Flagship Group

# Consolidated Financial Statements

for the year ended
31 March 2023

31 King Street, Norwich, Norfolk NR1 1PD
Regulator of Social Housing Registered No. 4651
Co-operative and Community Benefit Societies Act 2014 Registered No. 31211R

flagship-group.co.uk





# Contents



“We provide homes and create sustainable communities.

# Board of Management, Executive Team and Advisers

The company's non-executive and executive management team are detailed below. Membership of Board committees is presented in the table below as at the date of signing these financial statements. Page 6 presents changes to Board committees during the financial year and up to the date of signing these accounts.

| Member | | Board | GARC | F&T | AMC | P&C |
|---|---|---|---|---|---|---|
| **Hawes, P.** | N | Chair | | | | |
| **Burton, P.** (resigned 1 April 2023) | N | Vice Chair | | | | |
| **Baynham, P.** (resigned 1 April 2023) | N | ✓ | | | | |
| **Bennett, R.** | N | Senior Independent Member | Chair | | | ✓ |
| **Cook, S.** | N | ✓ | | | Chair | |
| **Jamieson, D.** | N | ✓ | ✓ | Chair | | |
| **Peak, M.** | N | ✓ | | | | |
| **Remington, P.** (resigned 1 April 2023) | N | ✓ | | | | |
| **Barton, E.** (appointed 30 March 2023) | C | ✓ | | ✓ | | Chair |
| **Tredget, C.** (appointed 30 March 2023) | C | ✓ | | | | ✓ |
| **Lee, D.** (appointed 30 March 2023) | C | ✓ | ✓ | ✓ | | |
| **McQuade, D.** (Chief Executive Officer) | E | ✓ | | | | |
| **Walsham, H.** (Deputy Chief Executive Officer) | E | ✓ | | | | |
| **Archibald, J.** (Chief Strategic Officer) (resigned 31 May 2022) | E | ✓ | | | | |
| **Armstrong, D.** (Chief Financial Officer) (to 30 November 2022) (Chief Operating Officer) (from 1 December 2022) | E | ✓ | | | ✓ | |
| **McManus, J.** (Interim Chief Financial Officer) (Appointed 1 December 2022) | E | | | ✓ | | |
| **Cook, P.** (resigned 1 April 2023) | A | | | | | |
| **Lee, D.** (resigned 30 March 2023) | A | | | | | |
| **Marcus, E.** | S | | | | | |

Key:

| | | | |
|---|---|---|---|
| N | Non-Executive Director; | GARC | Governance, Audit & Risk Committee; |
| C | Co-optee to the Board; | F&T | Finance & Treasury Committee; |
| E | Executive Director; | AMC | Asset Management Committee; |
| S | Company Secretary; | P&C | People & Culture Committee |
| A | Board Adviser | | |

Co-optees to the Board are expected to appointed as Non-Executive Directors at Flagship Housing Group Limited's AGM on 17 August 2023.

# Board of Management, Executive Team and Advisers (cont.)

## Group Audit & Risk Committee

| Name | Role | |
|---|---|---|
| Bennett, R. | Chair | |
| Jamieson, D. | Member | |
| Cook, P. | Member | *Resigned 1 April 2023* |
| Lee, D. | Member | *Appointed 1 April 2023* |
| White, K. (Newtide Homes Representative) | Member | *Appointed 25 May 2023* |
| Adams, G. (Samphire Homes Representative) | Member | *Appointed 25 May 2023* |
| Flowers, R. (Victory Homes Representative) | Member | *Appointed 25 May 2023* |

## People & Culture Committee

| Name | Role | |
|---|---|---|
| Remington, P. | Chair | *Resigned 1 April 2023* |
| Burton, P. | Member | *Resigned 1 April 2023* |
| Cook, P. | Member | *Resigned 1 April 2023* |
| Barton, E. | Chair | *Appointed 1 April 2023* |
| Bennett, R. | Member | *Appointed 1 April 2023* |
| Tredget, C. | Member | *Appointed 1 April 2023* |

## Asset Management Committee

| Name | Role | |
|---|---|---|
| Cook, S. (Samphire Homes Representative) | Chair | *Appointed 26 January 2023* |
| Armstrong, D. | Member | *Appointed 26 January 2023* |
| McManus, J. | Member | *Appointed 26 January 2023 and resigned 1 April 2023* |
| Yuill, A | Member | *Appointed 26 January 2023 and resigned 31 May 2023* |
| Supple, L. (Newtide Homes Representative) | Member | *Appointed 26 January 2023* |
| Andrews, J. (Victory Homes Representative) | Member | *Appointed 26 January 2023* |

## Finance and Treasury Committee

| Name | Role | |
|---|---|---|
| Baynham, P. | Chair | *Resigned 1 April 2023* |
| Remington, P. | Member | *Resigned 1 April 2023* |
| Armstrong, D. | Member | *Resigned 1 April 2023* |
| Blackmore, L | Member | *Resigned 1 April 2023* |
| Fitzgerald, A | Member | *Resigned 29 August 2022* |
| Jamieson, D. | Chair | *Appointed 1 April 2023* |
| Barton, E. | Member | *Appointed 1 April 2023* |
| Lee, D. | Member | |
| McManus, J. | Member | |

## Health and Safety Committee

| Name | Role | |
|---|---|---|
| Jamieson, D. | Chair | *Resigned 1 April 2023* |
| Archibald, J. | Member | *Resigned 31 May 2022* |
| Walsham, H. | Member/ Chair | *Appointed Chair 1 April 2023* |
| Gessey, N. | Member | |
| Lee, D. | Observer | *Appointed 1 April 2023* |

Note: The Health and Safety Committee became an operational staff committee on 1 April 2023 with Group Board oversight through a monthly Health and Safety dashboard.

**Registered Office:** 31 King Street, Norwich, Norfolk NR1 1PD

**Internal Auditors:** KPMG, Dragonfly House, 2 Gilders Way, Norwich NR3 1UB

**External Auditor:** PKF Littlejohn LLP, 15 Westferry Circus, London E14 4HD

**Bankers:** National Westminster Bank, 21 Gentleman's Walk, Norwich, Norfolk NR2 1NA

**Group Funders:** The Royal Bank of Scotland; Santander UK; The Co-operative Bank; Nationwide Building Society; The Housing Finance Corporation; Clydesdale Bank; Lloyds Bank; M&G Investment Management; Canada Life

# Chair's Statement

Peter Hawes, Chair

The past year has been a tumultuous one for businesses of all sizes. Rising energy bills, a cost-of-living crisis, inflation, supply chain disruptions, and labour shortages have all presented significant challenges. In addition, social housing providers have had to balance the need to invest in their existing properties to meet increasing regulatory standards and respond to direct sector intervention with the continued need to provide more affordable new homes.

Flagship has certainly not been immune to these challenges, but we are proud of the notable progress we have made during the past year. We have invested heavily in our existing properties, making significant improvements to the energy efficiency of our homes at a time when energy bills are a significant challenge for our tenants. We have also continued to build new affordable homes, providing much-needed housing in our communities.

## Damp and mould

We have continued to take proactive steps to prevent and treat damp and mould in our properties, including (i) making timely repairs to any damp or mould issues that are reported; (ii) a zero tolerance approach to damp and mould, meaning that we will not hesitate to take action to address any problems; and (iii) a new policy outlining how we will communicate with our tenants about damp and mould, and how we will deal with these issues when they arise.

We welcome Awaab's Law, and we are committed to working tirelessly to ensure that such a tragedy never happens in our properties. We will continue to work with our tenants and partners to understand the best methods and latest technology to prevent damp and mould.

We already meet many of the Better Social Housing Review's recommendations, but are working to make sure that these, along with the tenant standard measures, are a key priority for our continued improvement. We are also keeping a close eye on the impending Regulation Bill.

Together, we are confident that these measures will help us to create safe and healthy homes for our tenants.





## Operating performance

Despite the challenges we have faced, our business model has proven to be resilient, and our strategy has enabled us to continue to make progress. However, we recognise that we must be extra-vigilant about our spending and continue to increase our stress testing and financial controls.

During the year we have let more homes, reduced rent arrears, and increased our re-investment percentage. Some important performance highlights include:

**Lettings** – we let 2,038 homes to tenants in the year, with void loss of just 1.2% (down from 1.3% in March 2022).

**Rent arrears** – Rent arrears ended the year at 3.7%, a marginal reduction against last year. Our rent arrears compare favourably with the sector average of 5.2%.

**Reinvestment / cost per unit** – Our cost per unit has increased consistently over the last six years. Responsive and capital maintenance accounts for 69% of our cost per home as at 31 March 2023. This is reflected in our reinvestment percentage, which has steadily increased from 3.9% in 2018 to 8.6% in 2023.

**Repairs** – our repairs work-in-progress volume has remained relatively stable across the year.

## Financial performance

While we are disappointed that we did not meet our budget targets, we are pleased that we were able to deliver a comparable operating surplus year-on-year. Some important financial highlights include:

**Turnover** for the year was £250.2m, which although £11.2m below our original budget, represented year-on-year revenue growth of £18.3m. Lower revenue from open market sales (103 completions instead of the 130 completions budgeted), lower income from the Renewable Heat Incentive scheme ('RHI'), a decrease in external revenue from our gas servicing businesses, and development delays resulting in fewer rental homes available to let in the year, a challenge seen across the sector, broadly explains the variance to our original budget.

**Operating surplus**, after accounting for asset disposals and gains on joint ventures, was £80m, broadly comparable with the previous year after taking into account a one-off £3.25m provision for remedial works, and reflects inflationary cost pressure on operating margins.

**Surplus before tax** for the year was £49.2m, £14.8m lower than our original budget, and £10m lower than the prior year. The main factors contributing to this variance include increased interest costs, the one-off remediation provision and a lower gain on investment properties during the year.

The current economic climate is challenging for all businesses, and it is essential to acknowledge that we are not alone. The entire sector is affected, and it is necessary to work together to overcome these challenges and provide innovative solutions that will help us navigate through these difficult times. By collaborating with our partners, we can find ways to reduce costs, streamline processes and increase efficiency. We can also share best practices and learn from each other's experiences.

## 750 homes built in the year

We successfully built 750 new homes during the year, across four counties: Norfolk (376 homes); Suffolk (251 homes); Cambridgeshire (63 homes) and Essex (60 homes).

The homes were a mix of affordable rent (451 homes), shared ownership (181 homes), shared equity (2 homes) and open market sale (116 homes).

The following are some of the successful developments we delivered during the year:

- ✓ **78 rental and shared ownership homes** at Trinity Meadows in Rackheath, Norfolk, in partnership with contractor Lovell Homes;
- ✓ **61 homes** from a 300-property scheme in Stowmarket, Suffolk in collaboration with Hopkins Homes;
- ✓ **30 homes** at our mixed-tenure Ellingham Green development in Great Ellingham, Norfolk;
- ✓ **46 homes** at our mixed-tenure development called The Lilacs in Trimley St Martin, Suffolk; and
- ✓ **38 affordable homes** at Elm Farm, Wymondham, Norfolk with Persimmon Homes (East Anglia).

> "We built 750 new homes during the year across four counties.

# Chair's Statement (cont.)

## Open market sales / Shared Ownership sales

We sold 103 open market sale homes during the year, generating £36.7m of revenue. We sold a 1st tranche in a further 152 shared ownership homes generating £16.1m of income and additional tranches to 50 existing shared ownership homeowners totalling £5m.

**Homes England Strategic Partnership**

In 2022/23 we received £25.8m of grant from Homes England as part of our £92m strategic partnership with them.

During the year we initiated the following developments, all of which are partially funded by our Homes England Strategic Partnership:

- ✓ **30 new affordable homes** at Estcourt Road, Great Yarmouth;
- ✓ **40 new affordable homes** at Chalk Lane, Narborough; and
- ✓ **16 new affordable homes** at Repps Road, Martham.

We further entered into 20 new development contracts to deliver 605 new homes including:

- ✓ A mixed-tenure site at Turkey Hall Lane, Bacton, Norfolk with **51 new homes**;
- ✓ **52 affordable homes** at White Rose Park, Norwich;
- ✓ **Another 52 affordable homes** at Green Lane West, Rackheath, Norfolk; and
- ✓ **13 new affordable homes** at Bradwell Meadow, Bradwell, Norfolk.

The construction sector has faced its own challenges with labour and material availability impacting the delivery timetable of new homes. We are pleased with the development progress we have made in 2022/23, and we look forward to delivering even more homes in the coming years.

## Hopestead / Affordable for All

Hopestead actively assisted our tenants during the year through its Hope at Home initiative, relieving the impact of new tenancy expenses during a cost-of-living crisis. Hope at Home provides flooring, white goods, and furniture packages to transform houses into homes. Hopestead's goal is to break the cycle of homelessness by supporting individuals and families who had experienced homelessness with new tenancies to remain in their homes through this support. To date the scheme has an impressive tenancy retention rate of 99%.

Since the launch of Affordable for All in 2022, our affordability advisors have assisted over 1,000 Flagship Group tenants in accessing support. Our Warmer Homes project has provided 519 families with energy vouchers totalling £42,492. Additionally, we have aided 417 families with discretionary support, and we proudly added two new homeless units in Ipswich.

We are committed to helping our tenants and communities navigate this cost-of-living crisis. We will continue to work hard to provide the support they need to stay in their homes and thrive.

## Our housing brands

In the course of this year, we reinforced our view that the right way to run our social housing activities is through three business divisions (our housing brands), aligned by our common purpose. Each division has autonomy to respond to the needs of its tenants and customers, and has access to the shared resources, experience and expertise available across the Group. We believe this model enables us to improve tenant satisfaction and engagement and deliver continuous improvement to our wider service offering.

Our customer satisfaction score for the year was 82.5%, which is up 0.3% from the prior year. We are pleased that this is progress in the right direction and continue to work hard to further improve our satisfaction scores.

We have also had a successful year in terms of tenant engagement. We implemented a system to track engagement activities and collect feedback on matters that are important to our tenants, leading to increased levels of involvement. We also launched a refreshed tenant offer, "The INfluencer Network", and we plan to expand engagement activities with the help of our new digital platform.





## Our people

Despite the ongoing 'War for Talent' and 'Great Resignation' trends in the UK labour market, the Group experienced its lowest staff turnover since Gasway joined in 2016, at 18.6%, down from 22.9% last year. Staff engagement increased from 7.9 in 2021/22 to 8.1 out of 10, with an 89% survey response rate. In 2022/23, 468 role vacancies were advertised, and a third of all vacancies continue to be filled by internal candidates each year, demonstrating consistently strong levels of career development and progression opportunities for staff. The Group currently has 107 active apprentices, showcasing our commitment to nurturing talent with this year seeing our largest intake of 41 new apprentices, surpassing the previous average of 19 per year.

We could not do the work that we do without our people – they are our company, enabling us to serve our tenants, generate long-term value and contribute to the broader communities where we operate. Central to our efforts is cultivating and sustaining a diverse work environment and workforce, crucial to meet the needs of our tenants. I would like to take this opportunity to express my thanks for their loyalty and hard work. Our success depends on the quality of our people, and I appreciate each and every contribution.

## Our Board Members

After several years of dedicated service, and having reached the end of their tenure, Board Members Philip Burton (Vice Chair), Peter Baynham and Paul Remington (Non-Executive Directors) and Board Adviser, Paula Cook, stepped down from their roles.

We're grateful for the contributions and leadership of Philip, Paul, Peter and Paula during their tenure. Their dedication to what we do as a Group has been invaluable, and they will all be missed.

To fill these vacancies, the Group welcomed three new members to its Board, Cecilia Tredget, Dr Emma Barton, and David Roger Lee. All share a passion for housing, delivering outstanding customer service and ensuring the tenant voice is heard. I also extend my gratitude to our Board, and the local housing boards; their hard work, valuable advice, and assistance have been crucial in enabling us to progress as an organisation.

## Concluding remark

In such challenging times it is crucial to remain positive and optimistic. We have the talent, expertise, and resources to come back stronger than before. Flagship remains committed to its purpose of providing homes and creating sustainable communities and looks forward to continuing its important work.

Peter Hawes, Chair
17 August 2023

# Strategic Report

for the year ended 31 March 2023

The Board of Management (the 'Board') presents its Strategic Report, including its assessment of Value for Money ('VFM'), for Flagship Housing Group Limited (the 'company' or 'Flagship') and its subsidiaries (together the 'Group' or 'Flagship Group') for the year ended 31 March 2023.

The structure of our Group has changed during the year ended 31 March 2023. The changes are explained within the Report of the Board on page 57 and in note 20 on page 120 in the notes to the financial statements.

## Our purpose

Flagship Group is committed to providing homes for people in need, and creating sustainable communities that our tenants can thrive in.

We envision a world where everyone has a safe, affordable, and sustainable place to call home. We believe that everyone deserves a home that meets their needs and allows them to thrive. Our vision to solve the housing crisis, is aspirational and a powerful tool to stimulate us to continuously strive to provide more new homes, to improve the efficiency of our existing homes, to encourage cohesion in our communities and to work with the marginalised, such as those who are homeless, to provide everyone with a home which they can call their own.

We want to be the best landlord in the UK. Our values guide our actions and ensure that we are always working towards our purpose and vision.

### Our values are:

- Employ great people doing great things
- Deliver outstanding customer service
- Spend money wisely
- Relentlessly improve our performance

We seek to reinvest any profit we make where it is most needed to enable us to stride forward toward achieving our vision. We call this 'profit for purpose.'

We are committed to operating in a sustainable way, reducing our environmental impact, creating a diverse and inclusive workplace, investing in our communities and being transparent with our customers, partners, funders and other stakeholders.





## Contextualising our purpose amidst a cost-of-living crisis

Whilst the UK government continues to target its "Growth Plan 2022" with the objective of delivering higher wages, greater opportunities and future sustainable funding for public services, the reality is that in 2023 one in five people in the East of England are considered to be experiencing poverty.

Poverty can be measured as being unable to satisfactorily heat your home, falling into a cycle of rent arrears, or being unable to buy essentials for your family. It means facing uncertainty, insecurity and marginalisation on a daily basis.

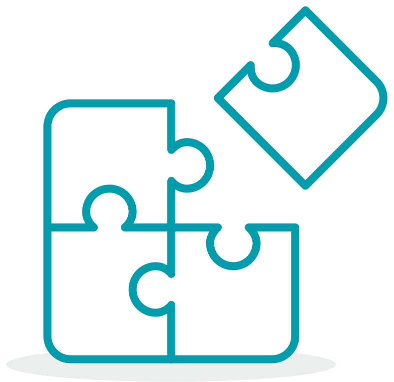
The UK is amidst a cost-of-living crisis. Price inflation is at the highest level seen for over 30 years, the Bank of England has increased interest base rates to control inflation which has increased the cost of mortgage borrowing for many as their existing fixed rate deals come to an end, income tax thresholds are frozen eroding disposable income, and wages are not keeping pace with price inflation.

Energy bills have reached record highs, food inflation was c.19% and petrol and diesel prices almost hit £2 per litre in winter 2022 following the geopolitical uncertainty in Eastern Europe. For many of our tenants, the cost to heat their home became unsustainable for them even with the Government's energy price cap. Our tenants are telling us that this is having a direct impact on their quality of life.

There are approximately 100,000 people in the East of England currently on a local authority housing waiting list and that number is only increasing with the challenges many in our society are currently facing.

As an organisation, during such a challenging time economically, we do have to make some difficult choices to maintain the financial resilience of our organisation. We are continuously reviewing our strategic priorities to ensure that our spending delivers the greatest social benefit for those who need it. We will weather this storm and build back stronger in the years ahead.

The government's 7% rent cap, whilst absolutely the right thing to do for our tenants, is eroding operating margins, and has a direct impact on our financial resilience. In many cases annual cost inflation has exceeded income growth during the year ended 31 March 2023 and as an organisation we are constantly seeking to create efficiency in our operating model to absorb the impact of this crisis, enabling us to continue to provide homes to as many people as we can in the East of England.



> **"We are consistently seeking to create efficiency in our operating model.**

# Our principal activities

As a Registered Provider of Social Housing our core business is our social housing activities. We deliver our social housing rented properties through our Newtide Homes, Victory Homes and Samphire Homes brands and we deliver our shared ownership homes through our Flagship Homes brand. Our brands are geographically spread across the East of England enabling us to focus on the needs of all our tenants to deliver a truly local service.

The majority of our housing stock is two and three-bedroom accommodation. Alongside our more traditional social housing product, we also provide a range of sheltered housing accommodation, shared ownership homes, a small number of market rented homes and some student accommodation rooms.

Our social housing rents are on average 62% of weekly private market rents in our two-bedroom properties and 57% of weekly private market rents in our three-bedroom properties. Similarly, our rents are between 29% and 34% lower than the Local Housing Allowance rates (depending on property size and location), which are used to calculate housing benefit payments for tenants renting from private landlords within the local authority area that our properties are located. Ultimately this demonstrates our purpose, to provide affordable housing to those in need who may otherwise be homeless as they are unable to access the private rental market.

At 31 March 2023 the Group owned 31,550 social housing properties (2022: 31,166) which over 72,000 people call home, 347 market rented properties (2022: 348) and 600 student accommodation rooms (2022: 600) in the East of England. The Group also managed 244 affordable homes (2022: 78) for third parties at 31 March 2023.

Our Group is diverse, and we deliver a spectrum of services which enable us to continue to proactively invest for the future.

Our development business develops attractive, high quality open market sale properties shaped by real thought, care, and attention to detail. Our open market sale homes generate re-investable capital for the Group, enabling us to build more social housing properties.

**“ Home for 72,000 people.**

On the 31 August 2022 Blue Flame (Colchester) Limited transferred its trade and assets to Gasway Services Limited ('Gasway') (see Report of the Board for more context). The Group continues to deliver its gas servicing, maintenance, and capital improvement services through its Gasway subsidiary. Gasway maintains the heating systems in the Group's housing properties but also sells its services to domestic residential customers, other social housing landlords and commercial and local government organisations.

Our charitable incorporated organisation, Hopestead, is focussed on ending homelessness in the East of England. Homelessness still exists everywhere so being another provider of homes to the homeless is not where Hopestead fits in. Hopestead partners with regional and national organisations to deliver a collective service package to reduce the risk of an individual relapsing to a position of homelessness. Hopestead does not just seek to provide accommodation to those that are homeless. It seeks to provide the skills needed to thrive in a home and be an active participant of a community.





# Our operating principles

We have identified twelve operating principles which are central to the delivery of our purpose.

These principles help us model our organisation as we look to the future and embrace transformational changes such as delivering greater digital self-service for our tenants, delivering on the government's 2030 and 2050 carbon targets, creating sustainable communities through local service delivery, and partnering with and investing in new technologies as we seek to make finite resources go further to solve the housing crisis in the East of England.

## Our operating principles are:

- A Flagship with one direction
- A tenant and community focused Flagship
- A Flagship that trusts and invests in its people
- An optimistic and brave Flagship
- A Flagship that thinks differently and has fun
- A Flagship that invests wisely
- A Flagship that holds its teams accountable for local service delivery
- A Flagship that uses data to relentlessly improve
- A Flagship that works with others to achieve its goals
- A Flagship that is resilient and adapts quickly
- A Flagship that is sustainable and responsible for its planet
- An inclusive, kind and respectful Flagship

We appraise our trading activities against our operating principles which ensures that our direction of travel is aligned with our strategic goals and objectives.

Strategic
Report

# Our operating objectives

During the last year we have been focused on a number of key strategic priorities and below we summarise our delivery during the year:

## 1. Consolidate and integrate

The final step in the integration of Victory Housing Trust and Suffolk Housing Society was completed with the consolidation of housing systems. This delivers a consistent housing management service for our tenants.

## 2. Implement our federated structure

Our housing brand / operational divisions are now fully operational and influence local housing decision making. Both void and arrears performance have improved during the year. Whilst our housing strategy is central to all three divisions, we are able to flex the implementation of our strategy through our federated structure to meet the needs of individual communities with different socio-economic needs.

## 3. Customers influencing our decision making

Our federated model has enabled us to improve representation across our communities. Tenants who sit on our local housing committees were involved in the Group strategy day helping to prioritise investment needs and were consulted on rent increase proposals. We have set up our new INfluencer Network using a new digital platform to enable more of our tenants to help us develop and improve key policies and processes.

## 4. Invest wisely in our assets / achieve a zero-carbon footprint

We have completed a new stock condition survey with a 20% stratified sample of our homes, enabling us to invest wisely and target effective and efficient improvement. During the last year we invested £47.4m in improving our existing homes. 58.9% of our homes are currently at or above EPC-C and we are making constructive progress toward our EPC-C target for all of our homes by 2030.

## 5. Accelerate the digital agenda

We have continued to develop our long-term digital strategy with a focus on self-service for our customers. We have selected a new operations management system for our repairs and maintenance services which will deliver efficiency in repair scheduling, improve appointment communication for tenants, and enable us to use data more effectively to further improve and tailor our services going forward. Our digital agenda remains a priority and we are continuing to strategically embrace and invest in an ever more integrated digital future, whilst not forgetting the needs of our customers who prefer not to use digital platforms.

## 6. Uphold our culture

We believe that our culture is the heart of who we are and it guides us as we seek to continuously improve our organisation. Our staff engagement score increased from 7.9 to 8.1 in the year.

## 7. Improve repairs performance

During the year we reduced the volume of our outstanding repairs jobs by over 2,000 jobs. Repair recalls have also fallen from 0.9% to 0.6% reflecting our on-going focus completing the right repair, first time. We have closely monitored our call performance statistics, seeing considerable improvement in the number of calls answered within 60 seconds. We are continuing to integrate our call centre operations which will deliver further performance improvements by leveraging benefits from economies of scale across our call centre teams.

## Residential Property Sales Risk

**1. Actively managing our residential property sales risk** amidst the current challenging economic environment with increasing interest rates impacting mortgage availability. A reduction in property sales has a direct impact on re-investable profit and free cash flow.

## Damp and Mould

**2.** The eradication of **damp and mould** remains a key priority for us. We want all of our homes to be safe and healthy places to live for our tenants. We will work relentlessly to sustainably manage and resolve damp and mould issues into the future.

## Delivery of Asset Improvement Plan

**3. Delivery of our asset improvement plan** is central to protecting the value of Flagship's housing stock. We want all of our homes to be EPC-C or better by 2030, a challenging but achievable target. We are continuously monitoring the compliance of our homes against the Decent Homes Standard and seek to remediate issues as soon as they are identified.

## Consumer Regulations

**4. Consumer regulation (including Tenant Satisfaction Measures)** – the introduction of new regulation is a strategic risk for any organisation. We are focussed meeting the requirements of the regulation and using the data collected to further improve our services for our tenants.

# Damp and mould

The Group is committed to eradicating damp and mould in its properties.
We know that damp and mould can cause a number of issues in a property including:

- Health problems for our tenants;
- Structural damage to the property resulting in a decrease in property value; and
- Increased energy bills as the property needs to be heated more to compensate for higher humidity levels.

