Connexus Homes Limited

Financial statements for
the year ending 31 March 2023

Registered Society 8376
Regulator Registration Number LH4353

Connexus

Financial statement contents

Company information

Company registration number 8376. Registered as a Cooperative and Community Benefit Society. Financial Conduct Authority Registration number: LH4353.

Registered office
The Gateway
The Auction Yard
Craven Arms
Shropshire
SY7 9BW

Independent Auditor: Crowe U.K. LLP
4th Floor, St James House
St James' Square
Cheltenham
Gloucestershire
GL50 3PR

Solicitor: Anthony Collins
134 Edmund Street
Birmingham
B3 2ES

Bankers: RBS
5th Floor
2 St Philips Place
Birmingham
B3 2RB

Board Members and Non-Executive Directors

The Connexus Homes Group operates a Board of Management, where the Board Members act for and on behalf of the whole Group. However, the members of the Enterprise and Development Committee also form the membership of the Board of Management of the following subsidiaries, within the Group;

Connexus Enterprise Limited

Floreat Living Limited

Rise Partnership Developments Limited

The non-executive directors of the Group who were in office during the year and up to the date of signing the financial statements are set out overleaf. The Board comprises of ten Ordinary Board Members and the Group's Chief Executive Officer.

The Group has insurance policies that indemnify both its Board Members and Executive Directors against liability when acting for the Companies. Except for the Chief Executive, Richard Woolley and Andrew Cooke Director of Resources, Executive Directors are not Board Members for any subsidiaries and act as executives within the authority delegated by the Board.

A summary of the board and committee membership is overleaf, with details of the Individual Board members on pages 11 to 14.

Connexus Board and Co-Optee Members - Which Boards and Committees do they sit on?

	Michele Ibbs	Andrew Battrum	Nicola De Iongh	Simon Ewins	Simon Gibbs	Imran Patel	Maggie Punyer	Abigail Reilly	Paul Smith	Andrew Taylor	Richard Woolley	Nick Garner (co-optee)	Paul O'Driscoll (co-optee)	Andrew Cooke
Connexus Homes Board	Chair	Board member	Board member	Board member	Board member	Board member	Board member	Board member	Board member	Board member	Board member			
Audit and Risk Committee		Board member	Board member			Board member				Chair		Co-optee		
Customer Services Committee	Board member			Board member		Board member	Chair	Board member	Board member					
Enterprise and Development Committee *	Board member	Chair			Board member		Board member		Board member		Board member		Co-optee	
Finance and Treasury Committee	Board member	Chair			Board member					Board member				
Remuneration and HR Committee	Board member		Board member	Board member				Chair						
Herefordshire Capital plc	Chair									Board member	Board member			Board member
Board Champions		Value for Money				Complaints								

= Chair = Board member = Co-optee

* Enterprise and Development Committee has common members, who are the Board of Directors for the following Subsidiary Boards: -

- Connexus Enterprise Limited;
- Floreat Living Limited; and
- Rise Partnership Developments Limited

Chair's introduction

I am pleased to present the financial statements of Connexus, highlighting our company's performance and achievements for the 2022-23 financial year. As the newly appointed Chair of Connexus, it is my privilege to provide you with an overview of our financial standing, highlighting the key aspects that shape our growth and future success.

In a year filled with unprecedented challenges, Connexus has demonstrated resilience, adaptability, and unwavering commitment to its objective to provide good quality homes and services to our customers. Despite the uncertainty in our operating environment exacerbated by high inflation, we have managed to navigate through turbulent times and achieve significant milestones that will strengthen our position in the long term.

In this report, you will find information about our financial performance. These statements offer valuable insights into our revenue, profitability, liquidity, and the overall financial health of Connexus.

Our financial statements reflect the collective efforts of our talented team and our dedication to our customers. In the final year of our Corporate Plan, we have focused on investment and repairs to the detriment of the Groups financial performance because our customers are at the heart of all we do.

As we look ahead the organisations balance sheet and liquidity are strong. At the start of the financial year funding is in place for the next 3 years, this supports the investment initiatives that we plan to deliver in the 2023-26 Corporate Plan to improve the quality and energy efficiency of homes for our customers. The ongoing transformation projects will be supported by a key drive to deliver efficiencies to improve financial performance going forward.

I would also like to take this opportunity to thank John Barker who stepped down as Chair in October 2022 for the progress made under his leadership and the 'One Connexus' ethos which we carry forward.

I would also like to thank Richard, our Chief Executive, who leaves us in November for all his hard work and dedication to Connexus over the years. He has overseen significant changes in our organisation as well as in the sector and wider operating environment. Under his leadership our 'One Connexus' ethos and corporate PRIDE values were introduced and are part of his legacy that we will continue to develop and take forward. On behalf of the Board, I wish Richard every success in the future and the best of health and happiness.

Michele Ibbs
Chair

Chief Executives Foreword

Following on from the achievement in regaining the G1 grading for governance from our regulator in 2021, this year has been a real opportunity for Connexus to review its purpose and refocus on delivering what matters to our customers.

Strong governance plays a part in that - providing a base for improving services and allowing Connexus to genuinely adopt the customer centred approach we are striving for.

We were joined during the year by a new Chair, Michele Ibbs. Michele has brought a new impetus and focus to the organisation, working with the Board, the Executive and myself to agree our aim to deliver “Good quality affordable homes for all” through our Corporate Plan 2023-26.

The cost-of-living crisis has made it a very difficult year for our customers. Connexus has responded by investing more into our repairs and maintenance service than ever before, establishing partnership agreements with organisations to signpost and assist customers and fundamentally change our approach to resolving damp, condensation, and mould issues.

But we know we need to do more - 2022-23 has been a year when we have instigated major changes to our repairs service, strengthened our repairs management and begun changes to the infrastructure to improve delivery of repairs - 2023-24 will be the year when customers start to see the benefit of those changes.

Development of new homes continues to be important for Connexus in our wider role to our communities in Shropshire and Herefordshire with over 200 new homes delivered in year.

However, in the economic climate that we face, Connexus is increasingly having to make difficult decisions to sell properties that are uneconomic to improve to the standard that we aspire to for all our tenants. The receipts from the sale of these properties does not go out of Connexus, though – it is recycled into the improvement of existing homes or the development of new ones.

During the year our viability grading was regraded at V2 with the regulator stating that they had assurance that “Connexus Homes Limited (Connexus) complies with the financial viability elements of the Governance and Viability Standard and that its financial plans are consistent with, and support, its financial strategy. Connexus has an adequately funded business plan, sufficient security, and is forecast to continue to meet its financial covenants.

Connexus is increasing investment in existing homes which is weakening its interest cover and reducing headroom on its covenants. Connexus also needs to obtain additional funding to deliver its plans, creating an exposure to rising interest rates. These factors, coupled with the current economic uncertainty in relation to inflation, reduce Connexus’ capacity to respond to adverse events.” Connexus has since obtained additional funding.

Our operating surplus for the year was £12.18m compared to £15.16m in 2021-22, reflecting the financial pressures referred to above in our repairs service. Nevertheless, Connexus continued to remain covenant compliant through extensive stress testing of our financial plan and strong adherence to "golden rules" by the Executive and Board.

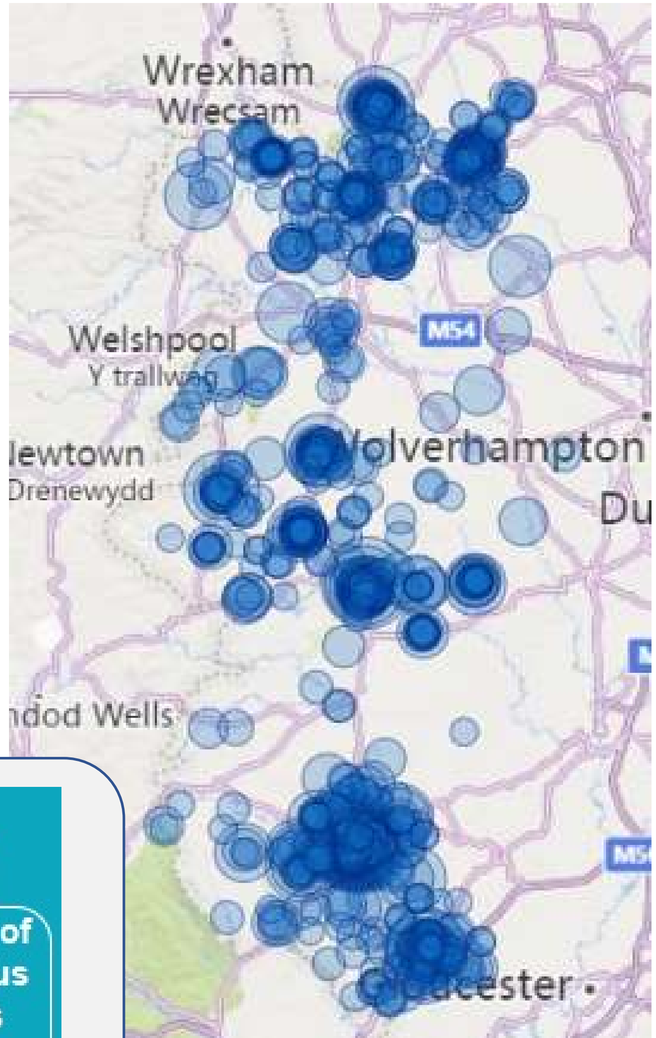
I am stepping down from my role with Connexus in November having been incredibly privileged to have had this role for over 4 years. It has been an honour to serve as Connexus Chief Executive and I hope the foundations of what we have achieved together as Connexus can be built upon by my successor to deliver the good quality affordable homes for all that I have always strived for.

I could not end this without thanking John Barker, who retired as Chair during the year who worked in partnership with me to stabilise Connexus and to Victoria Tomlinson, our Director of Property who played such an instrumental role in our Assets and Developments team for a number of years who left in 2022 to work in the private sector. My best wishes to them both.

Richard Woolley

Chief Executive

Connexus Operating Area



Number of Connexus Homes
10,203

Meet Our Executive Directors

Richard Woolley
(Appointed April 2019)

Chief Executive

Sara Woodall
(Appointed January 2022)

Director of Operations

Andrew Cooke
(Appointed October 2019)

Director of Resources

Steve Agger
(Appointed September 2022)

Interim Director of Property

Paul Hulme
(Appointed August 2022)

Interim Director of People

Report of the Board

The Board presents its report and the audited consolidated financial statements for the year ended 31 March 2023.

Board Responsibilities

The Board is responsible for the Group's strategic direction. Day to day management and implementation is delegated to the Chief Executive and his Executive team who meet at least fortnightly. The Executive Directors and senior colleagues attend Board and committees. The Board meet a minimum of four times a year. The Chief Executive and Chair meet regularly.

Principal activities

The legal parent of the Group is Connexus Homes Limited through which all statutory powers of the Group are vested, and all the accounts of the Group are consolidated. The Board operate under a Board of Management and details of the governance structure are shown in this report.

The Association is registered with the Cooperative and Community Benefit Societies Act 2014, Registered No.8376. It is also registered with and regulated by the Regulator of Social Housing in accordance with the Housing and Regeneration Act 2008, Registered No. LH4353. The Association has charitable objects and is a charity for tax purposes.

Connexus Homes Limited ('the company") was formed for the benefit of the community in providing housing, accommodation, and related services for people in need.

Review of business and future developments

Details of the Group's performance for the financial year and future plans are set out in the Strategic Report that follows this report.

Housing property assets

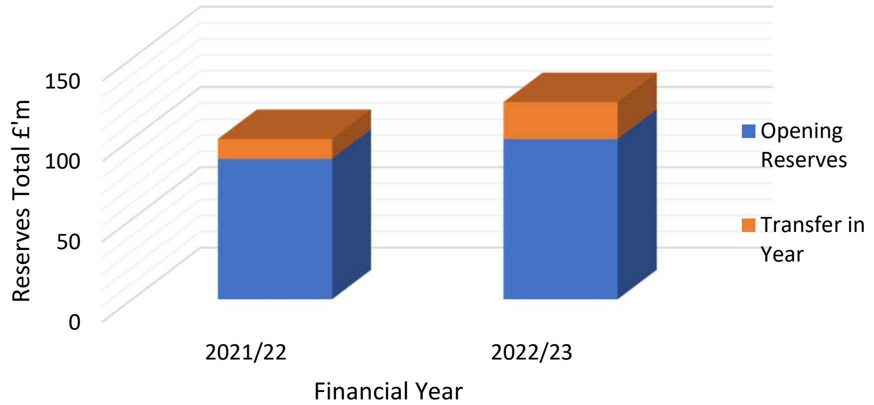
Details of changes to the Group's fixed assets are shown in notes 12 and 13 to the financial statements.

Political and charitable donations

The Group gave £126k charitable donations during the financial year (2022:£110k).

No political donations were made during the financial year (2022 £nil).

Reserves



The level of reserves for the Group at the end of the financial year was £119.2m (2022 £99.8m). This is after the transfer of the surplus for the financial year of £19.365m (2022 £12.346m).

Post balance sheet events

A consultation into the proposed closure of the organisation Defined Benefit Pension Schemes commenced after the balance sheet date.

Payment of creditors

In line with government guidance, the Group's aim is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier.

NHF Code of Governance

The Board adopted code during the year was the National Housing Federation's Code of Governance (2020), and Code of Conduct (2022). There are no known instances of non-compliance with the NHF Code. On an annual basis, Connexus completes the NHF Checklist which offers the Board Assurance on how the Organisations is complying with the Code.

The Board has formally assessed its compliance against the Code of Governance and the Governance and Viability Standards and confirms that the Organisation is compliant.

Members of the Company

As of 31 March 2023, there were 9 shareholders, each holding a £1.00 share all of which are independent in accordance with the Association's Rules. Members have voting rights at Annual and Special General Meetings. Members of the Association are eligible to be elected to sit on the Board and Committees. The detailed arrangements regarding membership are set out in the Rules of the Association.

Health and safety

The Board is aware of its responsibilities on matters relating to health and safety and the Group has detailed health and safety policies. The Group complies with the Health and Safety at Work Act 1974 and other relevant legislation.

Public Benefit

In setting the Group's aims and objectives, the Board has given careful consideration to the Charity Commission's general guidance on public benefit. The Board confirms that the Company complies with the public benefit criteria by:

- The provision of social housing, accommodation, and related services for people in need.
- Ensuring that rents are charged within the parameters of the Group's rent plan, in accordance with the RSH's rent standard and guidance.
- Ensuring that housing is let on the basis of need.
- Valuing diversity through the Group's Equality, Diversity, and Inclusion policy.

Details of the Group's performance in achieving this in the year to 31 March 2023 are included in the Strategic Report.

Board Members and Non-Executive Directors

The Board comprises of ten Ordinary Board Members and the Group's Chief Executive Officer

The non-executive directors of the Group who were in office during the year and up to the date of signing the financial statements are set out below.

John Barker, Chair of the Board retired in the year.

Michele Ibbs – Chair

(Appointed October 2022)

Michele has a track record of delivering growth and change in organisations across a number of sectors – private, public and not-for-profit sectors. She has held executive leadership roles in food and drink manufacturing and retailing, luxury goods and higher education. As a leader with professional background in marketing, she is focused on customers being at the heart of a successful business.
She is an experienced non-executive director having been Senior Independent Director at The Marsden Building Society, Non-Executive Director and Chair of Finance and Performance Committee with Blackpool Teaching Hospitals NHS Foundation Trust, and Non-Executive Director of The Ombudsman Service Limited (now Trust Alliance Group). She is currently a Non-Executive Director and Shareholder Representative on the Board of the Cambridge and Counties Bank Limited.
As Chair, Michele is responsible for the leadership of the board and committees, ensuring oversight of corporate governance and assurance. She supports the Chief Executive and the Executive Management Team to determine the organisation's strategic direction and delivery of agreed corporate priorities

Andrew Battrum

(Appointed September 2019)

Andrew was the Finance Director of Bromford Housing Group, for 17 years retiring in 2016. His experience at Bromford provides him with a good insight into the social housing sector and equips him with an understanding of the locality.

In addition to his financial management and treasury expertise, he brings strong analytical skills and an ability to move easily between the bigger picture and detailed thinking. He has experienced different ways of working at Bromford, which has broadened his thinking both in terms of organisational and Board operations.

Nicola De Iongh

(Appointed November 2020)

Nicola is passionate about social transformation, and in particular the systemic relationship between education, health and housing.

As Chair of Council at the University of Gloucestershire, she is an advocate for education as a means of transforming people's lives so that they can make the world a better place, and for the civic role the University plays in its community. She is a champion for the University's pioneering approach to Sustainability. She is also Vice Chair of the UK's University Chairs representative body, the CUC.
Nicola sits on the Board of the Gloucestershire Health & Care Foundation Trust, and also serves as a Trustee of the Gloucestershire Counselling Service, a charity dedicated to improving mental health in the county.

In the private sector, Nicola chairs the Reference Committee for the Premier Miton UK Responsible Investment Fund, with a remit to advise on the fund's investment policy and scrutinise investment decisions from the perspective of sustainability and ethics.

Previously, Nicola worked in the financial services sector as a global change lead. She also spent several years working as a freelance management consultant majoring in complex, strategic change across different sectors, both in the UK and internationally.

Simon Ewins

(Appointed November 2020)

Simon is the Managing Director of Whitbread Plc Hotels & Restaurants, overseeing the day to day running of 1,300 operations and a team of 35,000 people, delivering in excess of £2.5bn annual turnover.

His strengths centre on leading complex and scale operations, transformational change, and rapid organisational growth. This through a lens of sustainable 21st century leadership.

His life experiences, combined with family ties to Shropshire and Herefordshire, have given Simon a real passion for the Connexus journey.

Simon Gibbs

(Appointed September 2019)

Simon has Board experience of both public and private companies across sectors including Property, Retail, and Media. He has executive experience over 25 years as a CEO/MD. He is a Chartered Accountant with investment banking experience and has specialist knowledge in both Treasury Management and Property Development, most recently through his role at Curo as Executive Director – Finance and Strategy.

