing (note 11)	-	-	(5,504)	-	**(5,504)**
Replaced components	(5,230)	-	-	-	**(5,230)**
Other sales (note 11)	(2,834)	-	-	-	**(2,834)**
At 31 March 2024	**2,487,974**	**211,906**	**295,713**	**95,524**	**3,091,117**
Depreciation:					
At 1 April 2023	368,828	-	12,456	-	**381,284**
Charge for the year (note 5 and 7)	31,143	-	2,138	-	**33,281**
MyOwnHome scheme			50		**50**
Disposals during the year:					
Staircasing (note 11)	-	-	(300)	-	**(300)**
Replaced components	(3,177)	-	-	-	**(3,177)**
Other sales (note 11)	(466)	-	-	-	**(466)**
At 31 March 2024	**396,328**	**-**	**14,344**	**-**	**410,672**
Provision for impairment:					
At 1 April 2023	1,222	855	5,944	315	**8,336**
Charge for the year (note 5 & 7)	1,411	-	82	-	**1,493**
Release in the year (note 5 & 7)	(711)	-	(328)	-	**(1,039)**
At 31 March 2024	**1,922**	**855**	**5,698**	**315**	**8,790**
Net book value:					
At 31 March 2024	**2,089,724**	**211,051**	**275,671**	**95,209**	**2,671,655**
At 31 March 2023	1,859,061	200,262	240,553	80,641	**2,380,517**

Notes to the financial statements

15. (c) Tangible fixed assets housing properties

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
The net book value of housing and other properties comprises:				
Freehold	**2,815,929**	*2,348,125*	**2,591,747**	*2,314,173*
Long leasehold	**83,394**	*69,878*	**79,908**	*66,344*
	2,899,323	*2,418,003*	**2,671,655**	*2,380,517*
Interest capitalisation:				
Interest capitalised in the year (note 13)	**7,266**	*5,507*	**7,261**	*5,484*
Cumulative interest capitalised	**68,630**	*61,364*	**64,991**	*57,730*
Rate used for capitalisation %	**4.2%**	*3.7%*	**4.2%**	*3.7%*
Works to properties:				
Improvements to existing properties capitalised (note 15a)	**35,486**	*32,122*	**31,391**	*26,988*
Major repairs expenditure to income and expenditure account (note 5)	**9,766**	*9,820*	**9,367**	*8,599*
Total social housing grant received or receivable to date as follows:				
Capital grant held in deferred income (note 23)	**765,711**	*694,168*	**751,231**	*680,163*
Recycled capital grant fund (note 24)	**8,306**	*10,553*	**7,565**	*9,983*
Amortised to statement of comprehensive income in year (note 5)	**7,698**	*7,308*	**7,383**	*7,103*
Write back amortisation on disposals (note 23)	**(461)**	*(1,532)*	**(461)**	*(1,478)*
The cumulative amortisation to reserves	**98,926**	*91,689*	**64,691**	*57,769*

15. (d) Tangible fixed assets housing properties

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. The Group's 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.

According to the SORP, there are a number of indicators of impairment 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 March 2024. At 31 March 2024, Stonewater reviewed on the basis of the above indicators as well as taking into account global factors such as inflation that would impact cost, market value as well as demand for a property. As Stonewater reviews its properties based on EUV-SH 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.

Notes to the financial statements

Stonewater looked at the indicators above and assessed their impact including the value in use - service potential and those having an impact are set out below.

15. (d) Tangible fixed assets housing properties

The schemes impaired are as follows:

Scheme	Charge/ (reversal) £'000	No, of units affected	Carrying value prior to impairment £'000
Active Development Scheme 2	(8)	14	3,870
Active Development scheme 3	1,279	54	14,555
Active Development Scheme 4	(29)	6	1,258
Active Development Scheme 5	190	40	14,743
Active Development Scheme 7	22	5	1,591
Affordable Rent Scheme 1	1	1	410
Affordable Rent Scheme 2	(3)	10	2,428
Affordable Rent Scheme 3	(6)	19	5,807
Affordable Rent Scheme 4	(360)	24	6,262
General Needs Scheme 1	(35)	33	2,955
General Needs Scheme 2	(306)	45	6,377
High Rise block 1	(291)	32	-
Total	**454**	**283**	**60,256**

The breakdown of the brought forward impairment balances is as follows:

Group Scheme	Brought forward £'000	Reason for impairment
Active Development Scheme 1	107	Cost to Value exceeds 100%
Active Development Scheme 2	8	Above 4% excess on outturn
Active Development scheme 3	18	Cost to Value exceeds 100%
Active Development Scheme 4	29	Cost to Value exceeds 100%
Active Development Scheme 5	398	Above 4% excess on outturn
Active Development Scheme 6	153	Cost to Value exceeds 100%
Land Bank 1	75	Reduction in land value
Affordable Rent Scheme 1	10	NBV exceeded recoverable amount
Affordable Rent Scheme 2	184	NBV exceeded recoverable amount
Affordable Rent Scheme 3	299	NBV exceeded recoverable amount
Affordable Rent Scheme 4	383	NBV exceeded recoverable amount
Affordable Rent Scheme 5	413	NBV exceeded recoverable amount
General Needs Scheme 1	425	NBV exceeded recoverable amount
General Needs Scheme 2	306	Cost of remedial works
General Needs Scheme 3	1,114	Cost of remedial works
High Rise block 1	5,943	Cost of remedial works
	9,865	

Association Scheme	Brought forward £'000	Reason for impairment
Active Development Scheme 1	107	Cost to Value exceeds 100%
Active Development Scheme 2	8	Above 4% excess on outturn
Active Development scheme 3	18	Cost to Value exceeds 100%
Active Development Scheme 4	29	Cost to Value exceeds 100%
Active Development Scheme 5	398	Above 4% excess on outturn
Active Development Scheme 6	153	Cost to Value exceeds 100%
Land Bank 1	75	Reduction in land value
Affordable Rent Scheme 1	10	NBV exceeded recoverable amount
Affordable Rent Scheme 2	184	NBV exceeded recoverable amount
Affordable Rent Scheme 3	299	NBV exceeded recoverable amount
Affordable Rent Scheme 4	383	NBV exceeded recoverable amount
General Needs Scheme 1	425	NBV exceeded recoverable amount
General Needs Scheme 2	306	Cost of remedial works
High Rise block 1	5,943	Cost of remedial works
	8,338	

Properties held for security

The Group had 27,417 properties pledged as security at 31 March 2024 with a net book value of £1,599.8m (2023: 28,548 properties, £1,648.4m). The Group had 7,833 completed assets that have not been charged, with a net book value of £742.2m (2023: 5,278 properties, £438.4m). There are some properties that are not suitable for security charging.

The Association had 26,125 properties pledged as security at 31 March 2024 with a net book value of £1,546.6m (2023: 27,259 properties, £1,598.8m). The Association had 4,704 completed assets that have not been charged, with a net book value of £716.3m (2023: 4,806 completed assets, NBV £412.0m). There are some properties that are not suitable for security charging.

Notes to the financial statements

16. Other fixed assets

Group	Other tangible fixed assets				Other intangible fixed assets	
	Freehold offices £'000	Furniture and office equipment £'000	Computer equipment £'000	Total tangible assets £'000	Computer software and IT projects £'000	**Total tangible assets £'000**
Cost or valuation						
At 1 April 2023	681	11,916	15,163	27,760	-	**27,760**
Additions	22	2,765	989	3,776	2,949	**6,725**
Disposals	-	(887)	(9)	(896)	-	**(896)**
Arising on business combination	1,865	461	-	2,326	-	**2,326**
At 31 March 2024	**2,568**	**14,255**	**16,143**	**32,966**	**2,949**	**35,915**
Depreciation						
At 1 April 2023	364	5,902	11,419	17,685	-	**17,685**
Charge for the year	70	765	1,809	2,644	153	**2,797**
Disposals	-	(700)	-	(700)	-	**(700)**
At 31 March 2024	**434**	**5,967**	**13,228**	**19,629**	**153**	**19,782**
Net book value						
At 31 March 2024	**2,134**	**8,288**	**2,915**	**13,337**	**2,796**	**16,133**
At 31 March 2023	317	6,014	3,744	10,075	-	**10,075**