We have introduced a number of initiatives during the year to address damp and mould issues and prevent them from reoccurring including:

- **Regular property inspection:** All customer facing staff received training on how to identify and report damp and mould issues in our homes, enabling us to proactively identify and remediate issues before they become harmful. At 31 March 2023 1,701 staff referrals had been received;
- **'Find our silence' initiative:** If a tenant has not been in touch for a repair or anything else in the past 12 months our neighbourhood teams schedule a property visit. We visited 2,643 properties by 31 March 2023 that we haven't been inside in the last 12 months, successfully accessing 1,753 homes leading to 450, generally low level, damp and mould cases reported, but enabling us to proactively resolve the issue before it worsens.
- **Tenant communication:** We have circularised our tenants to ask them to inform us about damp and mould issues in their homes further improving the information we have about damp and mould issues in our properties. Whilst only 34 responses at 31 March 2023 are directly related to damp and mould this proactive communication also highlights other disrepair issues which we can now remediate.
- **Ventilation:** Where appropriate we have installed additional / improved ventilation technology to reduce the moisture levels in the home, such as extractor fans or air circulation systems in more serious cases.
- **Insulation:** We have an active programme to increase the insulation in our properties as part of our 2030 EPC-C target. More insulation prevents heat loss and reduces the risk of condensation, ultimately reducing moisture and the risk of damp and mould.
- **Capital programme priority:** Where there is a correlation between a damp and mould issue and the need to replace a capital component in a property (for example, windows) we are proactively managing our capital programme to ensure that component replacements deliver the greatest value for money for our tenants and the Group and where possible resolve other inter-related stock condition challenges.
- **Treatment:** We have actively treated problematic areas of damp and mould with fungicide treatments and redecorated where appropriate.
- **Education:** We have a page on our website to help tenants prevent damp and mould in their homes with recommended steps they can take to reduce the risk of damp and mould occurring in their home.
- **Data collection:** We are actively monitoring the effectiveness of treatments we have used in our properties. Our smart thermostats measure property humidity enabling us to target properties at greatest risk of damp and mould.
- **Longer-term initiatives:** We are continuously monitoring new technologies, reviewing construction methods in our new homes and working with partners to find new and innovative ways to remove damp and mould from our homes.





All damp and mould issues are a priority for resolution but operationally we need to categorise repairs ensuring that we remediate issues in a structured way that protects our tenants most at risk first.

As at 31 March 2023 the Group had c.1,300 damp and mould jobs outstanding as a result of the initiatives introduced. New referrals between November 2022 and March 2023 were c.550 jobs per month, an increase of c.400 jobs per month against the historic run-rate. The early indication in 2023/24 is that the number of new referrals is now falling, and we expect the volume of outstanding jobs to be below 500 by September 2023.

We welcome Awaab's Law and advocate for its purpose to improve the quality of life for social housing tenants. We believe that the steps we have introduced are appropriate for our organisation to ensure that such a tragedy never happens in our properties. We will continue to actively identify and remediate damp and mould issues whilst focusing on prevention to reduce the volume of future issues arising.

# Our environmental impact

Our eighth operational principle is to be a Flagship that is sustainable and responsible for the planet. We want to reduce our impact on the environment and acknowledge that a large portion of our carbon emissions originate from our existing homes. Our operations create greenhouse gas emissions, and we are investing in new technologies to reduce our impact on our planet.

We commissioned an annual review of our emissions which helps us identify where we can deliver sustainability within our business model. Our greenhouse gas emissions and energy use for the report period were:

| | |
|---|---|
| Scope 1 / 2 | 7,066 (2022: 5,638) tonnes $CO_2e$ |
| Scope 3 | 74,039 (2022: 89,610) tonnes $CO_2e$ |

3,359 (2022: 2,690) tonnes $CO_2e$ of our scope 1 & 2 emissions are from our van fleet used by Flagship Services and Gasway to service our properties. The comparative 2022 figure does not include any emissions for Gasway. In 2023 Gasway's van fleet generated 1,286 tonnes $CO_2e$ notably explaining our year-on-year emissions increase.

Our on-going programme to replace our vans on a cyclical basis with newer more efficient models, alongside engineer scheduling algorithmic developments within our repair and maintenance services is reducing the volume of emissions we are producing. We are continuing to investigate the use of electric vans and actively monitoring technology development in this sphere to enable us to embrace zero emission technology when operationally feasible. We have a strategic priority to deliver an electric car fleet by 2027 and are making good progress as existing leases come to an end to transition company car users over to full electric or electric hybrid vehicles. We intend to continue to invest in making our fleet more environmentally sustainable.

Emissions from our homes have fallen by over 15,000 tonnes equivalent year on year demonstrating that our investment in renewable energy technology alongside supporting our tenants to understand how to manage their home more efficiently is really making a difference to the indirect emissions we produce as an organisation.

*Scope 1 emissions arise from the Group's owned and controlled assets such as vehicles and can be directly managed and influenced by the Group's use of those assets. Scope 2 emissions are indirect emissions generated from sources such as electricity production which is used to power our offices. Scope 3 emissions are other indirect emissions which arise from assets owned by the Group but whose use is controlled by others, for example our housing properties. The Group can influence Scope 3 emissions through steps to improve the efficiency of its homes for example.*

*Note: Report period 1 April 2022 to 31 March 2023 for current year emissions. Prior year emissions based on a reporting period from 1 December 2020 to 30 November 2021.*

# Our Net Zero strategy

## Flagship Group has set itself an ambitious goal to generate net-zero emissions by 2050, aligned to the UK government's Net Zero target.

We have a moral and legal duty to take positive action to reduce our greenhouse gas emissions. We believe it is important for us to play our part to reduce our impact on climate change, reduce energy costs for our tenants, and be ready to meet increasing legal obligations as the government introduces further targets and legislation for businesses as it seeks to deliver on its net zero emission targets.

As highlighted, the majority of the Group's emissions are caused by carbon dioxide from energy purchased by tenants renting our homes (scope 3, indirect emissions).

An Energy Performance Certificate ('EPC') measures the energy efficiency of a property on a scale of A to G. Better rated homes produce less carbon dioxide ($CO_2$) emissions. Understanding the EPC rating of our homes is essential to enable us to understand how best to improve efficiency for the future as we strive for net-zero by 2050.

The energy efficiency rating of a home also has a significant impact on the cost of heating for our tenants and improving energy efficiency directly impacts our tenants' disposable income.

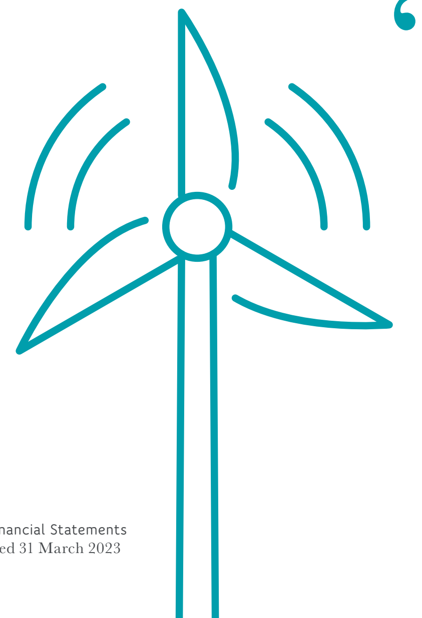
A household is in fuel poverty if they are living in a property with an energy efficiency rating of band D or below and when they spend the required amount to heat their home, they are left with a residual income below the official poverty line.

According to UK government data released in 2023, 327,590 homes in the East of England are living in fuel poverty, c.12% of all households in the East of England. Without doubt some of these households will live in our homes.

We are tackling fuel poverty and helping our tenants reduce their energy bills through:

- **A programme of planned investment** in thermal insulation, heating controls (such as smart thermostats) and heating system upgrades;
- **Training our front-line staff** to coach our tenants on how to operate new heating systems efficiently;
- **Putting up to date advice and guidance** on our website;
- **Supporting and providing tenants with opportunities** to upskill, secure training and employment opportunities that enhance their earning potential, incomes and quality of life; and
- **Offering financial support to tenants facing extreme hardship** by helping with fuel costs.

Naturally it is not cost effective to demolish all our properties and rebuild them to deliver a higher efficiency rating. Retrofitting properties with renewable energy technology, insulation and other innovative solutions is one way to improve a properties energy efficiency rating. That said, any retrofitting investment needs to be economical for the Group and there may be some properties that we need to either dispose of or rebuild to achieve the required rating for our properties.



> "We have secured over £4.2m in funding to support our renewable energy technology investment.





We have the following action plan to achieve our net zero target:

- **A significant retrofit programme underway** to ensure that all properties reach a minimum of EPC-C (SAP 69) by 2030;
- **All new homes to achieve a high EPC-B (SAP 86)** designed with futureproofing in mind mitigating the need for expensive future retrofit and meet the anticipated Future Homes Standard coming in 2025 and to include cycle storage, internal recycling bins and EV charging points where practicable;
- **All Flagship company cars to be fully electric by 2027** and all company vans to move to a low carbon fleet solution by 2035;
- **EV charging points at our offices** available from 2023;
- **Vehicle tracking with benchmarking between drivers** to encourage fuel efficiency, with fuel efficient driver training where required;
- **Continue to make offices more energy efficient** and powered by renewable energy sources;
- **10% biodiversity net gain** designed into new developments and Biodiversity Action Plan implemented from 2023 for existing stock;
- **Landfill waste reduction** project;
- **Implement an Environmental Management System ('EMS')** aligned to ISO14001 across the Group;
- **Net zero champions across the Group** influencing culture and behaviour to co-ordinate change; and
- **We will monitor our progress annually** through our environmental impact assessment, to ensure that we remain on the right trajectory.

Our properties currently fall into the following EPC ratings:

| EPC Band | Percentage of our homes | |
|---|---|---|
| A | 0.3% | (2022: 0.1%) |
| B | 11.4% | (2022: 10.5%) |
| C | 47.2% | (2022: 46.0%) |
| D | 37.2% | (2022: 38.2%) |
| E or below | 3.9% | (2022: 5.1%) |

Our work to date has demonstrated that it is viable to bring most of our homes up to EPC band C by installing a range of energy efficiency measures like loft and cavity wall insulation.Beyond EPC band C we will continue to target investment in renewable energy technologies to bring our portfolio to an average SAP rating of 86 by 2050.

We have secured over £4.2m in funding to date to support our renewable energy technology investment which has supported the installation of over 460 air source heat pumps and 65 solar photovoltaic installations.

Our progress during the year ended 31 March 2023 is reflected above and demonstrates that 58.9% of our homes are now EPC-C or better compared to 56.6% in 2022. This equates to approx. 680 more homes in our portfolio achieving an EPC-C rating which is a superb achievement and demonstrates that our action plan is having a real impact on reducing the energy costs for our tenants and means we are producing less carbon emissions which is better for the environment.

To facilitate transparency in our objectives, we have set ourselves a target of 65% of homes at EPC-C or above by 31 March 2024.

# Regulation

We are regulated by the Regulator of Social Housing (RSH). The RSH promotes a viable, efficient, well-governed social housing sector to deliver homes that meet a range of needs.

We strive to have an ongoing, transparent dialogue with the RSH through co-operative and constructive engagement, in respect of all issues impacting the Group and the sector.

During the year, to reflect the current challenging economic climate for registered providers, the regulator downgraded a number of housing associations which they considered to have a greater exposure to a weaker housing market, and notably where a housing association's business plan includes property sales.

Consequently, the regulator regraded Flagship from V1 to V2, under its financial viability grading system. A V2 grading means that Flagship is still fully compliant and has the financial capacity to deal with a reasonable range of risks, but that these risks need active management to ensure continued financial stability. Our strategic objective for the year ahead to actively manage our residential property sales risk will ensure we deliver continued financial stability for the Group.

Following an in-depth assessment in March 2023, the regulator also regraded Flagship from G1 to G2 in July 2023, under its governance grading system. As with V2, a G2 rating is fully compliant but means that the regulator has identified opportunities for Flagship to improve some aspects of its governance arrangements. We are pleased that we remain compliant with the regulator's Governance and Financial Viability standards. We now have the opportunity to formulate a comprehensive action plan working with the regulator, our people, our tenants and the Board to further strengthen our governance arrangements as we strive to return to G1 and V1 in the future.

The Group has maintained an A2 (negative) credit rating from Moody's. The Group's credit review reflects strong operating margins, solid financial management, a simple corporate structure, and a strong regulatory framework.

**“ The Group's credit review reflects strong operating margins.**



Strategic
Report

# Principal strategic and operational risks

## Financial performance – including inflation / cost-of-living

Failure to manage our cost base and respond to economic shocks would have a significantly negative impact on our financial resilience, net margin, free cash flows and ability to deliver our projects and services. Similarly, failure to balance cost increase with revenue growth due to rent caps and rent increase uncertainty, alongside wellbeing concerns for tenants, challenges our financial resilience and delivery of our business priorities.

The Group manages these risks through detailed budgeting and business plan forecasting to manage operational profitability and through proactive monitoring of future cash flow requirements to ensure that the Group has sufficient available liquidity to deliver its strategic goals. The Group undertakes stress testing of its future business plan to ensure that it has mitigated scenarios to enable timely action where a significant adverse event to occur.

The Group's continuous improvement culture is a cornerstone for delivering efficiencies within its operating model. Alongside that the Group is continuously revisiting its asset investment programme to ensure that its investment strategy delivers future value for money for both the Group and its tenants.

That said, spending less during a time of increased scrutiny in the quality of our homes, linked in part to the government's 'Make Things Right' campaign is arguably incompatible and therefore the Group's focus has been to intelligently use existing resource to manage cost risk.

At 31 March 2023 the Group business plan demonstrated that the Group could, with some mitigating actions, such as reducing uncommitted development spend and other discretionary project spend, absorb multiple competing adverse movements of the assumption variables used and still remain compliant with its banking covenants.

We use multi-variant stress test assumptions, and the following ranges present the lower and upper end of the scenario assumptions used.

**Housing market uncertainty:** 10%-20% house price crash and 3-9 month sales lag, acknowledging a level of economic risk from housing market uncertainty.

**High-inflation, high interest economy:** 1%-5% higher than forecast inflation (inflation forecast: 2024: 5%; 2025: 4%; 2026: 3%; 2027 onwards: 2%), interest rates 1%-2% higher than forecast (interest rate forecast 2024: 4.8%; 2025: 4.4%; 2026: 3.5%; and 2027 onwards: 2.8%) acknowledging the high-inflation high interest rate economy we have experienced in the last twelve months.

**Cost-of-living crisis on our tenants:** bad debts at 4% for between two and four years, scenarios covering a four-year CPI rent increase through to a four year 1% per year decrease and increased tenant support costs between £50k - £500k per annum recognising the impact of the cost-of-living crisis on our tenants;

**Cost uncertainty in maintenance and improvement spend:** increased repair spend due to material inflation between £3m-£5m per year, £1m-£3m additional repair costs due to continued damp and mould challenges, 10%-20% increased costs to achieve EPC-C by 2030 (and longer term net zero) and changes to government grant of 10%-30% over the duration of the plan acknowledging cost uncertainties within our maintenance and improvement spend; and

**Macro-economic risk:** utility bills increasing costs by £0.5m-£2m extra per year, impairment of student and market rented portfolios of 5%-25%, pension deficit funding increase of £0.1m - £1m per annum and the loss of a major contract result in a £0.2m surplus impact per annum reflecting some of the Group's broader macro-economic risks.

The Group has a suite of KPIs which it monitors on an on-going basis and undertakes a rolling full year forecast to ensure that any risks can be responded to quickly enabling the Group to address liquidity challenges strategically rather than reactively.





## Financial performance – banking covenants

Increasing costs which erode operating margins directly impact headroom on lending covenants. The Group has seen a deterioration in its interest cover headroom, particularly when it is adjusted for major repairs expenditure.

The Group's finance and treasury committee provides an important role monitoring the Group's performance, through monthly review and challenge of management information and annual oversight of performance forecasting to enable the Group to take appropriate steps as required to address spending to maintain compliance with lending covenants.

The Group has a strong working relationship with external independent treasury advisers, a robust treasury plan and proactive working relationships with its funders to manage its covenant compliance risk.

## Financial performance – interest rate exposure

Failure to manage interest rate exposure on the Group's existing debt facilities is a key strategic treasury risk that the Group is actively managing. This risk is particularly pertinent whilst Bank of England base rates are increasing.

These risks could potentially lead to reduced capacity to deliver new build homes and less investment in existing stock, ultimately impacting our carbon zero strategy.

The Group is actively managing these risks through a blend of fixed and variable debt facilities, with embedded fixes within its debt portfolio providing interest cost assurance in the short-term but longer-term flexibility to react to changing interest rates. At the 31 March 2023 85.4% of the Group's debt was at fixed interest rates.

The Group had £915m of debt financing at 31 March 2023. At 31 March 2023 the Group had sufficient headroom on all of its covenants and is confident that it will remain fully compliant for the foreseeable future.

## Property condition and maintenance (key priorities – page 17)

Failure to maintain and invest in existing housing stock leads to deterioration of that property, damp and mould issues, increases in customer complaints and a fall in customer satisfaction, potential risk of increased disrepair claims, failure to meet government targets on carbon net zero, adverse ombudsman determinations and non-compliance with the Home Standard.

The Group continues to closely monitor its outstanding jobs to understand the operational and financial impact of these at any given point in time as well as the negative impact that long standing repairs can have on the wellbeing of our tenants. Our monitoring includes an appraisal of the extent of the risk, understanding the impact on the welfare of our tenants and their satisfaction and recognising that outstanding unresolved minor repairs could lead to more serious property condition issues in the future. Therefore, proactive targeted management is essential to deliver value for money and peace of mind for our tenants.

> “The breadth of training we offer our people is constantly growing.

## Housing market volatility

A fall in house prices would reduce the profitability of the Group's open market development activities, which in turn would reduce capital generated through these activities and result in fewer affordable housing properties being developed. The Group actively monitors housing unit development volumes and completed stock levels awaiting sale to manage its exposure risk to house price instability. The Group also monitors open market sale scheme profitability and revenues to identify any early warning signs which may trigger a change in the Group's risk profile. Finally, the Group stress tests its business plan with scenarios that are considered to approximate a worst-case scenario to ensure that the Group can weather future price volatility.

## Health and safety compliance

Health and safety compliance is an important strategic and operational risk for our organisation ensuring that we protect the safety of all stakeholders in our business and encourage them to thrive.

A health and safety control failure could result in injury or death to an employee, customer or other third party resulting in legal action, significant financial penalties, adverse publicity, reputational damage, removal of trading licences and a significant fall in trading activity.

Health and safety compliance is, therefore, monitored continuously, supported by regular policy and procedural reviews to ensure that the Group remains at the forefront of health and safety best practice. The Group has a robust reporting framework for health and safety accidents and incidents. Health and safety compliance is monitored by the Health and Safety committee, led by the Group's Deputy Chief Executive Officer, ensuring that best practice and attention to detail is implemented through our organisation. The Group has continued to invest in regular training through initiatives such as toolbox talks and specific risk-based training courses which are now delivered online.

Asset compliance is a key component of our health and safety framework, to ensure that our properties are safe for our customers. Asset compliance is actively monitored monthly through the Group Performance Dashboard and the Group Board led asset management committee.

## People

The Group structure has changed considerably in the last few years with a significant number of employees joining the Group. Not having the right people and culture impairs the Group's progress toward delivering its vision and purpose.

Access to skilled labour in our local jobs market is a strategic risk for the Group. Not having the right people in the right roles would impact our ability to deliver services such as our development programme for example. We are responding to this risk through investment in upskilling existing staff, investment in apprenticeship programmes and ensuring that our remuneration packages are competitive and attract the right people to enable us to deliver our strategic objectives.

The breadth of training we offer our people is constantly growing and our digital platform has enhanced accessibility resulting in greater training engagement which ultimately supports a good control environment and ever improving services for our tenants.





## IT system and information security

Failure to manage data properly results in poor decision making and operational inefficiency, potential vulnerabilities which can be exploited by cyber-criminals, adverse impacts to our front-line services, the inability to communicate effectively with customers and the potential for non-compliance fines from the Information Commissioners Office ('ICO').

The Group has a detailed business continuity plan to manage the risk of failure of strategic IT systems, has continuous data back-up in place and undertakes regular data recovery test exercises to be able to respond to IT failure in an efficient well-planned manner.

The Group's Information Security Council co-ordinates and monitors the Group's response to cyber security as well as implementing mandatory data protection and cyber fraud awareness training for all staff, with additional targeted training to staff in business functions considered higher risk from a data security perspective. Training is provided on a cyclical basis to all staff. Cyber and data security training completion rates is a key KPI monitored by senior management.

The Group is currently undertaking an organisation wide data project to enhance clarity around data ownership, remove duplicate data sources and seek to move toward greater integration of data to deliver operational insights and efficiencies as we seek to future proof our organisation.

The Group manages an IT change priority list to ensure that system change is managed methodically to deliver estate improvements without service interruption.

# Strategic Report

## Tenant engagement and our federated structure

Our housing tenants are at the heart of our purpose. Lack of effective tenant engagement results in disenfranchised tenants and poor customer service ratings.

Each local housing division/brand has a local housing board which sets the strategic direction of that brand. Each local housing board has representation from tenants, the Board of Management and local management who oversee the delivery of the day-to-day operation in the local area.

The federated structure in itself carries a strategic risk that the failure to strike the right balance between central control and local autonomy results in conflict and management distraction, ultimately putting social housing assets at risk.

Housing stock is split geographically between the three affordable rent housing brands but there is a shared constitution for the local housing boards to promote consistency and an aligned culture and values.

Ultimately our federated structure enables us to deliver a customer and community focused Flagship that holds its teams accountable for local service delivery in an inclusive, kind and respectful way. Our risk mitigation actions above ensure we deliver a Flagship with 'one direction'.

## Carbon zero

Failure to budget for increases in housing maintenance costs (related to retrofit property improvements) could result in the Group's failure to achieve increased energy efficiency standards.

The Group has developed a carbon net zero strategy enabling it to model the costs required to achieve the carbon net zero strategy. The Group continues to build its new homes to a high EPC-B, with the primary aim being to increase the efficiency of new build homes today to reduce the requirement for expensive retrofit in the future. The Group continues to work with third party advisors to understand its existing stock and the most efficient and effective ways to retrofit its existing properties.





## Development programme delivery

Failure to deliver our development programme is a key strategic risk for the Group because it results in fewer new homes delivered and slows our progress toward delivering our vision of, 'solving the housing crisis'. We manage this risk through close performance monitoring by our Flagship Housing Developments Limited Board and regular publication of performance dashboards. We use central assumptions approved by the Group to appraise all new build developments with investment return hurdle rates to ensure that our development programme delivers a longer-term robust return for the Group.

## Residential property sales risk (key priority – page 17)

A significant fall in revenue and/or profit from sales is a key strategic risk for the Group, negatively impacting financial performance metrics, and covenant compliance, as well as reducing cash flow for business priorities.

The Group has a suite of KPIs to assess this risk which are monitored through the monthly performance dashboard. The Group's business plan is stress tested with a number of sales risk assumptions to ensure that the Group has appropriate mitigations were a fall in revenue or profit to occur. The Group also has a robust appraisal process for new developments with thorough market research to ensure that investments are appropriate, managing the risk of adverse exposure.

Our target is to deliver a profit / gain on disposal of £26.9m from our open market sales, first tranche sales, staircasing and asset management sales during the year ended 31 March 2024.

# Group results: Summary of ratios

## Financial ratios

| Financial ratios | 2023 | 2022 | 2021 |
|---|---|---|---|
| Operating margin – social housing lettings | 28.4% | 33.3% | 35.4% |
| Operating margin (including gain on disposal of fixed assets and profit from joint venture activities) | 31.8% | 35.9% | 34.7% |
| Operating costs per home | £4,098 | £3,569 | £3,470 |

## Key covenant ratios (VFM metric definition)

| Key covenant ratios (VFM metric definition) | 2023 | 2022 | 2021 |
|---|---|---|---|
| EBITDA MRI (interest cover) | 132% | 180% | 243% |
| Net debt per unit | £27,639 | £25,530 | £25,643 |
| Gearing (debt / housing properties cost) | 44.7% | 45.7% | 46.5% |

## Other key performance indicators

| Other key performance indicators | 2023 | 2022 | 2021 |
|---|---|---|---|
| Homes in management | 32,741 | 32,192 | 31,782 |
| Current social housing tenant rental arrears | £5.8m | £5.7m | £5.5m |
| Current social housing tenant rental arrears as a % of income | 3.7% | 3.8% | 3.9% |
| Average weekly gross rent (52 weeks) | £99.71 | £96.76 | £92.68 |
| Average re-let time | 57 days | 75 days | 63 days |
| Rent loss from social housing voids as a % of income | 1.2% | 1.3% | 1.1% |
| New affordable homes delivered | 634 | 564 | 460 |
| First tranche shared ownership sales | 152 | 163 | 139 |
| Staircasing shared ownership sales | 50 | 67 | 32 |





## Counterparty risk

Utilisation of third-party service providers risks a fall in the quality of service and potential breaches of policy, regulatory and statutory requirements. A service delivery failure by a supplier / third party provider carries a risk of financial penalty, reputational damage, and a risk to the safety of our tenants.

This risk is managed through careful oversight of contractual relationships by subsidiary boards and local housing boards, monitoring of contractor exposure, procurement training and policies to ensure that contractors have appropriate competency and third-party cyber risk management.

## New consumer regulation (key priority – page 17)

Uncertainty around new consumer regulation is both a strategic and operational risk for the Group which could result in operational inefficiency, a breach of consumer standards, reputational damage, a reduction in customer satisfaction, an increase in complaints, and negative regulatory gradings.

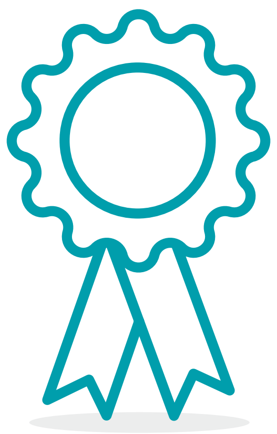
The Group has undertaken a tenant satisfaction measures pilot to ensure that it understands the impact of the required data capture on its existing process flows. The Group is closely following developments and engaging proactively with the Regulator of Social Housing to ensure that its interpretation of the new requirements meet the expectation of the regulator.

# Financial performance review

2022/23 has been a challenging year financially. The Group, and the wider sector as a whole, has had to respond to some important asset quality challenges, amidst soaring inflation and increasing interest rates placing pressure on financial performance metrics.

Our Board made some important decisions to maintain asset investment at budgeted levels, invest in reducing the volume of outstanding repairs, invest to remediate winter storm damage from the previous winter to mitigate future damp and mould risk, and invest in dealing with damp and mould following government and regulator intervention in the social housing sector in late 2022.

We are proud of these decisions because they put our tenants first. We are also proud of our financial controls and our underlying financial viability which has enabled us to navigate additional investment amidst a challenging economic environment.



> “Our board made some important decisions to maintain asset investment, reduce outstanding repairs, and deal with damp and mould



Below are a few headlines:

**Turnover**

**£250.2m**

(2022: £231.9m)

**Surplus for the year**

**£49.2m**

(2022: £59.2m)

**Operating Surplus**

**£79.6m**

(2022: £83.3m)

**Liquidity**

**£251m**

(2022: £331m)

**New Affordable Homes**

**634**

(2022: 564)

**First Tranche Sales**

**152**

(2022: 163)

**Open Market Sales**

**103**

(2022: 81)

**Hopestead funding**

**£1.0m**

(2022: £0.6m)



Consolidated Financial Statements for the year ended 31 March 2023 | Flagship Group

# Social housing rented homes

The Group's primary trading activity is the provision of affordable housing and 66% (2022: 67%) of the Group's income was generated from that activity during the year. This remains the Group's primary income stream and the Group is committed to ensuring that its affordable housing remains a truly affordable product for its tenants. (see Affordable for All and Hopestead on page 51).

Rent collection continues to be a strength for our housing teams underpinned by targeted local interventions facilitated through our federated model. We ended the year with social housing rent arrears at 3.7% of rental income for the year, a marginal reduction against the 3.8% at 31 March 2022, albeit that means that total arrears increased by £0.1m year-on-year.

The number of current social housing tenants in arrears has fallen from c.7,500 in March 2022 to c.6,000 in March 2023 demonstrating our housing teams targeted interventions to support current tenants. However, this does indicate that average current tenant debt has increased from £280 per tenant in arrears in 2022 to £367 per tenant in arrears in 2023. Again, this arguably reflects the impact that the cost-of-living crisis is having on our tenants. Former tenant debt has remained broadly static at £3.6m year-on-year.

Operating costs for our social housing lettings have increased to £119.5m in 2023, an increase of £15.6m and 15% year-on-year. Two key drivers for this increase are maintenance expenditure and a lower recovery on service charge costs.