Simon has commercial expertise to drive growth within a housing building context. He has experience, understanding and an appreciation of the social housing sector bringing something different given his blended professional profile.

Maggie Punyer

(Appointed September 2019)

As a former and founding director with Ocean Media – a publishing and event company Maggie has a good grasp of the key issues affecting the sector and practical experience of embracing the opportunities / challenges currently facing RP's. She has gained this insight through many governance roles including having been a NED on Accent Housing Group, a Trustee of Homeless Link and Chair of Communities and Housing Investment Consortium. With a good appreciation of regulation, risk, culture and governance control, Maggie also has a strong commercial background providing the strategic leadership needed at a governance level by Connexus.

Maggie cares deeply about the provision of good quality social and affordable housing, and strongly believes that the voice of the customers and tenants must be heard to help inform organisational activity, as well as to deliver quality and efficient services to residents.

Imran Patel

(Appointed November 2021)

Imran is an experienced director in the telecoms sector with extensive experience driving results in large scale leadership roles, with a track record improving customer experience, transforming operations, and increasing employee engagement. He has experience in collaborating with executives to successfully lead strategic change initiatives and new business ventures.

He joined Connexus as a Co-optee to the Customer Services and Enterprise and Development Committees in November 2020 before joining the Board in November 2021.

Abigail Reilly

(Appointed September 2019)

Abigail comes from a military background and has fifteen years' experience at senior management level within Social Housing. This includes three years as Executive Director responsible for a wide portfolio including Organisational Development, HR, Governance, ICT, Communications, Project Management, Facilities, Fleet Management and Corporate Strategy, Performance and Planning.

Abigail is a Business Psychologist and Fellow of the CIPD and has a particular interest in organisational culture. She is currently the Director of Organisational

Effectiveness and Development at Oxford Brookes University.

Paul Smith

(Appointed December 2018)

Paul is the Chief Executive of Elim Housing Group and a member of the Advisory Panel for the Housing Ombudsman. Paul has also served as the Chief Executive of two national charities, the Furniture Re-use Network and Housing Potential (the skills agency for housing).

Paul is a Chartered member of the Chartered Institute of Housing.

Andrew Taylor

(Appointed September 2019)

Andrew operates as an independent consultant offering interim chief executive support in the social housing sector. Before this he was Chief Executive of an ALMO in London and has held a range of senior executive positions.

He is a fellow of CIPFA and has significant experience in all areas of risk management, governance, and stakeholder management. In addition to this position, he has other non-executive roles in the housing and charitable sectors.

Co-optees to the Group's Committees

Nick Garner

(Appointed April 2019)

Nick joined as a co-optee Member of Connexus' Audit and Risk Committee in 2019 and is an ACCA and AAT qualified accountant with more than 23 years' experience in social housing finance.

Paul O'Driscoll

(Appointed March 2017)

Paul is a Co-optee to the Enterprise & Development Committee and has spent almost 40 years in the housebuilding and maintenance industry, the majority of which has been involved in affordable and social housing sectors, in partnership with housing associations, local authorities and ALMOs.

He is currently working with Ebbsfleet Development Corporation on the delivery of Ebbsfleet Garden City.
Paul previously worked at Wates Living Space and Willmott Dixon as Business Development Director and provided development related consultancy support to a range of clients. He has also carried out a range of NED roles and is currently at Walsall Housing Group and social enterprise, Jericho Construction.

Financial Performance

Group turnover was £65.63m (£65.64m 2022). Social housing lettings income increased by £2.89m as a result of Rent inflation and the increase in unit numbers.

The operating surplus for the year was £12.18m, £2.98m adverse to 2022 (£15.16m 2022). Operating expenditure was £55.6m for the year, £3.0m higher than 2022, with the main driver being increased Repair costs.

The key drivers for the reduced performance overall were;

Routine and Planned maintenance costs increased during the year as a result of both volume and cost increases. Customers continue to report a higher number of repairs than those seen pre Covid. The Board took the business decision to prioritise repairs to customers' homes. This saw Routine and Planned Maintenance work cost £17.6m in year, £3.18m higher than in 2022, and a nearly £6m increase over the last 2 years. From a positive perspective by delivering the programme swiftly in 2022/23 financial protection from even greater future inflation pressures has been achieved, and from a customer perspective we have ensured that our homes standards do not slip.

The reduction in Market Sales Surplus was a further driver and was £1.43m lower than in the 2022 due to fewer properties being available for sale. The surplus on disposal of fixed assets continued the downward trend seen in 2023 and totalled £1.88m, £0.09m lower than the 2022 position, however this was largely a timing issue with conveyancing in year proving to be extremely slow.

Permanent Efficiency savings of £1.15m were achieved in the year, as Group restructure savings materialised. Additionally, our Better Value Together Group has identified £589k of 'cashable' savings delivered through, cost avoidance, cost efficiency and additional income.
Our performance against the Regulator of Social Housing VFM Metrics is shared later in this report. However, the higher than budgeted Repairs programme delivered in year means that despite the efficiencies, the targeted improvement in Operating Margin were not seen in 2022/23.

Investment property values continued to recover from Covid19 levels despite the economic conditions. A £0.28m favourable movement in Investment property values was recorded following the receipt of external valuations conducted by Savills, RICS Valuers.

The Group made a surplus for the year ended 31 March 2023 of £2.77m after tax, compared to a position for the Group in 2022 of £7.23m.

From a budget perspective the increased volume and cost of Repairs work was the main driver for the variance in performance, and specifically the £0.25m spent on Damp, Condensation and Mould works following the sector wide focus on this area, was not originally identified to take place in the year. A number of Void property disposal with forecast value of £1.3m slipped into 2023/24 which impacted the operating surplus compared to budget. Overall actuarial result had a positive impact in the year, however, Pension Service costs recognised following the actuarial valuations were £0.3m higher than budgeted. The disposal/gifting of the Discovery Centre along with 12 hectares of local meadow took place at nil value and resulted in the £200k impairment of asset values recognised in the Statement of Comprehensive Income. However, importantly this met a key corporate objectives to support local communities by ensuring the long-term sustainability of a local amenity, and will allow Grow Cook Learn to apply for future project funding. Investment properties on valuation improved the operating surplus by £0.28m.

Taxation

Surpluses from Social housing lettings are exempt from tax as the Group has charitable status. Usually when taxable activities are undertaken for example from our Market Sales programme, the profits derived are gift aided from the subsidiary to the Group. The profits will be used to fund further affordable housing in future years in line with the Group business plan.

Total Comprehensive Income

There was a £20.1m actuarial gain in respect of Pension schemes contained within the actuary reports for the financial year, due to improved investment performance following the pandemic and the impact of changes in pension assumptions. This is a volatile area where a material losses have been reported in previous years and consequently the Connexus Judgement has been to apply an asset ceiling to the Pension Assets which limits the in-year gain to £16.6m as a prudent measure, the remaining Pension Asset of £3.53m is noted as a contingent asset.

Statement of Financial Position

At the 31 March 2023 Housing Properties had a net book value of £398m increased from £371.9m in 2022. £22.6m of Social housing letting schemes were completed in the year up from £19.7m in 2022, and £9.17m of Shared Ownership properties were also completed. The value of properties under construction at the year-end was £19.3m (£27.3m 2022), Phase 4 properties being constructed for Outright Sale contribute £3.66m to the total held at the year end. Total reserves are £119.22m (£99.85m 2022) following the transfer of surplus for the year and other comprehensive income.

Treasury Policy

The Connexus Group treasury management policy requires that Connexus will maintain a minimum level of liquidity so that there is:

i. sufficient cash to cover the next three months forecast net cash requirement;
ii. sufficient cash and committed loan facilities capable of immediate draw down to cover the next twelve months forecast cash requirement; and
iii. sufficient cash and committed loan facilities (whether or not capable of immediate draw down) to cover the higher of total committed development spend and the next eighteen months forecast cash requirement.

Cash Flow

Cash inflows and outflows for the year ended 31 March 2023 are set out in the cash flow statement on page 52. Net cash inflows from operating activities are from the management of housing stock. Returns on investment and servicing of finance are due to interest income and interest charges on loans.
The net cash outflow from capital expenditure is the spend on capitalised repairs on existing housing stock, spend on development of new housing stock which has been capitalised less grant and sales proceeds from properties sold under the ‘Right to Buy scheme’, plus spend on other fixed assets. The net movement in financing is the difference between loans repaid and new loans.

The Group generated net cash from operating activities of £18.98m (£29.9m 2022). After investing and financing activities cash and bank balances for the year ended 31 March 2023 decreased by £0.4m (£4.4m 2022).

The Group continues to have strong operating cash performance on the 31st of March group liquidity was £73.85m comprising of £23.85m of Cash and liquid Short-Term Investments, £80m un-drawn RCF facilities, (£30m RCF is available upon the completion of property charging). The slippage in disposal completions and positive Capital Improvement programme performance, meant closing liquidity was £1.85m lower than forecast due to timing differences, the disposals income is now forecast in 2023/24.

Capital Structure and Treasury Policy

The Group's financial instruments comprise borrowings, some cash and liquid resources and various items such as trade debtors, creditors etc. that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. It is the Group's policy to not trade in financial instruments. The main risk arising from the Group's financial instruments is liquidity risk. The Board reviews and agrees policies for managing this risk, details of which are summarised below. The policy was last updated in May 2023.

Treasury activities are controlled and monitored by the Director of Resources, with the assistance of external consultants as required, and are carried out in accordance with policies and strategies approved by the Board. A Finance and Treasury Committee operated in the year to review the short- and long-term funding strategy for the Group. The Board undertakes regular reviews of treasury management activity and covenant compliance. The Company has adopted a policy that balances the need to keep the cash levels necessary only to meet immediate business requirements, but also protecting the long-term position by taking advantage of long-term rates, when the opportunity arises.

The overall aim is to manage the Company's exposure to interest rates and have a debt profile that supports the needs of the business. The Group finances its operations through a mixture of retained profits, bank funding and bonds taken at fixed rates of interest.

The majority of borrowings are at fixed rates in GBP and the Group has no currency exposures. Any movements in interest rates will therefore not impact on the surplus before tax.

The Group does not hold any derivative financial instruments.

Funding & Treasury Performance

Total long-term borrowings of £240m (£200m 2022) Overall net debt has increased by £23m to £214.8m at the year end. Net debt is defined as debt less cash available to repay funders. The organisation remains largely protected from interest rate risk with 99.7% of the debt portfolio obtained at fixed rate (92.7% 2022) with 0.3% at floating rates of interest. However, interest rate risk exposure will increase in the final quarter of 2023/24 once RCF facilities begin to be utilised.

The group security structure remains in the long term with 96.4% (93.5% 2022) of drawn debt being due after 5 years. This is part of our control framework to reduce the refinancing risk by ensuring a mixture of loan terms. The Group weighted average cost of capital was 4.37% (4.56% 2022)

The Group remains well funded, the reported period of financing at the 31 March 2023 was 33 months, however following the approval of our latest business plan the period of financing increase to 40 months from the 1 April 2023, compared to the Regulatory requirement of 18 months demonstrating sufficient funding for both our Capital Improvement and Development programmes.

Moody's Rating A3 negative

The Groups credit rating was confirmed by Moody's during the year the long-term rating was maintained at A3, however the outlook was changed from stable to negative based on the challenges facing the sector and the 7% ceiling on social rent increases and the anticipated impacts of higher inflation on operating margins in the next 12 to 18 months. Connexus ESG Credit Impact Score was confirmed at Neutral to Low CIS-2

Accounting Policies

The principal accounting policies are set out in note 2 to the financial statements on pages 53 to 62.

Internal Control Assurance Statement

The Group Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness for the Group as a whole.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss. In meeting its responsibilities, the Group Board has approved an effective framework to identify and manage the significant risks to the Group's operations. This risk-based approach to establishing and maintaining internal controls is embedded within day-to-day management and governance processes. The approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed and is consistent with best practice. The Group Board updated their risk appetite in March 2023 and maintains a cautious approach to risk, further information about risk management is show on page 27.

Annual Review of the effectiveness of the System of Internal Control

The Group Board delegates responsibility for the annual review of the effectiveness of the system of internal control to the Audit & Risk Committee. The Audit & Risk Committee take account of any changes needed to maintain the effectiveness of the management and control process for risk and fraud. The Audit & Risk Committee met four times during the course of the year. Assurance over the control environment was obtained from the following sources:

Internal Audit Service

The prime responsibility of the internal audit service is to provide the Group Board with assurance on the adequacy and effectiveness of the internal control system, including risk management and governance. There is a three-year rolling internal audit programme aligned to our risk management framework, which is reviewed and approved by Audit and Risk Committee on an annual basis. Internal audit also plays a valuable role in helping management to improve systems of internal control and so to reduce the potential effects of any significant risks faced. Internal Audit is delivered by Beever and Struthers with additional audit work being carried out by external sources to provide a 3rd line of assurance. The Internal Auditors have direct access to the Audit & Risk Committee including one 'in-camera' meeting without management present.

The Audit & Risk Committee reviews the findings arising from all Internal Audit Reports and is provided with progress reports on the implementation of all agreed recommendations for improvement to the point of conclusion.

The Internal Auditors provides an annual report and overall assurance opinion on the system of internal control based on the Internal Audit work performed during the year and management response to that work. The 2022-23 Internal Auditor Opinion and Annual Report identified no material concerns.

Fraud Management

There is an established code for Integrity & Bribery and Connexus Group operates a zero-tolerance approach to any instances of fraud or corruption. There is an anti-fraud, bribery and corruption policy and fraud response policy, along with a Money Laundering policy and Whistleblowing policy. These policies are reviewed regularly. An electronic fraud register is maintained by the Company Secretary in addition to a hospitality register which is a register that identifies any gifts that may have been received. There were no material issues identified during the year. The Group has appropriate insurance cover in place to mitigate the potential financial losses associated with fraud. As an additional control in an instance of fraud there is a direct mechanism for reporting to Board and Committee.

Information and Financial Reporting Systems

Financial reporting procedures include a long-term financial plan, detailed annual budgets, reforecasts, and detailed treasury reports, value for money reporting and regular management accounts which are reviewed by the Group Board.

Any issues raised in the external audit management letter issued at conclusion of the annual audit are dealt with to the satisfaction of both the external auditors and the Audit & Risk Committee with progress tracked to the point of conclusion.

Key performance indicators and business objectives set as part of the performance management framework are regularly reviewed by the Group Board to assess progress and outcomes against the Corporate and Business Plan

Executive Management Team and Senior Management Team

Each employee who has financial or devolved budgetary responsibility is provided with a copy of the Standing Orders and Financial Regulations (SOFR) and provided appropriate training. Colleagues shall be responsible for the accountability and control of all resources including plant, buildings, materials, cash, and stores relating to their areas of responsibility. The Head of Finance or Director of Resources have delegated authority to approve submission of funder and regulatory returns.

The Audit & Risk Committee shall be responsible for making recommendations to the Group Board on new SOFR and amendments to existing ones, as it considers necessary for the supervision and control of the finances, accounts, income, expenditure, and assets of the Group.

Control Environment and Procedures

Governance arrangements are subject to continuing review and development to ensure they remain fit for purpose. Board and sub-Committee membership is reviewed annually in line with the membership policy terms. Compliance with the chosen code of governance and the Regulatory Framework is reviewed annually.

The Board retains responsibility for a defined range of issues covering strategic, operational, financial, and compliance matters and new investment projects. The Board disseminates its requirements to colleagues through the Corporate plan and a framework of strategies.

The Board confirms that there is an ongoing process for identifying, evaluating, and managing significant risks faced by the Group and for preventing, detecting, investigating, and insuring against fraud. This process had been in place throughout the year, up to the date of the Annual report, and is regularly reviewed by the Board.

Financial risk management

Connexus is financed by a combination of retained reserves, long-term loan facilities and grants from the Government. The Group has a formal Treasury Management Policy that was approved by the Board in July 2022 following the approval of the 2022/23 30 Year compliant Business plan in June 2022, which is aligned to the Boards risk appetite and Golden Rules.

This policy seeks to address funding and liquidity risk and ensure covenant compliance; it states which types of financial instrument can be authorised for use, covering both borrowings and investments. In addition, the policy identifies the maximum value of financial instruments and with whom they may be agreed. The purpose of this policy is to reduce the impact to Connexus of adverse movements in interest rates and manage counterparty risk and fluctuations in income (especially sales).

Statement of Compliance

The Board confirms that these financial statements are prepared in accordance with Financial Reporting Standard 102 – the applicable financial reporting standard in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice for Registered Social Housing Providers 2019 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022. And are fully compliant with the Governance and Viability standard following the review undertaken during the year.

Going Concern Statement

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons;

The Group prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in May 2023 by the Board. The Business plan considers the assessed principal risks set out in pages 27 to 29 and other matters discussed in connection with the Viability statement below.

As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan linked to the strategic risk register. The stress testing impacts were measured against loan covenants and peak borrowing levels at an entity level, compared to agreed facilities. Following the practice adopted in previous years the Group has undertaken a series of further scenario testing including severe but plausible downsides in the Perfect Storm worst case assessment. The risk mitigation plan has been fully reviewed and contains levers to respond to any breaches identified in the stress test. The core mitigating actions either reduce expenditure or increase income.

The board, after reviewing the group and company budgets for 2023/24 and the group's medium term financial position as detailed in the 30-year business plan, which includes changes to economic assumption in the current operating environment, is of the opinion that, taking account of severe but plausible downsides, the group and association have adequate resources to continue in business for a period of at least 12 months from the date of approval of these financial statements (the going concern assessment period).

In order to reach this conclusion, the Board have considered:

- the property market – budget and business plan scenarios have taken account of delays in handovers, lower numbers of property sales, reductions in sales values and potential conversion of market sale to social homes;
- Maintenance costs – budget and business plan scenarios have been modelled to take account of increased volume, cost increases and delays in maintenance expenditure, a compliance only programme and major works being phased into future years;
- Rent and service charge receivable – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential future reductions in rents;
- Increases to inflation, management costs and Sonia rates and the associated impacts on affordability;
- The group's ability to tolerate one-off financial shocks;
- Liquidity; available cash and unutilised loan facilities at the financial year end was £73,849k A further £30,000k was in the process of being charged. This gives significant headroom for committed spend and other forecast cash flows that arise;
- The group's ability to withstand other adverse scenarios such as higher interest rates and number of void properties.