16. Other fixed assets (continued)

Association	Other tangible fixed assets				Other intangible fixed assets	
	Freehold offices £'000	Furniture and office equipment £'000	Computer equipment £'000	Total tangible assets £'000	Computer software and IT projects £'000	**Total tangible assets £'000**
Cost or valuation						
At 1 April 2023	489	11,175	15,164	26,828	-	**26,828**
Additions	-	2,667	989	3,656	2,949	**6,605**
Disposals	-	(887)	-	(887)	-	**(887)**
At 31 March 2024	489	12,955	16,153	29,597	2,949	**32,546**
At 31 March 2024	**2,568**	**14,255**	**16,143**	**32,966**	**2,949**	**2,949**
Depreciation						
At 1 April 2023	361	5,823	11,419	17,603	-	**17,603**
Charge for the year	1	717	1,807	2,525	153	**2,678**
Disposals	-	(700)	-	(700)	-	**(700)**
At 31 March 2024	**362**	**5,840**	**13,226**	**19,428**	**153**	**19,581**
Net book value						
At 31 March 2024	**127**	**7,115**	**2,927**	**10,169**	**2,796**	**12,965**
At 31 March 2023	*128*	*5,352*	*3,745*	***9,225***	-	***9,225***

Notes to the financial statements

17. Fixed asset investments

The table below shows subsidiary and joint venture undertakings.

Name	Country of incorporation	Proportion of voting rights/ ordinary share capital	Nature of business	Nature of entity
Stonewater (5) Limited	England	100%	Registered provider of social housing	Registered social landlord
Greenoak Housing Association Limited	England	100%	Registered provider of social housing	Registered social landlord
Mount Green Housing Association 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 /Build company	Incorporated company
Thakeham Newick LLP	England	50%	Development/Building company	Limited liability partnership

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.

In February 2023 Stonewater entered into a joint venture with Thakeham. At 31 March 2024 Stonewater Limited owns 50% of the Thakeham Newick LLP and has lent Thakeham Newick LLP £8.662m (2023: £3.684m) in total, which has been provided by a senior loan of £6.7m (2023: £6.3m) from Stonewater Limited and a junior loan of £1.9m (2023: £1m) from Stonewater Developments Limited, The partnership has been formed to develop a site at Newick, East Sussex, delivering 39 homes in total.

Thakeham LLP	**2024 £'000**
Turnover	**3,908**
Cost of sales and administration expenses	**(3,369)**
Surplus for the year	**539**
Share of:	
Current assets	**5,376**
Liabilities due within one year	**(3,525)**
Net assets	**1,851**
Share of capital commitments	**-**

Notes to the financial statements

18. Properties held for sale

	Group 2024 £'000	Group 20232 £'000	Association 2024 £'000	Association 2023 £'000
Housing properties for sale:				
Shared ownership work in progress	51,620	53,008	51,619	51,329
Shared ownership completed properties	2,408	6,854	2,408	6,854
Other property sales	2,176	1,018	953	1,018
	56,204	60,880	54,980	59,201

19. Trade and other debtors

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Debtors: amounts due after more than one year				
Amounts owed by Group undertakings	-	-	37,358	-
Debtors: amounts due within one year				
Rent and service charge arrears	14,264	11,455	12,889	10,857
Less: Provision for doubtful debts	(4,602)	(3,216)	(3,968)	(2,995)
	9,662	8,239	8,921	7,862
Service costs to be charged in future periods	6,967	5,866	6,269	5,267
Amounts owed by Group undertakings	-	-	3,528	1,405
Other debtors	45,151	73,633	44,653	73,116
Prepayments and accrued income	2,879	2,697	2,711	2,710
Social housing grants receivable	40,054	8,029	40,025	8,029
Amounts due from Joint ventures	8,662	4,684	6,704	3,684
	73,375	103,148	110,169	102,073

Amounts owed by Group undertakings represent intercompany balances which are unsecured, interest free and are settled throughout the year.

The Association provides a loan facility to its subsidiary Mount Green Housing Association Limited, of £71,500,000. The facility expires on 31 January 2031, and interest is charged at SONIA + 1%. The balance of the loan at 31 March 2024 was £37.4m (2023: £nil).