Maintenance expenditure increased £7m year-on-year which included £1.1m of damp and mould remediation spend, a £3.25m one-off provision for building remediation works at a property in Suffolk and £0.8m additional roofing works with the balance notably driven by material price inflation. Improving our repairs service remains a key theme for customer satisfaction responses, which is now actively managed by our asset management committee.

Our service charge gap increased by £1.5m during the year. Whilst we acknowledge that this has a direct impact on our operating performance, the Group took the decision to cap service charge increases during the year acknowledging the financial impact on our tenants from the cost-of-living crisis.

Consequently, our social housing operating margin has reduced from 33.3% in 2022 to 28.4% in 2023. With the economic uncertainty we have faced this year, the requirement to address damp and mould and our continued investment in our existing properties, we are confident that this deterioration in margin is a consequence of doing the right thing. Our social housing operating margin remains consistently in the upper quartile of our peer group.

During the year we spent £47.4m on our existing homes, an increase from £40m during the year ended 31 March 2022. We have continued to wisely invest in making our homes more energy efficient, but also acknowledge that material price inflation is driving up the cost of improving our homes.

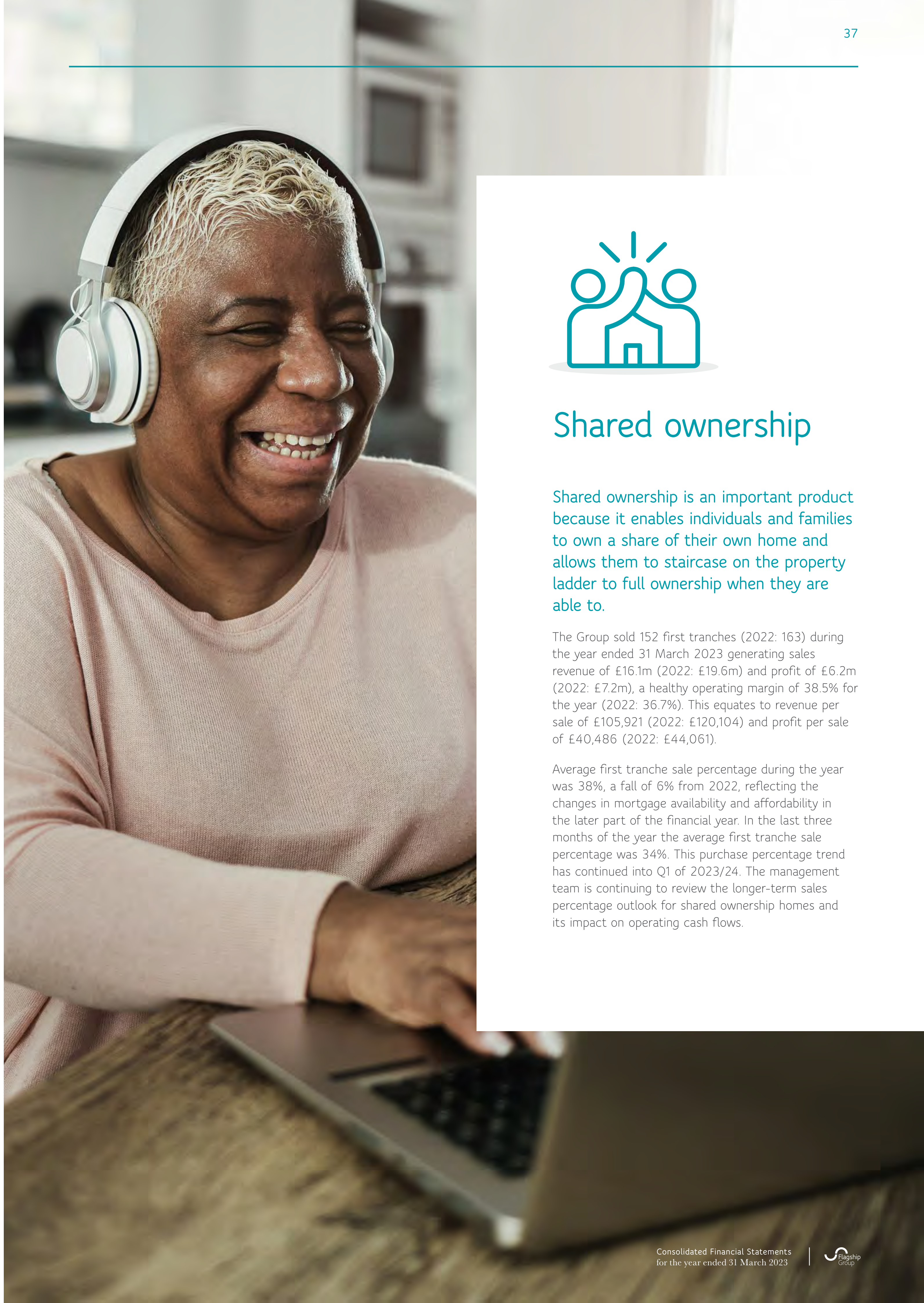
Headline social housing cost per unit has increased year on year from £3,637 in 2022 to £4,207 in 2023. The increase in cost per unit broadly reflects increased maintenance and capital spend in our homes as well as additional unrecovered service charge costs following last winter's increase in energy bills. Maintenance spend now accounts for c.69% of our cost per home, broadly consistent with the prior year. However, given that during the year we disposed of 118 homes which were not economically viable to maintain, and we built 633 new homes, this demonstrates that our investment in our existing homes has considerably increased year on year.

During the year the Group undertook a review of the process for returning void properties back to rent. When a property is void it is not generating any income for the Group but continues to deteriorate and requires maintenance. At 1 April 2022 the Group had 310 void properties. Our process review reduced this to 255 properties at 31 March 2023. Notably our progress has been to let 'void available to let' properties in a more timely manner.

The Group lost a number of properties to the summer fires in 2022 which has resulted in rebuild insurance claims and an adverse movement on the Group's insurance risk profile. 36 properties were void for insurance works during the year, with 10 of those becoming available for relet in March 2023, leaving a further 26 to be returned later in 2023/24.







# Shared ownership

Shared ownership is an important product because it enables individuals and families to own a share of their own home and allows them to staircase on the property ladder to full ownership when they are able to.

The Group sold 152 first tranches (2022: 163) during the year ended 31 March 2023 generating sales revenue of £16.1m (2022: £19.6m) and profit of £6.2m (2022: £7.2m), a healthy operating margin of 38.5% for the year (2022: 36.7%). This equates to revenue per sale of £105,921 (2022: £120,104) and profit per sale of £40,486 (2022: £44,061).

Average first tranche sale percentage during the year was 38%, a fall of 6% from 2022, reflecting the changes in mortgage availability and affordability in the later part of the financial year. In the last three months of the year the average first tranche sale percentage was 34%. This purchase percentage trend has continued into Q1 of 2023/24. The management team is continuing to review the longer-term sales percentage outlook for shared ownership homes and its impact on operating cash flows.

# Non-social housing activity

The Group's non-social housing revenue has increased year-on-year by 21% to £68.2m, notably as a result of an increase in open market sales.

## Open Market Sales

During the year the Group sold 103 open market sale homes (2022: 81), against its original target of 130. Construction delays impacted the availability of stock reducing the number of completions that occurred during the year.

The Group achieved a gross margin of 22% (2022: 15%) on its open market sales during the year as a result of marketing some very high-quality homes in desirable locations.

All four of the company's open market sale schemes performed well this year, due to sales inflation delivering margins in excess of budget despite completion numbers being lower than originally budgeted. The Printworks has been a particularly successful site with substantially higher average selling prices, owing to its favourable rural location close to Cambridge.

The Group's open market sale programme delivered a return of £8.1m (2022: £3.3m) which the Group has re-invested into developing more homes. A return of £8.1m is equivalent to building approx. 45 new affordable homes, a fantastic result which will enable us to provide more homes for people in need in the East of England.

## Gas servicing and installation activity

Our external gas servicing income decreased year on year by £3.7m owing to the loss of a large social housing contract toward the end of the prior year.

We transferred the trade and assets of Blue Flame (Colchester) Limited into Gasway Services Limited to create additional synergies and offer a consolidated heating service to the Group's customers.

Margins in our gas servicing business are under pressure from material price inflation and material availability and the Group is currently undertaking a strategic review to futureproof heating servicing within the wider Flagship Group.

We know that in the East of England 78% of all homes (c. 2.1m homes) rely on 'mains gas', 'oil', or 'bottled gas' as their primary source of fuel heating. Whilst a competitive market, heating servicing and installation remains an important market for the Group and for its subsidiary Gasway.

Only 2% of homes in 2021 had transitioned to using renewable energy in the East of England, demonstrating that the renewable energy market, whilst still in its infancy regionally, remains a strong proposition for future growth, and the Group intends to position itself strongly to embrace the opportunity for growth when the time is right.

**"All four of the company's open market sales schemes performed well this year.**





# Profit and margins

## Overall operating margins

Operating margin (including gain on disposal of fixed assets and joint ventures) was 31.8% (2022: 35.9%). Operating margin (excluding gain on disposal of fixed assets and joint ventures) was 24.3% (2022: 28.2%).

The Group's operating margins have steadily reduced over the past few years, down from an operating margin (including gain on disposal of fixed assets and joint ventures) of 38% in 2020.

This reduction has predominantly been driven by turnover growth from lower margin revenue streams such as open market sale and our gas servicing businesses, with notable growth in our open market sales during the year ended 31 March 2023.

Our social housing operating margin has also fallen from c.40% in 2020. However, this margin erosion includes the Group's funding for Hopestead, its homelessness charity, its Affordable for All programme which supports tenants struggling financially and reflects our investment in tenant engagement and the localisation of our housing service.

Our operating margin (overall) calculated on the value for money metric basis compares very well to our peer group and the overall social housing sector. Our operating margin (overall) for the year ended 31 March 2023 of 25% which is just shy of the top quartile for our peer group of 25.4%, despite margin erosion in the current year due to cost inflation.

Historically we have targeted a group operating margin (overall) of c.30%. That target remains, but we acknowledge that in the current climate cost pressure on the Group is likely to result in lower operating margins in the shorter term. For the year ended 31 March 2024 we are targeting an operating margin (overall) of 29%.

## Interest cover

The Group has a varied lender portfolio with different interest cover definitions across lenders.

The value for money EBITDA MRI (interest cover) metric presents a deterioration year-on-year from 180% in 2022 to 132% in 2023. Whilst this remains consistent with our peers in the sector, two of our loan facility EBITDA MRI definitions are tighter still.

We know that investment in our assets, both maintenance and capital are important drivers in our interest cover reducing year on year, and we have actively managed our compliance throughout the year to deliver our investment strategy whilst remaining compliant with our funding covenants.

The Group will refinance the two facilities during the year ended 31 March 2024 and has provisionally agreed EBITDA based interest cover covenants which are less influenced by fluctuations in capital spend.

For the year ended 31 March 2024 we are targeting our value for money EBITDA MRI (interest cover) ratio to be c.140%, broadly consistent with the year ended 31 March 2023.

# Balance sheet

## Housing properties

Housing properties, held at depreciated historical cost, are valued at £1.97bn (2022: £1.84bn). During the year the Group invested £120.7m in development of new social housing properties and £47.4m in capital improvements to existing properties. The Group disposed of £9.4m of housing properties which were either uneconomic to maintain, Right to Buy or Right to Acquire disposals or Additional Tranche Shared Ownership disposals and recognised a depreciation charge on assets in use of £27.5m.

Our new supply delivered (social housing units) during the year ended 31 March 2023 was 2% which is 0.2% above what we achieved in 2022 and 0.3% above what our peers achieved in 2022. The supply of new affordable homes is important for us because our goal is to solve the housing crisis in the East of England and we know that there are over 100,000 people waiting on local authority waiting lists in the East of England for a place they can call home.

Our target for 2022/23 for new supply delivered (social housing units) was 2.5%. We delivered 124 fewer new homes than budget which is the primary driver for us delivering a lower new supply of social housing units. We have faced challenges with labour and material availability on some of our developments during the year impacting the delivery timetable of new homes.

That said, delivering 2% was a considerable challenge for the Group due to development sector challenges, such as labour and material availability, as well as Nutrient Neutrality in the East of England reducing the volume of planning permissions proceeding through to development in the short term. Whilst we are disappointed that we did not achieve our target of 2.5% we believe that 2% reflects a strong performance in a challenging trading environment.

Our target for 2023/24 is c.1.9%. Whilst planning for 2023/24 the Group took a strategic decision to marginally scale back on its new build development programme, reducing new build homes to c.600 in 2023/24 and c.500 per annum thereafter. This decision enables us to balance new build development with the investment required in our existing homes to meet our 2030 EPC-C target and the government's longer-term net zero target by 2050.

## Reinvestment

Reinvestment is a measure of how an organisation is investing in new build development and improvements to existing homes, as a percentage of the net book value of housing properties on the providers balance sheet. An organisation with an established development programme (delivering good new supply metrics) and a good capital improvement programme should score favourable on this metric.

We set ourselves a reinvestment target of 6.7% for the year ended 31 March 2023. We achieved a reinvestment percentage of 8.6% during the year which reflects the growth in our development programme, increased spend in renewable energy technology and increased investment across our property portfolio as we strive to continue improving the quality of our homes for our tenants. Our reinvestment target for the year ended 31 March 2024 is c.8% acknowledging a reduction in our development programme.

> **"We achieved a reinvestment percentage of 8.6%.**





## Investment properties

The Group's investment properties have seen a marginal £0.2m revaluation uplift at 31 March 2023 (2022: £4.2m). This predominantly reflects continued strong occupancy rates and low levels of voids and arrears but acknowledges the impact of inflation on the longer-term profitability of the portfolio.

Our student and our market rented portfolios continue to deliver healthy returns for the Group and remain attractive investments. We are undertaking some fire compartmentalisation works at one of our student accommodation sites, acknowledging the importance of continued investment to maintain safe and secure places for people to live.

## Loans to JV undertakings

At the beginning of the year, the Group held an investment in Evera Homes LLP ('Evera'). Following a change in strategic direction of Evera the Group, through its membership via Flagship Housing Developments Limited, chose to retire from membership in January 2023. Prior to retirement, Evera's investment in Littleport Developments LLP was transferred to Grange Lane (Littleport) LLP ('Grange Lane'). Grange Lane was incorporated in November 2022 by the four members of Evera to hold Evera's original investment in Littleport Developments LLP.

Evera and Grange Lane did not deliver a profit during the financial year, but Grange Lane is expected to deliver £4.3m of profit over the duration of the scheme for the Group.

The Group considers its investments to be fully performing with forecast future profit and a share of the LLPs net assets, such that the Board is comfortable that no impairment exists at 31 March 2023.

The Group continues to have an active investment in Lovell Flagship LLP (a 50% share). Lovell Flagship LLP returned £2m of its loan facility during the year and generated a profit share of £1.1m for the Group.

Consolidated Financial Statements for the year ended 31 March 2023 | Flagship Group

# Strategic Report

## Treasury

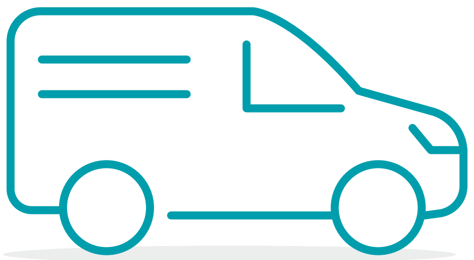
The Group's Finance & Treasury Committee is dedicated to the oversight of the Group's treasury strategy. Obtaining third party funding at attractive interest rates, whilst managing the debt risk exposure of the Group, is essential to deliver value for money and protect the future viability of our organisation. The Group's is predominantly financed by loans from debt and capital markets.

The gross amount owed by the Group at 31 March 2023 was £917m (2022: £940m) with £157m (2022: £123m) of term debt held at variable interest rates, £760m (2022: £826m) of term debt held at fixed interest rates and £23m drawn against the Group's £205m revolving credit facility arrangement.

The Group has, and continues to, meet all covenants of its lending facilities. The Group regularly stress tests its business plan and budgets, enabling it to make strategic decisions as required, to ensure that compliance is maintained with all covenants.

The Group's gearing ratio (a measure of indebtedness calculated as net borrowings as a proportion of housing property net book value) was 44.7% at 31 March 2023 (2022: 45.7%). Gearing has remained relatively stable over the last few years. Our gearing at 31 March 2023 is broadly consistent with our peer group and well within our 60% covenant. Our business plan forecasts gearing to fall over the next 5 years to approx. 40%.

The Group had c.£251m available liquidity at 31 March 2023 and £162m liquidity headroom after taking into account 2-year development committed spend. The Group had c.£340m of uncharged properties at 31 March 2023 which it can pledge against future debt facilities. As a Group we have a healthy liquidity position underpinning our financial performance, strategic objectives, and business plan for the years ahead.







# Cash flows

The Group generated cash of £125.4m from operating activities during the year ended 31 March 2023 (2022: £101.8m). The year-on-year increase is driven by a reduction in inventory of £27.2m reflecting the increase in open market sales from 81 in 2022 to 103 in 2023.

The Group spent £168.3m (2022: £130m) on its housing properties during the year ended 31 March 2023. The Group spent £47.4m on capital improvements in 2023 compared to £40m in 2022 which demonstrates the Group's intention to continue investing in its existing housing stock, with much of the growth driven by renewable energy technologies.

The Group made loan repayments during the year of £23.1m (2022: £58.3m) and interest payments of £34.1m (2022: £30.5m).

The Group finished the year with a higher cash balance than originally forecast due to fewer new homes being delivered in the year than budgeted.

# Capital structure

Flagship Housing Group Limited is registered under the Co-operative and Community Benefit Societies Act 2014 with registered number 31211R. It has issued share capital of £8 (2022: £8). Each share carries one vote, is not redeemable and does not have any dividend or distribution rights.

# Value for Money

Value for Money ('VFM') underpins the delivery of our purpose and is embedded into our culture. We have undertaken a comprehensive review of VFM for the year. This gives our stakeholders a rounded picture of how we have performed against our aspirations, how we have progressed since last year, and how we intend to deliver VFM in the future. We report on the metrics prescribed by the Regulator of Social Housing enabling comparatives to be drawn between our performance and others in the sector.

We are confident that we have complied with the VFM standard in full. Our Board is committed to ensuring that VFM is embedded in both our culture and our decision-making processes.

We achieve this by:

- setting the overall strategic direction and culture of the Group, recognising how important it is to maximise VFM in order to deliver our strategic aims;
- approving key strategies and ensuring that VFM has been considered throughout;
- including VFM targets in our five-year plan;
- benchmarking against our peer1 Group (20,000 – 40,000 homes), which enables the Board to challenge the organisation to do more;
- reviewing key performance indicators (including VFM indicators) against our five-year plan objectives and annual budget to ensure the Group is continuously improving; and
- really understanding our performance each year and by setting challenging objectives for the next financial year.

We use a colour coding system to highlight our VFM performance: Good OK Requires improvement

| Absolute and Comparative Costs | 2023 Actual | 2022 Actual | 2022 Peer Group | 2023-2022 Actual | 2023 Actual v Peer Group | 2022 Actual v Peer Group |
|---|---|---|---|---|---|---|
| Staff engagement score | 8.1 | 7.9 | N/A | Good | | |
| New affordable homes delivered | 633 | 564 | 501 | Good | Good | Good |
| Void loss (£m) | 1.9 | 1.9 | 2.3 | Good | Good | Good |
| Current tenant arrears % | 3.7% | 3.8% | 4.6% | Good | Good | Good |
| Total operating surplus (£m) | 79.6 | 83.3 | 54.9 | OK | Good | Good |
| Surplus for the year (£m) | 49.2 | 59.2 | 43.3 | Requires improvement | Good | Good |
| Surplus per Home (£) | 1,515 | 1,864 | 1,455 | Requires improvement | Good | Good |
| % of homes at EPC-C | 58.9% | 56.6% | N/A | Good | | |
| Reinvestment percentage | 8.6% | 7.1% | 6.7% | Good | Good | Good |
| New supply delivered (Social housing units) | 2.0% | 1.8% | 1.7% | Good | Good | Good |
| New supply delivered (Non-social housing units) | 0.3% | 0.3% | 0.2% | Good | Good | Good |
| Gearing | 44.7% | 45.7% | 45.3% | Good | Good | OK |
| EBITDA MRI (interest cover) | 132% | 180% | 143% | Requires improvement | Requires improvement | Good |
| Headline social housing cost per unit (£) | 4,207 | 3,637 | 4,123 | Requires improvement | Good | Good |
| Operating margin (overall) | 24.7% | 28.4% | 20.1% | Requires improvement | Good | Good |
| Operating margin (social housing lettings only) | 28.4% | 33.3% | 25.6% | OK | Good | Good |
| Return on capital employed (ROCE) | 3.7% | 4.0% | 3.0% | OK | Good | Good |



Consolidated Financial Statements
for the year ended 31 March 2023

# Tenants

## Our tenants are the essence of our organisation.

As an organisation we are committed to being customer-focussed by putting the needs of our tenants at the heart of the products and services we provide.

Customer feedback is embedded throughout our organisation and during the last 12 months we have placed considerable focus on tenant engagement, because if our customers can help shape our services, those services will meet their needs more closely. This should lead to improving customer satisfaction, which is a measure of whether we are getting it right.

After consulting with our existing engaged tenants, we launched an updated tenant engagement offering called the "INfluencer Network," merging existing groups such as the Digital Experience Group and the Complaint Appeal Panel. This inclusive network provides opportunities for our tenants to express their opinions in ways that are most convenient for them. Through regular INfluencer days and panels covering a range of topics, the "INfluencer Network" allows our tenants to influence our latest ideas, changes, and priorities.

In June 2022, we consulted with our tenants on proposed changes to our complaints policy. In response to recommendations from the Ombudsman's complaint handling code, we have streamlined our complaints process from three stages to two.

As a result, the number of complaints escalated to stage two decreased in the year by 31, from 150 in the previous year to 119 this year. However, the total number of complaints received increased by 356, from 1,040 to 1,396.

We believe that the streamlining of our complaints process has made it easier for tenants to raise concerns and has led to quicker resolution of complaints. We are committed to continuously improving our complaints handling process and will continue to monitor the number and nature of complaints received.

In February 2023, we hosted our inaugural INfluencer Network event at our King Street office, which highlighted our repairs service and gathering feedback on our strategy. Looking ahead, we have plans to expand engagement activities further, with the aid of a new digital platform.

In the past year, we conducted eight face-to-face door-knocking activities, engaging with approximately 300 tenants on a variety of topics. Topics included utilising green spaces to combat damp and mould, addressing anti-social behaviour and gathering general ideas for improving our services.

Throughout the year we organised 65 engagement activities which involved feedback from over 5,250 tenants, that equates to feedback from approximately 17% of our homes during the year.

We also introduced our new 'Voice of the Customer Programme', which involved restructuring our complaints handling, engagement, and experience teams, embedding them locally within our local housing teams. This new framework allows local teams to closely focus on the causes of dissatisfaction within their respective areas, providing more frequent opportunities for tenant engagement and tailoring plans to enhance the overall tenant experience.

Our customer satisfaction score for the year was 82.5%, a 0.3% increase compared to 2021-22, broadly reflecting a consistent picture year-on-year from a satisfaction perspective. The top three positive themes from the feedback received were staff conduct and empathy, customer contact and communication, and repair quality, accounting for 88.71% of the positive comments. Conversely, the most common negative themes were customer contact and communication, time taken to complete a repair, and staff conduct and empathy, representing 81.68% of the negative comments.

**"Flagship Group has self-assessed against the Housing Ombudsman's Complaint Handling Code.***

*You can read Flagship Group's full self-assessment at www.flagship-group.co.uk/about-us/policies-and-documents





This highlights to us some inconsistency in our service delivery, with some customers receiving an outstanding experience from us, whilst others feel that our service falls short of their expectation.

We are working on two actions to improve our customer satisfaction scores:

- Continued development of a digital platform to enable greater tenant self-service, to enable tenants to track their repair status and to use digital technology to improve how we communicate. We have set ourselves an ambitious target for 30% of our tenants to be using a new digital 'My Account' by 31 March 2024; and
- We are implementing a new operations management system for our repairs and maintenance teams which will include dynamic scheduling and more frequent automated customer communication to help reduce negative feedback themes around repair wait time and knowing when a repair is going to take place.

Strategic
Report

# People

We could not do the work that we do without our people – they are the backbone of our operations, enabling us to serve our tenants, generate long-term value and contribute to the broader communities where we operate. But, over the past year, like everyone, our people have experienced the very real challenges posed by the Cost-of-Living crisis.

We believe strongly in maintaining our status as a Real Living Wage Employer, as an important response to the cost-of-living challenges our people are facing. We committed to the largest annual salary increase we have ever paid from 1 April 2023 meaning that the Group's average wage will be 3.5% above the UK national average.

Additionally, we added the Warmer Homes fund to our flexible benefits in October 2022, providing employees with access to the same energy cost vouchers we offer our tenants, based on the same affordability assessment. Whilst uptake numbers have been small, they have reached those most in need within the business.

In 2022/23, we advertised 468 vacancies, and one-third of all vacancies continue to be filled by internal candidates. This demonstrates our consistent commitment to providing strong career development and progression opportunities for our staff.

This year, we also recruited 41 new apprentices, bringing the total number of apprentices across the Group to 107, and we have seen eight apprentices successfully complete their programmes this year. Furthermore, we are investing in the professional qualifications of 31 existing employees through our apprenticeship levy funding.

Despite the prevailing trends of the "War for Talent" and the "Great Resignation" in the UK labour market, we have managed to achieve our lowest staff turnover rate since Gasway joined in 2016. Our turnover rate decreased from 22.87% last year to 18.6% this year. Additionally, sickness levels have returned to pre-pandemic norms, with an average of six days lost per employee.

Following the challenges of the previous year, we saw improvements in our Staff Engagement Survey results, which now also align with our pre-pandemic scores. Our employees rated us at 8.1 out of 10, with our highest scoring areas being Work-Life balance, Management, and Enablement. However, we recognise the need to focus on improving "Feedback and Recognition."

To recognise and reward employee performance, we implemented our 'Thanks to U' platform in November 2021. This platform allows management teams to utilise a dedicated reward budget and access our Flagship Reward portal. We are delighted to have seen enthusiastic participation, with 1,466 awards issued across the business this year.

We have digitalised the application process for optional benefits, such as buying annual leave, utilising our staff saving scheme, or requesting staff loans. On average, we receive 60 benefit applications per month, allowing our staff to tailor their benefits package to suit their needs.

We remain committed to supporting the well-being of our employees. Compared to the previous financial year, we have seen a half-day decrease in days lost to stress, anxiety, and depression per employee.

To enhance well-being, we relaunched our well-being hub and expanded our offering to include twice-monthly financial advice sessions provided by HSBC, as well as yoga and book clubs. Additionally, our "Catalyst Counselling" sessions continue to have a 100% uptake.

In November 2022, we launched our first Equity, Diversity, and Inclusion policy, demonstrating our commitment to fostering an inclusive culture where all employees, tenants, and customers are treated with dignity and respect.

We also introduced the 'Ways of Working' programme, which provides support for our neurodiverse colleagues and focuses on creating inclusive workspaces. As we settled into the "new normal," we saw an increase in office attendance, with most office-based staff working from an office at least two days a week, which is another small step in the right direction.





# Housing

We know that the rising cost of living and high energy bills last winter left many of our tenants struggling to maintain their tenancies. We are committed to supporting our tenants and, this year, we have gone beyond providing just a home, we have introduced initiatives which are able to support our tenants when cost inflation becomes too much. It is often the unexpected expenses which really impact the health of our tenants.