The board believe the group and association has sufficient funding in place and expect the group to be compliant with its debt covenants even in severe but plausible downside scenarios. The Board members are confident that the Group and Association will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have continued to adopt the going concern basis in their preparation.

Viability Statement

During the year the Group Board has assessed the viability of the Group in line with the business plan. This assessment has been made through the business planning process which takes account of both the Group's current position and its principal risks, which are detailed on pages 27 to 29 of the Statutory Accounts.

The Group Board has determined that the period to 2025 is an appropriate period over which to provide its viability statement. While the Group Board believes that Connexus will be viable over a much longer period, this period has been chosen as it has a much greater degree of certainty.

Asset maintenance and compliance are key to the Groups continued success, key to this is the maintenance of a Group-wide assets and liabilities register and risk management processes that flow through to all of the Group's subsidiaries and operations.

The business planning process includes the Group's most recent targets, including the New Homes Strategy and new Corporate plan, operational plans and a review of external factors. The operational plans provide long-term direction and are reviewed on at least an annual basis.

The base plan is externally tested through rigorous sensitivity analysis and stress testing using a series of robust downside financial scenarios which result in a financial impact. The testing also identifies the principal risks that may adversely impact the Group linked to its Risk Registers, including operational, economic, political, business, liquidity, market and credit risk. The results of the testing ensure potential mitigating actions are appropriately developed.

Due to the inherent uncertainty involved in all business planning, it is not possible for the review to consider every risk that the Group may face. However, the Group Board considers that the stress testing performed includes all major risks and therefore provides strong assurance of the Group's financial viability. These risks include the expected impact of inflation, interest rate increases and welfare reform on our tenant's ability to pay their rent, further reductions in social rents, the Ukraine crisis and the associated impacts on energy and global food supplies, and remaining uncertainties post Brexit around trade and labour markets.

External assurance of the Group's viability is demonstrated by the Group's credit ratings (Moody's: A3) while the Group has strong liquidity and demonstrated that funding is available to the group. £55m of new RCF facilities with two separate lenders were arranged and put in place during 2023/24. The Group Board has therefore concluded, based on the extent of the business planning process and strong financial position, that there is a reasonable expectation the Group and the Association have adequate resources and will continue to operate and meet their liabilities as they fall due over the period of their assessment.

The Group Board can also confirm that it has complied with the Governance and Financial Viability Standard set out by the Regulator Social Housing and at the year-end held the rating G1/V2.

Independent Auditor

Crowe U.K. LLP were reappointed at the AGM in July 2022. A resolution to reappoint Crowe U.K. LLP, as independent auditor, will be put to the members at the annual general meeting.

Annual General Meeting

The annual general meeting will be held on 9 August 2023 at The Gateway, The Auction Yard, Craven Arms, Shropshire SY7 9BW.

The report of the Board and strategic report was approved by the Group Board on 9 August 2023 and signed on its behalf by

Michele Ibbs
Chair
9 August 2023

Strategic Report

Who are we? Connexus is a community focussed rural housing group with over 10,600 homes across Herefordshire and Shropshire.

What are we doing? During the year we were operating to our Corporate Plan 2020-23 and have been working hard to deliver Our Priorities and embed Our Values.

Our Values

Our Pride values are key to building the Connexus Culture.

We will be;

Passionate - We care deeply about our work and our customers and take pride in serving people and communities. This shows in our energy, enthusiasm and commitment to going the extra mile, and building for the future.

Respectful - We deal with people of all ages, all backgrounds, all needs and requirements and we treat everyone fairly, considerately and as individuals.

Involving - We develop services for people, making sure we listen to what they need and involve them all the way. We learn from our experiences and always look to grow and develop together.

Determined - When we start something, we see it through. We are decisive, focused, and tenacious and work around challenges to find the best outcome.

Effective - We aim to get it right first time and to do the simple things well, because that sets the standard and everything else follows. We deliver.

Our Priorities **Are focussed around five core strategies;**

Customer focus- Customers are at the heart of the business and their safety is our top priority.

Our People- Our culture is to be open, to listen, to empower and to encourage. We will be honest and clear in our communications, involving people in decision making and encouraging innovation.

One Connexus- We are committed to a single level of service delivery and culture across our two counties unless local circumstances dictate otherwise. We will develop the Connexus brand and raise awareness to make us recognised for quality, community and rural based housing.

Commitment to our Communities- We are more than just providers of housing and are committed to a wider role in the development of housing and other related services in our communities. We will work with our strategic partners (including local authorities) across the two counties to make our communities more sustainable and better places to live and work.

Well governed, resilient, and financially sound- We recognise that regulatory and other compliance requirements are fundamental to the success of Connexus. We will ensure compliance by having clear measures, clarity of purpose, and clarity around the services we provide. To enable us to deliver our objectives we will have a robust business plan with a clear risk-based approach to delivery.

Our Annual Report will be published in September 2023 please follow the link below to read the full report.

WWW. Connexus-group.co.uk/annualreport22-23

Headline Results

Turnover
2023- £65.6m
2022- £65.6m

Surplus for the Year
2023 £2.77m
2022- £7.24m

Operating Surplus
2023- £12.2m
2022-£15.2m

Operating Margin
2023-18.6%
2022- 23.1%

Letting Margin
2023-15.4%
2022- 21.3%

Gearing
2023- 60.2%
2022- 53.6%

Headline Performance

Customer Focus

Comments Received- 732
Compliment Received- 169

Contacts
Number of Customer Contacts 117,000
Methods; Phone Calls, Emails, Social Media

Repairs Reported- 33,290
Repairs Completed- 32,744

Complaints Received- 170
No. Upheld- 75
No. Partially Upheld- 62
No. Not Upheld- 26
No. Other- 7

Our People

Colleague Recruitment & Retention- 12.36% turnover (16% target)
Colleague Pay Benchmarking Completed

Training
2,841 All Colleague E-learning modules completed
1,254 Targeted E-learning modules completed
£258k Spent on Training and Development

Number of Apprentices in Year 22

One Connexus

Offices-	**Craven Arms Head Office Refurb' Complete** **Office Rationalisation in Progress**
Ways of Working-	**Hybrid working contracts in place** **Repairs Transformation Project Commenced**
Culture-	**PRIDE values in place, and new Leadership and Development programme started.**

Well Governed, resilient and financially sound.

Governance-	**G1 RSH rating for Governance** **V2 RSH rating for Viability**
Liquidity	**£55m New RCF Funding in Year** **33 Months of funding at 31/3/23***
Compliance	**Funder covenants fully compliant with significant 'headroom'.**

***Increased to 40 months in latest business plan.**

Security Headroom

Our latest valuation was carried out in March 2023 this showed.

£180m

Available security in our uncharged properties*

*Approx £156m further security available in charged units.

Counterparty Risk

We invest with approved banks and counterparties with a minimum rating of A1.

Our Treasury Management Policy Sets out the maximum investment exposure with each banking institution.

Report of Chair of Audit and Risk Committee, Andrew Taylor

The membership of the committee is 4 board members, and 1 co-optee, their role is to :

- Oversee the internal controls framework including legal and regulatory compliance.
- It has responsibility for ensuring the group has an effective and comprehensive risk management and plays a key role in reviewing both the Risk register and risk appetite.
- Monitoring performance of the Internal Audit programme and recommended actions.
- Reviewing the Financial statements and external audit process.
- Data Protection Act 2018 and UK GDPR Compliance.
- Scrutinise procurement activity within the Group for all contracts with a value greater than £100,000 on at least an annual basis.
- Reviewing the Group's Assets and Liability Register.
- Scrutinise probity activity for the Group.

Landlord Health Safety and Compliance

During the year we have continued to operate a high level of internal and external auditing to provide assurance that we continue to operate a fully compliant service. Our processes are now embedded, and the Senior Management Team and Committee have improved visibility of performance through monthly KPI dashboards.

Corporate Health Safety and Compliance

We take Health and Safety very seriously and our entire management team has undertaken IOSH Managing Safety training. We review our Risk assessment matrix for all colleague activities at least annually, in line with our Board's risk appetite, and we monitor to make sure that colleague H&S Training is up to date. We continue to use lone worker devices to keep colleagues safe and allow enhanced monitoring of lone workers.

Once again it has been a busy year for the Committee, in 2022/23 the committee have focussed on the following areas;

Internal audit programme
12 audit in the year — Implementation Rate 92%

External audit
Delivered by Crowe U.K LLP

Review of the Systems of Internal Control
Annual effectiveness review of control process for risk and fraud.

Risk Management Deep Dives
Income and Bad Debts
Complaints
Repairs Improvement Work
Damp Mould and Condensation

Landlord Health, Safety and Compliance

Value for Money
Compliance with the Regulatory Standards

Risk Management

Connexus is exposed to risks which may have material and adverse effects on its reputation, performance, and financial position. The group measures risks by reviewing the likelihood and impact of the inherent risk of an event occurring, mitigations and management controls are applied, and the residual risk calculated. The committee reviews the risk register and principal strategic and operational risks on a quarterly basis, as part of the assurance framework. The senior management team monitor risks on a monthly basis for any emerging threats.

The board reviews its risk appetite on an annual basis, the last review was in March 2023.

"Connexus Homes; a Social Housing Landlord registered with the Regulator of Social Housing has a tolerance to risk-taking limited to those events where there is little chance of significant repercussion to its reputation and credibility.

Connexus is open to innovation however this is aligned to continuous improvements in its management through an embedded leadership development programme which will invest in its people to create and build on a diverse range of skills. The organisation recognises and is prepared to accept the possibility of some limited financial loss in delivering its objectives but has an aversion to risk associated with compliance, legal, regulatory and Health and Safety.

Connexus is committed to developing new homes within its communities, this is reflected in its new Corporate Plan 2023–26 however it has a cautious approach to outright sales, shared ownership sales and affordable development.
The organisation takes the security and quality of data held very seriously, having a minimalist approach to risk taking where there is a danger of loss or damage to data, applying stringent security measures at the same time having agreed a formalised data management process.

The table below shows the Group risk appetite.

The six most significant strategic risks at the end of March 2023 are shown in the tables overleaf, along with a summary of the other strategic risks at that time. The Audit & Risk committee, Board and Senior Management Team continually reassess the risk registers which means reporting is an iterative process and the results shown are the year-end position.

Risk Economic/Political Issues (SR5) — **Trend** Static — Residual Risk 12

Cause and Effect

Rising prices causing tenant hardship, for Connexus, counterparty risks which may in turn impact our ability to deliver compliance

Core Controls

Strong Treasury management processes. Liquidity in place for next 3 years, rigorous stress testing, income management and arrears management processes. Monitoring of Sector activity.

Risk Cyber Fraud (SR11) — **Trend** Reducing — Residual Risk 12

Cause and Effect

Cyber attack causes systems to fail, causing ICT disruption and potential loss of colleague and tenant data.

Core Controls

Antivirus, firewalls and other protections in place. Continuous review of security environment and processes, colleagues training and briefed on cyber risks. Disaster recovery plan in place. Cyber insurance cover. 3rd party review of systems.

Risk Staff Recruitment and Retention (SR6) — **Trend** Static — Residual Risk 9

Cause and Effect

Turnover of staff leads to increased costs through use of temporary resource and loss of key staff impacting on skills and knowledge affecting delivery of corporate plan objectives.

Core Controls

2023 Benchmarking and cost of living increases brought forward. Payment of real living wage. Strong recruitment support function. Monitoring of key performance indicators. Leadership and Development programme to grow our own to meet organisation succession needs.

Risk Escalating Pension Costs-Straining Business Plan (SR10) — **Trend** Static — Residual Risk 9

Cause and Effect

Increasing pension contribution to meet pension fund deficits and auto enrolement responsibilities putting strain on the Business Plan (BP), impacting on funds available to deliver corporate objectives.

Core Controls

Annual review of pension liabilities, capped employer contributions, Review of pension policy every 3-5 years, external contractor use, Defined Benefit schemes assessed against BP's to ensure sufficient capacity.

Risk Failure to respond adequately to major disaster (SR8) — **Trend** Static — Residual Risk 9

Cause and Effect

Pandemic, war, political coup or similar causing major disruption in business operations in all business areas.

Core Controls

Up to date Risk assessments and Business Continuity plans. Adequate insurance. Established emergency working protocols and communication plans in place. Effective ICT home-working systems in place. Nominated deputies identified for key staff.

Risk Supply chain issues and increasing costs (SR12) — **Trend** Static — Residual Risk 8

Cause and Effect

Impact of external factors including economic, foreign wars, brexit, inflation, causing lack of supply preventing delivery of outcomes.

Core Controls

Monthly and ad-hoc reports from CHIC, Supply chain checks in place, Liaision with Development partners to monitor material and labout shortages. Review of early warning indictors through management accounts in relation to cost.

Other Strategic Risks at 31 March 2023

Corporate and Landlord Health and Safety Compliance (SR4)
Trend **Static** Residual Risk 8

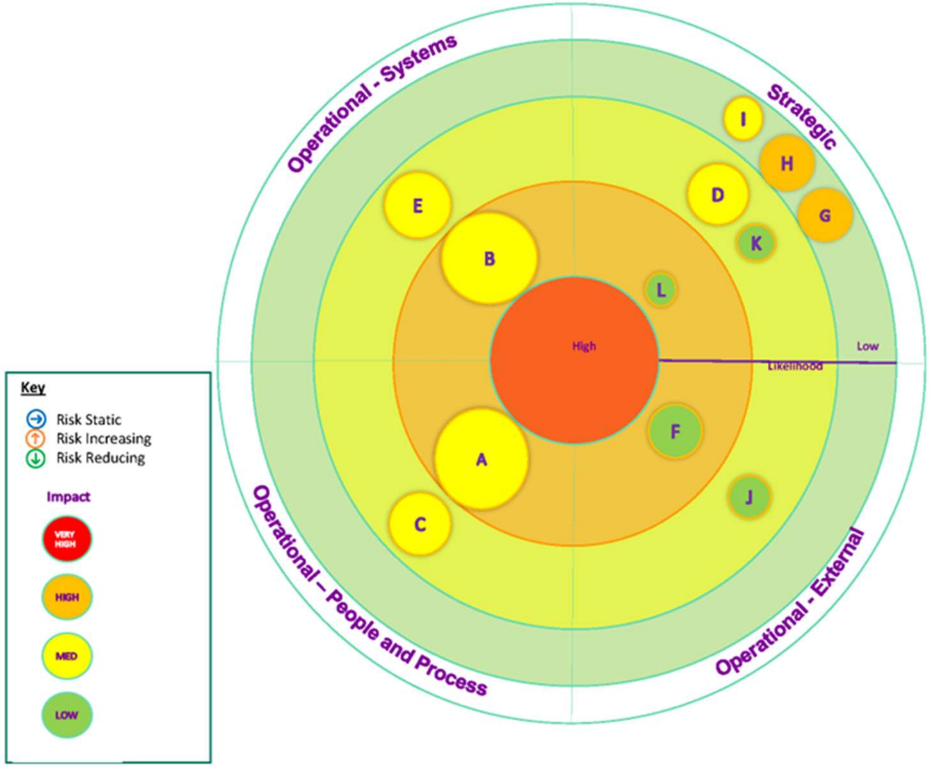
Failing to Meet Regulatory Requirements (SR1)
Trend **Static** Residual Risk 8

Maintaining Data Quality and its Governance (SR9)
Trend **Static** Residual Risk 6

Development Sales (SR2)
Trend **Static** Residual Risk 6

Safeguarding (SR7)
Trend **Static** Residual Risk 4

Financial Issues Causing Covenant Failure (SR3)
Trend **Static** Residual Risk 4



The General Data Protection Regulation (GDPR)

The Data Protection Act (DPA) 2018 (encompassing General Data Protection Regulation) came into effect on the 25 May 2018 and applies to any data companies hold or process within the EU. The regulation also relates to companies outside the EU. Its overall goal is to safeguard consumer data and enforce data security rights. At the same time, it forces organisations to think about what they collect, and how they use it.

Connexus is committed to the proper and appropriate use of data held regarding customers and colleagues, storing all date securely and only retaining whilst there is valid reason to do so. We have a dedicated Data Protection Officer to strengthen our controls around GDPR. A Document and Data retention schedule is in place and all data is retained in line with this schedule, as such we are compliant with DPA 2018 retention regulations. In 2022/23 all colleagues have undertaken mandatory GDPR refresher training.

Value for money (VfM)

The Group Board has been given assurance in respect to compliance via a VFM compliance checklist, this articulates all strands of the standard which Executive colleagues have presented documented evidence to the Audit & Risk Committee for approval.

The required outcomes from the RSH are that Registered Providers must:

Clearly state their strategic objectives – The current Corporate Plan was approved in 2020 by the Group Board it detailed five clear objectives; Customer focus, Our people, One Connexus, Commitment to our Communities and to be Well Governed, Resilient and Financially Sound. The Group Value for Money strategy was approved in August 2021. The strategic objectives are to:

- Generate the optimal outcomes for the Group, tenants, customers, and communities from the considered use of all resources.
- Create efficiencies in the way we operate.
- Utilise profits from commercial activities to provide better services for our customers.
- Understand the return on our assets and utilise this to assist in the prioritisation of activities against our strategic objectives making new development decisions based on social and financial return to the Group, our customers and communities.
- Create and embed a VfM culture across the Connexus group.
- Use growth in the business to provide local employment opportunities, apprenticeships and reduce dependency.
- Provide social and economic benefits to individuals and communities in our core geographical areas.
- Create environmental efficiencies.

The financial efficiencies generated will provide funding to:

- Develop new homes.
- Invest in existing homes.
- Improve customer services.
- Maintain sustainable communities.
- Support business growth and development.