20. Restricted cash

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Brought forward	7,227	4,653	5,290	4,653
Additions	418	4,118	165	2,181
Transferred out	(952)	(1,544)	(313)	(1,544)
Carried forward	6,693	7,227	5,142	5,290

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

Notes to the financial statements

21. Creditors: amounts falling due within one year

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Housing loans external (note 25)	21,158	16,698	20,855	16,513
Issue costs external (note 25)	(1,559)	(1,491)	(954)	(1,231)
Housing loans internal (note 25)	-	-	21	6
Issue costs internal (note 25)	-	-	(190)	(215)
Trade creditors	24	84	126	83
Amounts owed to group undertakings	-	-	35,421	32,400
Taxation and social security	2,392	1,904	2,276	1,895
Other creditors	54,066	19,506	46,947	16,237
Accruals and deferred income	16,066	26,209	6,437	13,784
Retentions	8,350	7,061	-	-
Accrued interest	7,717	6,611	3,453	2,358
Deferred capital grant (note 23)	6,447	7,224	4,600	7,044
Recycled capital grant fund (note 24)	1,340	5,709	843	5,270
Derivatives financial instruments (note 26)	1,592	1,775	1,592	1,775
Leaseholder sinking fund	9,433	8,002	8,518	7,190
	127,026	99,292	129,945	103,109

Amounts owed to Group undertakings represent intercompany balances which are unsecured, interest free and are settled throughout the year.

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

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Housing loans external (note 25)	1,580,912	1,367,386	794,797	615,458
Issue costs external (note 25)	(9,555)	(8,817)	(5,483)	(3,958)
Bond on lending (note 25)	-	-	669,792	669,813
Issue costs internal (note 25)	-	-	(2,537)	(3,289)
Deferred capital grant (note 23)	759,264	686,944	746,631	673,119
Recycled capital grant fund (note 24)	6,966	4,844	6,722	4,713
Derivatives financial instruments (note 26)	6,008	10,196	6,008	10,196
	2,343,595	2,060,553	2,215,930	1,966,052

Notes to the financial statements

23. Deferred capital grant

	Group 2024 £'000	*Group 2023 £'000*	**Association 2024 £'000**	*Association 2023 £'000*
At 1 April	**694,168**	*665,392*	680,163	*651,175*
Grants received during the year	**75,969**	*36,768*	75,037	*36,766*
Transfer to RCGF (note 24)	**(1,679)**	*(2,420)*	(1,537)	*(2,357)*
Transfer from RCGF (note 24)	**4,427**	*2,221*	4,427	*2,221*
Released to income in the year (note 5)	**(7,698)**	*(7,308)*	(7,383)	*(7,103)*
Write back amortisation on disposals (note 15c)	**461**	*1,532*	461	*1,478*
Other movements	**63**	*(2,017)*	63	*(2,017)*
At 31 March	**765,711**	*694,168*	751,231	*680,163*
Amounts due for repayments:				
within one year (note 21)	**6,447**	*7,224*	4,600	*7,044*
greater than one year (note 22)	**759,264**	*686,944*	746,631	*673,119*
	765,711	*694,168*	751,231	*680,163*

24. Recycled capital grant fund (RCGF)

	Group 2024 £'000	*Group 2023 £'000*	**Association 2024 £'000**	*Association 2023 £'000*
At 1 April	**10,553**	*10,109*	**9,983**	*9,613*
Inputs to fund:				
Grants recycled from deferred capital grants (note 23)	**1,679**	*2,420*	**1,537**	*2,357*
Interest accrued (note 13)	**501**	*245*	**472**	*234*
Recycling of grant:				
New build (note 23)	**(4,427)**	*(2,221)*	**(4,427)**	*(2,221)*
At 31 March	**8,306**	*10,553*	**7,565**	*9,983*
Amounts due for repayments:				
within one year (note 21)	**1,340**	*5,709*	**843**	*5,270*
greater than one year (note 22)	**6,966**	*4,844*	**6,722**	*4,713*
	8,306	*10,553*	**7,565**	*9,983*

Notes to the financial statements

25. Loans and borrowings

Group Maturity of debt	Bank loans 2024 £'000	Bond finance 2024 £'000	Other loans 2024 £'000	Total 2024 £'000
In one year or less, or on demand	19,870	637	651	**21,158**
Issue costs <1year	(901)	(658)	-	**(1,559)**
Within one year (note 21)	18,969	(21)	651	**19,599**
In more than one year but no more than two years	72,217	611	550	**73,378**
In more than two years but no more than five years	431,595	3,802	1,996	**437,393**
After five years	100,991	958,803	10,347	**1,070,141**
Issue costs	(4,286)	(5,269)	-	**(9,555)**
Greater than one year (note 22)	600,517	957,947	12,893	**1,571,357**
Total	**619,486**	**957,926**	**13,544**	**1,590,956**

All of the bank loans mature by 2036. Of the £958m bond finance, £615m 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 2024 were £1,965m (2022: £1,861m) of which £353m were undrawn (2023: £477m). The amount of drawn debt secured on property assets is £1,612m (2023: £1,384m).