> **“Our team of affordability advisers have worked tirelessly to help over 1,000 tenants access the support they need.**

Recognising the importance of a healthy living environment, we have actively communicated with our tenants by email, text message and post to encourage them to report instances of damp and mould to us and to help them take steps to manage humidity and condensation which enable mould to thrive. We have visited over 3,000 of our tenants, identifying and remedying damp and mould issues within our homes. Our tenants deserve a home that is a safe and healthy place to live, and we will relentlessly continue to target instances of damp and mould with sustainable solutions.

We let 2,043 homes during the year, including 452 new build homes. Furthermore, we have supported 452 tenants in finding new homes through the mutual exchange process.

Affordable for All was launched in August 2022 centred around five key projects: (1) affordability advisers; (2) warmer homes; (3) tenant wellbeing service; (4) project TAF; and (5) discretionary fund.

Our team of affordability advisers have worked tirelessly to help over 1,000 tenants access the support they need. Through their dedicated efforts, we have helped our tenants facing financial difficulty find the assistance they need to overcome their challenges.

Our Warmer Homes project has supported 519 families with fuel/energy vouchers totalling £42,000 during the year. In addition to this, 417 families have received discretionary support totalling £51,000, including 272 grocery vouchers, 29 washing machines, 13 fridges, 60 cookers and 22 beds with bedding.

13 tenants have accessed the wellbeing service during the year. Whilst the number accessing the service is small, we believe that every tenant matters and this service is available to all tenants when they really need it most.

Finally, we have trialled a new ‘rent assist’ offer as part of our Tenant Affordability Fund (‘TAF’) project which will be rolled out in Q1 2023/24 to support those most struggling to pay their rent.

Ensuring our tenants can thrive in a safe community is one of our operating principles, and, as a result, our newly branded ‘Safe Communities team’ has proactively managed 1,436 cases related to antisocial behaviour. Looking forward, our commitment to supporting our tenants will continue, ensuring they have access to a safe, warm, and well-maintained home. By doing all we can to address issues such as damp and mould, the cost-of-living crisis, and rising energy bills, we strive to create sustainable communities, and uphold the dignity and improve the quality of life for all our tenants.






# Hopestead

In the last 12 months, the number of people in the East of England categorised as homeless has increased by 12% with the number of children experiencing homelessness increasing by 77%.

Hopestead has been at the cost-of-living coal face during 2022/23, supporting Flagship tenants, through its Hope at Home and Hope Essentials initiatives, to maintain their tenancy, by providing flooring, white goods, and furniture packages, to create a home inside a house.

Hopestead provided 219 homes with support packages in 2022/23 at a cost of £652,000. Q4 2022/23 saw a 77% increase in demand compared to earlier in the year, with that demand increase continuing into Q1 2023/24. Hopestead has demonstrated that its Hope at Home initiative works. The project currently has a tenancy retention rate of 99%, demonstrating that if new tenants are able to make a house feel like their home, they are more likely to stay in that home, breaking the cycle of homelessness.

# Asset management

As a Group, we understand the gravity of this cost-of-living crisis and its impact on our tenants' lives. We firmly believe that no one should ever have to face the difficult decision between heating their homes and providing meals for themselves and their families.

Our commitment extends beyond raising awareness about the significance of identifying and eradicating damp and mould. We have undertaken extensive surveys and conducted thorough investigations to tackle these issues head-on. Additionally, we have installed over 2,229 new heating systems and over 1,700 high efficiency gas boilers, helping reduce our tenants' heating bills.

Through more intrusive measures, such as cavity wall insulation, loft insulation, roof ventilation, and heating upgrades, we have taken proactive steps to improve the energy efficiency of our tenants' homes, making them more cost effective to heat. Additionally, the installation of 98 smart thermostats has enabled us to capture important humidity and property temperature readings enabling us to proactively identify properties at risk of damp and mould.

In our dedication to creating safe, warm, and sustainable homes for our tenants, we have invested over £47.4m in improvements to existing homes during the year. Conducting a comprehensive access review has streamlined the process of accessing our tenants' homes efficiently, enabling us to target our investments more effectively.

During the year we also sold 118 homes that do not meet the standard we want for our tenants and for which it is not economically viable to bring them to an appropriate standard. By selling these assets, we were able to avoid immediate repair costs of over £2.4m and reinvest sales proceeds of c.£20.5m into newer, more efficient homes for our tenants.

By investing in our existing homes, and selling those that are no longer suitable, we aim to provide our tenants with secure, safe, and healthy homes that they can be proud of, contributing to their overall well-being.

## Repairs and maintenance

Our repairs and maintenance service continues to be affected by the sharp rise in building materials costs. We heavily rely on affordable and easily accessible materials to carry out our repair and capital works. We have experienced a significant increase in prices for glass, timber, and plastic products. However, even with this challenging situation, we have successfully completed 64,014 repairs and made 1,602 void empty homes lettable again during the year.

As we strive to address issues such as damp and mould, we have witnessed a notable surge in the number of repair requests. This increase can be attributed, in part, to our improved communication about damp and mould and the government's ongoing emphasis on the quality of social housing, prompted by the tragic death of Awaab Ishak in 2020.

Throughout the year, we responded to over 2,500 reports of damp and mould in our tenants' homes. Each visit involved an initial clean of the mould and an assessment of necessary works to manage and remediate the issue going forwards. Where necessary, we installed extraction fans, fixed windows and doors, and cleared guttering to reduce the risk of water ingress. If significant remedial works were required, the home was put forward for a whole house damp and mould survey, to identify the most appropriate and lasting remedial activities to resolve the damp and mould issues.

We successfully completed our 2022/23 capital works programme, delivering our kitchens, bathrooms, windows, doors, and roofs capital programmes.


## Asset safety / compliance

We remain firm in our commitment to safety and have made substantial investments in developing the expertise necessary to manage all aspects of compliance. By prioritising the growth and skillsets of our people, we have successfully transitioned various compliance functions to our internal resources, reducing our reliance on external providers.

The introduction of the Fire Safety Act and Building Safety Bill has played a pivotal role in shaping our dedicated team responsible for fire safety. As this area of compliance continues to evolve rapidly, we have ensured that our team is fully equipped to navigate the intricacies of the legislation and implement best practice guidelines.

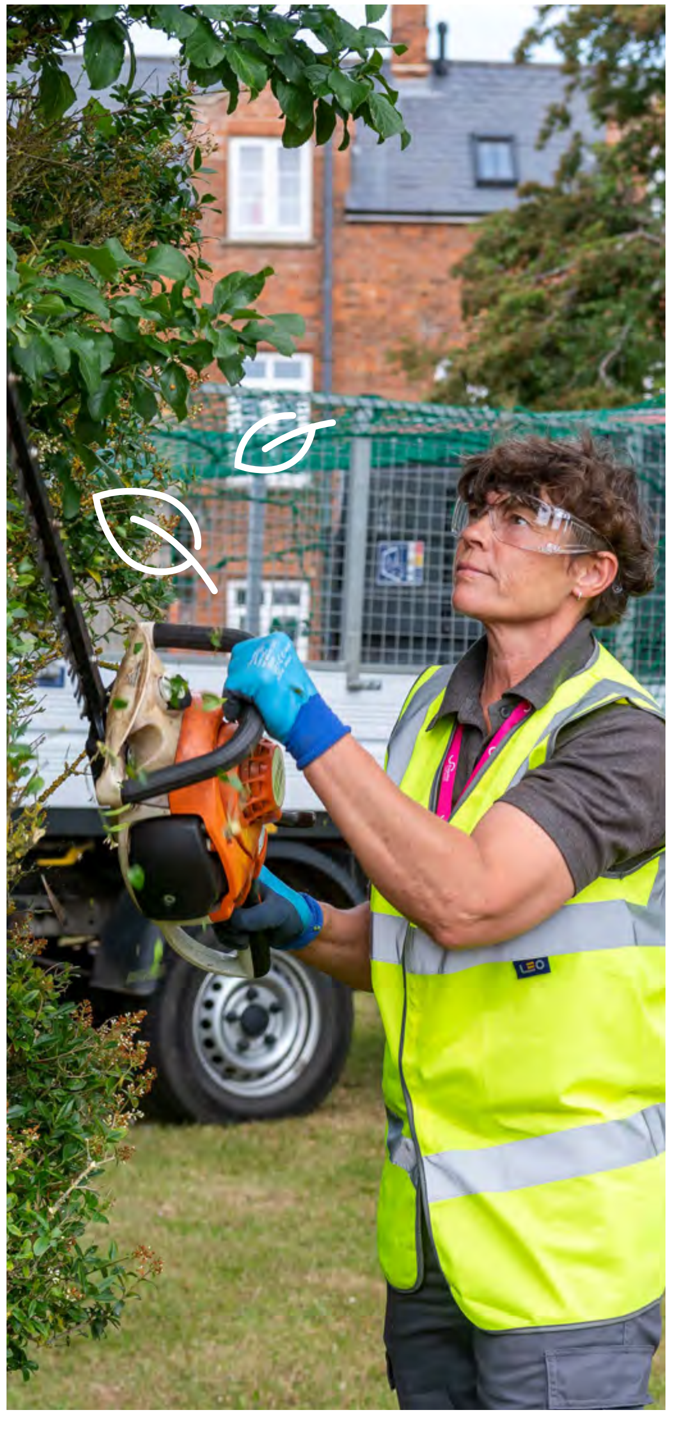
We have invested over £1.3m in enhancing fire safety during the year. We have installed advanced fire safety systems, carried out fire stopping works (compartmentation works), and upgraded lighting infrastructure. An additional £1m has been dedicated to replacing fire doors and delivering other specific fire safety improvement projects.

Our commitment to undertake asbestos surveys on all of our homes built before the year 2000 by 2030 remains on track. We want to ensure our tenants and our people are not exposed to asbestos, and where we cannot make the asbestos safe within the structure of a property or where it may be disturbed in the future, we are continuing to remove it from our homes, making our homes easier to improve in the future and ultimately reducing the cost of maintaining and improving our homes in the longer term.

Our electrical testing programme has transitioned to a comprehensive five-year testing cycle. We continue to proactively undertake rewiring and upgrade initiatives, with an annual electrical budget of circa £3m. Furthermore, we have set aside £1.7m, specifically for an enhanced smoke detector specification, providing our tenants with a reliable warning system should a fire start in their home.

To enhance accessibility and safety, we have initiated a comprehensive lift replacement programme. Over the next five years, our goal is to replace 40 lifts, significantly improving the quality and reliability of an important access facility to some of our tenants' homes.

By consistently investing in compliance and safety measures, we strive to provide our tenants with safe and well-maintained homes. These investments not only uphold the highest standards of safety but also ensure the overall well-being of our community. We remain dedicated to our ongoing endeavours and will continue to prioritise the safety and comfort of our tenants.



# Strategic Report

## Placemaking

Over the last year, we have placed a strong emphasis on localised community interventions. To effectively address the constraints and opportunities within these localities, we have implemented tailored engagement plans that incorporate valuable feedback from our tenants and wider residents.

As a result, we have achieved outline planning permission for three projects that have the potential to replace approximately 58 underutilised garages with up to 14 new homes in the Suffolk Coastal region.

Additionally, our efforts in Norfolk continue, building upon a successful three-year engagement and consultation campaign. This year, we presented the "Design for the Abbey", a regeneration project in the heart of Thetford ('the Abbey'), through a comprehensive Public Exhibition, providing residents and the wider local community with ample opportunities to inquire about the design and gain a deeper understanding of its practical implementation.

The design itself reflects the hopes and aspirations of residents for the future. With a new neighbourhood centre, improved street organisation, enhanced access to green spaces, and the promotion of sustainable transportation options throughout the Abbey, this design aims to create meaningful and lasting improvements in the lives of current and future residents.

We asked the residents at Icewell Hill in Suffolk what issues on their estate were most urgent and required attention. We received over 400 individual feedback submissions and the overwhelming response was to improve lighting.

Consequently, we engaged a lighting consultant to comprehensively assess the current lighting in the area and understand its impact on residents. Together, we have developed a lighting pilot project that aims to improve the existing lighting conditions, ensuring consistent warmth and light levels throughout the area instead of a patchwork of darkness and bright lights. Residents have provided feedback on the pilot idea, with an impressive 88% expressing a positive response. The work for the remaining area has already started, and we eagerly anticipate its completion.

Across the greenspaces we manage, we have also taken steps to improve biodiversity and help to create an environment that is healthier for people and nature. Our Urban Wilding research project is now fully established and is testing out different ways of managing greenspace. This project has involved sector leading consultants, local enterprises, and different internal teams, and will measure how the different spaces increase biodiversity and influence people's perceptions of nature and greenspace.

This year we have also started the roll out of a more nature friendly grounds maintenance service. Starting with 33 sites, we've introduced areas that have been left unmown over spring and summer, creating 2.3 hectares of meadow for pollinators, other insects, and mammals- the equivalent of over three football pitches. Any time and cost savings from leaving these areas have been reinvested into other improvements such as shrub replenishment and bulb planting.

As we progress with our Biodiversity Plan, we hope to contribute to solving the biodiversity crisis and make our land a better place for nature and for our tenants.

## Concluding remark

The last financial year was challenging both operationally and financially. Despite that we have continued to prioritise investment in our existing homes, with an important focus on energy efficiency to help lower our tenants bills and a comprehensive plan to eradicate damp and mould ensuring that we provide safe and healthy properties for our tenants to call their home.






By order of the Board

E Marcus, Company Secretary
17 August 2023

Flagship Housing Group Limited
31 King Street | Norwich | Norfolk | NR1 1PD

# Report of the Board

for the year ended 31 March 2023

The Board of Management presents its annual report for the audited financial statements of the company and the Group for the year ended 31 March 2023.

## Future developments

The trading performance of the Group and an indication of the likely future developments in the Group's business have been presented within the Strategic Report.

In last year's annual report, the company highlighted that it was exploring a tripartite merger with bpha and Futures Housing Group. In October 2022 the parties confirmed that talks had ceased citing that the unprecedented changes in the economic environment undermined the potential to achieve the goals the parties had set themselves.

## Group structure

At 31 March 2023 the Group consisted of five active entities:

- Flagship Housing Group Limited
- Flagship Housing Developments Limited
- Flagship Finance PLC (incorporated 10 June 2021)
- Gasway Services Limited
- Hopestead CIO

On 31 August 2022, Blue Flame (Colchester) Limited ('Blue Flame') transferred its trade and assets to Gasway Services Limited ('Gasway'). Combining Gasway and Blue Flame allows the Flagship Group to unlock synergies from two businesses operating in the same marketplace, as well as making Blue Flame's renewable energy technology expertise available to Gasway's broader regional customer base, positioning the Flagship Group as a regional expert in the ever-growing renewable energy market in the coming years.

Further details of all of the companies within the Flagship Group can be found in note 20 of the financial statements.

## Community initiatives and charitable donations

During the year the Group paid £772,767 (2022: £168,897) towards community initiatives. In addition, £245,925 of charitable donations were made (2022: £288,112), of which £245,085 (2022: £238,112) were donations by Hopestead to partner charities to support the alleviation of homelessness in the East of England.



# The Board of Management and executive team

The Board has adopted the National Housing Federation Code of Governance 2020 (the 'Code').

The Board of Management and the executive team who served the company in office at 31 March 2023 are detailed on page 4 of the annual report. At 31 March 2023 the Board was comprised of eight non-executive directors (58%), three co-optees to the Board (21%) and three executive directors (21%) and are drawn from a wide background bringing together professional, sector, commercial, and local experience. From the 1 April 2023 the Board was comprised of five non-executive directors (46%), three co-optees to the Board (to be appointed as non-executive directors on the company's AGM) (27%) and three executive directors (27%).

The Flagship Housing Group Board (excluding new co-optee board members) had the following demographics at 31 March:

| | 2023 | 2022 |
|---|---|---|
| Women | 18% | 17% |
| Ethnic minority | 9% | 8% |
| Average age | 63 years | 61 years |
| Average tenure (NEDs only) | 8 years | 7 years |

The company has an open recruitment and selection policy for non-executive directors. Recruitment is transparent and focuses on filling experience gaps on the Board. A copy of the recruitment and selection process is available on request in writing to the company secretary. All new non-executive directors are provided with induction training to enable them to meet their obligations and commitment to the Group, in accordance with the NHF's governance code.

The maximum tenure for non-executive directors will normally be for a period of up to six consecutive years (two terms of three years) although this may be extended up to a period of nine years or extended further where the Board agrees that circumstances exist where it would be in the best interest of the association for the non-executive director to serve for a longer period.

The Board actively prepares for forthcoming non-executive director retirements through co-ordination of a succession plan overseen by the People and Culture Committee. During the year ended 31 March 2023, three non-executive directors had exceeded the nine-year maximum tenure period but remained on the Board for continuity whilst the Group explored the opportunity for the tripartite partnership with bpha and Futures Housing Group. This was a temporary arrangement and plans were in place for a succession handover at the end of the financial year.

The Group was compliant in respect of the number of members of Flagship Housing Group Limited's Board (i.e. a max. of twelve Board members) for the majority of the financial year. Following the succession planning highlighted above, three new co-optees were appointed to the Board on the 30 March 2023. To facilitate a successful handover, the three outgoing non-executive directors left office on 1 April 2023.

The 2020 Code introduced a requirement for subsidiaries to apply the code or explain any reasons for not doing so. Our subsidiaries comply with the Code in all relevant aspects, but some elements are not directly applicable to the individual subsidiaries and their Boards due to the non-housing and commercial nature of their activities.

**“ Recruitment is transparent and focuses on filling experience gaps.**

Each non-executive director signs a service agreement which covers compliance with standing orders, Directors' Code of Conduct and Directors' Protocol, as well as completing an annual disclosure of interest report to Governance Audit and Risk Committee (GARC). Flagship's standing orders provides the following processes to address conflicts of interest:

- declarations of interest are a standing agenda item at each board meeting;
- formal minuting of any declarations made;
- a Board member withdraws from a meeting for the duration of an item, debate, or decision where the interest is clear and substantial; and
- all Board members to offer to resign where a conflict of interest is likely to recur on a frequent basis.

# Employees

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and employees are consulted regularly on a wide range of matters affecting their current and future interest.

The Group is committed to equal opportunities. Our people are diverse and are chosen for their experience, potential and personal attributes regardless of gender, sexual orientation, marital status, age, race, nationality, ethnic origin, religion or disability.

The Group is committed to giving full and fair consideration to applications for employment that disabled individuals make to the Group and is committed to equal training opportunities, career development, and promotion of such individuals. With regard to individuals who become disabled, the Group's policy is to take all reasonable steps, including retraining, to ensure that they can remain in employment wherever practicable.

The Group remains committed to equality of opportunity in all its employment policies, practices and procedures. All employees should be given equal opportunity and are appraised solely on performance against objectives, personal attributes, and potential.



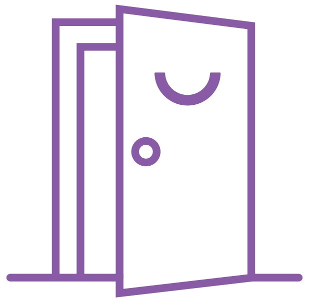


# Employee engagement statement

The Group has a number of effective workforce engagement mechanisms in place including:

- keeping employees informed of strategy and performance through regular presentations and updates;
- internal social media engagement platforms;
- employee engagement surveys are undertaken with results reported back to all staff with encouragement for all staff to drive the future direction of the Group;
- senior management team making themselves visible and accessible to all staff enabling them to hear views across the employee spectrum; and
- annual employee performance reviews to facilitate personal development and collective team development.

The Board considers that, taken together, these arrangements deliver an effective means of ensuring the Board stays alert to the views of all employees.



**“ All empoyees should be given equal opportunity.**

# Employee remuneration

The Group's policy (including for Board members) is to provide remuneration packages that attract, retain and motivate talent without paying more than is necessary to deliver the Group's strategic objectives. External benchmarking is undertaken to ensure remuneration levels are consistent with both, the sector nationally and regionally, and with similar roles in non-sector organisations. Notice periods are set at levels considered appropriate to facilitate a transparent recruitment process and effective responsibility handover.

# Report of the Board

## Statement of engagement with suppliers, customers, and other stakeholders with a business interest

### Suppliers

Throughout the year the Board was briefed on major contract renegotiations and strategy with regard to key suppliers. The Board seeks to balance the benefits of maintaining strong partnering relationships with key suppliers alongside the need to obtain value for money and the desired quality and service level for the Group's customers.

### Customers

The Group is diverse and delivers a range of services. The Group's primary charitable objective is the provision of social housing and therefore its social housing tenants are a considerable customer base for the Group. However, the Group is also engaged in residential development and gas installation and maintenance services which also have considerable customer bases respectively. The Board actively reviews customer satisfaction to continuously improve the company's services to meet the ever-changing needs of its customers.

### Regulators

The Group's primary regulation is provided by the 'Regulator of Social Housing' ('RSH'). The Group strives to have an ongoing, transparent dialogue with the RSH through co-operative and constructive engagement. The Chief Executive Officer oversees the Group's communication with the RSH and provides regular updates to Board on correspondence with the RSH. GARC exercises oversight over the Group's governance framework and the Group's Finance & Treasury Committee (F&TC) exercise oversight of the Group's financial viability.

The Group manages its tax affairs responsibly and proactively to comply with UK tax legislation. The Group engages with HMRC constructively, honestly and in a timely and professional manner, and seeks to resolve any disputed matter through active and transparent engagement. The Group CFO provides regular updates to Board on tax matters.

### Debt capital / credit facility providers and credit reference agencies

The Chief Financial Officer and the Group's Treasury team are responsible for managing the relationships with bank syndicates, bond trustees and credit rating agencies, and for the Group's cash / debt management and financing activities. The Treasury team provides regular reports to F&TC on these activities including the Group's plans to ensure appropriate access to debt capital, monitoring of headroom and maturity schedules for the Group's credit facilities. The Board approves all new financing arrangements and the Group's treasury strategy annually.





“The Group's primary regulation is provided by the 'Regulator of Social Housing' ('RSH').

# Report of the Board


## Statement of Board's responsibilities

The Board is responsible for preparing the Strategic Report, the Report of the Board, and the financial statements in accordance with applicable law and regulations.

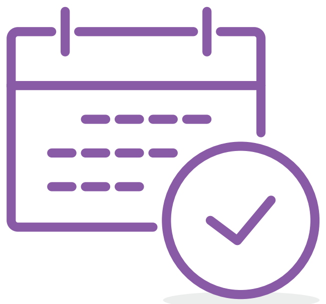
The Co-operative and Community Benefit Society Act 2014 requires the Board to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland".

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the Group will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the Group and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022. The Board has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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







## Executive team

Members of the executive team are full-time employees and are responsible for the day-to-day operational management of the Group. They are responsible for ensuring that policies determined by the Board are properly implemented.

The executive team has created a Flagship leadership team ('FLT'), consisting of operational directors (individuals with a director title who report directly to a member of the executive team) which collectively deliver the day-to-day operations of the Group. Together the executive team and the operational directors comprise the Group's key management personnel.

The composition of the executive team is as follows:

| | |
|---|---|
| David McQuade | Chief Executive Officer |
| Helen Walsham | Deputy Chief Executive Officer |
| David Armstrong<br>*(formally Chief Financial Officer – appointed Chief Operating Officer 1 December 2022)* | Chief Operating Officer |
| John Archibald<br>*(resigned 31 May 2022)* | Chief Strategic Officer |
| Jonathan McManus<br>*(appointed 1 December 2022)* | Interim Chief Financial Officer |

A biography of all key management personnel can be obtained by contacting commsteam@flagship-group.co.uk.

## Risk and Internal Control

The Board recognises that they are ultimately responsible for both management of risk and the system of internal control. Day-to-day risk management is delegated to operational directors (with leadership and oversight from the executive team) who are full time employees and hold no interest in the company's share capital. The Flagship leadership team act with the delegated authority given to them by the Board.

No system of internal control can provide absolute assurance or eliminate all risk. The Group has adopted an approach to risk whereby it is expected that management of day-to-day risk happens automatically as daily business is carried out by every employee in accordance with documented procedures, supported by the business planning process and management of strategic risks. Whilst recognising the need to understand and monitor risk, the Group acknowledges the need for realistic risk control and management to provide a sound basis on which to carry out business so not to constrain and restrict healthy growth opportunities. The Group will normally look to manage, mitigate or monitor risk, as appropriate, but will avoid risk in excess of its clearly understood risk appetite.

Each operational directorate within the Group maintains a risk register to monitor and control all strategic and operational risks that may affect a chievement of functional objectives. A risk appetite is assigned to each risk, alongside an evaluation of the likelihood of occurrence and the impact on delivering the Group's strategic and operational risks. The risk register also includes controls put in place to reduce the risk to an acceptable level.

The Group monitors and controls all risks that may affect achievement of its objectives through regular review of the consolidated risk register by the Board and through review of the Group's Assurance Map by GARC, to ensure that all strategic and operational risks are being managed within the Group's risk appetite.

Together this approach creates a hierarchical assurance framework through successive levels of management to address strategic and operational risk. The Group's internal audit function (which leverages input from an external independent auditor) undertakes an agreed audit plan for each financial year to appraise the effectiveness and robustness of the Group's control environment. Oversight of the internal audit function is performed by GARC which provides assurance to the Flagship Housing Group Limited Board under delegated authority.

The Group uses a 'Board action' reporting model with clearly defined responsibility and target delivery dates to ensure that corrective action is taken in relation to any identified control weaknesses to maintain a robust and effective control environment.





Report
of the Board

# Board committees

The Board has delegated responsibility for specific areas of operation to the committees listed opposite which engage additional expertise, as required, to maintain an effective system of control. The schemes of delegation are clearly defined and reviewed regularly to ensure that they continue to be appropriate and meet the operational risks of the organisation.

Catalysed by three non-executive directors approaching the end of their tenures, the Group made changes to its Board committees to be more reflective of its federated structure.

## Governance, Audit and Risk Committee (GARC)

### Purpose:

To oversee the internal and external audit functions and provide the Board with assurance on the effectiveness of the risk management and internal control frameworks.

### Members (pre-30 March 2023):

Up to four non-executive directors excluding the chair of the Board and may include a Board adviser or Independent Member as one of the members.

### Members (post 30 March 2023):

Up to four non-executive directors or Group Board Co-optees excluding the chair of the Board and may include a Board adviser or Independent Member as one of the members. Independent members for each local housing division board (unless a non-executive director is also a member of a local housing division board and in such instance, they will also represent that local housing division).

### Experience:

Audit committee members have considerable experience which they bring to the committee. This includes an individual with a big-4 accountancy firm background with extensive public sector audit experience, an individual with a big-4 risk and regulatory practice background, a consultant with extensive experience in strategic reviews, business development, improvement of finance and business systems, mentoring and governance reviews, an individual with a housing sector tax background and an individual with a social housing corporate banking background with previous experience working for a large investor in the sector.

## Finance and Treasury Committee (F&T)

### Purpose:

To oversee the principal finance and treasury activities across the Group. The committee focuses on cash and cash equivalents, borrowings, hedging and other financial risk management tools, asset security, pension arrangements, value for money performance, the Group's investment strategy and broader Group financial performance.

### Members (pre-30 March 2023):

Four members of which at least two must be non-executive directors excluding the chair of the Board.

### Members (post-30 March 2023):

Up to four members of which three must be non-executive directors or co-optees to the Board and one must be the Chief Financial Officer.

### Experience:

Finance and Treasury committee members have considerable experience which they bring to the committee. This includes an individual with over 30 years banking experience principally specialising in the provision of funding to the social housing sector and latterly holding a senior role within Santander UK plc, an individual with 15 years of international experience in mergers and acquisitions, business development and corporate strategy holding senior leadership roles in the pharmaceutical industry and a chartered accountant with a financial analysis and strategic planning background.

> “ **Finance and Treasury committee members have considerable experience.**

# Report
# of the Board

## Health and Safety Committee (H&S)

This committee ceased to be a Board led committee on 30 March 2023 following achievement of its original objective to implement the Group's health and safety strategy and action plan. This committee is now led by an operational team, headed by the Deputy Chief Executive Officer, with oversight from a Group Board observer. The operational committee monitors the Group's health and safety compliance performance and reports to Flagship Group Board through a monthly dashboard.