Approach agreed by Board in delivering value for money

The VfM agenda is embedded at Connexus through the creation of a Better Value Together Group (BVTG). Chaired by the Director of Resources, the BVTG includes colleagues across the Group at all levels. A detailed efficiency log is at the heart of the BVTG, this is accessible by all. Colleagues within the organisation have the ability to enter onto the log savings that have been demonstrated. Finance then validates these savings as cash backed and the benefits are reported to Senior Management, Executive Management and Group Board income and expenditure via the monthly management accounts.

Our approach is designed to ensure that value for money is provided for our customers. Specifically:

- Connexus has adopted a Customer First approach to focus on delivering to purpose and what matters most to the customer rather than being driven by costs, targets, and budgets. All of these will be measured and monitored but will not drive delivery.
- Connexus has developed a Customer and Community Involvement Strategy and will listen to the concerns of customers in order to deliver better services and amend our approach in response to customer feedback. We communicate with our customers in a variety of ways, via our website, telephone and text messaging, meetings, face-to-face contact, and social media but we principally communicate our VFM story and service changes etc. through our customer newsletters.
- Customer scrutiny, focus groups and insight analysis are all used to assist in the process of service review and improvement.
- Connexus has partnership working as a key priority and will work closely with other landlords across our operating area

of Shropshire and Herefordshire to better address the collective needs of residents, tenants and customers and to be responsive to priority issues facing our Council partners.

Ensure that optimal benefit is derived from resources and assets to optimise economy, efficiency, and effectiveness.

The approved VFM strategy states that Connexus will:

- Prioritise our expenditure and ensure that expenditure is only incurred if it directly benefits our customers or indirectly benefits our wider customer base.
- Create a business case for major decisions and scrutinise these at the Better Value Together Group Project Board, Senior Management Team meetings, Executive Management Team meetings, Enterprise and Development Committee, Audit & Risk Committee, Customer Services Committee or Parent Board as appropriate. The business case will be backed up by a financial appraisal linked to the quality and benefits to our customers.
- Understand our performance and cost base in relation to outcomes and review these in comparison to other similar organisations (including commercial organisations where available) on at least an annual basis using analysis to drive service improvement where appropriate.
- Monitor trends against performance on a monthly basis and have processes in place to improve, introducing continual learning cycles.
- Review its performance through balanced scorecards and management accounts on a monthly basis and at least quarterly report to Board and relevant Committees.
- Drive efficiencies in procurement by creating a procurement plan and monitoring outcomes.
- Set annual targets for VfM efficiencies, recording and scrutinising efficiencies delivered.
- Have robust business planning and budget process and review to ensure that financial performance will comply with funders' covenants.
- Include an annual efficiency target approved by the Group Board in our Long-Term Financial Forecast.
- Where possible we generate a profit by providing services to non-residents and use the profit to reduce costs or improve the service to our residents.
- Implement an Asset Management Strategy to optimise the return on our assets.

- Use a variety of data from a number of sources (including customer satisfaction, customer profiling and complaints/compliments analysis) to review and triangulate evidence to value for money.
- Involve customers through representative tenant groups, resident inspectors, and scrutiny panels.
- Challenge our delivery models and ensure that our corporate structure provides VfM.

Specific expectations from the RSH are that Registered Providers must demonstrate:

Robust approach to achieving value for money, including "rigorous appraisal of potential options for improving performance".

Options appraisals are considered for significant decisions and reviewed by EMT, relevant Committees or the Group Board as appropriate which include merger savings and team restructures.

Regular and appropriate consideration by the Board of potential value for money gains,

Gains have been considered at the internal Connexus Better Value Together Group and at Audit and Risk Committee or Board. Options appraisal and VfM section of the Board reports ensure there is regular and appropriate consideration of VfM by the Board

Consideration of value for money across their whole business and where they invest in non-social housing activity, they should consider whether this generates returns commensurate to the risk involved and justification where this is not the case.

The Enterprise & Development Committee is well established and ensures that non-social housing returns are properly evaluated. New business finances are prepared by the Finance Team and reviewed by the Director of Resources in conjunction with the lead Director or, if material, by the Executive Management Team. Development management accounts are presented to the Enterprise & Development Committee, which provides assurance in respect to non-social housing activity. The Group Board re-confirmed the on-lending cap between Connexus Homes Limited and Floreat Living as part of the Business planning process and reviewed the organisational Golden Rules limiting the exposure to non-social housing activity. Stress Testing, Mitigations and Trigger points have been established in the Long-Term Financial Forecast to ensure risks relating to non-social housing activity are appropriately managed.

That they have appropriate targets in place for measuring performance in achieving value for money in delivering their strategic objectives, and that they regularly monitor and report their performance against these targets.

Targets delivered to date have been developed from the Business Case for merger, the efficiency targets approved by the Board, the standard metrics produced by the Regulator of Social Housing and other metrics that EMT and SMT have identified. These are included in the VfM Strategy. We report on our financial VfM targets (where they can be derived from the Statement of Comprehensive income) in our quarterly financial reports to Board. A more detailed 6 monthly review of performance against targets is taken to Audit and Risk Committee and reported annually to the Board.

Registered providers must annually publish evidence in the statutory accounts as follows:

- Performance against VFM targets, metrics set by the regulator and performance compared to peers.
- Measurable plans to address any areas of underperformance.

Value for Money Achievements 2022/23

Getting value for money is extremely important, particularly when it comes to getting the balance of understanding right about what matters most to our customers. We always want to get the best possible service for the best price, but that doesn't always mean going for the cheapest option.

To represent this more accurately, we now call our value for money activity Better Value Together.

Better Value Together is the balance of understanding what matters most to customers and delivering the based possible service for the most efficient costs. Our approach has been embedded since its implementation in 2021, The approach identifies priorities and outputs to be achieved over the next three years, an internal audit of BVT gave it substantial assurance during 2022/23 a fantastic achievement. You can find out about the strategy by visiting our dedicated Better Value Together page on the Connexus Website at **https://connexus-group.co.uk/vfm**

The Better Value Together group was formed to involve colleagues from all parts of the organisation to identify, evaluate, deliver, monitor, and report on VFM opportunities. The group also includes an involved customer Lorraine, to ensure that the key aim of understanding what matters to the customer is represented in all we do. The group meet on a quarterly basis and focuses both on monitoring performance against the Budgetary savings identified by services as part of the budget setting process and capturing other one-off savings as well as non-cashable value adding savings such as improved ways of working, cost avoidance and delivering savings for our tenants and customers.

BVTG's Involved Customer Lorraine T Says;

"Being involved with the Better Value Together sessions is very rewarding" and she " enjoys getting involved and seeing different colleagues from the organisation".

Our Better Value Together log shows the savings delivered through the year by operating effectively, was £962k the total includes costs avoided by our methods of procurement and price negotiation, it also includes Grants received of £570k. During 2022/23 we also delivered £645k of financial efficiencies (after overspends), however the positive news is that this value translates into permanent efficiencies of £1.15m in future years which were reinvested back into the business.

In 2023/24 the group will monitor performance against efficiency targets and be an integral part in the delivery of future efficiency identification to improve Connexus' VFM metric performance.

Value for Money Metrics

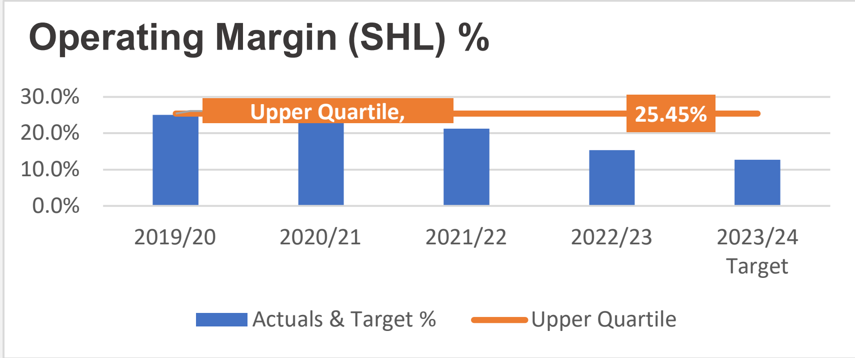
The Board is provided with a suite of Key Performance Indicators in quarterly dashboards to provide assurance about progress to key corporate objectives. The Regulator for Social Housing also requires associations to report against 7 VFM Metrics.

To provide Board with assurance the VFM metrics are calculated for us by and independent specialist i4H and benchmarked against 15 of our peers of similar size and demographic.

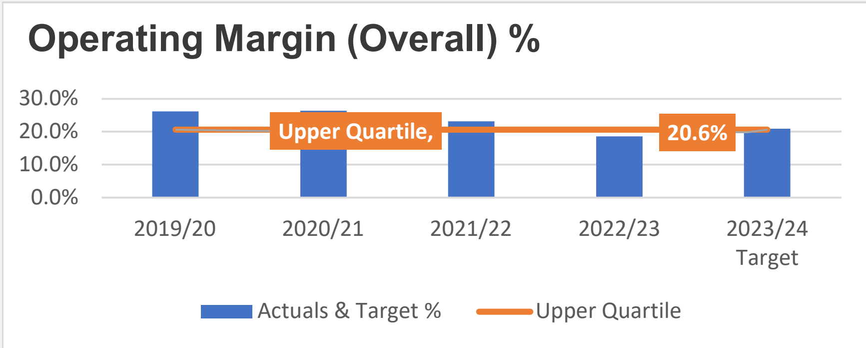
The metrics show that Connexus performance has declined compared to the peer group. However, overall performance is more favourable when compared to national registered providers. There has been a significant increase in investment in homes, which has had an impact on financial performance. New delivery performance has been maintained, which is meeting a key national and business objective.

Connexus group have a 52% performance gap to elite performance and 38% to the median for FY23. A key strategic objective for Connexus is to develop new homes and development activity has remained at a similar level for FY23. The sector has been heavily impacted by Increasing labour and material costs, backlog for Covid-19 repairs and increased emphasis on compliance repairs such as damp and mould. Repairs spend for all service areas has increased by 12% in FY23 for the social housing sector. Connexus' are the highest in the peer group for investment in major and capitalised work, in line with its strategic objectives to improve customers homes.

Compared to all social housing providers above 1000 units Connexus Group performance is considerably improved. The quartile position moves from lower quartile (Connexus peer group) to mid/lower quartile (National peer group). In particular, performance for reinvestment, new supply delivery social housing, ROCE and headline cost per unit.

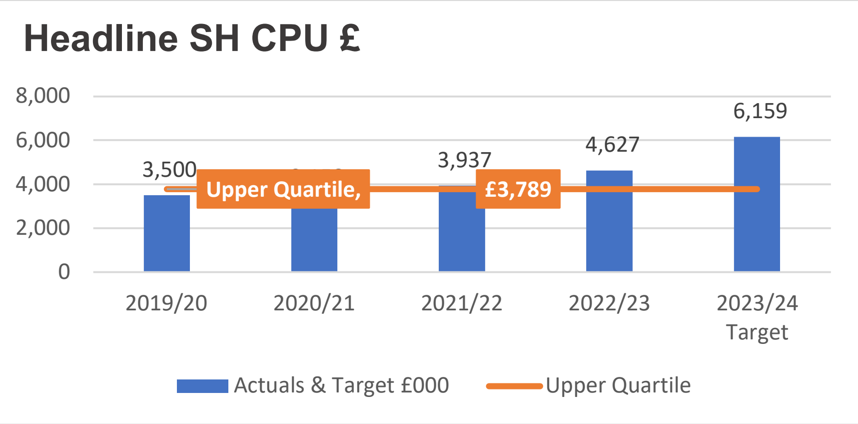


Operating margin performance for Social housing lettings and overall, has decreased due to increased spend on Repairs and Maintenance particularly for Voids. Investment in Housing management services is a further reason for reduced financial operating performance however both are meeting the demands of our customers and are key Connexus' objectives.



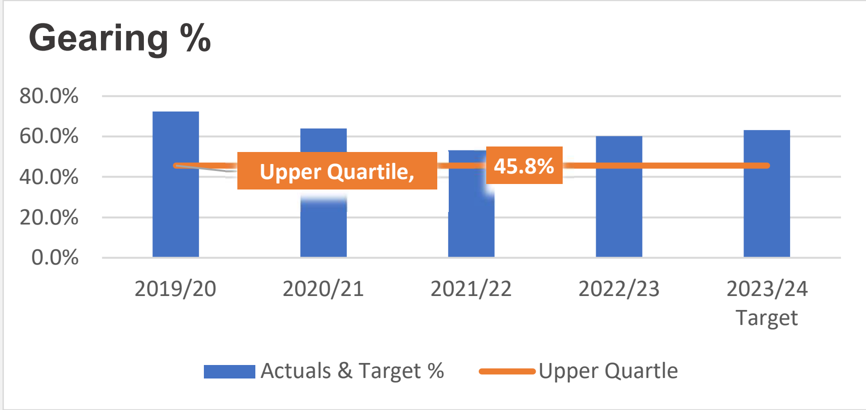
Future Outlook; The 2023/24 target shows improvements in operating margin overall. The Repairs transformation project is on-going and we expect to see results next FY. During 2023/24 longer term targets will be agreed with Board and will be a driver of efficiencies in 2024/25 to improve performance going forward.

Headline Social Housing Cost Per Unit (£'000)

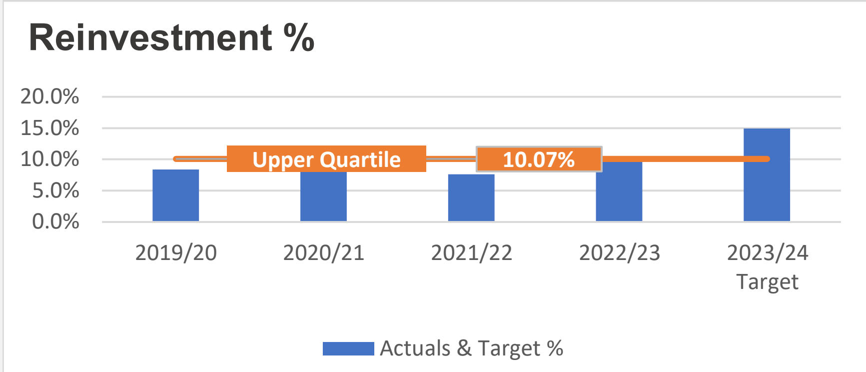


The biggest drivers of the Headline Social housing cost per unit variance to upper quartile is both the Revenue Repairs costs already noted but more significantly the Capitalised Major repairs. The £14.6m programme in 2022/23 drove the variance to the peer group and in 23/24 this will continue with an overall programme of over £20m forecast driving the increase shown in the 2023/24 target column as a consequence of our Warmer Homes and SAP C programmes and journey to Carbon Neutral.

Future Outlook- The approved 30-year business plan shows continued investment in Capital improvements to existing homes to meet the 2023-26 Corporate Plan. This means that the Headline CPU will continue to be high. However, it is anticipated that as others Registered Providers in the Peer Group and wider sector continue their own journeys to meet energy efficiency targets, and Connexus delivers its transformation and efficiency programmes over the next 2 years the gap to Upper Quartile will reduce significantly.

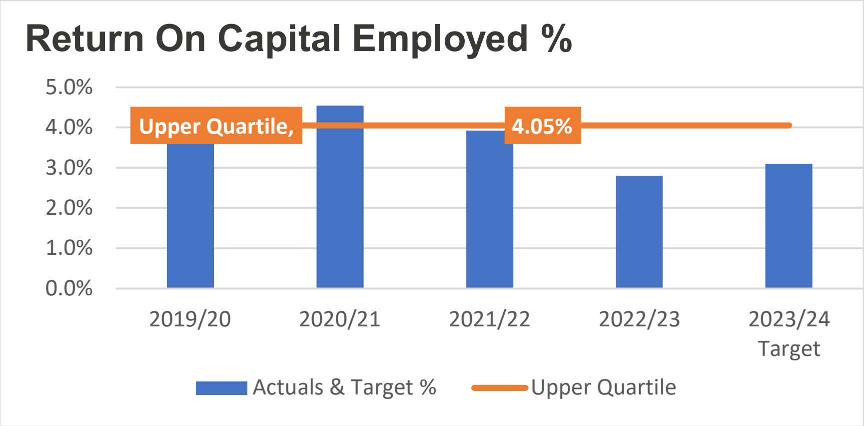


Our higher-than-average gearing ratio shows our appetite for growth and asset improvement, the ratio will improve relative to improvements made to Operating Margin.

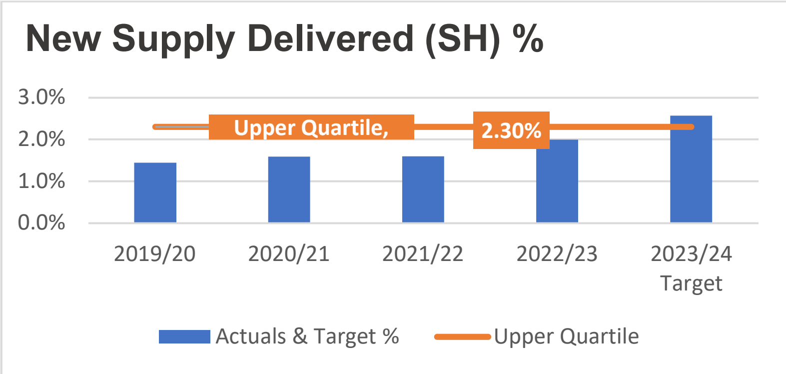


Actual Performance -Reinvestment % is now showing as upper quartile performance. This shows a firm commitment to investment in current and new assets.