Before hedging is applied, the Group has 67% fixed interest rates, with an average rate of 3.3%. The 33% variable interest rates are at SONIA plus margin.

Group Maturity of debt	Bank loans 2023 £'000	Bond finance 2023 £'000	Other loans 2023 £'000	Total 2023 £'000
In one year or less, or on demand	*15,768*	*548*	*382*	*16,698*
Issue costs <1 year	*(1,195)*	*(296)*	-	*(1,491)*
Within one year (note 21)	*14,573*	*252*	*382*	*15,207*
In more than one year but not more than two years	*15,872*	*567*	*425*	*16,864*
In more than two years but not more than five years	*194,748*	*2,504*	*1,590*	*198,842*
After five years	*213,379*	*927,839*	*10,462*	*1,151,680*
Issue costs	*(3,189)*	*(5,628)*	-	*(8,817)*
Greater than one year (note 22)	*420,810*	*925,282*	*12,477*	*1,358,569*
Total loans	*435,383*	*925,534*	*12,859*	*1,373,776*

Notes to the financial statements

25. Loans and borrowings (continued)

Association **Maturity of debt:**	**Bank loans 2024 £'000**	**Bond finance 2024 £'000**	**Bond on lending 2024 £'000**	**Other loans 2024 £'000**	**Total 2024 £'000**
In one year or less, or on demand	19,870	367	21	618	**20,876**
Issue costs <1year	(901)	(53)	(190)	-	**(1,144)**
Within one year (Note 21)	18,969	314	(169)	618	**19,732**
In more than one year but no more than two years	72,216	383	40	474	**73,113**
In more than two years but no more than five years	431,595	3,082	122	1,773	**436,572**
After five years	100,316	175,152	669,630	9,806	**954,904**
Issue costs	(4,202)	(1,281)	(2,537)	-	**(8,020)**
Greater than one year (note 22)	599,925	177,336	667,255	12,053	**1,456,569**
Total	618,894	177,650	667,086	12,671	1,476,301

The amount of drawn debt secured on property assets is £1,485m (2023: £1.302m).

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

Association **Maturity of debt:**	Bank loans 2023 £'000	Bond finance 2023 £'000	Bond on lending 2023 £'000	Other loans 2023 £'000	Total 2023 £'000
In one year or less, or on demand	*15,768*	*363*	*6*	*382*	*16,519*
Issue costs <1 year	*(1,195)*	*(36)*	*(215)*	-	*(1,446)*
Within one year (note 21)	*14,573*	*327*	*(209)*	*382*	*15,073*
In more than one year but not more than two years	*15,870*	*367*	*21*	*425*	*16,683*
In more than two years but not more than five years	*194,748*	*1,806*	*116*	*1,590*	*198,260*
After five years	*213,379*	*176,811*	*669,676*	*10,462*	*1,070,328*
Issue costs	*(3,191)*	*(767)*	*(3,289)*	-	*(7,247)*
Greater than one year (note 22)	*420,806*	*178,217*	*666,524*	*12,477*	*1,278,024*
Total loans	*435,379*	*178,544*	*666,315*	*12,859*	*1,293,097*

Notes to the financial statements

26. Financial instruments

The Group's financial instruments held at fair value through the profit and loss may be analysed as follows:

Group	Note	Group 2024 £'000	Group 2023 £'000
Derivative financial instruments designated as cash flow hedges due within one year	21	1,294	1,414
Other derivative financial instruments due within one year	21	298	361
Derivative financial instruments designated as cash flow hedges > one year	22	2,775	5,516
Other derivative financial instruments > one year	22	3,233	4,680
Total		7,600	11,971

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 £191.7m (2023: £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 amount of £116.6m (2023: £117.6m) have been designated as cash flow hedges.

Over the next seven years swaps with a notional amount of £75.9m (2023: £70.3m) which are designated as cash flow hedges will mature.

There was a £3.1m (2023: £22.0m) reduction in the fair value of hedging value of hedging instruments recognised in other comprehensive income, comprising £(0.4)m (2023: £4.0m) recycled to the cash flow hedge reserve, and £3.5m (2023: £18.0m) 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 2031-2035.