## Asset Management Committee (AMC)

### Purpose:

To oversee the development, implementation, and review of the Flagship Group asset management strategy. To oversee landlord compliance performance, compliance with the Decent Homes standard, repairs performance, asset investment programmes, portfolio management policies, stock condition data strategic decision making, and to monitor and respond to key risks in the Flagship Group risk register in respect of asset management.

### Members (from 26 January 2023):

Members (formed 26 January 2023): One non-executive director will chair the committee. Independent members for each local housing division board (unless a non-executive director is also a member of a local housing division board and in such instance, they will also represent that local housing division), the Chief Operating Officer, Chief Financial Officer and one employee representative.

## People and Culture Committee (P&C)

### Purpose:

To oversee the Group's remuneration policy for directors and employees and the Group's compliance with the NHF Code of Governance.

### Members (pre-30 March 2023):

Two non-executive directors excluding the chair of the Board, a Board adviser, and an employee representative.

### Members (post 30 March 2023):

Three non-executive directors or co-optees to the Board excluding the chair of the Board and two employee representatives.

> **“ The company has a zero-tolerance approach to fraud and bribery.**





# Compliance

The company has a zero-tolerance approach to fraud and bribery. An anti-fraud and bribery policy response plan are incorporated in the risk management framework and whistleblowing policies are in place and reviewed on a regular basis.

The Group tendered a number of contracts during the year as spend approached the Procurement Contracts Regulation threshold. Priority to address challenges such as damp and mould during the year led to some instances where spend exceeded threshold prior to completion of a competitive tender process. It is important that our homes are safe, and we took appropriate steps to ensure that. We are actively tendering contracts to ensure compliance by 31 March 2024.

Following an in-depth assessment by the Regulator of Social Housing Flagship was regraded to a G2 governance rating. Whilst this is a compliant rating, Flagship Board aims to achieve a regrade to G1 in the next 12-18 months and the Board has set up a task and finish group to oversee the plan to do this.

During the year, the Board recognised there were opportunities to improve its asset management and commissioned Savills to assist with the development of an asset improvement plan. The resulting plan will be monitored for implementation by the asset management committee and the Board.

The Group certifies that it has complied with the requirements of the Regulator of Social Housing's Rent, Value for Money and Governance & Financial Viability Standards.

The Board has received the annual report of the senior leadership team, made enquiries as considered appropriate by each non-executive director and received an annual assurance report from the committees (where appropriate) as part of the Board's annual review of the effectiveness of the system of internal control.

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





## Housing properties

In the opinion of the Board, there has been no indication of any significant impairment of the Group's housing properties during the year or up to the date of signing this report.

## Disclosure of information to auditors

In the case of each Member of the Board in office at the date the Report of the Board is approved:

- So far as the member is aware, there is no relevant audit information of which the company or Group's auditors are unaware; and
- They have taken all the steps that they ought to have taken as a member in order to make themselves aware of any relevant audit information and to establish that the company and Group's auditors are aware of that information

# Independent auditors

Mazars LLP resigned as auditor of the company on 2 November 2022 citing a lack of 'resource capacity' as the reason for their resignation.

PKF Littlejohn LLP were appointed as auditor on 26 January 2023, following a competitive tender process.

PFK Littlejohn LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at Flagship Housing Group Limited's Annual General Meeting.

By order of the Board

E Marcus, Company Secretary
17 August 2023

Flagship Housing Group Limited
31 King Street | Norwich | Norfolk | NR1 1PD

# Independent auditor's report

to the members of Flagship Housing Group Limited

## Opinion

We have audited the financial statements of Flagship Housing Group Limited (the 'parent association') and its subsidiaries (the 'group') for the year ended 31 March 2023 which comprise the Consolidated and Parent Association Statements of Comprehensive Income, the Consolidated and Parent Association Balance Sheets, the Consolidated and Parent Associations Statements of Changes in Reserves, the Consolidated Statements of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent association's affairs as at 31 March 2023 and of the group's and parent association's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.





# Independent auditor's report

## 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 are independent of the group and 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## 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.

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

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

## Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The board is responsible for the other information contained within the annual report. Our opinion on the group and parent association financial statements does not cover the other information and, 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 in relation to which the Co-operative and Community Benefit Act 2014 require us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- proper accounting records have not been kept by the parent association; or
- the parent association's financial statements are not in agreement with the books of account; or
- we have not obtained all the information and explanations we required for our audit.



Consolidated Financial Statements
for the year ended 31 March 2023

# Independent auditor's report

## Responsibilities of the board

As explained more fully in the Statement of the Board's responsibilities, the board is responsible for the preparation of the group and parent association financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board 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 group and parent association financial statements, the board is responsible for assessing the group's and the parent 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 board either intend to liquidate the group or the parent 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.

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:

- We obtained an understanding of the group and parent association and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, sector research, application of experience of the sector.
- We determined the principal laws and regulations relevant to the group and parent association in this regard to be those arising from the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2022, employee legislation, tax legislation, and health and safety laws and regulations.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent association with those laws and regulations. These procedures included, but were not limited to inquiries of management, review of minutes, review of legal correspondence and communications with the Regulator.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that the potential for management bias was identified in relation to indicators of impairment of tangible assets; allocation of costs between first and subsequent shared ownership tranches sales; useful economic lives of assets; and assumptions within the calculation of pension liabilities.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission, or misrepresentation.

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

## Use of our report

This report is made solely to the association's members as a body, in accordance with Section 87 of 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 association's members as a body, for our audit work, for this report, or for the opinions we have formed.

By order of the Board

Alastair S Duke, Senior Statutory Auditor
5 September 2023

For and on behalf of PKF Littlejohn LLP Statutory Auditor
15 Westferry Circus | Canary Wharf | London | E14 4HD



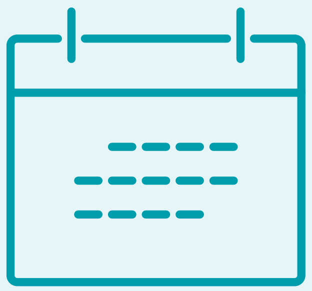


# Financial statements

# Statement of Comprehensive Income

for the year ended 31 March 2023

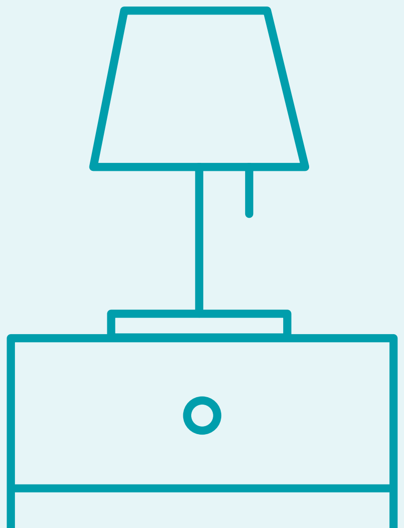
| | Note | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|---|
| **Turnover** | 5 / 8 | **250,223** | 231,940 | **199,401** | 189,161 |
| Operating costs | 5 / 6 | **(189,458)** | (166,628) | **(146,738)** | (127,417) |
| Gain on disposal of housing properties and other property, plant and equipment | 9 / 10 | **17,773** | 17,423 | **17,544** | 17,046 |
| Share of operating profit in joint ventures | 21 | **1,105** | 572 | **-** | - |
| **Operating surplus** | 10 | **79,643** | 83,307 | **70,207** | 78,790 |
| Interest receivable and other income | 27 | **1,717** | 483 | **3,342** | 98 |
| Interest and financing costs | 26 | **(32,279)** | (28,802) | **(31,580)** | (27,982) |
| Movement in fair value of investment properties | 16 | **158** | 4,202 | **158** | 4,202 |
| **Surplus for the year before taxation** | | **49,239** | 59,190 | **42,127** | 55,108 |
| Taxation | 14 | **(17)** | 26 | **(22)** | - |
| **Surplus for the year** | | **49,222** | 59,216 | **42,105** | 55,108 |
| Actuarial / gain in respect of pension schemes | 32 | **5,090** | 7,879 | **5,090** | 7,879 |
| **Total comprehensive income for the year** | | **54,312** | 67,095 | **47,195** | 62,987 |



All results are from continuing activities, generated in the United Kingdom.

There is no material difference between surplus for the year before taxation and the surplus for the financial period stated above and their historical cost equivalent.

The notes on pages 89 to 138 form an integral part of the financial statements.







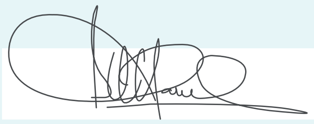
# Balance sheet

as at 31 March 2023

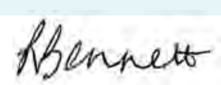
| | Note | Group 2023 £'000 | Group 2022 £'000 | Company 2023 £'000 | Company 2022 £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible fixed assets | 18 | **6,727** | 7,481 | **3,330** | 3,268 |
| Tangible fixed assets - Housing properties | 15 | **1,965,527** | 1,842,633 | **1,981,198** | 1,866,406 |
| Oher tangible fixed assets | 19 | **17,307** | 14,828 | **17,029** | 14,507 |
| Investment properties | 16 | **78,690** | 78,588 | **78,690** | 78,588 |
| Investments in subsidiaries and other investments | 20 | **13,517** | 13,440 | **85,344** | 85,267 |
| Investments in joint ventures | 21 | **11,998** | 13,066 | **-** | - |
| Non-current other debtors | 22 | **90** | 90 | **-** | - |
| | | **2,093,856** | 1,970,126 | **2,165,591** | 2,048,036 |
| **Current assets** | | | | | |
| Stock | 11 | **34,219** | 51,456 | **7,190** | 6,845 |
| Trade and other debtors | 22 | **27,198** | 17,351 | **20,909** | 10,588 |
| Cash and cash equivalents | | **60,228** | 116,601 | **42,493** | 104,122 |
| | | **121,645** | 185,408 | **70,592** | 121,555 |
| **Creditors: amounts falling due within one year** | 23 | **(73,443)** | (75,514) | **(78,757)** | (66,516) |
| Net current assets/(liabilities) | | **48,202** | 109,894 | **(8,165)** | 55,039 |
| **Total assets less current liabilities** | | **2,142,058** | 2,080,020 | **2,157,426** | 2,103,075 |
| **Creditors: amounts falling due after one year** | 24 | **(1,149,620)** | (1,137,691) | **(1,151,202)** | (1,139,848) |
| **Provision for liabilities** | | | | | |
| Defined benefit pension liability | 32 | **(2,066)** | (9,514) | **(2,066)** | (9,514) |
| Other provisions | 30 | **(3,553)** | (308) | **(3,483)** | (233) |
| **Net assets** | | **986,819** | 932,507 | **1,000,675** | 953,480 |
| **Reserves** | | | | | |
| Income and expenditure reserve | | **606,020** | 545,561 | **619,876** | 566,534 |
| Revaluation reserves | | **380,799** | 386,946 | **380,799** | 386,946 |
| **Total reserves** | | **986,819** | 932,507 | **1,000,675** | 953,480 |

The notes on pages 89 to 138 form an integral part of the financial statements.

The financial statements were authorised for issue by the board of directors on 17 August 2023 and signed on its behalf by:



P Hawes
Chairman



R Bennett
Board Member

E Marcus
Company Secretary

Registered No. 31211R

# Statement of changes in reserves

for the year ended 31 March 2023

## (a) Group

| | Income and expenditure reserve £'000 | Revaluation reserve £'000 | Total reserves £'000 |
|---|---|---|---|
| Opening balance at 1 April 2021 | 472,954 | 392,458 | 865,412 |
| Surplus for the year | 59,216 | - | 59,216 |
| Other comprehensive income for the year | 7,879 | - | 7,879 |
| **Total comprehensive income for the financial year** | **67,095** | **-** | **67,095** |
| Transfer from revaluation reserve to revenue reserve | 5,512 | (5,512) | - |
| **Total transactions recognised directly in equity** | **5,512** | **(5,512)** | **-** |
| **Closing balance at 31 March 2022** | **545,561** | **386,946** | **932,507** |

| | Income and expenditure reserve £'000 | Revaluation reserve £'000 | Total reserves £'000 |
|---|---|---|---|
| Opening balance at 1 April 2022 | 545,561 | 386,946 | 932,507 |
| Surplus for the year | 49,222 | - | 49,222 |
| Other comprehensive income for the year | 5,090 | - | 5,090 |
| **Total comprehensive income for the financial year** | **54,312** | **-** | **54,312** |
| Transfer from revaluation reserve to revenue reserve | 6,147 | (6,147) | - |
| **Total transactions recognised directly in equity** | **6,147** | **(6,147)** | **-** |
| **Closing balance at 31 March 2023** | **606,020** | **380,799** | **986,819** |

The notes on pages 89 to 138 form an integral part of the financial statements.

## (b) Company

| | Income and expenditure reserve £'000 | Revaluation reserve £'000 | Total reserves £'000 |
|---|---|---|---|
| Opening balance at 1 April 2021 | 498,035 | 392,458 | 890,493 |
| Surplus for the year | 55,108 | - | 55,108 |
| Other comprehensive income for the year | 7,879 | - | 7,879 |
| **Total comprehensive income for the financial year** | **62,987** | **-** | **62,987** |
| Transfer from revaluation reserve to revenue reserve | 5,512 | (5,512) | - |
| **Total transactions recognised directly in equity** | **5,512** | **(5,512)** | **-** |
| **Closing balance at 31 March 2022** | **566,534** | **386,946** | **953,480** |

| | Income and expenditure reserve £'000 | Revaluation reserve £'000 | Total reserves £'000 |
|---|---|---|---|
| Opening balance at 1 April 2022 | 566,534 | 386,946 | 953,480 |
| Surplus for the year | 42,105 | - | 42,105 |
| Other comprehensive income for the year | 5,090 | - | 5,090 |
| **Total comprehensive income for the financial year** | **47,195** | **-** | **47,195** |
| Transfer from revaluation reserve to revenue reserve | 6,147 | (6,147) | - |
| **Total transactions recognised directly in equity** | **6,147** | **(6,147)** | **-** |
| **Closing balance at 31 March 2023** | **619,876** | **380,799** | **1,000,675** |

The notes on pages 89 to 138 form an integral part of the financial statements.

# Statement of cash flows

for the year ended 31 March 2023

| | Note | Group 2023 £'000 | Group 2022 £'000 |
|---|---|---|---|
| **Net cash generated from operating activities** | 33 | 125,350 | 101,824 |
| Taxation | | - | (36) |
| **Net cash generated from operating activities** | | 125,350 | 101,788 |
| **Cash flows from investing activities** | | | |
| Purchase of and works to housing properties | 15 | (168,256) | (130,001) |
| Purchase of other assets | | (3,304) | (3,781) |
| Proceeds from the sale of housing properties | 9 | 26,856 | 28,398 |
| Proceeds from the sale of other fixed assets | | 1,352 | - |
| Purchase of investments | 16 | - | (112) |
| Proceeds from sale of investments | | 206 | - |
| Grant received | 28 | 18,142 | 11,297 |
| Loans repaid by joint venture undertakings | 21 | 2,173 | 625 |
| Interest received | | 1,632 | 483 |
| **Net cash from investing activities** | | (121,199) | (93,091) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of bank borrowings | | - | 187,654 |
| Repayment of bank borrowings | | (23,087) | (58,255) |
| Capital element of finance lease rental payments | | (3,332) | (2,361) |
| Interest paid | | (34,105) | (30,542) |
| **Net cash from financing activities** | | (60,524) | 96,496 |
| **Net change in cash and cash equivalents** | | (56,373) | 105,193 |
| Cash and cash equivalents at beginning of year | | 116,601 | 11,408 |
| **Cash and cash equivalents at end of year** | | 60,228 | 116,601 |

The notes on pages 89 to 138 form an integral part of the financial statements.





# Notes to the Financial Statements

for the year ended 31 March 2023

# Notes to the financial statements

for the year ended 31 March 2023

## 1. General information

Flagship Housing Group Limited ('the company') is a registered provider of social housing, incorporated under the Co-operative and Community Benefit Societies Act 2014. Its subsidiaries (together 'the Group') provide repairs and maintenance, capital improvement and residential development services for the company and externally generate re-investable capital. The Group also includes Hopestead, a registered charity focused on the eradication of homelessness in the East of England.

The company is a private company limited by shares and is incorporated in the United Kingdom. The address of its registered office is 31 King Street, Norwich, Norfolk, NR1 1PD.

The company is registered with the Homes England as a registered provider as defined by the Homes and Communities Act 2008.

The company is an exempt charity.

## 2. Statement of compliance

The Group and individual financial statements of Flagship Housing Group Limited have been prepared in compliance with applicable law, United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS 102"), the Accounting Direction for Private Registered Providers of Social Housing 2022, the Statement of Recommended Practice for registered social housing providers 2018 update and the Housing and Regeneration Act 2008. The Group is a public benefit entity, and applies the relevant paragraphs prefixed "PBE" in FRS 102.

## 3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. The policies have been consistently applied to all periods presented, unless otherwise stated.

### a. Basis of preparation

These consolidated and separate financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the fair value of certain investments.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management exercise its judgement in the process of applying the Group and company's accounting policies. The areas involving a higher degree of judgement or complexity, or area where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

### b. Going concern

The Group's business activities, its current financial position, and factors likely to affect its future development are set out within the Strategic Report and the Report of the Board.

The Group meets its day-to-day working capital requirements primarily through the cash generated from its trading activities and through cash made available through its debt financing arrangements.

2023 has been a challenging year operationally. Cost inflation has been rampant whilst rental income growth was capped at 7%, resulting in margin deterioration year on year. We have sought to drive efficiency in our operating model to absorb the impact of inflation whilst continuing to invest in our homes and build new homes, as we know there are many more families waiting for a place to call home in the East of England. We have supported our people through a one-off cost-of-living payment and expanded our affordable for all programme to support our customers and employees who are unable to heat their homes or are experiencing significant one-off costs without the means to meet them.

The current economic, geo-political and environmental conditions continue to create uncertainty over (a) the extent of arrears due to inflationary cost pressures on our tenants and the future recoverability of debts; (b) availability of financing for customers to purchase the Group's products; (c) land availability at attractive hurdle rates to be used for social housing provision and ability to obtain planning permission in required timeframes under current working conditions; (d) the ability to procure construction contracts amidst unpredictable inflation which meet the company's investment hurdle rates; (e) the impact of nutrient neutrality on planning permission applications and the remedial works required to meet the expectations of local authority planning departments; and (f) source availability and price instability of materials.

The comfortable headroom on our interest cover covenant has been eroded during the year. Whilst we remain compliant with all of our banking covenants, we are carefully monitoring our covenant compliance to ensure that we continue to trade healthily within our means.

Following a detailed review of future forecasts and projections, taking into account the uncertainties presented above, alongside stress testing for possible different future trading scenarios, the Group should be able to operate within the level of its current facilities for at least 12 months from the date of signing the financial statements.

After making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

### c. Exemptions for qualifying entities under FRS 102

FRS 102 allows a 'qualifying entity' certain disclosure exemptions, subject to conditions.

The company has taken advantage of the following exemptions in its individual financial statements:

- from preparing a statement of cash flows, on the basis that it is a qualifying entity and the consolidated statement of cash flows, included in these financial statements, includes the Company's cash flows; and
- from the financial instrument disclosures, required under FRS 102 paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b), 11.48(c), 12.26, 12.27, 12.29(a), 12.29(b) and 12.29(A), as the information is provided in the consolidated financial statement disclosures;

### d. Basis of consolidation

The Group consolidated financial statements include the financial statements of the company and all of its subsidiary undertakings made up to 31 March 2023.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Where the Group owns less than 50% of the voting powers of an entity but controls the entity by virtue of an agreement with other investors which give it control of the financial and operating policies of the entity, it accounts for that entity as a subsidiary.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies when preparing the consolidated financial statements.

Any subsidiary undertakings sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence respectively.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

### e. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable for goods supplied or services rendered, net of discounts, void loss and value added taxes.

Where the consideration receivable in cash or cash equivalents is deferred, and the arrangement constitutes a financing transaction, the fair value of the consideration is measured as the present value of all future receipts using the imputed rate of interest.

The Group recognises revenue when (a) the significant risks and rewards of ownership have been transferred to the buyer; (b) the Group retains no continuing involvement or control over the goods; (c) the amount of revenue can be measured reliably; (d) it is probable that future economic benefits will flow to the entity; and (e) when the specific criteria relating to each of the Group's sales channels have been met, as described below.

*Rental and service charge income*

The Group primarily provides social housing in accordance with its charitable objectives but also provides a limited range of other market rented property. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Service charge income is recognised in the period to which it relates net of losses from voids.

*Property management services*

The Group provides property management services. Revenue is recognised monthly on a straight-line basis throughout the financial year.

*Sale of properties*

The Group develops residential property to support its social housing charitable objectives as well as residential property for sale on the open market. Income from residential property developed for open market sale and from first tranche shared ownership property sales is recognised at the point of legal completion of the sale.

*Responsive repairs and maintenance service*

The Group provides responsive repairs and maintenance services across East Anglia and the Home Counties. Revenue is recognised in the accounting period in which the responsive service was rendered and on completion of the job.

*Capital project improvement service*

The Group provides capital replacement and improvement services to domestic property owners, social landlords, commercial companies and local government. Revenue is recognised in accordance with the terms of the performance contract in the accounting period in which the services are rendered when the outcome of the contract can be estimated reliably and on completion of the services rendered.

*Cover plans*

The Group provides annual boiler maintenance cover plans. Revenue is recognised monthly on a straight-line basis throughout the financial year.

*Interest income*

Interest income is recognised using the effective interest method.

### f. Government grants

Government grants include grants receivable from Homes England, local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure under the accruals model.

# Notes to the financial statements

for the year ended 31 March 2023

**f. Government grants (continued)**

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the Group will comply with the conditions and that the funds will be received.

Grants due from government organisations or received in advance are included as current assets, current liabilities or non-current liabilities in accordance with the expected realisation of the income.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with Homes England. Government grants released on the sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income.

**g. Other grants**

Grants received from non-government sources are recognised using the performance model. A grant which does not impact specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the Group is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as deferred income.

**h. Donated land and other assets**

Land and other assets donated by local authorities and other government sources is 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 difference between fair value and consideration paid is treated as a non-monetary government grant and recognised on the balance sheet as deferred income within liabilities. Where the donation is from a non-public source, the value of the donation is included as income.

On disposal of an asset for which non-monetary government grant was received by the social landlord any unamortised grant remaining within liabilities is derecognised and recognised as income in the statement of comprehensive income.

**i. Employee benefits**

The Group provides a range of benefits to employees, including annual bonus arrangements, paid holiday arrangements and defined benefit and defined contribution pension plans.

*Short-term benefits*

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

*Defined contribution pension plans*

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

*Defined benefit pension plan*

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

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the reporting date less the fair value of the plan assets at the reporting date. Where the fair value of the plan assets at the reporting date exceeds the present value of the defined benefit obligation at the reporting date an asset is recognised on the balance sheet to the extent that it is recoverable by the Group.

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

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

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

The cost of the defined benefit plan, is recognised in the statement of comprehensive income as employee costs, and comprises:

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

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

The net interest cost on defined benefit deficit is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the statement of comprehensive income as a 'financing cost'.





*Annual bonus plan*

The Group operates an annual bonus plan for certain employees. An expense is recognised in the statement of comprehensive income when the Group has a legal or constructive obligation to make payments under the plan as a result of past events and a reliable estimate of the obligation can be made.

**k. Taxation**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

*Current tax*

Current tax is the amount of income tax payable in respect of the taxable profit for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

*Deferred tax*

Deferred tax arises from timing differences that are differences between taxable profits and total comprehensive income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised on all timing differences at the reporting date except for certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

**l. Value added tax**

The Group charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. Expenditure in the statement of comprehensive income includes VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

**m. Business combinations and goodwill**

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Contingent consideration is initially recognised at estimated amount where the consideration is probable and can be measured reliably. Where (i) the contingent consideration is not considered probable or cannot be reliably measured but subsequently becomes probable and measurable or (ii) contingent consideration previously measured is adjusted, the amounts are recognised as an adjustment to the cost of the business combination.

Where a combination is between two public benefit entities, and the combination is at nil or nominal consideration and is, therefore, 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 profit and loss. This gain represents the gift of the value of one entity to another. If the fair value of the liabilities assumed exceeds the fair value of the assets received an expense is recognised in the statement of comprehensive income representing the net obligations assumed.

On acquisition of a business, fair values are attributed to the identifiable assets, liabilities and contingent liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill. Where the fair value of contingent liabilities cannot be reliably measured, they are disclosed on the same basis as other contingent liabilities.

Goodwill recognised represents the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Group's interest in the identifiable net assets, liabilities and contingent liabilities acquired.

On acquisition, goodwill is allocated to cash-generating units ('CGU's') that are expected to benefit from the combination.

Goodwill is amortised over its expected useful life which is estimated to be ten years. Goodwill is assessed for impairment when there are indicators of impairment and any impairment is charged to the statement of comprehensive income. No reversals of impairment are recognised.

# Notes to the financial statements

for the year ended 31 March 2023

### n. Intangible assets

Intangible assets are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated, using the straight-line method, to allocate the depreciable amount of the assets to their residual values over their estimated useful lives, as follows:

| Category | Years |
|---|---|
| Software | 3 - 5 |

Amortisation is included in 'operating costs' in the statement of comprehensive income.

Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

Costs associated with maintaining computer software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use it or sell it;
- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

### o. Housing properties

On transition to FRS 102 on 1 April 2014, the Group took the option to carry out a one-off valuation exercise of selected housing properties (for example properties with a large-scale voluntary transfer (LSVT) history), valuing those properties on a EUV-SH basis, and using that amount as deemed cost upon transition.

Housing properties are properties held for the provision of social housing or to otherwise provide a social benefit. Housing properties are principally properties available for rent and are stated at cost (or deemed cost) less accumulated depreciation and impairment. Cost includes original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use (including land for development, materials, direct labour expenses, other direct development costs and related overheads) and financing costs directly attributable to the housing properties.

*i. Subsequent additions and major components*

Works to existing properties, which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefit of the asset, are capitalised as improvements.

Repairs, maintenance, and minor inspection costs are expensed as incurred.

*ii. Assets in the course of construction*

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on completion when the economic benefit associated with the property begins to flow to the Group.

*iii. Shared ownership property categorisation*

Expenditure on shared ownership properties is split proportionally between current and fixed assets based on the element relating to expected first tranche sales using historic geographic and demographic trend data alongside scheme appraisal data. The first tranche proportion is classed as a current asset and the related sales proceeds included in turnover, and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

*iv. Depreciation and residual values*

The Group separately identifies the major components which comprise its housing properties, and charges depreciation from the beginning of the next financial year, so as to write-down the cost of each component to its estimated residual value, on a straight-line basis, over its estimated useful economic life.

The Group uses the following useful lives for the major components of its housing properties:

| Component | Years |
|---|---|
| Structure | 100 |
| Roofs | 80 |
| Roofline (guttering / facia | 30 |
| Lifts | 40 |
| Heating system (excluding boiler) | 30 |
| Windows & doors | 30 |
| Kitchens | 20 |
| Boilers | 15 |
| Bathrooms | 30 |

Freehold land is not depreciated.

Leasehold properties are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Any difference between the historic cost annual depreciation charge and the annual depreciation charge on assets carried at deemed cost is transferred between the revaluation reserve and the income and expenditure reserve until the revaluation reserve is depleted.

*v. Housing property impairment*

The Group considers individual schemes (collection of properties) to be separate cash generating units ('CGU') when assessing for impairment, in accordance with the requirements of FRS 102 and SORP 2018. Schemes are assessed annually for impairment indicators.

Where there is evidence of impairment, the recoverable amount of the fixed assets affected is determined and any impairment losses charged to the statement of comprehensive income.