Future Outlook- The target in 23/24 this is forecast to be 14.92%



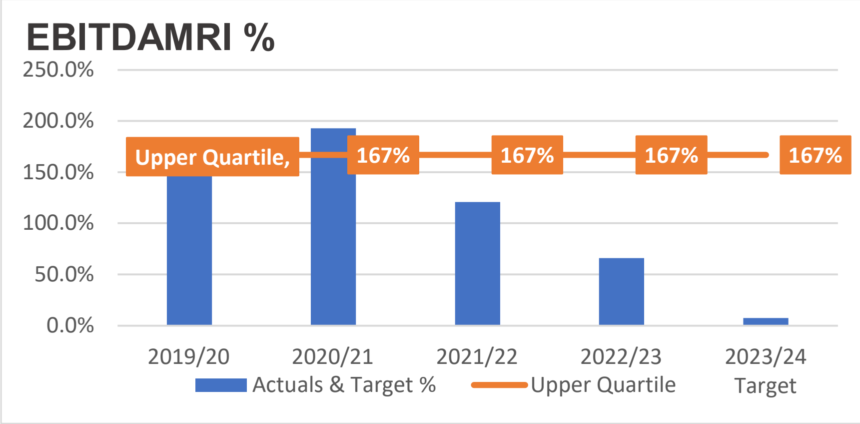
The decrease in ROCE is linked to increases in operating costs in particular the increase in repairs costs. A repairs transformation project is underway to improve the service, delivering efficiencies which will improve this measure going forward, a wider efficiency programme is also planned to commence by April 2024



Actual Performance- New supply performance has improved and is now at median performance compared to the peer group. Future Performance Target- The 2023/24 target will place this metric in Upper Quartile based on current UQ performance levels.

New Supply Delivered (Non SH)

Actual Performance- Connexus performance in 2022/23 was nil against this metric with no non-social housing new supply delivered. Future Outlook- In 2023/34 a small number of Market Sales properties will be delivered through Floreat Living Limited.



EBITDA MRI was a constraining covenant for Connexus which was actively removed from its debt portfolio in the year, to accommodate the targeted Major Repairs investment programme.

There has been a notable decline in EBITDA MRI % in 22/23, this is directly linked to the £3.1m increase in capital work carried out in the year. Although the polarity shows this as lower quartile performance, we view this as a positive metric as it is driven by increased investment in assets which is meeting a Connexus strategic objectives to speed up energy efficiency works and other improvements to our customers' homes.

Value For Money Internal Audit 2022/23

During the year Beever and Struthers carried out an Internal Audit into the Connexus approach to VFM. It found that the VFM strategy had clear outcome-based objectives and efficiency savings, and measurable targets which were monitored by the Better Value Together Group, Senior Management Team with oversight given to Board on a quarterly basis.

It also noted the innovative approach of BVT champions to promote the BVT ethos around the group, and Connexus wide e-learning.

Internal Audit Assurance Rating	
Design of Controls	**Operation of Controls**
Substantial Assurance	**Substantial Assurance**

Value for Money Looking Forward to 2023/24

Headline Programmes over the next 12 months

Below is a summary of some of the key programmes we are currently working on which will deliver Value for Money Efficiencies.

Repairs Transformation

- Fleet Management review- Targeting efficiency and reduced travel
- Project RIOT- A new IT Repairs System, enhancing the customer experience and enabling a seamless autonomous service.
- Stores – A merchant led materials solution allowing us to reduce the number of occupied buildings.

System Interface Project.

- The project involves integrating our operational IT systems.
- Integration will enable Connexus to coordinate services for customers, accessing all information from a single point.
- Seamless information exchange between systems will ensure that colleagues have access to the latest customer information.
- Removing duplication by only requiring data to be input once.

Connexus Approach to Systems Thinking

- The project aims to develop an internal approach to systems thinking, supporting colleagues in driving business change and delivering the Value for Money standard.

Other Projects

- Leadership and Development Programme
- Cost Improvement Programme
- Sharepoint Project
- Service Charge Project

Report of Chair of Enterprise and Development Committee, Andrew Battrum

The membership of the committee is 6 board members, and 1 co-optee, their role is to :

- Oversee development programme delivery including the development appraisal parameters.
- Monitor open market schemes and sales.
- Scrutinise the development and delivery of the Annual Improvement Programme.
- Reviewed Connexus' journey to net carbon zero.
- Scrutinise support services contracts and new contract opportunities.

Key activities from this year

Policies- The Homes Strategy

Monitoring- Development performance information including Homes England performance and shared ownership programme.

Open Market Sales- Approved the Floreat Living Limited budget.

Approved Phase 4 of the Radbrook Village development

Monitored the Full Pitcher development scheme;

(Connexus now acting as contractor)

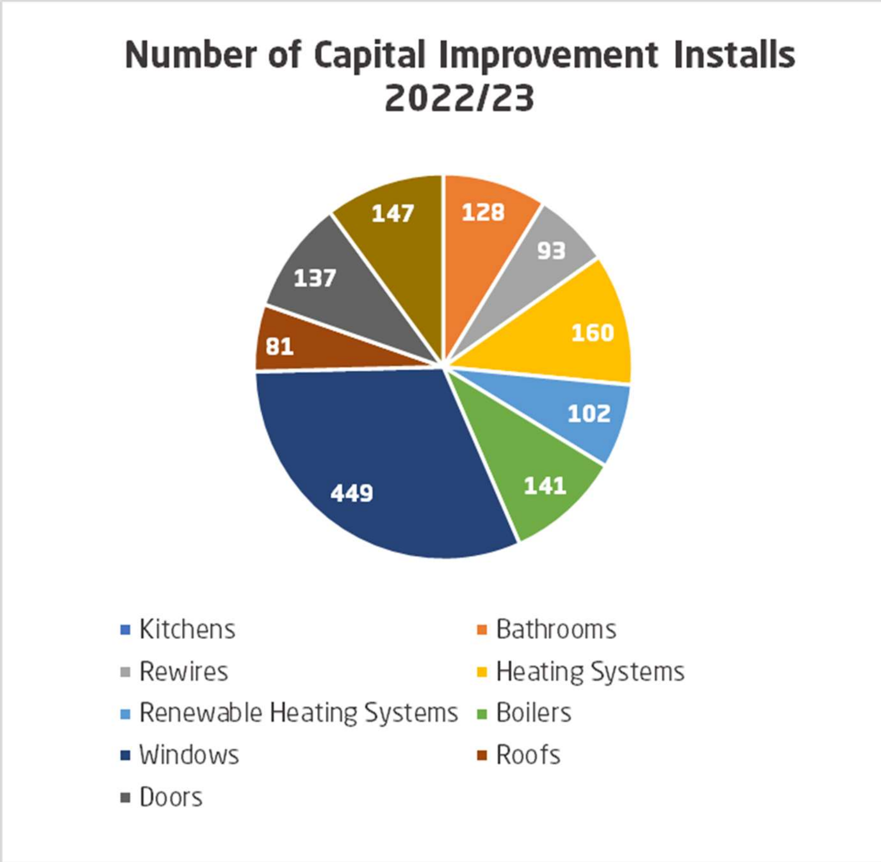
Improvement Programme- Agreed accelerated programme to boost the quality of customers' homes more quickly.

Future Policy- Reviewed Connexus' journey to net carbon zero

Monitoring-Support Service contract performance

Capital Improvement Headlines

In 2022/23 a capital improvement programme of £14.5m was completed a 26% increase from the 2021/22 programme of £11.5m. As reflected in our VFM metrics this had significant impact on our financial performance against the regulatory VFM metrics, however, it was a key business decision demonstrating our on-going commitment to improve the quality and efficiency of our homes. The charts below display the number of component replacements made in the year.



Development Programme Headlines

Connexus are committed to the rural communities in Herefordshire and Shropshire. Over the last 12 months our team has delivered 211 new homes for residents in Herefordshire and Shropshire to meet the Connexus New Homes Strategy.

It has been a challenging year for our development team, land and build cost increase have put increasing financial strain on both Connexus and its development partners. During the year one Contractor went into administration, the Enterprise and Development Committee supported the decision to bring the scheme development in house to reduce risks to costs and delivery timescales, this is an exciting opportunity for Connexus which will be monitored closely.

In the financial year £24.9m was spent on development and £2.9m grant was claimed from Homes England, with a further £0.4m from other bodies.

211- New Homes Completed in Year

Broseley, Church Stretton, Hereford, Orleton, Priorslee, Moreton on Lugg

Tenure Split

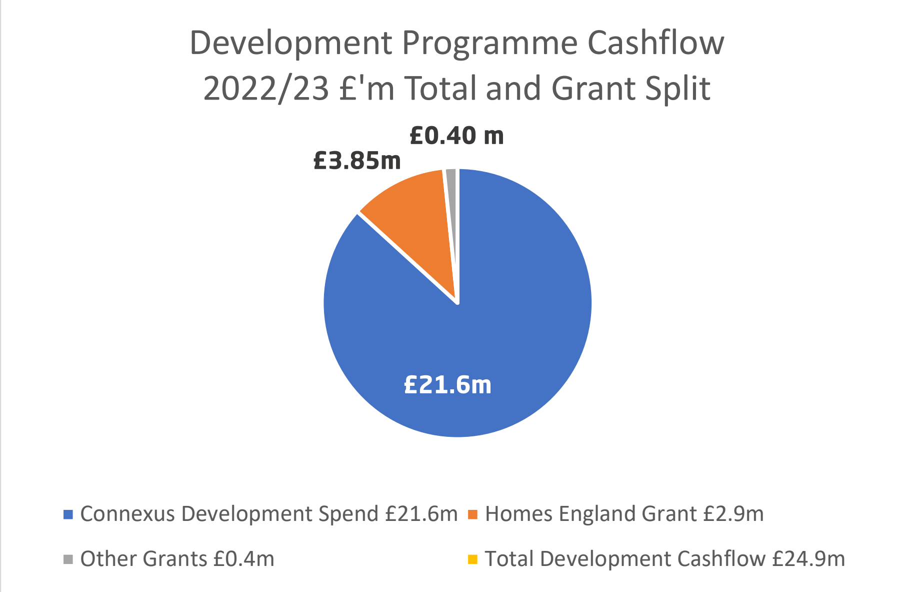
73 Shared Ownership Home

37 Social Rent Homes

73 Affordable Rent Homes

28 Rent to Buy Homes

227 New Homes In progress at Year End



Report of Chair of Remuneration & HR Committee, Abigail Reilly

The membership of the committee is 4 board members their role is to :

- Review the People Strategy
- Review and approve remuneration policies.
- Review and approve the policy for, and scope of, pension arrangements.
- Monitor workforce planning.
- Review and agree the appraisal process for the Executive Management Team.
- Review and agree the Board Member appraisal and Board/Committee effectiveness process.

It's been another busy year for the Committee, the following pages provide further information about what the Committee and Connexus as a whole has achieved in the last 12 months to meet its People Strategy.

Key activities from this year
Strategies- Review the People Strategy
Policies- Review triennial pay benchmarking process and pay award linked to the Strategic Recruitment and Retention Risk
Compliance- Review Connexus' compliance with the NHF Code of Governance 2020.
Compliance- Review Connexus' compliance with the NHF Code of Conduct 2022.
Monitored culture at Connexus.
Review Gender Pay Gap information.
Scrutinise Connexus' Equality, Diversity and Inclusion.

Workforce Planning & Building the Future with Apprentices

Apprenticeships are an important part of how we grow and develop people at Connexus. Our aim is to shape future leaders and keep talent, with learning and development focused around the individual as they progress through the organisation.

They are an important part of how we attract new talent and develop our people. Whether someone is new to the organisation and just beginning their journey, or already with us and wishing to learn new skills, apprenticeships offer great opportunities for career progression and personal development.

We've been consistently developing and refining our approach to apprenticeships over recent years - linking our programme with succession planning and our overall recruitment and people strategy.

For those new to our business, we offer a tailored approach which matches personality, skills and training to suitable roles and opportunities across departments. Following recruitment challenges which have emerged since the pandemic, we've also been working with our apprentices in areas where we have a skills shortage or difficulty recruiting which is mutually beneficial for both our apprentices and Connexus.

Through the Apprenticeship Levy, we're able to access training for existing colleagues too. This allows us to provide additional support on top of our internal training offer, developing existing skills which ultimately allow us to serve our customers better. Developing skills, particularly for those in our management teams, is a key part of our succession planning.

Apprentice Case studies

Finly Kennett started as a customer services practitioner apprentice with Connexus during the Covid-19 pandemic after completing business studies at college. University wasn't for him, and he wanted to earn while he learnt, his apprenticeship couldn't have come at a better time.

Being his first ever job Finly said: "It was a shock to start off with from doing three days of college to five days full-time working. But the transition was smooth, I did two days in the office on reception, two days on the customer service phone line from home and one day for my college work.

"Connexus were flexible with which days I carried out my duties, and all my college work I did in work time. I was supported throughout my apprenticeship by my line managers Laura and Chris, colleagues, and my tutor from Riverside training in Hereford. It was a brilliant way to start working life".

"I was provided with everything I needed to complete my qualification which was brilliant; the coursework really suited me as exams weren't for me."

Twenty-year old Finly is now a full-time employee in the customer services team on the repairs phoneline helping customers. His apprenticeship gave him the skills, experience, and knowledge to work in the business full-time.

Cody Jenkins started his Finance Apprenticeship in September 2022 and is studying towards an AAT qualification.

Working as an apprentice in Financial Services at Connexus, Cody says his experience has been "life changing."

Cody adds: "Starting at 16 years of age, it was an unfamiliar environment, working full time with very little experience. I was able to get more comfortable in a working environment while attending college once a week to build a foundation of my understanding of finance, which allows me to do my job more efficiently as well.

"My team were very welcoming when I joined Connexus, and they are extremely helpful. I can reach out to any one of them to help me solve any problems or issues I bump into on a day-to-day basis.

"They are understanding and turn any mistake I make into a learning experience by showing me what I've done and how to do it better. This has helped me settle much quicker and make me feel more of a member of the team.

"The organisation as a whole has helped me so that I can look forward to achieving my AAT qualification, and I hope to continue my journey in Connexus."

Equality, Diversity and Inclusion

At Connexus our aim continues to be to create a great place to work, with a clear focus on ensuring our customers are serviced by a high performing, highly motivated and diverse team equipped with the right skills and capability.

We continue to operate within a tight labour market, where pressure on salaries, recruitment and retention remain strong. In focusing on our aim to create a great place to work, we have taken actions which seek to retain our workforce and have been relatively successful in doing so. A by-product of this has been a reduced opportunity to bring new people into the workforce, but where these arise, we promote Connexus as an organisation which supports our values and makes us a place where people choose to work.

Our strong commitment to attracting people from our local communities to work for Connexus increases our challenge with rural locations having a tighter labour market, with low levels of unemployment, skills shortages and aging populations.

We're committed to equality, diversity and inclusion and part of this commitment is to eliminate our gender pay gap. There is no difference between the pay of males and females employed in the same or equivalent roles and we know this because, in January 2020, we completed a review of our terms and conditions which included undertaking external benchmarking for all roles. In late 2021, we did further benchmarking in response to external changes.

We recognise that, during the year, our gender pay gap widened. While this is disappointing, it reflects the business need we had to address recruitment and retention challenges within our repairs and maintenance team by bringing forward the external benchmarking of salaries in this team.

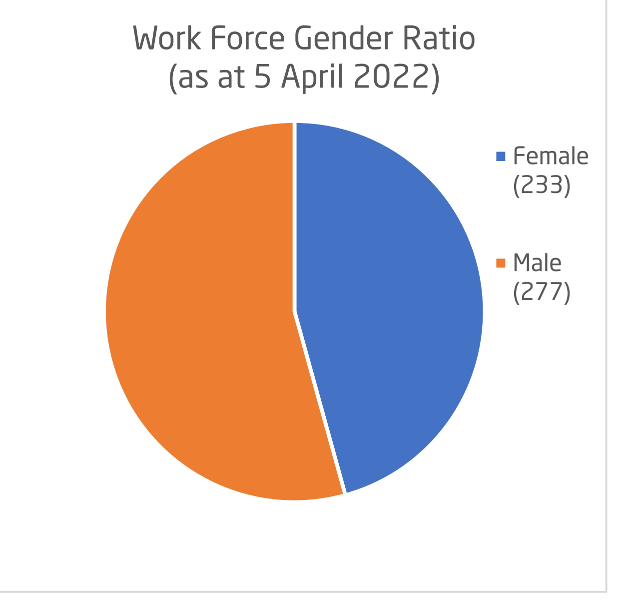
Our repairs and maintenance team is predominantly a male workforce, and the benchmarking (which recommended salary increases), while applying equally to male and female colleagues in this team, will have resulted in widening the gender pay gap for the organisation in 2022. The application of benchmarking of salaries for all remaining colleagues in November 2022 will have acted to increase salaries for other teams and so we hope to see a reduction in the gender pay gap for 2023.

We continue to ensure that across all our strategies and policies that opportunities to reduce the gender pay gap are identified and promoted to ensure we build an open and inclusive workplace where colleagues feel happy, confident, and rewarded, irrespective of gender.

Workforce Gender Ratio (latest published data).

Connexus employed 510 colleagues on the payroll on 5th April 2022. This has fallen from 515 colleagues in April 2021.

Of our 510 colleagues, 54.31% (277) were male and 45.69% (233) were female, or a difference of 8.62%. This compares to a difference of 8.74% in April 2021.



Mean and Median Pay Gaps

Mean

Males at Connexus were paid a mean difference of £1.34 more per hour than females. This is a difference of 8.0% and is £1.16 more per hour difference than our previous year's reported gap (£0.18). This means our Mean Pay Gap has increased for the first time in five years. The gap of 8.0% compares to 11.1% in 2018, 9.1% in 2019, 8.4% in 2020 and 1.2% in 2021.

There has been a mean increase in hourly pay for both genders compared to 2021. Males were paid £1.69 more (£16.65 compared to £14.96 in 2021), while females were paid £0.53 more (£15.31 compared to £14.78 in 2021).

Median

Males at Connexus were paid a median difference of £3.02 more than females in hourly pay. This is a difference of 18.8% and is £2.18 more than our previous year's reported gap (£0.84). Our Median Pay Gap of 18.8% is significantly higher than our median gap of 7.8% in 2021. Previous years saw a median gap of 14.2% in 2020 and 7.3% in 2019.