Overall, the Group pays 3.6% (2023: 3.6%) fixed and receives 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 4.2% (2023: 3.3% per annum).

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

27. Provisions for liabilities and charges

Group and Associaton	Dilapidations £'000	Total £'000
At 1 April 2023	359	359
Charged to profit or loss	(54)	(54)
At 31 March 2024	305	305

28. Share capital

Authorised, allotted, called up and fully paid	2024 £	2023 £
11 (2023 - 11) Fully Paid 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 non-equity interests.

Notes to the financial statements

29. Operating leases

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

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Amounts payable as lessee:				
Not later than one year:	396	606	396	606
Later than one yar and not later than five years	1,046	1,463	1,046	1,463
Later than five years	-	-	-	-
	1,442	2,069	1,442	2,069

30. Capital commitments

	Group 2024 £'000	Group 2023 £000	Association 2024 £'000	Association 2023 £000
Commitments contracted but not provided for construction	778,278	734,000	775,871	732,247
Commitments approved by the Board but not contracted for construction	24,930	105,004	24,930	105,004
Total	803,208	839,004	800,801	837,251

The above capital commitments for the Group are projected to be funded from £188.5m SHG (2023: £156.3m) and property sales of £168.5m (2023: £192.7m) with the remainder funded from operating cash flow and external borrowings £423m (2023: £490m).

Capital commitments for the Association will be funded from £188m SHG (2023: £155m), with the remainder funded from property sales £166.1m (2023: £192.7m) and external borrowing/surplus £423m (2023: £489.6m).

31. Pensions

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

Other comprehensive income	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Actuarial gains/(losses)				
DCC	466	2,482	466	2,482
SHPS	(3,590)	(3,067)	(3,590)	(3,067)
Total	(3,124)	(585)	(3,124)	(585)

Statement of financial position	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Pension Liability				
DCC	1,425	1,906	1,425	1,906
SHPS	17,558	16,485	16,902	16,485
	18,983	18,391	18,327	18,391

Notes to the financial statements

31. Pensions (continued)

The Social Housing Pension Scheme (SHPS) defined benefit scheme

The 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 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028.

The scheme is classified as a 'last-man 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 is carried out with an effective date of 30 September each year. The liability figures from this valuation are rolled forward for accounting year-ends from the following 31 March to 28 February inclusive.

The latest accounting valuation was carried out with an effective date of 30 September 2022. The liability figures from this valuation were rolled forward for accounting year-ends from the following 31 March 2023 to 29 February 2024 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 company's net deficit or surplus.

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 2022 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 latest valuation was carried out as at 31 March 2023 and set contributions for the period from 1 April 2023 to 31 March 2026. The actuarial gain for the year of £466,000 (2023: gain of £0.482m) has been recognised as other 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 (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.

Notes to the financial statements

31. Pensions (continued)

	DCC 2024 £'000	SHPS 2024 £'000	DCC 2023 £'000	SHPS 2023 £'000
Fair value of plan assets	**6,037**	**75,609**	5,636	74,028
Present value of plan liabilities	**(7,462)**	**(93,167)**	(7,542)	(90,513)
Net pension scheme liability	**(1,425)**	**(17,558)**	(1,906)	**(16,485)**
Reconciliation of fair value of plan assets:				
At the beginning of the year/initial recognition	**5,636**	**76,843**	6,192	113,470
Interest income on plan assets	**265**	**3,763**	158	3,161
Return on assets less interest	**385**	**(5,545)**	(440)	(42,399)
Other actuarial gains	**-**	**-**	(67)	-
Administrative expenses	**(5)**	**-**	(5)	-
Contributions by employer	**127**	**4,116**	141	3,745
Contributions by fund participants	**11**	**7**	18	-
Estimates benefits paid plus expenses	**(382)**	**(3,575)**	(361)	(3,949)
At the end of the year	**6,037**	**75,609**	5,636	**74,028**
Reconciliation of present value of plan liabilities				
Defined benefit obligation at start of period/initial recognition	**(7,542)**	**(93,950)**	(10,528)	(130,139)
Current service cost	**(19)**	**1**	(77)	-
Expenses	**(353)**	**(85)**	-	(80)
Interest expense	**-**	**(4,501)**	(269)	(3,575)
Contributions by plan participants	**(11)**	**(7)**	(18)	-
Actuarial gains/(losses) due to scheme experience	**(28)**	**417**	(926)	1,420
Actuarial gains due to changes in demographic assumptions	**105**	**1,072**	271	216
Actuarial gains due to changes in financial assumptions	**4**	**311**	3,644	37,696
Benefit paid and expenses	**382**	**3,575**	361	3,949
At the end of the year	**(7,462)**	**(93,167)**	(7,542)	**(90,513)**
Amounts recognised in the statement of comprehensive income as follows:				
Included in administrative expenses				
Service costs	**19**	**1**	77	-
Administration expenses	**4**	**107**	5	80
	23	**108**	82	80
Amounts included in other finance costs				
Net interest costs (note 13)	**88**	**737**	111	414