We estimate any impairment to housing properties as follows:

a) Estimate the recoverable amount of the CGU;

b) Calculate the carrying amount of the CGU; and

c) Compare the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

The recoverable amount is taken to be the higher of the fair value less costs to sell or the value in use of an asset or CGU. The assessment of value in use may involve considerations of the service potential of the assets or CGUs or the present value of future cash flows to be derived appropriately adjusted to account for any restrictions on their use. Where value in use - service potential (VIU-SP) is to be determined, the calculation of Depreciated Replacement Cost (DRC) is considered a suitable measurement model.

Based on this assessment, we calculated the DRC using appropriate construction costs and land prices of each social housing property scheme. In these circumstances we consider the DRC to be the recoverable amount.

Where the carrying amount is greater than the recoverable amount, an impairment loss of the difference between the two, is taken to the statement of comprehensive income and a corresponding entry is made to reduce the carrying value of the asset.

*vi. De-recognition*

Housing properties are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount plus any social housing grant recyclable is recognised as profit or loss and included in 'Gain on disposal of housing properties and other property, plant and equipment'. The social housing grant is returned to the recycled capital grant fund and held for reinvestment in new social housing development or repayment to Homes England upon demand.

### p. Other tangible fixed assets

Other tangible fixed assets are stated at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses. Cost includes original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs.

*i. Depreciation and residual values*

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

| Category | Years |
|---|---|
| Computer equipment | 3 - 5 |
| Owned vehicles | 4 |
| Furniture, fixtures and fittings | 5 - 33 |
| Leasehold improvements | 10 - 25 |
| Office buildings | 25 |

The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at the end of each reporting period. The effect of any change is accounted for prospectively.

Leased assets are depreciated over the life of the lease.

Repairs, maintenance and minor inspection costs are expensed as incurred.

*ii. De-recognition*

Other tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss and included in 'Other operating gains / (losses)'.

### q. Investment property

Investment property consists of commercial properties and other properties not held for social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in the statement of comprehensive income.

### r. Borrowing costs

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents (a) interest on borrowings specifically financing the development programme after deduction of related grants received in advance; and (b) a fair amount of interest on borrowings of the company as a whole after deduction of social housing grant received in advance to the extent that they can be deemed to be financing the development programme.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

# Notes to the financial statements

for the year ended 31 March 2023

**s. Stock**

Stock includes raw materials and consumables, completed properties for sale and working progress.

Stock is stated at the lower of cost and estimated selling price less costs to sell. Stock is recognised as an expense in the period in which the revenue is recognised.

Cost is determined on a first-in, first-out (FIFO) basis. Cost includes the purchase price, including taxes and duties and transport and handling costs directly attributable to bringing the inventory to its present location and condition.

At the end of each reporting period stock is assessed for impairment. If an item of stock is impaired, the identified stock is reduced to its selling price less costs to complete and sell and an impairment charge is recognised in the statement of comprehensive income. Where a reversal of the impairment is required the impairment charge is reversed, up to the original impairment loss, and is recognised as a credit in the statement of comprehensive income.

**t. Leased assets**

At inception the Group assesses the agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

*i. Finance leased assets*

Leases that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Where the implicit rate cannot be determined the company's incremental borrowing rate is used. Incremental direct costs, incurred in negotiating and arranging the lease, are included in the cost of the asset.

Assets are depreciated over the shorter of the lease term and estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on the inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

*ii. Operating leased assets*

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

*iii. Lease incentives*

Incentives received to enter into a finance lease reduce the fair value of the asset and are included in the calculation of present value of minimum lease payments.

Incentives received to enter into an operating lease are credited to the statement of comprehensive income, to reduce the lease expense, on a straight-line basis over the period of the lease.

**u. Impairment of non-financial assets**

At each balance sheet date non-financial assets not carried at fair value are assessed to determine whether there is an indication that the asset (or asset's cash generating unit) may be impaired. If there is such an indication the recoverable amount of the asset (or asset's cash generating unit) is compared to the carrying amount of the asset (or asset's cash generating unit).

The recoverable amount of the asset (or asset's cash generating unit) is the higher of the fair value less costs to sell and value in use. Value in use is defined as the present value of the future cash flows before interest and tax obtainable as a result of the asset's (or asset's cash generating unit's) continued use. These cash flows are discounted using a pre-tax discount rate that represents the current market risk-free rate and the risks inherent in the asset.

If the recoverable amount of the asset (or asset's cash generating unit) is estimated to be lower than the carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in the statement of comprehensive income unless the asset has been revalued when the amount is recognised in other comprehensive income to the extent of any previously recognised revaluation. Thereafter any excess is recognised in the statement of comprehensive income.

If any impairment loss is subsequently reversed, the carrying amount of the asset (or asset's cash generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised in prior periods. A reversal of an impairment loss is recognised in the statement of comprehensive income.

Goodwill is allocated on acquisition to the cash generating unit expected to benefit from the synergies of combination. Goodwill is included in the carrying value of cash generating units for impairment testing.

**v. Investments**

Investments in subsidiary companies are held at cost less accumulated impairment losses.

Investments in jointly controlled entities are accounted for using the equity method, after initially being recognised at cost in the consolidated balance sheet.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in the statement of comprehensive income. Member distributions from joint ventures are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment annually.

**w. Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

**x. Provisions and contingencies**

*i. Provisions*

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

In particular:

- restructuring provisions are recognised when the Group has a detailed, formal plan for the restructuring and has raised a valid expectation in those affected by either starting to implement the plan or announcing its main features to those affected and therefore has a legal or constructive obligation to carry out the restructuring; and
- provision is not made for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as a finance cost.

*ii. Contingencies*

Contingent liabilities are not recognised, except those acquired in a business combination. Contingent liabilities arise as a result of past events when (i) it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or (ii) when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Group's control. Contingent liabilities are disclosed in the financial statements unless the probability of an outflow of resources is remote.

Contingent assets are not recognised. Contingent assets are disclosed in the financial statements when inflow of economic benefits is probable.

**y. Financial instruments**

The Group has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

*i. Financial assets*

Basic financial assets, including trade and other receivables, the liquidity deposit reserve (cash held in trust on account of loan facilities) and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Such assets are subsequently carried at amortised cost using the effective interest method.

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

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

*ii. Financial liabilities*

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee

# Notes to the financial statements

for the year ended 31 March 2023

**y. financial instruments (continued)**

*ii. Financial liabilities (continued)*

is deferred until the draw-down occurs. To the extent there is no evidence that this is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services, deducted from the liability recognised and amortised over the period of the facility to which it relates.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled, or expires.

*iii. Offsetting*

Financial assets and liabilities are offset, and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously..

**z. Revaluation reserve**

Upon transition to FRS 102, the company utilised the transitional relief available and used the fair value of selected housing properties as their deemed cost. Therefore, the difference between the fair value of social housing properties and the historical cost carrying value was credited to the revaluation reserve. The difference between historical cost depreciation and depreciation charged on the fair value balance is transferred from the revaluation reserve to the income and expenditure reserve.

## 4. Critical accounting judgements and estimation uncertainty

The Group makes estimates and assumptions concerning the future. Estimates and judgements are based on historical experience and future expectations but by definition, will seldom equal the related actual results. The judgements and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**a. Critical judgements in applying the entity's accounting policies**

*i. Operating surplus*

Operating surplus is shown including the following as these are part of our usual operating activity:

- Gain on disposal of housing properties and other property, plant and equipment; and
- Share of operating profit / (loss) in joint ventures.

Management have made a judgement that the movement in fair value of investment properties does not form part of our usual operating cycle based on the existing use of the assets.

*ii. Housing Property Impairment*

As part of the Group's continuous review of the performance of its assets, management identify properties that have increasing losses, are impacted by government policy changes (such as welfare reform changes or rent reductions), have significant damage or require significant repair spend or are marked for disposal. These factors are considered to be indicators of impairment.

Where there is evidence of impairment, the recoverable amount of the fixed asset affected is determined and any impairment losses are charged to the statement of comprehensive income. Management has identified some impairment indicators during the year, such as properties marked for disposal, but determined that the fair value less cost to sell those properties exceed their carrying amount and therefore no impairment loss has occurred during the financial year (2022: none).

*iii. Capitalisation of development and property enhancement spend*

The company capitalises expenditure on its housing properties in accordance with its policy in 3(o). Initial capitalisation of development expenditure is based on management's judgement that a development scheme is confirmed, usually upon Board approval and when relevant permissions are in place to complete the development. Management judgement is used to determine when a distinguishable component is replaced, and expenditure is capitalised when it enhances the economic value of a property.

**b. Key accounting estimates and assumptions**

*i. Deferred tax provisions*

Provision is made for future tax liabilities. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements.

*ii. Defined benefit ('DB') pension scheme*

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends. For details of assumptions adopted, see note 32.

*iii. Revaluation of investment properties*

The Group carries its investment property at fair value, with changes in fair value being recognised in the statement of comprehensive income. The Group engages independent experts to determine the fair value of its investment properties at the balance sheet date. The estimation of the fair values requires the combination of assumptions including revenue growth, estimates in respect of voids and bad debt exposure, investment required in maintenance and improvement as well as judgement to use an appropriate discount rate. For details of assumptions adopted, see note 16.

The Group's market rented property portfolio is valued on an MV-STT basis. The Group has not seen a deterioration in arrears or voids across its market rented portfolio with demand broadly outstripping supply throughout the year. Maintenance expenditure and management costs have increased during the year due to inflation, but occupancy rates remain high.

The Group's student accommodation portfolio is valued on a discounted cash flow basis. The Group continues to see demand for its student accommodation outstrip its availability, with education providers seeking longer term leases. The Group is incurring fire compartmentalisation expenditure at Tripos Court which is required given the nature of the buildings. Similarly in a high inflation economy maintenance expenditure has increased and the discounted cash flow forecasts c.8% inflation 2023-24.

The Group has recognised a £0.3m valuation uplift in its investment properties. The Group considers this to be reasonable given the trading performance of its investments in challenging economic conditions.

*iv. Housing property allocation*

Where schemes under construction are mixed tenure, costs are split using a suitable method such as area (square footage) or rental yield. The allocation of the cost of shared ownership schemes under construction between inventories and housing properties is determined by past experience. Historically the Group has seen a 45% shared ownership first tranche disposal but with changes to shared ownership in the coming years, such as 10% first tranches and 1% staircasing our experience may change, and management will make a suitable estimate based on the Group's experience in the year and in previous years. In the current year the Group has seen first tranche percentages fall impacted by challenging economic conditions. Management is keeping this under review and early trends in 2023/24 indicate that management may need to reduce this first tranche sale assumption for the year ended 31 March 2024. Management forecast the market value of shared ownership properties on a scheme-by-scheme basis which informs the current element allocated to stock accordingly. This estimate influences stock valuations in note 11 and housing properties under construction in note 15.

*v. Useful economic lives of tangible assets*

The estimated depreciation charge for tangible assets (including components) is sensitive to changes in the estimated useful lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and physical condition of the assets. See note 3(o) and 3(p) for the useful economic lives for each class of assets.

*vi. Impairment of debtors*

The Group makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the ageing profile of the debtors and historical experience.

The arrears of current tenants are provided for when the balance becomes aged by greater than 16 weeks. The arrears balance of former tenants is provided for in full. See note 22 for further detail.

*vii. Inventory provision*

The Group maintains certain stock items on its vans to enable operatives to make the necessary repairs in accordance with the services provided by the Group. Repair parts evolve over time and are replaced with new parts with improved performance and safety certification. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated usability of parts and new parts on the market which might replace current stock items before they are utilised.

The Group designs and constructs new build residential properties for the open market. The nature of housebuilding is capital intensive and as a result it is necessary to consider the recoverability of the cost of inventory, through a review of the existence of impairment indicators. Management considers the value of inventory in line with expected future cash inflows from the sale of residential property. Where the future cash inflow is expected to be lower than the cost to complete the residential property an impairment is required to reduce the value of work in progress to its net realisable value. See note 11 for further detail.

*vii. Remediation provision*

The Group has a constructive obligation to undertake fire safety remedial works at a property in Suffolk. The Group has made a judgement that it now has sufficient information to reliably estimate the cost of the works required. Management have relied on estimates produced by expert surveyors to make a provision of £3.25m at 31 March 2023 and the Group expects to recognise an economic cash outflow during the next financial year in respect of these works.

# Notes to the financial statements

for the year ended 31 March 2023

## 5. Group segmental reporting

Year ended 31 March 2023

| | HOUSING Newtide | HOUSING Samphire | HOUSING Victory | Flagship Homes | Repairs and Gas servicing | Group and finance | Total |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | **£'000** |
| Turnover | 47,861 | 49,731 | 54,873 | 75,655 | 20,055 | 2,048 | **250,223** |
| Operating Costs | (38,499) | (37,222) | (41,629) | (11,715) | (3,129) | (967) | **(133,161)** |
| Cost of sales | - | - | - | (39,561) | (16,736) | - | **(56,297)** |
| Gain on JV | - | - | - | 1,105 | - | - | **1,105** |
| Gain on disposal of assets | - | - | - | - | 23 | 17,750 | **17,773** |
| **Operating surplus** | **9,362** | **12,509** | **13,244** | **25,484** | **213** | **18,831** | **79,643** |
| Net finance costs | - | - | - | - | - | (30,562) | **(30,562)** |
| Investment properties valuation | - | - | - | - | - | 158 | **158** |
| Taxation | - | - | - | - | (17) | - | **(17)** |
| **Total surplus / (deficit)** | **9,362** | **12,509** | **13,244** | **25,484** | **196** | **(11,573)** | **49,222** |

Year ended 31 March 2022

| | HOUSING Newtide | HOUSING Samphire | HOUSING Victory | Flagship Homes | Repairs and Gas servicing | Group and finance | Total |
|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | **£'000** |
| Turnover | 46,953 | 49,040 | 53,570 | 57,666 | 22,661 | 2,050 | **231,940** |
| Operating Costs | (31,053) | (31,815) | (36,669) | (7,528) | (6,739) | (817) | **(114,621)** |
| Cost of sales | - | - | - | (33,042) | (18,965) | - | **(52,007)** |
| Gain on JV | - | - | - | 572 | - | - | **572** |
| Gain on disposal of assets | - | - | - | - | - | 17,423 | **17,423** |
| **Operating surplus** | **15,900** | **17,225** | **16,901** | **17,668** | **(3,043)** | **18,656** | **83,307** |
| Net finance costs | - | - | - | - | - | (28,319) | **(28,319)** |
| Investment properties valuation | - | - | - | - | - | 4,202 | **4,202** |
| Taxation | - | - | - | - | 26 | - | **26** |
| **Total surplus / (deficit)** | **15,900** | **17,225** | **16,901** | **17,668** | **(3,017)** | **(5,461)** | **59,216** |

| | Newtide | Samphire | Victory | Flagship Homes | Total |
|---|---|---|---|---|---|
| **Housing units owned and managed** | 9,120 | 9,592 | 11,002 | 3,007 | 32,721 |

Flagship Homes manages the Group's shared ownership, market rented and student accommodation portfolio. Details of unit numbers can be found in note 17.

Reporting is presented via six segments which are aligned to how we review the performance of our organisation and make strategic decisions.

These are: Housing (split between our three local housing divisions / brands – Newtide Homes, Samphire Homes and Victory Homes); Flagship Homes (which includes our new build residential development); repairs and gas servicing; and Group services and financing costs. The balance sheet is not presented by segment because the Group reports its balance sheet on a consolidated basis.

## 6. Particulars of turnover, cost of sales, operating costs and operating surplus

6(a) Group

Year ended 31 March 2023

| | Turnover | Cost of Sales | Operating costs | Other operating activities | Operating surplus |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Social housing lettings | 166,873 | - | (119,514) | - | 47,359 |
| Other social housing activities | | | | | |
| - *Shared ownership property first tranche sales* | 16,100 | (9,946) | - | - | 6,154 |
| - *Gain on disposal of housing properties* | - | - | - | 17,750 | 17,750 |
| - *Other* | 112 | - | - | - | 112 |
| | **183,085** | **(9,946)** | **(119,514)** | **17,750** | **71,375** |
| Activities other than Social Housing | 67,138 | (46,351) | (13,647) | - | 7,140 |
| Gain on disposal of other fixed assets | - | - | - | 23 | 23 |
| Share of operating profits in joint ventures | - | - | - | 1,105 | 1,105 |
| **Total** | **250,223** | **(56,297)** | **(133,161)** | **18,878** | **79,643** |

Year ended 31 March 2022

| | Turnover | Cost of Sales | Operating costs | Other operating activities | Operating surplus |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Social housing lettings | 155,731 | - | (103,858) | - | 51,873 |
| Other social housing activities | | | | | |
| - *Shared ownership property first tranche sales* | 19,577 | (12,395) | - | - | 7,182 |
| - *Gain on disposal of housing properties* | - | - | - | 17,408 | 17,408 |
| - *Other* | 82 | - | - | - | 82 |
| | **175,390** | **(12,395)** | **(103,858)** | **17,408** | **76,545** |
| Activities other than Social Housing | 56,550 | (39,612) | (10,763) | - | 6,175 |
| Gain on disposal of other fixed assets | - | - | - | 15 | 15 |
| Share of operating profits in joint ventures | - | - | - | 572 | 572 |
| **Total** | **231,940** | **(52,007)** | **(114,621)** | **17,995** | **83,307** |

# Notes to the financial statements

for the year ended 31 March 2023

## 6. Particulars of turnover, cost of sales, operating costs and operating surplus (continued)

6(b) Company

| | Year ended 31 March 2023 | | | | |
|---|---|---|---|---|---|
| | Turnover | Cost of Sales | Operating costs | Other operating activities | Operating surplus |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Social housing lettings | 166,846 | - | (120,523) | - | 46,323 |
| Other social housing activities | | | | | |
| - *Shared ownership property first tranche sales* | 16,100 | (9,946) | - | - | 6,154 |
| - *Gain on disposal of housing properties* | - | - | - | 17,547 | 17,547 |
| - *Other* | 111 | - | - | - | 111 |
| | **183,057** | **(9,946)** | **(120,523)** | **17,547** | **70,135** |
| Activities other than Social Housing | 16,344 | - | (16,269) | - | 75 |
| Loss on disposal of other fixed assets | - | - | - | (3) | (3) |
| **Total** | **199,401** | **(9,946)** | **(136,792)** | **17,544** | **70,207** |

| | Year ended 31 March 2022 | | | | |
|---|---|---|---|---|---|
| | Turnover | Cost of Sales | Operating costs | Other operating activities | Operating surplus |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Social housing lettings | 155,704 | - | (104,322) | - | 51,382 |
| Other social housing activities | | | | | |
| - *Shared ownership property first tranche sales* | 19,577 | (12,395) | - | - | 7,182 |
| - *Gain on disposal of housing properties* | - | - | - | 17,046 | 17,046 |
| - *Other* | 82 | - | - | - | 82 |
| | **175,363** | **(12,395)** | **(104,322)** | **17,046** | **75,692** |
| Activities other than Social Housing | 13,798 | - | (10,700) | - | 3,098 |
| Loss on disposal of other fixed assets | - | - | - | - | - |
| **Total** | **189,161** | **(12,395)** | **(115,022)** | **17,046** | **78,790** |





## 7. Income and expenditure from social housing lettings

7(a) Group

| | General needs housing | Supported Housing | Keyworker housing | Shared ownership | Total 2023 | Total 2022 |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | **£'000** | £'000 |
| Rents receivable net of identifiable service charges | 143,584 | 8,385 | 117 | 6,553 | **158,639** | 148,434 |
| Service charge income | 3,111 | 2,407 | 6 | 318 | **5,842** | 4,778 |
| Amortised government grants (note 28) | 2,256 | - | - | 136 | **2,392** | 2,463 |
| Other grants receivable | - | - | - | - | **-** | 56 |
| **Turnover from social housing lettings** | **148,951** | **10,792** | **123** | **7,007** | **166,873** | 155,731 |
| Management | 26,853 | 3,702 | 23 | 1,157 | **31,735** | 27,418 |
| Service charge costs | 6,631 | 2,482 | 33 | 806 | **9,952** | 7,384 |
| Routine maintenance | 33,858 | 765 | 20 | 3,665 | **38,308** | 32,260 |
| Cyclical maintenance | 6,125 | 145 | 4 | 388 | **6,662** | 5,693 |
| Bad debts | 137 | 10 | - | 6 | **153** | 903 |
| Depreciation of housing properties (including loss on replacement of components (note 10) | 24,504 | 1,774 | 20 | 1,242 | **27,540** | 25,770 |
| Depreciation / amortisation of other tangible and intangible assets | 4,723 | 112 | 3 | 326 | **5,164** | 4,430 |
| **Operating expenditure on social housing lettings** | **102,831** | **8,990** | **103** | **7,590** | **119,514** | 103,858 |
| **Operating surplus on lettings** | **46,120** | **1,802** | **20** | **(583)** | **47,359** | 51,873 |
| *Rent losses from voids* | *(1,631)* | *(241)* | *(2)* | *(17)* | ***(1,891)*** | *(1,652)* |

# Notes to the financial statements

for the year ended 31 March 2023

## 7. Income and expenditure from social housing lettings (continued)

**7(b) Company**

| | General needs housing | Supported Housing | Keyworker housing | Shared ownership | Total 2023 | Total 2022 |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Rents receivable net of identifiable service charges | 143,584 | 8,385 | 117 | 6,553 | 158,639 | 148,486 |
| Service charge income | 3,111 | 2,407 | 6 | 318 | 5,842 | 4,778 |
| Amortised government grants (note 28) | 2,229 | - | - | 136 | 2,365 | 2,384 |
| Other grants receivable | - | - | - | - | - | 56 |
| **Turnover from social housing lettings** | **148,924** | **10,792** | **123** | **7,007** | **166,846** | 155,704 |
| Management | 27,172 | 3,735 | 24 | 1,304 | 32,235 | 27,417 |
| Service charge costs | 6,631 | 2,482 | 33 | 806 | 9,952 | 7,384 |
| Routine maintenance | 33,858 | 765 | 20 | 3,665 | 38,308 | 32,260 |
| Cyclical maintenance | 6,125 | 145 | 4 | 388 | 6,662 | 5,693 |
| Bad debts | 137 | 10 | - | 6 | 153 | 904 |
| Depreciation of housing properties (including loss on disposal of components) (note 10) | 24,912 | 1,805 | 21 | 1,311 | 28,049 | 26,234 |
| Depreciation / amortisation of other tangible fixed assets and intangible assets | 4,723 | 112 | 3 | 326 | 5,164 | 4,430 |
| **Operating expenditure on social housing lettings** | **103,558** | **9,054** | **105** | **7,806** | **120,523** | 104,322 |
| **Operating surplus on lettings** | **45,366** | **1,738** | **19** | **(799)** | **46,323** | 51,382 |
| *Rent losses from voids* | *(1,631)* | *(241)* | *(2)* | *(17)* | *(1,891)* | *(1,652)* |



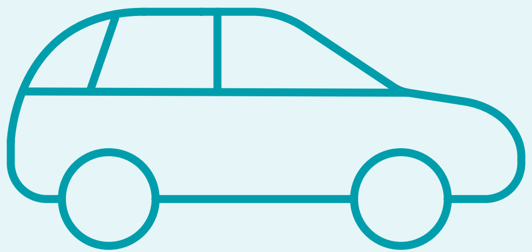


## 8. Particulars of turnover from non-social housing lettings

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Lettings** | | | | |
| Market rented property | 3,453 | 3,406 | 3,453 | 3,406 |
| Student accommodation | 3,938 | 3,550 | 3,938 | 3,550 |
| Private garages | 664 | 601 | 664 | 601 |
| Commercial property | 65 | 48 | 65 | 48 |
| **Other** | | | | |
| Management charges | - | - | 3,982 | 3,308 |
| Property sales | 36,706 | 24,280 | - | - |
| Gas servicing / Flagship Services External | 19,297 | 22,638 | 1,268 | - |
| Other income | 3,015 | 2,027 | 2,974 | 2,885 |
| | **67,138** | 56,550 | **16,344** | 13,798 |

## 9. Gain on disposal of housing properties

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Disposal proceeds | 26,856 | 28,398 | 26,856 | 28,398 |
| Costs incurred (including carrying value of asset) | (8,923) | (10,521) | (9,126) | (10,883) |
| | **17,933** | 17,877 | **17,730** | 17,515 |
| Capital grant recycled (note 29) | (183) | (469) | (183) | (469) |
| | **17,750** | 17,408 | **17,547** | 17,046 |



# Notes to the financial statements

for the year ended 31 March 2023

## 10. Operating surplus

Operating surplus is stated after charging:

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Depreciation of housing properties | 25,788 | 24,087 | 26,297 | 24,550 |
| Loss on replacement of components | 1,752 | 2,129 | 1,752 | 2,169 |
| Depreciation of other assets | 3,073 | 3,155 | 2,918 | 2,975 |
| Amortisation of intangible assets | 2,528 | 2,225 | 1,683 | 1,381 |
| Repairs and maintenance expenditure on social housing properties | 41,720 | 37,953 | 42,940 | 38,906 |
| One-off provision for property remedial work | 3,250 | - | 3,250 | - |
| Operating lease rentals: | | | | |
| Rent of office buildings | 811 | 682 | 682 | 549 |
| Hire of plant and machinery | 1,326 | 1,052 | 40 | 61 |
| Gain / (loss) on disposal of other fixed assets | 23 | 15 | (3) | - |
| Auditors' remuneration (excluding VAT): | | | | |
| - Fees payable to the company's auditors for the audit of the parent and Group financial statements | 64 | 65 | 64 | 65 |
| - Audit of the accounts of subsidiaries | 46 | 50 | 26 | 28 |
| - Other services | 3 | 4 | 3 | 4 |
| Bad debt expense | 44 | 976 | 44 | 913 |
| Inventory provision | 67 | - | - | - |

## 11. Stock

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Raw materials and consumables | 1,740 | 1,537 | 718 | 563 |
| Completed properties for sale | 17,240 | 19,917 | 6,472 | 6,282 |
| Work in progress | 15,239 | 30,002 | - | - |
| | 34,219 | 51,456 | 7,190 | 6,845 |

There is no significant difference between the replacement cost and their carrying amounts.
Raw materials and consumables are stated after provisions for impairment of £nil (2022: £nil).