There have been median increases in hourly pay for both genders compared to 2021. Males were paid £2.34 more (£16.08 in 2022 compared to £13.74 in 2021), while females were paid £0.39 more (£13.74 in 2022 compared to £12.67 in 2021) – a difference of £2.73 in pay increase between genders.

Gender	Mean Hourly Pay	Median Hourly Pay
Male	£16.65	£16.08
Female	£15.31	£13.06
Pay Gap £ or %	£ 1.34 or 8.0%	£ 3.02 or 18.8%

Understanding and Closing Our Gender Pay Gap

In order to understand the data in more detail, it is important to understand the key functionality of Connexus and our demographics.

Connexus is a not-for-profit organisation and consists of a Board, committee members, a chief executive, directors, and a variety of colleagues with wide ranging professions and skillsets. We are a Housing Association based in rural Herefordshire and Shropshire and have central support teams, housing teams, wellbeing support, and a large number of trades/assets colleagues. Trades colleagues, even with proactive recruitment, are predominantly male.

Unemployment in our rural counties is at a year-on-year low, which is also the case in many rural locations across Great Britain. We are still at a greater rate of overall employment than in the West Midlands and Great Britain generally. Connexus operates in demographic areas where there are limited rates of people available for work aged between 16 and 64, and, as a result of global skills shortages which are predicted to persist for Connexus this will be particularly visible in areas where we have the highest cohort of colleagues such as trade and construction skills sets which will remain hard to recruit to.

Connexus promotes flexible and part-time working options in many roles to support us to recruit and retain the best talent. Hybrid working is promoted in new and existing roles to further promote flexible approaches and different ways of working to meet customer and business need.

At Connexus, we recognise the importance of having the right colleagues in the right roles with fair and equitable reward packages. We endeavour to reduce the gender pay gap and see greater diversity at all levels. To see the full gender pay gap report please visit our website;

https://connexus-group.co.uk/documents

Report of Chair of Customer Services Committee, Maggie Punyer

The membership of the committee is 6 board members their role is to :

- Scrutinise service delivery performance against targets and the strategy for housing, customer and support services.
- Scrutinise service delivery performance against targets and strategy for the repairs and maintenance service.
- Scrutinise Connexus' compliance with the Regulatory Consumer Standards.
- Recommend to the Board the annual rent setting and service charge policy.

Key activities from this year
Strategies- Approved the Customer Strategy
Monitored progress on the Customer Experience Work
Monitored Connexus' Safeguarding work.
Monitored the work of the Domestic Abuse Service
Reviewed the work of the Community panels.
Recommended the Rent and Service charge policy for 2023/24

Risk Management Deep Dives
Income and Bad Debts
Complaints
Repairs and Maintenance
Damp, Mould & Condensation, including the approach to Disrepair cases.
Voids

In this year the Committee has focussed on improving the customer experience and increasing the level of customer service and involvement and also community initiatives. Some of the excellent work in year is highlighted in the following pages. There has also been concerted effort to make real progress with the Repairs transformation project, overseen by the committee which will deliver positive results for our customers and the organisations financial performance.

Customers- Outdoor furniture for Independent Living Schemes.
Connexus' communities team invested over £11,000 in new outdoor furniture sets for residents to enjoy at Independent Living Schemes. Outdoor table and chair sets were delivered to 19 Independent Living Schemes, encouraging residents to socialise while getting outdoors.

"Connexus recognises the value of outdoor spaces and socialising, with the Covid-19 pandemic bringing the benefits of these activities into sharp focus. This outdoor furniture will allow residents to have spaces where they can chat with others, or simply enjoy some different surroundings,"
Jacqui Gears, Communities Manager at Connexus

Case Study- Community Groups

Connexus gifted computer equipment to local community group GOAL (Getting Older Adults Online). The new equipment allowed more learners at its sessions to get hands on with technology and become familiar with using the world wide web. Skills taught at the sessions are used at home for everything from online shopping to keeping in touch with friends and family.

As well as gifted laptops, the group makes use of Connexus conference facilities to run training sessions. The sessions have proved so popular, there is now a waiting list, with more and more local older people coming forward to learn about the benefits of computing.

Since it was launched in 2013, GOAL has helped hundreds of elderly, disabled, and lonely people to learn digital skills, and has received a Queen's Award for Voluntary Service for its work - the highest award a voluntary group can receive in the UK.

Community Development Fund

In the year our community development fund has helped numerous organisations in Herefordshire and Shropshire.

A community workshop received £1,260 after applying for funding through Connexus' Community Development Fund. Walters Workshop, set up and run by volunteers, repairs everything from broken vacuum cleaners to garden furniture for the benefit of the local community.

The money was spent on new racking and shelving which helped the workshop store items much more easily. The group are also hoping to develop a website in the future to promote Walters Workshop and communicate with a wider audience.

Also benefitting from Community Development fund sponsorship in the year were;
Hereford Dynamix Trampoline Club who received funding from Connexus' Community Development Fund to purchase 1,200 foam protective socks for foam blocks used to land on when dismounting. The club worked with the children to put the socks on which took four days in total.

Strettfest 2022, which saw the usually tranquil hillside town of Church Stretton, Shropshire, taken over by an energetic and colourful samba-influenced carnival parade, with dancers young and old performing in the streets alongside huge homemade puppets and loud drummers. Part-funded by the Connexus Community Development Fund. Strettfest also saw the community join in with music workshops. a 'mini-beast' trail for younger children to enjoy and a family-friendly film night.

Statement of the responsibilities of the Board in respect of the Board's report and the financial statements

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

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

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

In preparing 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 and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the groups and the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and use the going concern basis of accounting unless it either intends to liquidate the group or the association or to cease operations or has no realistic alternative but to do so.

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

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

The Board members who held office at the date of approval of this statement confirm, so far as they are each aware, there is no relevant audit information of which our independent auditors are unaware; and each Board member has taken all the steps they ought to have taken as a Board member to make them aware of any relevant audit information and to establish that our independent auditors are aware of that information.

Michele Ibbs
Chair

9 August 2023

Independent Auditor's Report to the Members of Connexus Homes Limited

Opinion

We have audited the financial statements of Connexus Homes Limited (the "Association") and its subsidiaries (the "Group") for the year ended 31 March 2023 which comprise the consolidated and Association Statement of Comprehensive Income, the consolidated and Association Statement of Financial Position, the consolidated and Association Statement of Changes in Capital and Reserves, the consolidated Statement 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 Financial Reporting Standard 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 Association's affairs as at 31 March 2023 and the Group and Association's surplus or deficit for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice.
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered

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 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 Association's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Other information

The Board is responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information 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 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 Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the group; or
- a satisfactory system of controls over transactions has not been maintained; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement set out on page 47, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the Group's and Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Group or 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 legal and regulatory frameworks within which the Association operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements such as the Co-operative and Community Benefit Societies Act 2014 (and related Directions and regulations), the Housing and Regeneration Act 2008 and other laws and regulations application to a registered social housing provider in England together with the Housing SORP. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statements items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the Association's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the Association for fraud. The laws and regulations we considered in this context for the UK operations were requirements imposed by the Regulator of Social Housing, health and safety, taxation and employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Board and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of support services and other income, current asset property sales (outright sales and shared ownership first tranches) and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit and the Audit & Risk Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence, designing audit procedures over the timing of the above income streams and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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 the Co-operative and Community Benefit Societies Act 2014 and the Housing and Regeneration Act 2008. 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.

Crowe UK LLP.

Crowe U.K. LLP, Statutory Auditor

4th Floor
St James House
St James Square
Cheltenham, GL50 3PR
Date: 05 September 2023

Statement of comprehensive income

	Note	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Turnover	3	65,628	65,644	66,714	61,754
Operating expenditure	3	(55,605)	(52,598)	(55,989)	(47,375)
Surplus on disposal of fixed assets	5	1,876	1,970	1,876	1,970
Movement in investment property valuation		282	147	282	147
Operating surplus	3, 4	12,181	15,163	12,883	16,496
Interest receivable and other income	7	297	1	297	58
Interest and financing costs	8	(9,712)	(8,516)	(9,826)	(8,683)
Surplus before tax		2,766	6,648	3,354	7,871
Taxation	9	(1)	588	(1)	81
Surplus for the year		2,765	7,236	3,353	7,952
Actuarial (loss) / gain in respect of pension schemes	31	16,600	5,110	16,600	5,110
Total comprehensive income for the year		19,365	12,346	19,953	13,062

All results derive from continuing operations.

The financial statements were approved and authorised for issue by the Board on 9 August 2023.

Michele Ibbs
Chair

Andrew Cooke
Company Secretary

Richard Woolley
Chief Executive

Statement of financial position

	Note	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Fixed assets					
Tangible fixed assets- housing properties	12	398,025	371,942	403,518	376,977
Other fixed assets	13	7,892	4,724	7,892	4,724
Investment properties	14	5,777	7,160	5,777	7,160
Investment in subsidiaries		-	-	13	13
Pension Asset	31	675	-	675	-
		412,369	383,826	417,875	388,874
Current assets					
Properties held for sale	15	7,847	9,391	4,191	6,161
Stock and work in progress	15	457	854	457	854
Trade and other debtors	16	4,300	3,567	4,870	4,554
Debtors: amounts due after more than one year	17	77	3,257	77	3,257
Short term investments	18	22,923	4,342	18,766	4,334
Cash and cash equivalents	18	922	1,281	512	152
		36,526	22,692	28,873	19,312
Current liabilities					
Creditors: amounts falling due within one year	19	(17,404)	(19,623)	(17,483)	(24,223)
Net current assets		19,122	3,069	11,390	(4,911)
Total assets less current liabilities		431,491	386,895	429,265	383,963
Non-current liabilities					
Creditors: amounts falling due after more than one year	20	(309,926)	(269,731)	(305,544)	(265,231)
Provisions for liabilities					
Pension provision	31	(2,037)	(17,060)	(2,037)	(17,060)
Other provisions	25	(310)	(251)	(310)	(251)
Total net assets		119,218	99,853	121,374	101,421
Reserves					
Income and expenditure reserve		119,218	99,853	121,374	101,421
Total reserves		119,218	99,853	121,374	101,421

The financial statements were approved and authorised for issue by the Board on 9 August 2023.

Michele Ibbs
Chair

Andrew Cooke
Company Secretary

Richard Woolley
Chief Executive

Consolidated statement of changes in capital and reserves

Group	Share capital £'000	Income and expenditure reserve £'000	Combined total capital and reserves £'000
Balance as at 1 April 2021	-	87,507	87,507
Surplus for the year	-	7,236	7,236
Other comprehensive income for the year	-	5,110	5,110
Balance at 31 March 2022	-	99,853	99,853
Surplus for the year	-	2,765	2,765
Other comprehensive income for the year	-	16,600	16,600
Balance at 31 March 2023	-	119,218	119,218

Statement of changes in capital and reserves

Company	Share capital £'000	Income and expenditure reserve £'000	Combined total capital and reserves £'000
Balance as at 1 April 2021	-	88,359	88,359
Surplus for the year	-	7,952	7,952
Other comprehensive income for the year		5,110	5,110
Balance at 31 March 2022	-	101,421	101,421
Surplus for the year	-	3,353	3,353
Other comprehensive income for the year		16,600	16,600
Balance at 31 March 2023	-	121,374	121,374

Consolidated cash flow statement

Group	Note	2023 £'000	2022 £'000
Net cash generated from operating activities	27	19,073	29,930
Cash flow from Investing activities			
Purchase of tangible fixed assets - housing properties		(35,741)	(33,628)
Purchase of other tangible fixed assets		(2,518)	(995)
(Purchase) / sale of investment properties		15	(13)
Proceeds from sale of tangible fixed assets		2,689	2,901
Sale / (purchase) of short term investments		(18,581)	27,547
Grants received		3,757	4,387
Interest received		297	1
		(50,082)	(27,347)
Cash flow from financing activities			
Interest paid		(10,000)	(9,267)
Loan arrangement fee		(306)	(728)
New secured loans		55,000	-
Repayments of borrowings		(14,044)	(24,539)
		30,650	(34,534)
Net change in cash and cash equivalents	28	(359)	(4,404)
Cash and cash equivalents at the beginning of the year		1,281	5,685
Cash and cash equivalents at the end of the year		922	1,281

Notes to the financial statement

1. Legal status

The Company, Connexus Homes Limited, (Registered office The Gateway, The Auction Yard, Craven Arms, Shropshire, SY7 9BW) is registered with the Cooperative and Community Benefit Societies Act 2014, Registered Society No. 8376. It is also registered as a social housing provider and regulated by the Regulator of Social Housing Agent in accordance with the Housing and Regeneration Act 2008, Registered No. LH4353.

2. Accounting policies

The following accounting policies have been adopted as being appropriate to the Group's circumstances with regard to giving a true and fair view and have been applied consistently in dealing with items which are considered to be material in relation to the Groups' financial statements.

a. Basis of accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 102 the applicable financial reporting standard in the UK and Republic of Ireland (FRS102) and the Statement of Recommended Practice: Accounting 2018 for Registered Social Providers, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial Statements.

The individual accounts of Connexus Homes Limited has also adopted the following disclosure exemption:

- The requirement to present a statement of cash flows and related notes

Operating Segment Reporting: It is a requirement under SORP 2018 to apply IFRS8 Operating Segments. Management have determined that the group's operating segments are:

Social Housing letting:
General Needs Housing
Supported Housing and Housing for Older people
Temporary Social Housing
Low-Cost Home Ownership

Other Social Housing Activities:
Current Asset Property Sales
Supporting People
Other Support Services

Non-Social Housing Activities
Market Sales
Wellbeing Services
Other
Surplus on Disposal of Fixed Asset

All income, expenditure and net assets are derived from UK operations.

b. Going concern

The financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons;
The Group prepares a 30-year business plan which is updated and approved on an annual basis. The most recent business plan was approved in May 2023 by the Board. The Business plan considers the assessed principal risks set out in pages 27 to 29 and other matters discussed in connection with the Viability statement below.

As well as considering the impact of a number of scenarios on the business plan the Board also adopted a stress testing framework against the base plan linked to the strategic risk register. The stress testing impacts were measured against loan covenants and peak borrowing levels at an entity level, compared to agreed facilities. Following the practice adopted in previous years the Group has undertaken a series of further scenario testing including severe but plausible downsides in the Perfect Storm worst case assessment. The risk mitigation plan has been fully reviewed and contains levers to respond to any breaches identified in the stress test. The core mitigating actions either reduce expenditure or increase income.

The board, after reviewing the group and company budgets for 2023/24 and the group's medium term financial position as detailed in the 30-year business plan, which includes changes to economic assumptions in the current operating environment, is of the opinion that, taking account of severe but plausible downsides, the group and association have adequate resources to continue in business for a period of at least 12 months from the date of approval of these financial statements (the going concern assessment period).

In order to reach this conclusion, the Board have considered:

- the property market – budget and business plan scenarios have taken account of delays in handovers, lower numbers of property sales, reductions in sales values and potential conversion of market sale to social homes;
- Maintenance costs – budget and business plan scenarios have been modelled to take account of increased volume, cost increases and delays in maintenance expenditure, a compliance only programme and major works being phased into future years;
- Rent and service charge receivable – arrears and bad debts have been increased to allow for customer difficulties in making payments and budget and business plan scenarios to take account of potential future reductions in rents;
- Increases to inflation, management costs and Sonia rates and the associated impacts on affordability;
- The group's ability to tolerate one-off financial shocks;
- Liquidity; available cash and unutilised loan facilities at the financial year end was £73,849k. A further £30,000k was in the process of being charged. This gives significant headroom for committed spend and other forecast cash flows that arise;
- The group's ability to withstand other adverse scenarios such as higher interest rates and number of void properties.

The board believe the group and association has sufficient funding in place and expect the group to be compliant with its debt covenants even in severe but plausible downside scenarios. The Board are confident that the Group and Association will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have continued to adopt the going concern basis in their preparation.

c. Significant judgements and estimates

The preparation of the financial statements requires management to make significant judgements estimates and assumptions that affect the amounts reported for assets and liabilities as at the Statement of Financial Position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes may differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

- Property, plant and equipment

The Group has undertaken a review of the intended use of all housing properties. In determining the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals. The Group has determined that market rented property, as it is developed are investment properties. The Group has determined that the small number of shops held, due to their nature and low level of rentals charged are held as property, plant and equipment are held for their social benefit.

- Capitalisation of property development costs

The Group capitalises development expenditure in accordance with the accounting policy described within these notes. Initial capitalisation of costs is based on management's judgement that development scheme is likely to proceed. Costs capitalised in this way are regularly reviewed and any costs identified as abortive are charged to the Statement of Comprehensive Income. The total amount capitalised is disclosed in the notes.

- Impairment

The Group has identified a cash generating unit for impairment assessment purposes during development and construction at a programme level, with subsequent impairment assessment once in management at a property level.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

- Useful lives of depreciable assets

Other than investment properties, tangible fixed assets are depreciated over their useful lives. Management reviews the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes in homes standards which may require more frequent replacement of key components.

The key judgements and estimates applied in respect of housing property are contained within these notes and include:

- The useful economic life of properties
- That properties have no residual value at the end of useful life.

Defined benefit obligation (DBO)

The Group has obligations to pay pension benefits to colleagues. The cost of these benefits and the present value of the obligation depend on several critical underlying assumptions. These include standard rates of inflation, mortality, discount rate and anticipation of future salary increases provided by the pension administrators and actuaries. Variations in these assumptions may significantly impact the net pension obligation in the balance sheet and the annual defined benefit expenses.

At the financial year end actuarial results included Pension Assets, due to the uncertainty that these assets will actually materialise an asset ceiling has been applied to the asset, the ceiling applied is the Pension refunds that will be received from the scheme in the current actuarial cycle. The remaining pension asset is noted as a contingent asset.