Notes to the financial statements

31. Pensions (continued)

	DCC 2024 £'000	SHPS 2024 £'000	DCC 2023 £'000	SHPS 2023 £'000
Analysis of actuarial loss recognised in other comprehensive income				
(Loss)/return on fund assets in excess of interest	**385**	**(5,545)**	(440)	(42,399)
Other actuarial losses	**-**	**-**	(67)	-
Gains in financial assumptions	**4**	**311**	3,644	37,696
Gains in demographic assumptions - gains	**105**	**1,227**	271	216
Experience (loss)/gain on defined benefit obligation	**(28)**	**417**	(926)	1,420
Total actuarial (losses)/gain	**466**	**(3,590)**	2,482	(3,067)
Composition of plan assets				
Equities	**3,778**	**7,535**	3,514	1,381
Liability driven investment	**-**	**30,772**	30	34,095
Cash	**127**	**1,622**	94	723
Other bonds	**395**	**-**	367	-
Diversified growth fund	**400**	**751**	379	-
Property	**473**	**3,524**	453	5,420
Infrastructure	**448**	**7,638**	427	8,456
Multi asset credit	**416**	**-**	372	-
Debt	**-**	**4,344**	-	18,393
Alternatives	**-**	**19,423**	-	5,560
Total	**6,037**	**75,609**	5,636	74,028

31. Pensions (continued)

	DCC 2024 %	SHPS 2024 %	Total 2023 %	Total 2023 %
Principal actuarial assumptions used at the statement of financial position date:				
Discount rate	**4.85**	**4.90**	4.80	4.87
Future salary increases	**3.90**	**3.78**	3.85	3.76
Future pension increases	**2.90**	**2.78**	2.85	2.76
Inflation assumptions - RPI	**3.30**	**3.15**	-	3.19
Inflation assumptions - CPI	**2.90**	**2.78**	2.85	2.76
Maturity rates:				
For a male aged 65 now	**21.8**	**20.5**	22.2	21.0
For a female aged 65 now	**23.9**	**23.0**	24.2	24.2
At 65 for a male member aged 45 now	**23.1**	**21.8**	23.5	23.5
At 65 for a female member aged 45 now	**25.4**	**24.4**	25.6	25.6

Notes to the financial statements

32. Related party disclosures

Subsidiary non-regulated entities

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.

During the year ending 31 March 2024, Stonewater Limited acquired a scheme from Mount Green Housing Association, a subsidiary of Stonewater Group, for £2.008m.

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 non-regulated 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:

	2024	*2023*
	£'000	*£'000*
Staff costs recharge to Stonewater Developments Limited	**3,205**	*2,856*
Management services provided to Stonewater Developments Limited and Stonewater Funding PLC	**670**	*539*

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:

	2024	*2023*
	£'000	*£'000*
Charge for the design and build service provided by Stonewater Development Limited	**118,544**	*119,631*
2.5% admin charge from Stonewater Development	**3,206**	*2,991*
Charge for development services provided by Stonewater Developments Limited	**27,147**	*27,293*
2.5% admin charge from Stonewater Developments Limited	**678**	*682*
Management fee charged by Stonewater Funding Plc	**197**	*315*

Intra-group liabilities

Stonewater Limited has loans in place with Stonewater Funding PLC. At 31 March 2024 the outstanding amount was £669.8m (2023: £669.9m).

Stonewater (5) Limited has a loan in place with Stonewater Funding PLC. At 31 March 2024 the outstanding amount was £77.9m (2023: £78.2m).