## 12. Employees

Average monthly number of employees expressed as full-time equivalents (calculated based on a standard working week of 37 hours):

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | Number | Number | Number | Number |
| Housing and central services | 564 | 561 | 493 | 436 |
| Repairs, maintenance and capital improvement services | 870 | 831 | 582 | 557 |
| | 1,434 | 1,392 | 1,075 | 993 |

Employee costs:

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Wages and salaries | 50,482 | 45,247 | 36,760 | 32,097 |
| Social security costs | 5,271 | 4,268 | 4,026 | 3,277 |
| Pension costs | 4,602 | 3,730 | 4,272 | 3,468 |
| Total staff costs | 60,355 | 53,245 | 45,058 | 38,842 |

Salary banding for all Group employees earning over £60,000 (including salaries and benefits in kind and compensation for loss of office, but excluding pension contributions paid by the employer):

| | 31 March 2023 | 31 March 2022 |
|---|---|---|
| £60,000 to £70,000 | 29 | 18 |
| £70,001 to £80,000 | 20 | 18 |
| £80,001 to £90,000 | 8 | 10 |
| £90,001 to £100,000 | 7 | 4 |
| £100,001 to £110,000 | 5 | 3 |
| £110,001 to £120,000 | 2 | 2 |
| £120,001 to £130,000 | 4 | 5 |
| £130,001 to £140,000 | 6 | 4 |

| | 31 March 2023 | 31 March 2022 |
|---|---|---|
| £140,001 to £150,000 | 1 | 2 |
| £150,001 to £160,000 | 2 | 1 |
| £170,001 to £180,000 | 1 | 1 |
| £200,001 to £210,000 | - | 2 |
| £210,001 to £220,000 | 2 | 1 |
| £250,001 to £260,000 | 1 | - |
| £290,001 to £300,000 | - | 1 |
| £301,001 to £310,000 | 1 | - |

# Notes to the financial statements

for the year ended 31 March 2023

## 13. Board members and Executive Directors

Directors are defined as the nine (2022: eight) non-executive members of the Flagship Housing Group Limited Board together with the three executive members of the Board (2022: four) in office at the end of the period. The senior management team is defined as operational directors (which comprise senior management from the company and its subsidiary undertakings) and the board members of the housing boards and Flagship Services and comprised 52 members (2022: 44). Board member remuneration during the year was:

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Peter Hawes | 31 | 30 |
| Philip Burton | 22 | 20 |
| Peter Baynham | 18 | 18 |
| Robert Bennett | 19 | 18 |
| Stephen Cook | 19 | 18 |
| Doris Jamieson | 18 | 18 |
| Matthew Peak | 14 | 13 |
| Paul Remington | 19 | 18 |
| Carole Taylor-Brown (resigned 30 July 2021) | - | 4 |
| David Lee (appointed co-optee 30 March 2023)* | 6 | - |
| Emma Barton (appointed co-optee 30 March 2023) | - | - |
| Cecilia Tredget (appointed co-optee 30 March 2023) | - | - |
| **Total emoluments – non-executive** | **166** | **157** |
| Emoluments (including social security costs of £129,000 (2022: £112,000)) – executive | 1,097 | 995 |
| Pension scheme contributions – executive | 24 | 43 |
| Emoluments (including social security costs of £346,000 (2022: £326,000)) – Operational directors | 3,409 | 3,399 |
| Pension scheme contributions – Operational directors | 247 | 251 |
| **Total Key Management compensation – 56 directors (2022: 54)** | **4,777** | **4,688** |
| | | |
| Emoluments of the highest paid director | 306 | 296 |
| Pension contributions of the highest paid director | - | - |
| | **306** | **296** |

Retirement benefits are accruing to the executive directors under a defined contribution scheme with no enhanced or special terms. Flagship has purchased Directors' and Officers' Liability Insurance for the Non-Executive Directors, Executive Directors and staff of the Company.

*David Lee was an adviser to the Board prior to appointment as co-optee to the Board on 30 March 2023.

## 14. Taxation

### a. Tax expense included in profit or loss

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Current tax:** | | | | |
| Corporation tax charge on profit in the year | 22 | - | 22 | - |
| Adjustments in respect of prior periods | - | - | - | - |
| **Total current tax charge / (credit)** | 22 | - | 22 | - |
| | | | | |
| **Deferred tax:** | | | | |
| Origination of temporary differences | (5) | (26) | - | - |
| Impact of change in tax rate | - | - | - | - |
| **Total deferred tax charge / (credit)** | (5) | (26) | - | - |
| **Tax charge / (credit) on profit on ordinary activities** | 17 | (26) | 22 | - |

### b. Reconciliation of tax charge

Tax assessed for the year is lower (year ended 31 March 2022: lower) than the standard rate of corporation tax in the UK for the year ended 31 March 2023 of 19% (year ended 31 March 2022: 19%). The differences are explained below:

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Surplus for the year before taxation | 49,239 | 59,190 | 42,127 | 55,108 |
| Profit multiplied by the standard rate of corporation tax in the UK of 19% (year ended 31 March 2022: 19%) | 9,355 | 11,246 | 8,004 | 10,471 |
| Effects of: | | | | |
| - Charitable non-taxable income | (9,333) | (11,246) | (7,982) | (10,471) |
| - Deferred tax not recognised | (5) | (26) | - | - |
| **Tax charge for the year** | 17 | (26) | 22 | - |

### c. Tax rate changes

The Finance Act 2022 (which received Royal Assent on 24 February 2022) set the corporation tax rate at 19% for the year ended 31 March 2023. The Finance Act 2023 (which received Royal Assent on 10 January 2023) set the corporation tax rate at 25% from 1 April 2023 for companies with profits over £250,000, with a marginal tax rate returning for profits between £50,000 and £250,000.

### d. Provision for deferred tax

The deferred tax provision on the balance sheet relates to accelerated capital allowances. At 31 March 2023 the Group has a future liability of £70,000 (2022: £75,000).

# Notes to the financial statements

for the year ended 31 March 2022

## 15. Tangible fixed assets – Housing properties

### 15(a) Housing property net book value – Group

| | Housing properties | Shared ownership properties | Property under construction | Total |
|---|---|---|---|---|
| At 1 April 2022 | £'000 | £'000 | £'000 | £'000 |
| Cost | 1,876,152 | 127,744 | 60,461 | 2,064,357 |
| Accumulated depreciation | (210,805) | (10,919) | - | (221,724) |
| Net book amount | 1,665,347 | 116,825 | 60,461 | 1,842,633 |
| Year ended 31 March 2023 | | | | |
| Opening net book amount | 1,665,347 | 116,825 | 60,461 | 1,842,633 |
| Additions | 192 | - | 120,703 | 120,895 |
| Interest capitalised | - | - | 1,511 | 1,511 |
| Completed property additions | 68,890 | 17,663 | (86,553) | - |
| Improvement works to existing properties | 47,361 | - | - | 47,361 |
| Transfer of shared ownership properties to inventories | - | - | (9,974) | (9,974) |
| Depreciation | (26,298) | (1,242) | - | (27,540) |
| Disposals | (6,679) | (2,680) | - | (9,359) |
| Closing net book amount | 1,748,813 | 130,566 | 86,148 | 1,965,527 |
| At 31 March 2023 | | | | |
| Cost | 1,984,880 | 142,411 | 86,148 | 2,213,439 |
| Accumulated depreciation | (236,067) | (11,845) | - | (247,912) |
| Net book amount | 1,748,813 | 130,566 | 86,148 | 1,965,527 |





### 15(b) Housing property net book value – Company

| | Housing properties | Shared ownership properties | Property under construction | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| At 1 April 2022 | | | | |
| Cost | 1,922,633 | 130,082 | 56,888 | 2,109,603 |
| Accumulated depreciation | (233,171) | (10,026) | - | (243,197) |
| Net book amount | 1,689,462 | 120,056 | 56,888 | 1,866,406 |
| Year ended 31 March 2023 | | | | |
| Opening net book amount | 1,689,462 | 120,056 | 56,888 | 1,866,406 |
| Additions | 192 | - | 113,311 | 113,503 |
| Interest capitalised | - | - | 1,511 | 1,511 |
| Completed property additions | 70,543 | 17,663 | (88,206) | - |
| Improvement works to existing properties | 47,361 | - | - | 47,361 |
| Transfer of shared ownership properties to inventories | - | - | (9,974) | (9,974) |
| Depreciation | (26,738) | (1,311) | - | (28,049) |
| Disposals | (6,796) | (2,764) | - | (9,560) |
| Closing net book amount | 1,774,024 | 133,644 | 73,530 | 1,981,198 |
| At 31 March 2023 | | | | |
| Cost | 2,032,897 | 144,665 | 73,530 | 2,251,092 |
| Accumulated depreciation | (258,873) | (11,021) | - | (269,894) |
| Net book amount | 1,774,024 | 133,644 | 73,530 | 1,981,198 |

# Notes to the financial statements

for the year ended 31 March 2023

## 15. Tangible fixed assets – Housing properties (continued)

### 15(c) Social housing assistance

The below table presents the accumulated social housing assistance received by the company and recognised through the statement of comprehensive income following the transition to FRS 102 on 1 April 2016.

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Total accumulated social housing grant received or receivable at 31 March:** | | | | |
| Recognised in the Statement of comprehensive income as amortisation of social housing grant | 18,898 | 16,506 | 18,794 | 16,429 |
| Held as deferred income | 230,314 | 207,219 | 228,232 | 205,110 |
| | 249,212 | 223,725 | 247,026 | 221,539 |

### 15(d) Impairment

No impairment charge has been made for the year ended 31 March 2023 (31 March 2022: £nil).

## 16. Investment properties

Investment properties were valued at 31 March 2023 by Carter Jonas LLP and Savills (UK) Limited (part of the Savills Group), independent qualified external valuers. The valuation was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards.

| | Market rented property | | Student accommodation property | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Assumptions** | | | | |
| Discount rate | 4.80% | 4.80% | 9.00% | 9.00% |
| Annual rate of inflation: | | | | |
| - Year 1 | 3.90% | 3.90% | 8.90% | 4.00% |
| - Year 2 | 3.50% | 3.50% | 2.90% | 4.00% |
| - Year 3 onwards | 3.10% | 3.10% | 2.90% | 4.00% |
| Level of long-term rent increase: | | | | |
| - Year 1 | 4.60% | 5.00% | 3.50% | 2.00% |
| - Year 2 | 3.10% | 3.50% | 3.50% | 2.00% |
| - Year 3 onwards | 2.40% | 3.00% | 3.50% | 4.00% |





| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Valuation** | | | | |
| At 1 April | 78,588 | 74,274 | 78,588 | 74,274 |
| Additions | - | 112 | - | 112 |
| Disposals | (56) | - | (56) | - |
| Revaluation | 158 | 4,202 | 158 | 4,202 |
| **At 31 March** | 78,690 | 78,588 | 78,690 | 78,588 |

The Group's market rented property portfolio is valued on an MV-STT basis. At the date of signing these financial statements the Group continues to see strong occupancy rates and healthy demand within the rental market. Therefore, the Group considers the valuation undertaken at 31 March 2023 to be a reasonable approximation of market valuation at that date.

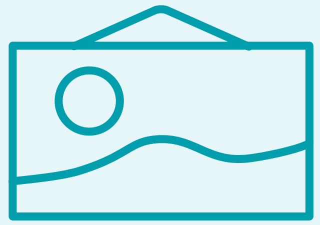
The Group student accommodation portfolio is valued on a discounted cash flow basis. Management have reviewed the assumptions used in the valuation and conclude that they are reasonable in the context of the current trading environment.

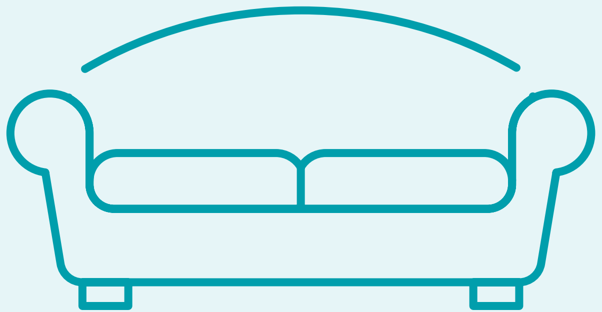
Investment properties includes assets held on finance leases of £22m (2022: £22.5m).

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

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Not later than one year | 3,021 | 2,588 | 3,021 | 2,588 |
| Later than one year and not later than five years | 2,331 | 357 | 2,331 | 357 |
| | 5,352 | 2,945 | 5,352 | 2,945 |

The company and Group had no contingent rent arrangements within its investment property portfolio.





# Notes to the financial statements

for the year ended 31 March 2023

## 17. Housing Stock

Group

No. of properties

| | 2022 | Additions | Converted / Reclassified* | Disposals | 2023 |
|---|---|---|---|---|---|
| **Social housing** | | | | | |
| General housing: | | | | | |
| - Social rent | 22,981 | 11 | 1,924 | (134) | 24,782 |
| - Affordable rent | 2,607 | 428 | 30 | (1) | 3,064 |
| Sheltered housing: | | | | | |
| - Social rent | 2,361 | 1 | (1,940) | - | 422 |
| - Affordable rent | 30 | - | (30) | - | - |
| Supported housing and housing for older people: | | | | | |
| - Social rent | 329 | - | (76) | (9) | 244 |
| - Care homes | - | - | 22 | - | 22 |
| Intermediate rented properties | 1,168 | 12 | - | - | 1,180 |
| Shared ownership | 1,690 | 181 | - | (35) | 1,836 |
| **Total owned** | **31,166** | **633** | **(70)** | **(179)** | **31,550** |
| Accommodation managed for others | 78 | 146 | - | - | 224 |
| **Total managed** | **78** | **146** | **-** | **-** | **224** |
| **Non-social housing** | | | | | |
| Market rented accommodation | 348 | - | - | (1) | 347 |
| Student accommodation | 600 | - | - | - | 600 |
| **Total non-social housing** | **948** | **-** | **-** | **(1)** | **947** |
| **Total owned and managed** | **32,192** | **779** | **(70)** | **(180)** | **32,721** |

The Group manages nine properties for Peal Community Housing Limited, a registered social landlord operating in Suffolk. The company manages 203 properties for Legal & General Affordable Homes and 12 for NewArch, a social housing provider.

*As part of our continuous improvement and following a change in the Housing SORP to align the definition of property ownership more closely with that of the Regulator's reporting requirements, we revisited the definition of some property types within our portfolio and have updated their classification as required.

Company

No. of properties

| | 2022 | Additions | Converted / Reclassified* | Disposals | 2023 |
|---|---|---|---|---|---|
| **Social housing** | | | | | |
| General housing: | | | | | |
| - Social rent | 22,981 | 11 | 1,924 | (134) | 24,782 |
| - Affordable rent | 2,607 | 428 | 30 | (1) | 3,064 |
| Sheltered housing: | | | | | |
| - Social rent | 2,361 | 1 | (1,940) | - | 422 |
| - Affordable rent | 30 | - | (30) | - | - |
| Supported housing and housing for older people: | | | | | |
| - Social rent | 329 | - | (76) | (9) | 244 |
| - Care homes | - | - | 22 | - | 22 |
| Intermediate rented properties | 1,168 | 12 | - | - | 1,180 |
| Shared ownership | 1,690 | 181 | - | (35) | 1,836 |
| **Total owned** | **31,166** | **633** | **(70)** | **(179)** | **31,550** |
| Accommodation managed for others | 78 | 146 | - | - | 224 |
| **Total managed** | **78** | **146** | **-** | **-** | **224** |
| **Non-social housing** | | | | | |
| Market rented accommodation | 348 | - | - | (1) | 347 |
| Student accommodation | 600 | - | - | - | 600 |
| **Total non-social housing** | **948** | **-** | **-** | **(1)** | **947** |
| **Total owned and managed** | **32,192** | **779** | **(70)** | **(180)** | **32,721** |

The Group manages nine properties for Peal Community Housing Limited, a registered social landlord operating in Suffolk. The company manages 203 properties for Legal & General Affordable Homes and 12 for NewArch, a social housing provider.

*As part of our continuous improvement and following a change in the Housing SORP to align the definition of property ownership more closely with that of the Regulator's reporting requirements, we revisited the definition of some property types within our portfolio and have updated their classification as required.

# Notes to the financial statements

for the year ended 31 March 2023

## 18. Intangible fixed assets

Group

| | Goodwill | IT Software | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **At 1 April 2022** | | | |
| Cost | 8,346 | 5,932 | 14,278 |
| Accumulated amortisation | (4,155) | (2,642) | (6,797) |
| **Net book amount** | **4,191** | **3,290** | **7,481** |
| **Year ended 31 March 2023** | | | |
| Opening net book amount | 4,191 | 3,290 | 7,481 |
| Additions | - | 1,776 | 1,776 |
| Disposals | - | (2) | (2) |
| Amortisation | (840) | (1,688) | (2,528) |
| **Closing net book amount** | **3,351** | **3,376** | **6,727** |
| **At 31 March 2023** | | | |
| Cost | 8,346 | 7,703 | 16,049 |
| Accumulated amortisation | (4,995) | (4,327) | (9,322) |
| **Net book amount** | **3,351** | **3,376** | **6,727** |





Company

| | IT Software | Total |
|---|---|---|
| | £'000 | £'000 |
| **At 1 April 2022** | | |
| Cost | 5,849 | 5,849 |
| Accumulated depreciation | (2,581) | (2,581) |
| **Net book amount** | **3,268** | **3,268** |
| **Year ended 31 March 2023** | | |
| Opening net book amount | 3,268 | 3,268 |
| Additions | 1,747 | 1,747 |
| Disposals | (2) | (2) |
| Amortisation | (1,683) | (1,683) |
| **Closing net book amount** | **3,330** | **3,330** |
| **At 31 March 2023** | | |
| Cost | 7,591 | 7,591 |
| Accumulated depreciation | (4,261) | (4,261) |
| **Net book amount** | **3,330** | **3,330** |

# Notes to the financial statements

for the year ended 31 March 2023

## 19. Other tangible assets

Group

| | Office buildings and leasehold improvements | Plant and equipment | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **At 1 April 2022** | | | |
| Cost | 5,734 | 23,737 | **29,471** |
| Accumulated depreciation | (2,705) | (11,938) | **(14,643)** |
| **Net book amount** | **3,029** | **11,799** | **14,828** |
| **Year ended 31 March 2023** | | | |
| Opening net book amount | 3,029 | 11,799 | **14,828** |
| Additions | 2 | 6,877 | **6,879** |
| Depreciation | (108) | (2,965) | **(3,073)** |
| Disposals | - | (1,327) | **(1,327)** |
| **Closing net book amount** | **2,923** | **14,384** | **17,307** |
| **At 31 March 2023** | | | |
| Cost | 5,736 | 27,692 | **33,428** |
| Accumulated depreciation | (2,813) | (13,308) | **(16,121)** |
| **Net book amount** | **2,923** | **14,384** | **17,307** |

All assets have been reviewed for impairment and no impairment has been identified.

The net carrying amount of assets held under finance leases included in other property, plant and equipment is £11,144,000 (2022: £8,880,000).





Company

| | Office buildings and leasehold improvements | Plant and equipment | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **At 1 April 2022** | | | |
| Cost | 4,964 | 18,298 | **23,262** |
| Accumulated depreciation | (2,379) | (6,376) | **(8,755)** |
| **Net book amount** | **2,585** | **11,922** | **14,507** |
| **Year ended 31 March 2023** | | | |
| Opening net book amount | 2,585 | 11,922 | **14,507** |
| Additions | - | 6,765 | **6,765** |
| Depreciation | (99) | (2,819) | **(2,918)** |
| Disposals | - | (1,325) | **(1,325)** |
| **Closing net book amount** | **2,486** | **14,543** | **17,029** |
| **At 31 March 2023** | | | |
| Cost | **4,964** | 23,464 | **28,428** |
| Accumulated depreciation | **(2,478)** | (8,921) | **(11,399)** |
| **Net book amount** | **2,486** | **14,543** | **17,029** |

All assets have been reviewed for impairment and no impairment has been identified.

The net carrying amount of assets held under finance leases included in other property, plant and equipment is £11,144,000 (2022: £8,880,000).

# Notes to the financial statements

for the year ended 31 March 2023

## 20. Investments in subsidiaries and other investments

The Group includes the following companies registered in the United Kingdom:

| Name | Company registration number | Ownership | Nature of business |
|---|---|---|---|
| Flagship Housing Group Limited | IP031211 | N/A | Housing Association |
| Flagship Housing Developments Limited | 05131085 | 100% | Development of residential property |
| Flagship Finance PLC | 13448782 | 100% | Finance vehicle |
| Gasway Services Limited | 04158628 | 100% | Gas servicing |
| Blue Flame (Colchester) Limited* | 05086439 | 100% | Gas servicing |
| Hopestead CIO | 1190324 | N/A | Registered Charity |
| East Anglian Lettings Limited | 08421578 | 100% | Dormant |
| Flagship Community Housing Limited | 09892942 | 100% | Dormant |
| North Norfolk Housing Company Limited | 05999428 | 100% | Dormant |
| RFT Repairs Limited | 08341166 | 100% | Dormant |

*Subsidiary of Gasway Services Limited

The registered address of all of the above companies is 31 King Street, Norwich, Norfolk, NR1 1PD.

Blue Flame (Colchester) Limited transferred its trade and assets to Gasway Services Limited on 31 August 2022, rendering the company dormant at that time.

All of the above subsidiaries, that existed at 31 March 2023, are consolidated into the Group. The company's investment is direct ownership unless otherwise stated and the cost of investment is presented below:

| Cost of investment: | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| At 1 April | 13,440 | 13,440 | 85,267 | 80,254 |
| Additions | 77 | - | 77 | 5,013 |
| At 31 March | 13,517 | 13,440 | 85,344 | 85,267 |
| Group companies | - | - | 71,827 | 71,827 |
| Liquidity deposit reserve | 13,515 | 13,438 | 13,515 | 13,438 |
| Other investments | 2 | 2 | 2 | 2 |
| | 13,517 | 13,440 | 85,344 | 85,267 |

## 21. Investments in joint ventures

At the beginning of the financial year the Group had a direct interest in two joint venture undertakings, Lovell Flagship LLP (50% share) and Evera Homes LLP ('Evera') (25% share), structured as limited liability partnerships.

Following a change in strategic direction of Evera the Group, through Flagship Housing Developments Limited's membership, chose to retire from Evera in January 2023. Prior to retirement, Evera's investment in Littleport Developments LLP was transferred to Grange Lane (Littleport) LLP. Grange Lane (Littleport) LLP was incorporated in November 2022 by the four members of Evera to hold the members investment in Littleport Developments LLP.

Grange Lane (Littleport) LLP through its 50% investment in Littleport Developments LLP has one active development to deliver 680 new homes, both for open market sale and affordable housing, over a 10-year horizon.

Consequently, at 31 March 2023 the Group had a direct interest in Lovell Flagship LLP (50% share) and Grange Lane (Littleport) LLP (25% share). Indirectly through its investment in Grange Lane (Littleport) LLP, the Group has a 12.5% share in Littleport Developments LLP. The Group structures its joint ventures as limited liability partnerships, to partner with local developers and other housing associations to deliver larger scale residential developments for which, individually, the risk profile would be unattractive.

The Group applies the equity method to value its joint venture activities with any gain or loss recognised through the statement of comprehensive income.

The joint venture undertakings are funded by way of non-current loan receivable instruments (member's loans), similar in structure to a revolving credit facility, governed by the member's loan agreement, and not through a member's capital injection. This provides the joint venture with flexible funding to invest in working capital in line with build plan requirements but also facilitates the return of cash to members through loan repayment as cash is released through the sale of new build property.

The Group monitors the performance of its joint venture undertakings to support the recoverability of its loan receivables. If an impairment indicator is identified the Group undertakes a thorough impairment review and any impairment loss would be expensed through the statement of comprehensive income.

The Group had the following joint venture investments at 31 March 2023:

| Name | Company registration number | Ownership | Nature of business |
|---|---|---|---|
| Lovell Flagship LLP | OC427790 | 50% | Development of residential property |
| Grange Lane (Littleport) LLP | OC444733 | 25% *(Incorporated November 2022)* | Development of residential property |
| Littleport Developments LLP* | OC435041 | 12.5% | Development of residential property |

*Littleport Developments LLP is a 50% owned joint venture by Grange Lane (Littleport) LLP with Vistry Homes Limited and its principal objective is to develop a site at Littleport, Cambridgeshire.

The registered address of Grange Lane (Littleport) LLP is 1 Crown Court, Crown Way, Rushden, NN10 6BS. The registered address of Littleport Developments LLP is 11 Tower View Kings Hill, West Malling, ME19 4UY. The registered address of Lovell Flagship LLP is Kent House, 14-17 Market Place, London. W1W 8AJ.

Lovell Flagship LLP has a 31 December year-end. Grange Lane (Littleport) LLP has a coterminous year-end with the Group.

The Group has Member's capital in Grange Lane (Littleport) LLP of £1 and Member's capital into Lovell Flagship LLP of £50.

The Group resigned from its membership of the following joint venture investments in January 2023:

| Name | Company registration number | Ownership | Nature of business |
|---|---|---|---|
| Evera Homes LLP | OC423288 | 25% | Development |
| Evera Developments Limited* | 11974181 | 25% | Dormant |
| RAF Upwood LLP** | OC427200 | 25% | Dormant |
| RAF Upwood Developments LLP** | OC427643 | 25% | Development |

*Evera Developments Limited is a 100% owned subsidiary of Evera Homes LLP.

**RAF Upwood LLP and RAF Upwood Developments LLP are owned and controlled by Evera Homes LLP and their principal objective is to develop the former RAF site at Upwood, Cambridgeshire.

# Notes to the financial statements

for the year ended 31 March 2023

## 21. Investments in joint ventures (continued)

The Group held the following investment in joint ventures at 31 March 2023:

| | 31 March 2023 | 31 March 2022 |
|---|---|---|
| | £'000 | £'000 |
| Opening balance at start of period | 13,066 | 13,119 |
| Additional member loan paid to JV | 2,372 | - |
| Loan repayment from JV | (4,545) | (625) |
| Share of profits / (losses) for the period | 1,105 | 572 |
| **Closing balance at end of period** | 11,998 | 13,066 |

| | Lovell Flagship LLP | | Evera Homes LLP | | Grange Lane (Littleport) LLP | |
|---|---|---|---|---|---|---|
| | 31 March 2023 | 31 March 2022 | 31 March 2023 | 31 March 2022 | 31 March 2023 | 31 March 2022 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Non-current loan receivable | 6,633 | 8,633 | - | 3,625 | 3,379 | - |
| Share of profits included in members interests | 1,850 | 745 | - | 63 | 136 | - |
| | 8,483 | 9,378 | - | 3,688 | 3,515 | - |

During the year, the Group assessed the carrying value of its investment in joint ventures and determined that it was not impaired at the period end date based on the performance of the joint ventures during the financial year.

The Group's share of assets and liabilities of jointly controlled entities is as follows:

| | 31 March 2023 | 31 March 2022 |
|---|---|---|
| | £'000 | £'000 |
| Current assets | 15,244 | 13,535 |
| Non-current assets | - | 1,589 |
| Current liabilities | (3,737) | (1,961) |
| Non-current liabilities (or members loans) | (10,012) | (12,258) |
| **Net assets at balance sheet date** | 1,495 | 905 |

The Group's share of income and expenses in joint ventures is as follows:

| | | |
|---|---|---|
| Revenue | 9,533 | 7,513 |
| Expenses | (8,428) | (6,941) |
| **Share of profit for the period** | 1,105 | 572 |

## 22. Trade and other debtors

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Rent arrears | | | | |
| - Amounts due from tenants | 10,607 | 10,255 | 10,607 | 10,255 |
| - Bad and doubtful debt provision | (5,784) | (6,041) | (5,784) | (6,041) |
| Other trade debtors | | | | |
| - Amounts due from other trade debtors | 6,173 | 3,626 | 1,531 | 1,372 |
| Other debtors | 640 | 365 | 542 | 174 |
| Amounts owed by Group undertakings | - | - | 1,892 | 507 |
| VAT and other taxes | 112 | 182 | 14 | 35 |
| Prepayments and accrued income | 15,540 | 9,054 | 12,107 | 4,286 |
| | 27,288 | 17,441 | 20,909 | 10,588 |

Amounts owed by Group undertakings are unsecured, interest free, and have no fixed date of repayment and are repayable on demand.

Included in 'other debtors' is a non-current receivable of £90,000 (31 March 2022: £90,000) relating to a security for a trade body membership, which would become repayable upon cessation of trade body membership.

## 23. Creditors: amounts falling due within one year

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Trade creditors | 15,498 | 9,661 | 10,846 | 6,137 |
| Amounts due to Group undertakings | - | - | 21,410 | 2,956 |
| Other creditors | 4,773 | 5,147 | 4,690 | 4,936 |
| Other taxes and social security costs | 1,640 | 1,924 | 1,335 | 1,373 |
| Accruals and deferred income | 31,678 | 28,066 | 20,047 | 19,737 |
| Bank loans and overdrafts (note 25) | 14,138 | 24,206 | 14,740 | 24,894 |
| Obligations under finance leases and hire purchase contracts (note 25) | 2,345 | 2,661 | 2,345 | 2,661 |
| Deferred capital grant (note 28) | 2,447 | 2,575 | 2,420 | 2,548 |
| Recycled Capital Grant Fund (note 29) | 924 | 1,274 | 924 | 1,274 |
| | 73,443 | 75,514 | 78,757 | 66,516 |

Amounts owed to Group undertakings are unsecured, interest free, and have no fixed date of repayment and are repayable on demand.