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices.

d. Exemptions taken

The Group does not currently apply any exemptions.

e. Basis of consolidation

The Group's financial statements consolidate the financial statements of Connexus Homes Limited, and its subsidiaries, Floreat Living Limited, Rise Partnership Developments Limited, Connexus Enterprise Limited and Herefordshire Capital Plc. in accordance with the requirements of Financial Reporting Standard 2 "Accounting for subsidiary undertakings". Subsidiaries are entities over which, either directly or indirectly, the Company has control through the power to govern financial operating policies so as to obtain benefit from their activities. Intra-group balances, transactions, income and expenses are eliminated.

f. Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the association and entities (including special purpose entities) controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity to obtain benefits from its activities.
The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent.
All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

g. Turnover and revenue recognition

Turnover represents rental income receivable in the year, income from shared ownership first tranche sales, and properties built for open market sales and other services included at invoice value (excluding VAT where recoverable) of goods and service supplied in the year and revenue grants receivable in the year.
Government grants received for housing properties are included in turnover amortised over the expected useful life of the housing property structure.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche shared ownership and open market sales of properties built for sale is recognised at the point of legal completion.

h. Accrued income

Where goods or services are provided but not yet invoiced, that revenue is accrued for.

i. Deferred taxation

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

j. Loan interest costs

Interest payable and similar charges include interest payable, loan fees, and finance leases recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount of the financial liability.

k. Finance and issue costs

Costs directly connected with the raising of finance are deducted from loans and written off over the life of the loan to the Statement of comprehensive income (SOCI).

l. Preserved Right to Buy Income and Sales

Surpluses and deficits arising from the disposal of properties under the Preserved Right to Buy legislation are disclosed on the face of the Statement of comprehensive income before the operating result. On the occurrence of a sale a relevant proportion of the proceeds are clawed back by Herefordshire Council. There is no claw back arrangement in place for Shropshire Council. The surplus or deficit is calculated by comparing the net proceeds received with the carrying value of the property sold.

m. Management costs

Management costs are allocated to revenue accounts on the basis of an estimation of colleague time allocated, except for specific items of expenditure, which are allocated directly.

n. Reserves

The Group establishes restricted reserves for specific purposes where their use is subject to external restrictions.

o. Tangible fixed assets

Housing properties- are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at historical cost less accumulated depreciation and impairment losses. The cost of properties represents the acquisition price of land and buildings, development costs, interest charges incurred in the development period, and expenditure incurred in respect of improvements.
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 benefits of the assets, are capitalised as improvements.
Properties in the course of construction are stated at cost and are transferred into housing properties, when complete. Properties in the course of construction are not depreciated.

Donated land and other assets

Where land has been donated as part of an intended development, the land is recorded at its current value at the gifting date within cost of construction and the income treated as a grant if from a government body and as turnover if from a non-government body. Current value takes into account any restrictions on use.

Shared ownership properties- are split between fixed and current assets in line with the expectation relating to the first tranche sale percentage. The expected first tranche proportion is classified as a current asset until the point of the first tranche sale. The current asset is then transferred to cost of sales and matched against sales proceeds within the operating surplus in the Statement of Comprehensive Income. Any operating surplus is restricted to the overall surplus which takes into account the Existing Use Value- Social Housing (EUV-SH) of the remaining fixed asset element.

The remaining element of the asset is classified as a fixed asset and included in housing properties at cost, less any provision for depreciation or impairment.

p. Investment Properties

The classification of properties as investment property or property plant and equipment is based upon the intended use of the property. Properties held to earn commercial rentals or for capital appreciation are treated as investment properties and those that are held for the provision of social housing are treated as property plant and equipment.
Where land is acquired for use in the provision of social housing or for a social benefit it is accounted for as property, plant and equipment. Investment properties are reported at market valuation.

q. Government grants

Government grants include grants receivable from the 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 and, where applicable, its individual components (excluding land) under the accruals method.
Grants relating to revenue are recognised in the Statement of Comprehensive Income over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity 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 or liabilities.
Government grants received for housing properties are subordinate to the repayment of loans by agreement by the Homes England. Government grants released on sale of a property may be repayable but are normally available to be recycled are credited to a Recycled Capital Grant Fund and included in the statement of financial position 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 in the Statement of Comprehensive Income.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the Statement of Comprehensive Income. Upon disposal of the associated property, the Group is required to recycle these proceeds and recognise them as a liability.

r. Other grants

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

s. Depreciation

Property, plant, and equipment; The Group separately identifies the major components which comprise in its housing properties, and charges depreciation, to write-down the cost of each component to its estimated residual value on a straight-line basis.

A full year's depreciation is charged on all assets in the year of acquisition, but no charge is made in the year of disposal.

The expected useful lives of assets identified separately are as follows:

	Connexus Homes Ltd
Structure:	
Non-traditional	30 years
Pre-1974 construction	75 years
Post 1974 construction	100 years
Other Major Components:	
Roofs	60 years
Windows	30 years
Doors	30 years
Heating systems	36 years
Wiring	40 years
Kitchens	20 years
Bathrooms	30 years
Boilers	12 years
Lifts	20 years
Leasehold Properties:	Remaining life of lease
Garages:	25 Years
Freehold land	Is not depreciated

Other tangible fixed assets
Tangible fixed assets other than housing properties are stated at cost (less grant) less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use.

Depreciation (to residual value) is charged on a straight line over the expected useful life of the asset from the month of acquisition, at the following annual rates:

Computers and other equipment	15% - 33%
Plant and Equipment	20% - 33%
Vehicles	25%
Furniture, fixtures and fittings	25%

Depreciation on offices is calculated on a straight-line basis over the following periods:

Newly constructed offices:	50 Years from the date of practical completion
Refurbished offices	Are depreciated based on the individual component lives.
Leasehold offices	Over the period of the lease

t. Impairment

The Group's internal controls are designed to identify where the value of property, plant and equipment and work in progress held in the Statement of financial position is more than the lower of cost or net realisable value. Where there is evidence of impairment, fixed assets are written down to the recoverable amount, this is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as expenditure in the Statement of comprehensive income. Where an asset is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell. Depreciated replacement cost is taken as a suitable measurable model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in surplus or deficit in the Statement of comprehensive income.

u. Capitalisation of development overheads and interest

Only specific and directly attributable costs are capitalised in line with the Statement of recommended practice. Interest on loans financing new development is capitalised up to the date of practical completion if it represents either:

- Interest on borrowings specifically financing the programme after deduction of interest on Social Housing Grant (SHG) in advance or
- Interest on borrowings of the company as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

v. Properties for sale

Shared ownership first tranches sales and completed properties for outright sale are disclosed as: a current asset stated at the lower of cost and net realisable value. Cost comprises materials, direct labour costs and other direct overheads, as identified above. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

w. Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of any transactional costs, and subsequently measured at amortised cost using the effective interest method, less any impairment.

x. Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest rate method.

y. Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

z. Finance leases

Where the Group enters into a lease which entails taking on substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease". The asset is recorded in the Statement of financial position as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the Statement of comprehensive income, and the capital element which reduces the outstanding obligation for future instalments.

aa. Operating leases

Costs in respect of operating leases are charged to the Statement of comprehensive income on a straight-line basis over the lease term.

bb. Stocks

The value of stock is shown at the lower of cost (the original purchase price) or net realisable value in accordance with accounting standards. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. The value of stores stock is calculated using the weighted average method.

cc. Bad and doubtful debts

Provision is made for current and former tenant arrears, as well as other miscellaneous debts (service charges, community alarm income, and fees receivable for the provision of services) to the extent that recovery is considered doubtful.

dd. Provisions

Due to the numbers of properties and the establishment of regular programme of repair and maintenance, the Group does not generally make a provision for future works. Actual costs are charged to the Statement of comprehensive income.

The Group will recognise provisions where it has a present obligation (legal or constructive) as a result of a past event or where a transfer of economic benefit will be required to settle the obligation and an estimate can be made.
Where properties are leased a provision will be made for dilapidations where specified in the terms of the lease based on the annual rent for that property.

The Group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

ee. Pensions

Connexus Homes Group participates in the following defined benefit pension schemes:

Local Government Pension Scheme (LGPS)
The Group has three LGPS schemes in place – two with Shropshire Council Pension Fund (Historic CH1L and CH3L) and one with Worcestershire Pension Fund.
The Group financial statements report pension obligations according to the requirements of FRS 102 –Multi-employer defined benefit schemes that identify individual employers' shares of underlying assets and liabilities are reflected in the Statement of comprehensive income and the Statement of financial position. The difference between the fair value of the assets held in the pension scheme and the scheme's liabilities are recognised in the Statement of financial position as a pension scheme asset or liability. Changes in the defined benefit pensions scheme asset or liability arising from factors other than cash contribution by the employer are charged to the Statement of comprehensive income or Other comprehensive income.

Social Housing Pension Scheme (SHPS)
This scheme is administered independently by the Pension Trust.
The group has two defined benefit schemes in place (Historic CH1L and historic CH2L).
The scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates.

In the year ended 31 March 2023, the current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period within the income and expenditure account. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income. Refer to Note 31 for details.

ff. Corporation tax

The charge for taxation is based on the results for the year and takes into account taxation deferred (or accelerated) because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax on a full provision basis.

Connexus Homes Limited is an exempt charity for tax purposes however they do undertake some non-charitable activities are therefore subject to Corporation tax on these non-charitable activities.

Where the Group undertakes activities that are outside of its charitable purpose and exceeds the permitted threshold corporation tax may be payable. Connexus Enterprise Limited, Herefordshire Capital plc, Rise Partnership Developments Limited and Floreat Living Limited are subject to taxation.

gg. Value Added Tax (VAT)

The Group is VAT registered, with a large proportion of its income being housing rents, and Right to Buy sales which are exempt for VAT purposes, while other income sources being standard, zero rated or outside of scope gives rise to a partial exemption calculation.
Connexus Homes Limited, Floreat Living Limited and Connexus Enterprise Ltd are registered within the same VAT group. Rise Partnership Developments Limited has its own VAT registration.

The financial statements include VAT to the extent that it is suffered and not recoverable from HM Revenue and Customs. The balance recoverable or payable at the year-end is included as a current liability or asset.

hh. VAT sharing agreement

Connexus Homes Limited via the transfer agreement with North Shropshire District Council shares VAT savings arising out of the transfer in equal amounts. The related expenditure is shown gross, and the VAT recovered is shown as a credit against capital to identify it separately for future use.
Under the terms of the transfer agreement Connexus Homes Ltd has contracted to refurbish transferred properties and the amount due to the Association for the work is shown under debtors. The obligation to carry out these works is shown in the provisions for liabilities and charges. Following our assessment that the agreement has now ceased the asset and liability have been reduced to zero in year.

ii. Financial instruments

Financial instruments which meet the criteria of basic financial instrument as defined in Section 11 of FRS102 are accounted for under an amortised historic cost model.
Basic financial instruments are recognised at amortised historical cost. Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses reported in surplus or deficit.

jj. Liquid resources

Liquid resources are readily disposable current asset investments. They include some money market deposits, held for more than 24 hours that can only be withdrawn without penalty on maturity or by giving some notice of more than one working day.

3. Turnover, operating costs and operating surplus

The Groups activities consist solely of social housing and non-social housing activities within the UK.

Group 2023	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	53,851	-	(45,581)	8,270
Other social housing activities				
Current asset property sales	5,399	(4,126)	-	1,273
Supporting people	-	-	-	-
Other support services	1,852	-	(1,653)	199
Non-social housing activities				
Market sales	958	(1,048)	-	(90)
Other	3,568	-	(3,240)	328
Total from social and non-social housing activities	65,628	**(5,174)**	**(50,474)**	9,980
Surplus on disposal of fixed assets				1,876
Revaluation of investment properties				282
Impairment of other tangible fixed assets				127
Exceptional items				
Pension Risk Review & Stock Rationalisation				(84)
Total operating surplus				12,181

Group 2022	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	50,957	-	(40,112)	10,845
Other social housing activities				
Current asset property sales	2,830	(2,729)	-	101
Supporting people	-	-	-	-
Other support services	1,741	-	(1,602)	139
Non-social housing activities				
Market sales	7,304	(5,962)	-	1,342
Other	2,812	-	(2,260)	552
Total from social and non-social housing activities	65,644	**(8,691)**	**(43,974)**	12,979
Surplus on disposal of fixed assets				1,970
Revaluation of investment properties				147
Impairment of other tangible fixed assets				229
Exceptional items				
Corporate Restructure				(162)
Total operating surplus				15,163

3. Turnover, operating costs and operating surplus (continued)

Group & Company	General needs housing £'000	Supported housing and housing for older people £'000	Intermediate rent housing £'000	Low cost home ownership £'000	Total 2023 £'000	Total 2022 £'000
Income						
Rent receivable	40,895	7,854	520	1,351	50,620	47,905
Service charges receivable	818	1,374	8	100	2,300	1,769
Amortised government grants	512	115	20	112	759	707
Other revenue grants	165	7	-	-	172	576
Turnover from social housing lettings	**42,390**	**9,350**	**548**	**1,563**	**53,851**	**50,957**
Operating Expenditure						-
Management	(10,687)	(2,618)	(132)	(717)	(14,154)	(12,893)
Services	(1,398)	(1,464)	(8)	(119)	(2,989)	(2,397)
Routine maintenance	(13,816)	(2,976)	(57)	(4)	(16,853)	(13,685)
Planned maintenance	(655)	(89)	-	-	(744)	(734)
Bad debts	(230)	(158)	(1)	(3)	(392)	(369)
Depreciation of housing properties	(7,465)	(1,499)	(170)	(369)	(9,503)	(9,053)
Pension operating costs	(723)	(168)	(9)	(46)	(946)	(981)
Operating expenditure on social housing lettings	**(34,974)**	**(8,972)**	**(377)**	**(1,258)**	**(45,581)**	**(40,112)**
Operating surplus on social housing lettings	**7,416**	**378**	**171**	**305**	**8,270**	**10,845**
Voids losses	(820)	(175)	(40)	(152)	(1,187)	(833)
Prior period operating surplus on social housing lettings	8,865	1,323	172	485	10,845	

3. Turnover, operating costs and operating surplus (continued)

The companies activities consist solely of social housing and non-social housing activities within the UK.

Company 2023	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	53,851	-	(45,581)	8,270
Other social housing activities				
Current asset property sales	5,399	(4,126)	-	1,273
Other support services	1,852	-	(1,653)	199
Non-social housing activities				
Provision of services to group	570	-	(553)	17
Gift aid receipts from group entities	554	-	-	554
Market Sales - Land	958	(958)		-
Other	3,530	-	(3,161)	369
Total from social and non-social housing activities	66,714	**(5,084)**	**(50,948)**	10,682
Surplus on disposal of fixed assets				1,876
Revaluation of investment properties				282
Impairment of other tangible fixed assets				127
Exceptional items				
Pension Risk Review & Stock Rationalisation				(84)
Total operating surplus				12,883

Company 2022	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	50,957	-	(40,112)	10,845
Other social housing activities				
Current asset property sales	2,830	(2,729)	-	101
Other support services	1,741	-	(1,602)	139
Non-social housing activities				
Provision of services to group	823	-	(796)	27
Gift aid receipts from group entities	2,600	-	-	2,600
Market Sales	-	-	-	-
Other	2,803	-	(2,203)	600
Total from social and non-social housing activities	61,754	**(2,729)**	**(44,713)**	14,312
Surplus on disposal of fixed assets				1,970
Revaluation of investment properties				147
Impairment of other tangible fixed assets				229
Exceptional items				
Corporate Restructure				(162)
Total operating surplus				16,496

4. Operating Surplus

	2023 Group £'000	2022 Group £'000	2023 Company £'000	2022 Company £'000
Operating surplus is arrived at after charging / (crediting)				
Depreciation and impairment				
Depreciation of housing properties	9,503	9,053	9,503	9,053
Impairment of housing properties	-	-	-	-
Depreciation of other fixed assets	927	898	927	898
Impairment of other fixed assets	(127)	(229)	(127)	(229)
Grant amortisation	(759)	(707)	(759)	(707)
Grant recognised in suplus on disposal of property	(369)	(48)	(369)	(48)
Operating lease rentals				
Service fleet	392	392	392	392
Office equipment	5	8	5	8
Auditors' remuneration (excluding VAT)				
for external audit services	64	56	40	34
Exceptional items				
Pension Risk Review & Stock Rationalisation	84	-	84	-
Corporate Restructure	-	162	-	162

5. Surplus on sale of fixed assets

	2023 Group £'000	2022 Group £'000	2023 Company £'000	2022 Company £'000
Disposal proceeds	2,689	2,901	2,689	2,901
Carrying value of fixed assets	(813)	(931)	(813)	(931)
Surplus on disposal of fixed assets	**1,876**	**1,970**	**1,876**	**1,970**

6. Accommodation in management

	2023 Number	2022 Number
Units owned / managed at end of year:		
General housing - social rent	7,022	7,007
General housing - affordable rent	1,483	1,415
Housing for older people and other supported housing	1,506	1,501
HFOP/SH - affordable rent	130	129
Intermediate rent	89	61
Shared ownership	443	372
Social housing owned	**10,673**	**10,485**
Market rent	33	33
Commercial units	44	42
Total Owned Units Managed	**10,750**	**10,560**
Leasehold properties	434	434
Total managed properties	**11,184**	**10,994**
Units out of management (included above)	42	15

7. Interest receivable and other income

	2023 Group £'000	2022 Group £'000	2023 Company £'000	2022 Company £'000
Interest receivable from deposits and investments	297	1	291	1
Interest receivable from deposits and investments intercompany	-	-	6	57
	297	1	297	58

8. Interest and financing costs

	2023 Group £'000	2022 Group £'000	2023 Company £'000	2022 Company £'000
Interest payable on loans	9,748	8,990	9,748	8,990
Interest on finance leases	-	-	-	-
Other charges*	252	277	252	277
	10,000	9,267	10,000	9,267
Pension finance costs	453	433	453	433
Interest payable capitalised on housing properties under construction	(830)	(1,220)	(830)	(1,163)
Loan amortisation	203	146	203	146
Bond premium amortisation	(114)	(110)	-	-
	9,712	8,516	9,826	8,683
Capitalisation rate used to determine the finance costs capitalised during the financial year:	4.48%	4.43%	4.48%	4.43%

* incl interest charged in period from Sinking Funds £0.009m and RCGF £0.002m

9. Tax on surplus on ordinary activities

Connexus Homes Limited is an exempt charity for tax purposes and is therefore not liable to corporation tax on surpluses on its charitable activities. However, during the year, it has undertaken a number of activities that are outside of its charitable purpose and has exceeded the £80,000 permitted threshold.