	2024	*2023*
	£'000	*£'000*
Loan balance provided by Stonewater Funding PLC (after issue costs) (note 26)	**748,186**	*748,371*
Interest charged by Stonewater Funding PLC	**22,055**	*21,960*

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 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 2024, the potential shortfall covered by the guarantee was nil as the valuation of the security provided by Stonewater Limited and Stonewater (5) exceeded the amount required.

Notes to the financial statements

33. Net debt reconciliation

	1 April 2023	Cash flows	Other non-cash changes	Business combination	**31 March 2024**
	£'000	£'000	£'000	£'000	**£'000**
Cash at bank and in hand	59,312	(9,571)	-	-	**49,741**
Bank loans	(439,767)	(148,822)	4,513	(35,410)	**(619,486)**
Bond finance	(931,458)	(70,000)	76,245	(32,713)	**(957,926)**
Other loans	(12,859)	183	6	(873)	**(13,544)**
Derivatives	(11,971)	(653)	5,024	-	**(7,600)**
Net debt	**(1,336,743)**	**(228,863)**	**85,787**	**(68,996)**	**(1,548,815)**

The definition of debt in the gearing covenants in Stonewater's loan facilities does not include the mark to market of derivatives. Included in other non-cash changes is adjustment for £70m of bond funding where the liability was created as at 31 March 2023 but the associated cashflow did not occur till the 31 March 2024 year end.

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 £1,211,574 (2023: £1,211,574).

As at 31 March 2024, Stonewater is uncertain as to the potential outcome of the case and is currently disputing this through its solicitors.

Government grants of £43.2m associated with housing properties acquired from the business combination with Mount Green Housing Association Limited were included within the Gain arising from Gift of Net Assets within the consolidated statement of comprehensive income. As these properties were included at fair value on acquisition, no grant is disclosed within creditors. In the event of the housing properties being disposed of, Stonewater is responsible for the repayment or the recycling of the grant.

35. Business combinations

Combinations that are in substance a gift

On 31 December 2023, Puttenham and Wanborough Housing Society (PWHS) (Co-operative and Community Benefit number 16049R) joined Stonewater (5) Limited by means of a transfer of engagements and subsequently gifted its net assets to Stonewater (5) Limited for nil consideration.

As such the accounting treatment will follow that of business combinations that are in substance a gift.

A review of the net assets gifted showed that the resulting fair value adjustments are immaterial and therefore no adjustments have been included in Stonewater (5) Limited's financial statements.

	Book value	**Fair value**	**Fair value adjustment**
	£'000	**£'000**	**£'000**
Fixed assets			
Housing properties	405	405	-
Investments	19	19	-
	424	**424**	**-**
Current assets			
Cash	613	613	-
Net current assets	**613**	**613**	**-**
Total assets less current liabilities	**1,037**	**1,037**	**-**

Notes to the financial statements

35. Business combinations (continued)

Combinations that are in substance a gift

On 31 January 2024, Mount Green Housing Association became a subsidiary of Stonewater Limited by means of a public benefit entity combination that is in substance a gift as it was carried out at nil or nominal consideration which is not a fair value exchange but in substance the gift of one entity to another. As such the excess of the fair value of liabilities over the fair value of assets received has been recognised in the statement of comprehensive income.

We have reviewed the Mount Green balance sheet as at 31 January 2024 and the only areas requiring fair value adjustment are the housing properties, other tangible fixed assets (i.e. freehold office building), external debt and social housing grant.

	Book value	Fair value	Fair value adjustment
	£'000	**£'000**	**£'000**
Fixed assets			
Housing properties	124,022	188,386	64,364
Other tangible fixed assets - Freehold office	2,197	1,865	(332)
Other tangible fixed assets	445	461	16
	126,664	**190,712**	**64,048**
Current assets			
Properties for resale	711	711	-
Debtors	368	368	-
Cash and bank and in hand	287	287	-
	1,366	**1,366**	**-**
Creditors: amounts falling due within one year	(1,816)	(1,816)	-
Net current assets	**(450)**	**(450)**	**-**
Total assets less current liabilities	**126,214**	**190,262**	**64,048**
Creditors: amounts falling due after more than one year			
Loans	(79,621)	(68,996)	10,625
Social housing grant	(20,843)	-	20,843
Pensions	(588)	(588)	-
Total	**(101,052)**	**(69,584)**	**31,468**
Total net assets	**25,162**	**120,678**	**95,516**

The fair value is reflected in the financial statements.

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