# Notes to the financial statements

for the year ended 31 March 2023

## 24. Creditors: amounts falling due after more than one year

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Bank loans and overdrafts (note 25) | 900,669 | 914,259 | 713,492 | 728,732 |
| Amounts due to Group undertakings (note 25) | - | - | 190,814 | 189,766 |
| Obligation under finance leases and hire purchase contracts (note 25) | 20,720 | 18,384 | 20,720 | 18,384 |
| Accruals and deferred income | 364 | 404 | 364 | 404 |
| Deferred Capital Grant (note 28) | 227,867 | 204,644 | 225,812 | 202,562 |
| | 1,149,620 | 1,137,691 | 1,151,202 | 1,139,848 |

## 25. Loans and other borrowings

The Group's bank debt portfolio is secured by a floating charge over the assets of the Group and by fixed charges on individual properties. Local authority and other loans are secured by fixed charges on individual properties.

The Group's debt portfolio at 31 March 2023 consisted of £205m (2022: £205m) of revolving credit facilities, £134m (2022: £100m) of term debt held at variable interest rates, £560m (2022: £626m) of term loans held at fixed interest rates, a £250m listed bond held at a fixed rate (2022: £250m) and £3m overdraft facility held at a variable interest rate. Undrawn facilities at 31 March 2023 consist of £182m (2022: £182m) revolving credit facilities, £50m retained bonds (2022: £50m) and £3m overdraft facility (2022: £3m).

The Group's borrowing facilities have variable interest rates ranging between SONIA+0.7% and SONIA+1.7% and fixed interest rates ranging from 0.7% to 6.6%.

The final instalments fall to be repaid in 2061.

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Due within one year** | | | | |
| Loans repayable by instalments | 13,376 | 23,162 | 13,376 | 23,162 |
| Fair value adjustment on bank loans | 1,186 | 1,361 | 1,788 | 2,049 |
| Less: debt issue costs | (424) | (317) | (424) | (317) |
| | 14,138 | 24,206 | 14,740 | 24,894 |
| **Due after more than one year** | | | | |
| Loans repayable by instalments | 609,460 | 622,854 | 609,460 | 622,854 |
| Loans repayable other than by instalments | 294,235 | 294,235 | 294,235 | 294,235 |
| Fair value adjustment on bank loans | (1,043) | (379) | 2,594 | 3,860 |
| Less: debt issues costs | (1,983) | (2,451) | (1,983) | (2,451) |
| | 900,669 | 914,259 | 904,306 | 918,498 |

Based on the lender's earliest repayment date, borrowings are repayable as follows:

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Within one year or on demand | 13,376 | 23,162 | 13,376 | 23,162 |
| One year or more but less than two years | 36,537 | 13,376 | 36,537 | 13,376 |
| Two years or more but less than five years | 77,711 | 85,199 | 77,711 | 85,199 |
| Five years or more | 789,447 | 818,514 | 789,447 | 818,514 |
| | 917,071 | 940,251 | 917,071 | 940,251 |

Based on the lender's loan agreements, interest is repayable as follows:

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Within one year or on demand | 35,927 | 31,667 | 35,927 | 31,667 |
| One year or more but less than two years | 35,098 | 32,201 | 35,098 | 32,201 |
| Two years or more but less than five years | 99,503 | 90,946 | 99,503 | 90,946 |
| Five years or more | 321,955 | 268,835 | 321,955 | 268,835 |
| | 492,483 | 423,649 | 492,483 | 423,649 |

The Group uses a finance leasing model for some classes of asset. The obligations under finance leases are presented below:

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Net finance lease obligations:** | | | | |
| Not later than one year | 2,345 | 2,661 | 2,345 | 2,661 |
| Later than one year and not later than five years | 12,556 | 9,400 | 12,556 | 9,400 |
| Later than five years | 8,164 | 8,984 | 8,164 | 8,984 |
| | 23,065 | 21,045 | 23,065 | 21,045 |

The obligations under finance leases are repayable by equal instalments.

Finance leases relate to vehicles used by the Group to deliver its services and the Group's investment property student accommodation portfolio.

Vehicle leases typically have a four-year term with a purchase option available at the end of the lease. The two investment property leases have 35-year lease terms and one of the leases has provision for discounted purchase at the end of the term.

# Notes to the financial statements

for the year ended 31 March 2023

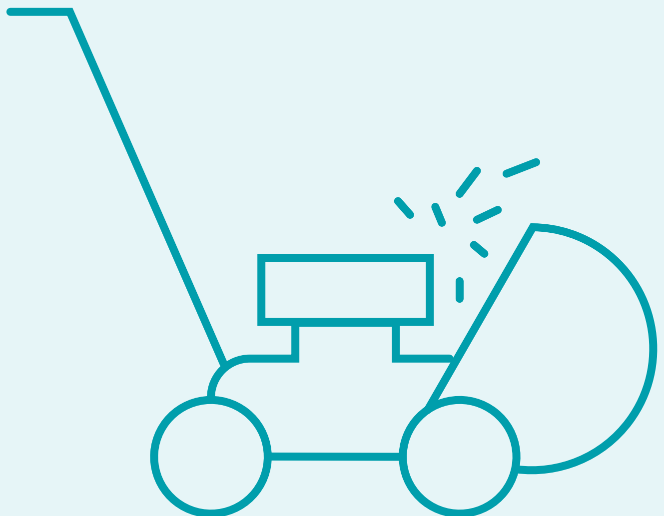
## 26. Interest and financing costs

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| On loans wholly or partly repayable in more than five years | 32,417 | 28,299 | 31,718 | 27,479 |
| Amortisation of debt issue costs | 425 | 311 | 425 | 311 |
| Interest accrued on RCGF balance | 27 | 1 | 27 | 1 |
| Finance leases | 131 | 180 | 131 | 180 |
| Net interest cost on defined benefit deficit | 224 | 318 | 224 | 318 |
| Unwinding of discounts on provisions | 566 | 595 | 566 | 595 |
| | 33,790 | 29,704 | 33,091 | 28,884 |
| Less: Interest capitalised (note 15) | (1,511) | (902) | (1,511) | (902) |
| | 32,279 | 28,802 | 31,580 | 27,982 |

The weighted average interest on borrowings of 3.6% (2022: 2.9%) was used for calculating capitalised interest.

## 27. Interest receivable and other income

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Bank interest receivable | 1,149 | 99 | 1,149 | 98 |
| Interest from joint venue non-current loan receivables | 568 | 384 | - | - |
| Gift aid receipts | - | - | 2,193 | - |
| | 1,717 | 483 | 3,342 | 98 |



## 28. Deferred capital grant

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| As at 1 April | 207,219 | 198,894 | 205,110 | 196,706 |
| Grant received in the year | 25,842 | 11,297 | 25,842 | 11,297 |
| Grant Recycled in the year | 560 | 349 | 560 | 349 |
| Released to income in the year | (2,392) | (2,463) | (2,365) | (2,384) |
| Grant released on disposals | (915) | (858) | (915) | (858) |
| As at 31 March | 230,314 | 207,219 | 228,232 | 205,110 |
| Amount due to be released in less than one year | 2,447 | 2,575 | 2,420 | 2,548 |
| Amount due to be released after more than one year | 227,867 | 204,644 | 225,812 | 202,562 |
| | 230,314 | 207,219 | 228,232 | 205,110 |

## 29. Recycled capital grant

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| As at 1 April | 1,274 | 1,153 | 1,274 | 1,153 |
| Grant to be recycled on disposals | 183 | 469 | 183 | 469 |
| Interest accrued on recycled grant | 27 | 1 | 27 | 1 |
| Grant recycled in the year on new properties | (560) | (349) | (560) | (349) |
| As at 31 March | 924 | 1,274 | 924 | 1,274 |

Recycled capital grant accrues notional interest in accordance with Homes England's Capital Funding policy.

# Notes to the financial statements

for the year ended 31 March 2023

## 30. Provisions

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Dilapidations | 233 | 233 | 233 | 233 |
| Remedial works provision | 3,250 | - | 3,250 | - |
| Deferred tax (note 14) | 70 | 75 | - | - |
| | 3,553 | 308 | 3,483 | 233 |

At 31 March 2023 the Company held a provision of £233,000 (2022: £233,000) for dilapidations for the leased office estate used by the Group. The Company also recognised a £3.25m provision during the year for remedial works that the company has a constructive obligation to deliver at a property it owns in Suffolk.

## 31. Capital and other commitments

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Development capital expenditure contracted for but not provided in the financial statements | 182,365 | 213,839 | 108,549 | 104,116 |
| Hopestead committed donations without contractual agreement | - | 26 | - | - |
| | 182,365 | 213,865 | 108,549 | 104,116 |

The Group had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Not later than one year | 1,242 | 1,305 | 362 | 362 |
| Later than one year and not later than five years | 2,136 | 2,520 | 780 | 947 |
| Later than five years | 969 | 1,184 | 969 | 1,164 |
| | 4,347 | 5,009 | 2,111 | 2,473 |

The Group had no other off balance sheet arrangements.

## 32. Defined benefit pension liability

During the financial year the Group has participated in three defined benefit schemes: the Norfolk County Council Pension Fund ('LGPSN'), Suffolk County Council Pension Fund ('LGPSS') and The Pensions Trust – Flagship Housing Group ex-SHPS Scheme – ('FHGS'). The Group also participates in various defined contribution schemes and the amount recognised in the statement of comprehensive income is as follows:

| | Group 2023 | Group 2022 | Company 2023 | Company 2022 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Defined benefit schemes | | | | |
| - Current service costs | 446 | 487 | 446 | 487 |
| Defined contribution schemes | 4,156 | 3,243 | 3,826 | 2,981 |
| **Total charge in operating profit** | 4,602 | 3,730 | 4,272 | 3,468 |
| Defined benefit schemes | | | | |
| - Net interest expense | 224 | 318 | 224 | 318 |
| **Total charge to profit and loss** | 4,826 | 4,048 | 4,496 | 3,786 |

### i. Local government defined benefit pension schemes – LGPSN and LGPSS

A small number of employees of the company are members of the LGPSN and LGPSS schemes. The assets of the schemes are held in separately administered funds. The schemes provide retirement benefits on the basis of members' final salary. The plan is administered by an independent trustee, who is responsible for ensuring that the plan is sufficiently funded to meet current and future obligations. The Group considers the funding position of both schemes to be robust and has not incurred a significant increase in contributions at the latest funding valuation. Additional contributions are agreed with the trustee to reduce any funding deficit where necessary.

A comprehensive actuarial valuation of the LGPSN and LGPSS schemes, using the projected unit credit method, was carried out at 31 March 2022 by Hymans Robertson LLP, independent consulting actuaries. Adjustments to the valuation at that date have been made based on the following assumptions:

| | LGPSN 2023 | LGPSN 2022 | LGPSS 2023 | LGPSS 2022 |
|---|---|---|---|---|
| Expected rate of increase of pensions in payment | 3.00% | 3.30% | 3.00% | 3.30% |
| Expected rate of salary increases | 3.70% | 4.00% | 4.20% | 3.90% |
| Discount rate | 4.75% | 2.70% | 4.75% | 2.70% |

# Notes to the financial statements

for the year ended 31 March 2023

## 32. Defined benefit pension liability (continued)

**i. Local government defined benefit pension schemes – LGPSN and LGPSS (continued)**

The mortality assumptions used were as follows:

| | LGPSN 2023 | LGPSN 2022 | LGPSS 2023 | LGPSS 2022 |
|---|---|---|---|---|
| Longevity at age 65 for current pensioners | | | | |
| - Men (years) | 22.0 | 21.7 | 22.5 | 21.9 |
| - Women (years) | 24.5 | 24.1 | 22.9 | 24.3 |
| Longevity at age 65 for future pensioners | | | | |
| - Men (years) | 23.5 | 22.9 | 22.6 | 22.9 |
| - Women (years) | 26.2 | 26.0 | 25.1 | 26.1 |

Reconciliation of scheme assets and liabilities:

| | LGPSN Assets £'000 | LGPSN Liabilities £'000 | LGPSN Total £'000 | LGPSS Assets £'000 | LGPSS Liabilities £'000 | LGPSS Total £'000 |
|---|---|---|---|---|---|---|
| At 1 April 2022 | 18,264 | (20,055) | (1,791) | 6,066 | (5,781) | 285 |
| Benefits paid | (774) | 774 | - | (202) | 202 | - |
| Participant contributions | 16 | (16) | - | 3 | (3) | - |
| Employer contributions | 713 | - | 713 | 61 | - | 61 |
| Current service cost | - | (98) | (98) | - | (22) | (22) |
| Interest income / (expense) | 496 | (532) | (36) | 162 | (154) | 8 |
| Re-measurement gains/(losses) | | | | | | |
| - Actuarial (losses) / gains | - | 4,411 | 4,411 | - | 1,329 | 1,329 |
| - Return on plan assets excluding interest income | (1,033) | - | (1,033) | (336) | - | (336) |
| **At 31 March 2023** | 17,682 | (15,516) | 2,166 | 5,754 | (4,429) | 1,325 |

Total cost recognised as an expense:

| | LGPSN 2023 | LGPSN 2022 | LGPSS 2023 | LGPSS 2022 |
|---|---|---|---|---|
| Current service cost | 98 | 94 | 22 | 22 |
| Interest cost | 532 | 407 | 154 | 118 |
| | 630 | 501 | 176 | 140 |

No amounts (2021: £nil) were included in the cost of assets.

The fair value of the plan assets was:

| | LGPSN 2023 £'000 | LGPSN 2022 £'000 | LGPSS 2023 £'000 | LGPSS 2022 £'000 |
|---|---|---|---|---|
| Equities | 5,658 | 5,662 | 3,855 | 3,943 |
| Bonds | 8,841 | 9,315 | 1,323 | 1,456 |
| Property | 2,829 | 2,922 | 518 | 607 |
| Cash | 354 | 365 | 58 | 60 |
| | 17,682 | 18,264 | 5,754 | 6,066 |

The plan assets do not include any of the Group financial instruments nor is any property occupied by any Group entity.

The return on the plan assets was:

| | LGPSN 2023 £'000 | LGPSN 2022 £'000 | LGPSS 2023 £'000 | LGPSS 2022 £'000 |
|---|---|---|---|---|
| Interest income | 496 | 330 | 162 | 109 |
| Return on plan assets less interest income | (1,033) | 1,100 | (336) | 442 |
| **Total return on plan assets** | (537) | 1,430 | (174) | 551 |

The sensitives regarding the principal assumptions used to measure the scheme liabilities are set out below:

| | Approximate % increase to Defined Benefit Obligation | | Approximate monetary amount (£'000) | |
|---|---|---|---|---|
| | LGPSN | LGPSS | LGPSN | LGPSS |
| Changes in assumptions at 31 March 2023 | | | | |
| 0.1% decrease in Real Discount Rate | 1% | 1% | 190 | 53 |
| One year increase in member life expectancy | 4% | 4% | 621 | 177 |
| 0.1% increase in the Salary Increase Rate | 0% | 0% | 10 | 3 |
| 0.1% increase in the Pension Increase Rate (CPI) | 1% | 1% | 183 | 50 |

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 3-5%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

# Notes to the financial statements

for the year ended 31 March 2023

## 32. Defined benefit pension liability (continued)

### ii. The Pensions Trust – Flagship Housing Group ex-SHPS Scheme - FHGS

During the year the Group participated in a single employer defined benefit pension scheme The Pensions Trust – Flagship Housing Group ex-SHPS Scheme ('FHGS') administered by The Pensions Trust. The Group is solely responsible for scheme's assets and liabilities.

Until 30 September 2021 the Group participated in the Social Housing Pension Scheme ('SHPS'), a multi-employer scheme which provides benefits to some 500 non-associated employers. On 30 September 2021 the Group's share of the assets and liabilities within this scheme were transferred to the new FHGS scheme administered by The Pensions Trust.

At 30 September 2021, and upon transfer to FHGS, the net liability attributable to Flagship within the SHPS scheme was £10m.

A comprehensive actuarial valuation of the FHGS scheme, using the projected unit credit method, was carried out at 30 September 2020, by independent consulting actuaries. A full actuarial valuation is currently underway as at 30 September 2022 and preliminary results have been updated based on the following assumptions:

| | 31 March 2023 | 31 March 2022 |
|---|---|---|
| Expected rate of increase of pensions in payment (CPI) | 2.96% | 3.26% |
| Expected rate of salary increases | 2.96% | 3.96% |
| Discount rate | 4.83% | 2.77% |
| Rate of inflation (RPI) | 3.17% | 3.50% |

The mortality assumptions used were as follows:

| | 31 March 2023 | 31 March 2022 |
|---|---|---|
| | Years | Years |
| Longevity at age 65 for current pensioners | | |
| - Men | 22.2 | 21.6 |
| - Women | 24.5 | 23.6 |
| Longevity at age 65 for future pensioners | | |
| - Men | 23.9 | 22.9 |
| - Women | 25.9 | 25.1 |

Reconciliation of scheme assets and liabilities:

| | Assets | Liabilities | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| At 1 April 2022 | 44,596 | (52,604) | (8,008) |
| Benefits paid | (1,307) | 1,307 | - |
| Member contributions | 33 | (33) | - |
| Employer contributions | 2,254 | - | 2,254 |
| Current service cost | (109) | (217) | (326) |
| Interest income / (expense) | 1,247 | (1,443) | (196) |
| Re-measurement gains/(losses) | | | |
| - Actuarial gains/(losses) | - | 15,915 | 15,915 |
| - Experience Return on plan assets excluding interest income | (15,196) | - | (15,196) |
| At 31 March 2023 | 31,518 | (37,075) | (5,557) |

Total cost recognised as an expense:

| | 2023 | 2022 |
|---|---|---|
| | £'000 | £'000 |
| Current service cost | 326 | 371 |
| Interest cost | 1,443 | 1,124 |
| | 1,769 | 1,495 |

No amounts (2022: £nil) were included in the cost of assets.

# Notes to the financial statements

for the year ended 31 March 2023

## 32. Defined benefit pension liability (continued)

**ii. The Pensions Trust – Flagship Housing Group ex-SHPS Scheme - FHGS (continued)**

The fair value of the plan assets was:

| | 31 March 2023 £'000 | 31 March 2022 £'000 |
|---|---|---|
| Equity | 4,559 | 10,069 |
| Bonds | 1,057 | 790 |
| Property | 1,589 | 1,330 |
| Cash | 1,729 | 632 |
| Liability Driven Investment | 10,854 | 16,853 |
| Liquid alternatives | 3,435 | 7,242 |
| Private Credit | 4,675 | 4,418 |
| Other | 3,620 | 3,262 |
| | 31,518 | 44,596 |

The plan assets do not include any of the Group financial instruments nor is any property occupied by any Group entity.

The return on the plan assets was:

| | 2023 £'000 | 2022 £'000 |
|---|---|---|
| Interest income | 1,247 | 892 |
| Return on plan assets less interest income | (15,196) | (138) |
| **Total return on plan assets** | (13,949) | 754 |

The sensitives regarding the principal assumptions used to measure the scheme liabilities are set out below:

| | Approximate % increase to Defined Benefit Obligation | Approximate monetary amount (£'000) |
|---|---|---|
| Changes in assumptions at 31 March 2023 | | |
| Discount rate + / - 0.1% | - / + 2% | - / + 742 |
| Inflation assumptions + / - 0.1% | - / + 2% | - / + 742 |
| Life expectancy + / - 1 year | - / + 4% | - / + 1,484 |

The principal demographic assumption is the longevity assumption (i.e. member life expectancy). For sensitivity purposes, we estimate that a one-year increase in life expectancy would approximately increase the Employer's Defined Benefit Obligation by around 4%. In practice the actual cost of a one-year increase in life expectancy will depend on the structure of the revised assumption (i.e. if improvements to survival rates predominantly apply at younger or older ages).

## 33. Notes to the cash flow statement

| | Note | Group 2023 £'000 | Group 2022 £'000 |
|---|---|---|---|
| **Surplus for the financial year** | | 49,222 | 59,216 |
| Adjustments for: | | | |
| Tax on profit | 14 | 17 | (26) |
| Increase in investment property revaluation | 16 | (158) | (4,202) |
| Net interest expense | 26 / 27 | 30,562 | 28,319 |
| **Operating surplus** | | 79,643 | 83,307 |
| Depreciation of tangible fixed assets and amortisation of intangible assets and capital grant (including accelerated depreciation on component replacement) | | 30,749 | 29,865 |
| (Gain) / loss on investment in joint ventures | 21 | (1,105) | (572) |
| (Gain) / loss on disposal of housing properties and other fixed assets | | (18,399) | (18,024) |
| Defined benefit pension schemes - service cost | 32 | 446 | 487 |
| Defined benefit pension schemes - contributions paid | 32 | (3,028) | (2,631) |
| Working capital movements: | | | |
| - Decrease / (increase) in inventories | | 27,211 | 9,096 |
| - (Increase) / decrease in debtors | | (2,169) | (1,293) |
| - Increase in creditors | | 12,002 | 1,589 |
| **Cash flow from operating activities** | | 125,350 | 101,824 |

**Analysis of changes in net debt**

| | At 1 April 2022 £'000 | Cash flows £'000 | Non-cash changes £'000 | At 31 March 2023 £'000 |
|---|---|---|---|---|
| Cash at bank and in hand | 116,601 | (56,373) | - | 60,228 |
| Bank loans and borrowings | (938,460) | 23,087 | 566 | (914,807) |
| Finance leases | (21,045) | 3,332 | (5,351) | (23,064) |
| **Total** | (842,904) | (29,954) | (4,785) | (877,643) |

**Non-cash transactions**

The Group has acquired tangible assets under finance leases. £5,351,000 (2022: £6,122,000) has been capitalised as the cost of the asset, being the present value of the minimum lease payments.

The Group unwound £566,000 of discount on fair value of loans and amortisation of debt issue costs during the year (2022: £1,150,000).

# Notes to the financial statements

for the year ended 31 March 2023

## 34. Financial instruments

**Group**

The Group has the following financial instruments:

| | Note | 31 March 2023 £'000 | 31 March 2022 £'000 |
|---|---|---|---|
| Financial assets that are debt instruments measured at amortised cost | | | |
| - Trade receivables and rental arrears | 22 | 10,996 | 7,840 |
| - Other receivables | 22 | 640 | 365 |
| - Loan receivable from joint venture undertakings | 21 | 10,012 | 12,258 |
| - Cash and cash equivalents | | 60,228 | 116,601 |
| | | 81,876 | 137,064 |
| Financial liabilities measured at amortised cost | | | |
| - Bank loans and borrowings | 25 | 914,807 | 938,465 |
| - Finance leases | 23 / 24 | 23,065 | 21,045 |
| - Trade creditors | 23 | 15,498 | 9,661 |
| - Accruals and deferred income | 23 / 24 | 32,042 | 28,469 |
| - Other creditors | 23 | 4,773 | 5,147 |
| | | 990,185 | 1,002,787 |

## 35. Contingent liabilities

The company receives capital grant from Homes England, which is used to fund the acquisition and development of housing properties and their components. Capital grant is amortised to the statement of comprehensive income over 100 years. In certain circumstances upon disposal of grant funded properties the company is required to recycle this grant by crediting it to the Recycled Capital Grant Fund.

As the timing of future property disposals is uncertain, no provision has been recognised in these financial statements for the portion of recyclable grant amortised through the statement of comprehensive income. The company had no other contingent liabilities at 31 March 2023 (31 March 2022: £nil).

## 36. Related party disclosures

The Accounting Direction 2019 Part 2 35 requires the company to disclose the nature of its trading relationships with related parties in the same trading Group.

- The company provides central services to all its subsidiary undertakings, and its subsidiary undertakings contribute toward the cost of this provision by way of a management charge.
- Repairs and maintenance and improvement works to the company's properties were undertaken by Gasway Services Limited and Blue Flame (Colchester) Limited, 100% owned subsidiaries of the company during the year.
- New social housing property was developed for the company by Flagship Housing Developments Limited, a 100% owned subsidiary.
- The company pays interest to Flagship Finance PLC as part of the its financing relationship with Flagship Finance PLC as bond issuer.
- The company provides an annual grant to Hopestead to support Hopestead's work to eliminate homelessness in the East of England.

| | Year ended 31 March 2023 £'000 | Year ended 31 March 2022 £'000 |
|---|---|---|
| Purchases from Flagship Housing Developments Limited | 36,411 | 24,487 |
| Purchases from Gasway Services Limited | 28,936 | 24,293 |
| Purchases from Blue Flame (Colchester) Limited | 1,559 | 456 |
| Interest paid to Flagship Finance Plc | 4,066 | 2,233 |
| Services provided to Flagship Housing Developments Limited | 1,049 | 1,049 |
| Services provided to Gasway Services Limited | 175 | 236 |
| Grant made to Hopestead | 1,000 | 600 |

As at 31 March 2023 Flagship Housing Group Limited had the following intercompany balances with its subsidiary undertakings:

| | Year ended 31 March 2023 £'000 | Year ended 31 March 2022 £'000 |
|---|---|---|
| Amounts due to Flagship Housing Developments Limited | (19,549) | (159) |
| Amounts due to RFT Repairs Limited | (1,861) | (1,479) |
| Amount due to Flagship Finance Plc | (190,814) | (189,766) |
| Amount due from/(to) Gasway Services Limited | 1,219 | (536) |
| Amounts due from Blue Flame (Colchester) Limited | 673 | 373 |
| | (210,332) | (191,567) |

Amounts owed to Group undertakings are unsecured, interest free, and have no fixed date of repayment and are repayable on demand.

There are no other related party transactions that require disclosure in these financial statements.

# Notes to the financial statements

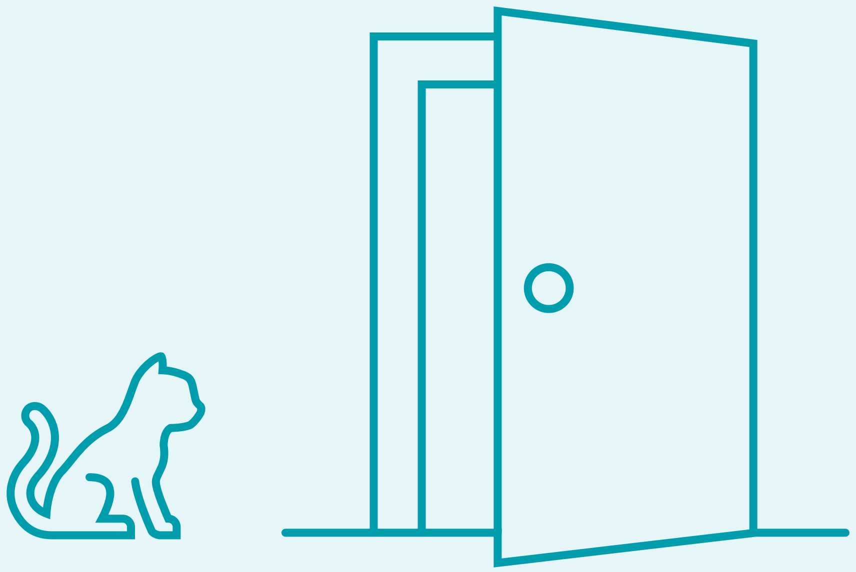
for the year ended 31 March 2023

## 37. Ultimate parent undertaking and controlling party

The company is the ultimate parent undertaking of the Group and the smallest and largest group to consolidate these financial statements is Flagship Housing Group Limited. The company is a charitable company and accordingly there is no ultimate controlling party. Copies of the Flagship Housing Group Limited consolidated financial statements can be obtained from 31 King Street, Norwich, Norfolk, NR1 1PD.

## 38. Events after the reporting period

There are no events after the reporting period to be disclosed.







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Regulator of Social Housing Registered No. 4651
Co-operative and Community Benefit Societies Act 2014 Registered No. 31211R