The tax charge on the surplus / (deficit) on ordinary activities for the year was as follows:

	2023 Group £'000	2022 Group £'000	2023 Company £'000	2022 Company £'000
Current tax:				
UK Corporation tax on surplus for the year	-	-		-
Adjustment in respect of prior years	1	(588)	1	(81)
Total current tax	1	(588)	1	(81)
Total tax reconciliation:				
Surplus on ordinary activities before tax	2,766	6,648	3,354	7,871
Theoretical tax at UK corporation tax rate 19% (2022: 19%)	526	1,263	637	1,495
Adjustment in respect of prior years	1	(588)	1	(81)
Profit not taxable	(493)	(994)	(600)	(1,483)
Adjustments to tax *	(33)	(269)	(37)	(12)
	1	(588)	1	(81)

* this is relation to CIR and loss sharing

10. Employees

Average monthly number of colleagues (including the Chief Executive), employed during the financial year:

	2023 Group Number	2022 Group Number
Management and support	107	112
Development	18	20
Asset management	41	38
Housing management	93	91
Property and maintenance	201	195
Care and support	91	82
	551	538

Average monthly number of colleagues expresses in 35-hour full time equivalents (full-time staff actually work 35 / 37 hours)

	2023 Number	2022 Number
Management and support	93	96
Development	17	19
Asset management	40	37
Housing management	88	87
Property and maintenance	207	202
Care and support	78	68
	523	509

Colleague numbers are calculated on the basis of the average number employed each month.

Colleague costs:

	2023 £'000	2022 £'000
Wages and salaries	16,509	14,550
Social security costs	1,593	1,303
Other pension costs	2,403	2,307
	20,505	18,160

Including past pension deficit of £474,720 (LGPS £38,661 credit, SHPS £513,380) (2022 313,003 - LGPS £36,697 credit, SHPS £389,229)

The full-time equivalent number of colleague who received remuneration (including employer pension contributions) greater than £60,000 (including the executive team)

Remuneration bandings for all employees earning over £60,000:	2023 Number	2022 Number
£160,001 to £170,000	1	-
£150,001 to £160,000	-	1
£140,001 to £150,000	-	-
£130,001 to £140,000	1	-
£120,001 to £130,000	-	1
£110,001 to £120,000	1	3
£100,001 to £110,000	-	-
£90,001 to £100,000	-	1
£80,001 to £90,000	2	-
£70,001 to £80,000	7	4
£60,000 to £70,000	-	6
	12	16

In addition to the above, £220,937 were payable to a third party in relation to management services provided by 2 Interim Directors who would have earned over the earnings threshold on a FTE basis.

11. Board members and Executive Directors

The Directors of the Group are defined as the Chief Executive and any other person who is a member of the Executive Management Team, or its equivalent. There are 4 Executive Directors all of whom accrue benefits under either the SHPS or LGPS pension scheme.

	2023 £'000	2022 £'000
Aggregate emoluments paid to non-executive directors (Board members)	95	90
Aggregate emoluments paid to executive directors	511	612
Pension payments relating to services as executive directors	46	61
	652	763

The Board members and Executive Directors are also directors of the subsidiaries within the Connexus Group. Their emoluments are paid by the parent company.

The emoluments of the highest paid Director, Richard Woolley, excluding pension contributions, were £163,000 (£151,000 2022). The Chief Executive is a member of the Local Government Pension Scheme. No further contributions were made to an individual pension arrangement for the Chief Executive.

	Director	Basic salary and additional payments £'000	Taxable benefits in kind £'000	Pension contributions £'000	Total 2023 £'000	Total 2022 £'000
Chief Executive (appointed 1/4/19)	Richard Woolley	148	15	26	189	175
Director of Operations (appointed 10/01/22)	Sara Woodall	109	11	5	125	27
Director of People (appointed 4/1/21, resigned 14/8/22)	Joanne Tracey	36	3	5	44	113
Director of Development (appointed 3/6/19, resigned 30/9/22)	Victoria Tomlinson	54	5	4	63	104
Director of Resources (appointed 1/10/19)	Andrew Cooke	118	12	6	136	131
Director of Operations (appointed 1/7/17, resigned 30/10/21)	Christine Duggan	0	0	0	-	123
		465	46	46	557	673

11. Board members and Executive Directors (continued)

The Directors and Board members listed below are directly employed and their emoluments paid by the parent Connexus Homes Limited.

Name	Appointed	Resigned	2023 £'000	2022 £'000
John Barker (Chair)	19/09/2019	14/10/2022	9	15
Andrew Battrum	19/09/2019		8	8
Nicola de Longh	15/09/2020		10	7
Simon Ewins	15/09/2020		7	7
Simon Gibbs	19/09/2019		7	7
Maggie Punyer	19/09/2019		9	8
Abigail Reilly	19/09/2019		8	8
Paul Smith	11/12/2018		7	7
Andrew Taylor	01/08/2019		11	11
Nicolas Garner	01/07/2020		4	3
Paul O'Driscoll	20/03/2017		4	3
Imran Patel	15/09/2020		7	6
Michele Ibbs (Chair)	15/10/2022		7	0
			95	90

12. Tangible fixed assets – housing properties

Group	Social housing properties held for letting £'000	Housing properties for letting under construction £'000	Completed shared ownership housing properties £'000	Total housing properties £'000
Cost				
at 1 April 2022	403,769	27,301	31,983	463,053
Additions		24,952		24,952
Works to existing properties	12,858	1,685	5	14,548
Interest capitalised		830		830
Schemes completed	22,629	(31,796)	9,167	-
Transfer to investment properties		21		21
Transfer to current assets		(3,724)	(56)	(3,780)
Disposals - Other	(2,755)	(4)	(186)	(2,945)
At 31 March 2023	436,501	19,265	40,913	496,679
Depreciation				
at 1 April 2022	89,049	-	2,062	91,111
Charged in the year	9,134	-	369	9,503
Released on disposal	(1,946)	-	(14)	(1,960)
At 31 March 2023	96,237	-	2,417	98,654
Net book value				
At 31 March 2023	340,264	19,265	38,496	398,025
At 31 March 2022	314,720	27,301	29,921	371,942

12. Tangible fixed assets – housing properties (continued)

Company	Social housing properties held for letting £'000	Housing properties for letting under construction £'000	Completed shared ownership housing properties £'000	Total housing properties £'000
Cost				
at 1 April 2022	408,804	27,301	31,983	**468,088**
Additions		24,907		**24,907**
Works to existing properties	12,858	1,685	5	**14,548**
Interest capitalised		830		**830**
Schemes completed	23,087	(32,254)	9,167	**-**
Transfer to investment properties		21		**21**
Transfer to current assets		(3,221)	(56)	**(3,277)**
Disposals - Other	(2,755)	(4)	(186)	**(2,945)**
At 31 March 2023	441,994	**19,265**	40,913	**502,172**
Depreciation				
at 1 April 2022	89,049	-	2,062	**91,111**
Charged in the year	9,134	-	369	**9,503**
Transfer to current assets	-	-	-	**-**
Released on disposal	(1,946)	-	(14)	**(1,960)**
At 31 March 2023	96,237	**-**	2,417	**98,654**
Net book value				
At 31 March 2023	345,757	**19,265**	38,496	**403,518**
At 31 March 2022	319,753	27,303	29,921	376,977

Housing properties, net of depreciation comprises:

	2023 Group £'000	2022 Group £'000	2023 Company £'000	2022 Company £'000
Freehold land and buildings	397,163	371,089	402,656	376,124
Long leasehold land and buildings	862	853	862	853
	398,025	**371,942**	403,518	**376,977**

Expenditure on works to existing properties

Group & Company	2023 £'000	2022 £'000
Components capitalised	14,548	11,503
Amounts charged to Statement of Comprehensive Income	17,597	14,419
	32,145	**25,922**

Social housing assistance

Total social housing and other capital grants

Group & Company	2023 £'000	2022 £'000
Social housing assistance		
Total accumulated grant received or receivable at 31 March	79,079	75,226
Recognised in the Statement of Comprehensive Income	10,646	9,496
Grant received in advance	-	-
Held as deferred income	68,433	65,730
At 31 March	79,079	**75,226**

Impairment

Connexus Homes Limited assesses at each reporting date whether there is any indication that an asset (housing or non-housing) is impaired. The following indicators of impairment must, as a minimum, be considered by a social landlord in assessing whether there is an indication that assets are impaired:

a) Contamination not identified as part of a development which results in a material increase in development costs.
b) Change in government policy, regulation or legislation which has a material detrimental impact on the development scheme.
c) Change in demand for a property
d) Material reduction in the market value of the property
e) Obsolescence of the property e.g. Where it is probably that a plan to regenerate existing properties by demolishing them or replacing of components of existing properties will go ahead.

Connexus does not consider that any such indication exists and therefore it has not undertaken an exercise to estimate the recoverable amount.

Impairment reversals have occurred during the year end revaluations in relation to investment properties and another property that is planned for disposal and have been recognised in the financial statements.

Where a property is to be demolished or is unable to be let the net book value of these assets has been compared with the market value on disposal to determine whether impairment is required. No such properties existed at the year end.

13. Other fixed assets

Group & Company	Land and buildings £'000	Furniture fixtures and fittings £'000	Computers and other equipment* £'000	Vehicles, plant and equipment £'000	Total £'000
Cost					
At 1 April 2022	**7,077**	**812**	**6,761**	**818**	**15,468**
Transfer from Investment Properties	1,450	-	-	-	1,450
Additions	2,079	-	416	23	2,518
Disposals	-	-	-	(27)	(27)
At 31 March 2023	**10,606**	**812**	**7,177**	**814**	**19,409**
Capital Grants					
At 1 April 2022	**-**	**-**	**6**	**-**	**6**
Received in year	-	-	-	-	-
Disposals	-	-	-	-	-
At 31 March 2023	**-**	**-**	**6**	**-**	**6**
Impairment					
At 1 April 2022	**1,626**	**-**	**-**	**-**	**1,626**
Movement in year	(127)	-	-	-	(127)
At 31 March 2023	**1,499**	**-**	**-**	**-**	**1,499**
Depreciation					
At 1 April 2022	**1,876**	**787**	**5,744**	**705**	**9,112**
Charged in the year	318	7	574	28	927
Released on disposal	-	-	-	(27)	(27)
At 31 March 2023	**2,194**	**794**	**6,318**	**706**	**10,012**
Net book value					
At 31 March 2023	**6,913**	**18**	**853**	**108**	**7,892**
At 31 March 2022	3,575	25	1,011	113	4,724

* includes closing intangible fixed assets NBV of £0.289m (£0.433m 2022)relating to Computer Software

14. Investment properties and non-social housing properties held for letting

Group & Company	2023 £'000	2022 £'000
Valuation		
At 1 April	7,160	7,000
Additions	(15)	13
Increase / (Decrease) in value	282	147
Transfer to Other Fixed Assets	(1,450)	-
Disposals	(200)	-
At 31 March	**5,777**	**7,160**

Investment properties were valued in 2023 by RICS registered valuers, Savills UK.

Some investment properties saw further impairments in valuation. The reversal of the impairment recognised in 2021 and continued buoyancy in the properties markets gives the Board confidence that use of the valuations for the period ending 31 March 2023 is appropriate.

The (200k) Disposal is the transfer for nil consideration of the Discovery Centre to Grow Cook Learn a related party as disclosed in note 32.

15. Stock and properties held for sale

	2023 Group £'000	2022 Group £'000	2023 Company £'000	2022 Company £'000
Stock and work in progress:	**457**	**854**	**457**	**854**
Properties held for sale				
Shared ownership properties:				
Completed properties	1,540	1,498	1,540	1,498
Work in progress	2,634	4,663	2,412	4,663
Properties developed for outright sale:				
Completed properties	480	480	-	-
Work in progress	2,954	2,750	-	-
Land	239	-	239	-
Properties held for sale	**7,847**	**9,391**	**4,191**	**6,161**

16. Trade and other debtors: amounts falling due within one year

	2023 Group £'000	2022 Group £'000	2023 Company £'000	2022 Company £'000
Rent and service charges receivable	2,218	1,577	2,218	1,577
Less: Provision for bad and doubtful debts	(1,535)	(1,140)	(1,535)	(1,140)
Net rent arrears	**683**	**437**	**683**	**437**
Other debtors	822	729	822	698
Social housing grant receivable	-	-	-	-
Amounts owed by group undertakings	-	-	678	1,059
Other taxation and social security	99	228	-	188
Prepayments and accrued income	2,696	2,173	2,687	2,172
Other Debtors	**3,617**	**3,130**	**4,187**	**4,117**
	4,300	**3,567**	**4,870**	**4,554**

17. Debtors: amounts due after more than one year

	2023 Group £'000	2022 Group £'000	2023 Company £'000	2022 Company £'000
Improvement works	-	3,212	-	3,212
Prepayments due after more than one year	77	45	77	45
Loan to third party organisation	-	250	-	250
Less: Provision for bad and doubtful debt	-	(250)	-	(250)
	77	**3,257**	**77**	**3,257**

Improvement works relate to expenditure agreed as part of the stock transfer in the historic subsidiary CH3L. This has now come to an end of the agreed term and has therefore been derecognised.

The loan to third party organisation has now been written off as agreed by the Connexus Board to ensure the long-term sustainability of the Charity enabling it to access future funding, this meets our Corporate plan objectives to invest in our Communities.

18. Cash and short-term investments

	2023 Group £'000	2022 Group £'000	2023 Company £'000	2022 Company £'000
Short-term investments	22,923	4,342	18,766	4,334
Cash and cash equivalents	922	1,281	512	152
	23,845	**5,623**	**19,278**	**4,486**

19. Creditors: amounts falling due within one year

	2023 Group £'000	2022 Group £'000	2023 Company £'000	2022 Company £'000
Loans (Note 23 & Note 29)	1,055	1,044	1,055	1,044
Loans - Intercompany	-	-	-	-
Less: Issue costs	(277)	(173)	(259)	(156)
Less: Issue costs - Intercompany	-	-	(18)	(17)
Bond Premium	118	114		-
Trade creditors	3,619	6,766	2,789	4,865
Rent and service charges received in advance*	2,433	2,606	2,433	2,606
Other taxation and social security	425	342	452	342
Accruals and deferred income	7,347	5,971	4,251	2,572
Other creditors	839	709	839	704
Recycled capital grant fund (Note 22)	-	-	-	-
Deferred grant income (Note 21)	759	707	759	707
Other amounts owed to group undertakings	-	-	4,096	10,019
Receipts in advance	1,086	1,537	1,086	1,537
	17,404	19,623	17,483	24,223

* Rent and service charges received in advance include £0.412m (£0.352m 2022) related to accounts that have ended

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

	2023 Group £'000	2022 Group £'000	2023 Company £'000	2022 Company £'000
Loans (Note 23 & Note 29)	240,381	199,436	120,381	79,436
Loans - Intercompany	-	-	120,000	120,000
Less: issue costs	(2,553)	(2,554)	(1,838)	(1,821)
Less: issue costs - Intercompany	-	-	(715)	(733)
Recycled capital grant fund (Note 22)	42	114	42	114
Deferred income	-	-	-	-
Deferred grant income (Note 21)	67,674	65,023	67,674	65,023
Deferred bond premium	4,382	4,500	-	-
Improvement works	-	3,212	-	3,212
	309,926	269,731	305,544	265,231

21. Deferred grant income

Group & Company	2023 £'000	2022 £'000
At 1 April	65,730	62,148
Grant received in the year	3,853	4,387
Release of grant to Surplus on Disposal	(369)	(48)
Grant recycled	(22)	(50)
Released to income in the year	(759)	(707)
At 31 March	68,433	65,730
Amounts to be released within one year	759	707
Amounts to be released in more than one year	67,674	65,023
At 31 March	68,433	65,730

22. Recycled capital grant fund

Group & Company	2023 £'000	2022 £'000
At 1 April	114	**77**
Grants recycled	22	50
Interest accrued	2	-
Withdrawals	(96)	(13)
	42	**114**
Repayment of grant	-	-
At 31 March	42	**114**
Amount of grant due for repayment	-	-

23. Debt analysis

The funding has been sourced directly by Connexus Homes Ltd or Bond finance funding by the funding vehicle Herefordshire Capital PLC (H.Cap) and on-lent to Connexus Homes Ltd on the terms detailed in the table. All loans are fully secured against properties charged to M&G Security Trustees

	Source	Terms of repayment	2023 £'000	2022 £'000
RBS	C.Homes	17 years	25,966	26,687
NatWest	C.Homes	23 years	55,000	-
RBS Revolver	C.Homes	4 years	-	13,000
Natwest Revolver	C.Homes	3 years	-	-
Lloyds Revolver	C.Homes	3 years	-	-
Canada Life	C.Homes	24 years	25,000	25,000
Shropshire Council	C.Homes	14-18 years	7,470	7,793
Lloyds Bank	C.Homes	15 years	8,000	8,000
Bond Finance	H.Capital	27 years	120,000	120,000
Total borrowings			241,436	**200,480**
Less: Issue Costs			(2,830)	**(2,727)**
			238,606	**197,753**

Based on the lenders earliest repayment date, borrowings are repayable as follows: Accounted for at amortised cost

	2023 £'000	2022 £'000
Within one year or on demand	778	871
One year or more but less than two years	68	881
Two years of more but less than five years	7,709	16,325
Five years or more	230,051	179,676
	238,606	**197,753**

24. Financial commitments

Group and Company	2023 £'000	2022 £'000
Authorised expenditure not contracted	194,531	235,025
Authorised expenditure contracted	20,237	29,533
	214,768	264,558

At the reporting date the Group had £0.9m of cash and cash equivalents, £22.9m short term investments and £80.0m of approved undrawn funding. The remaining £111.0m is expected to be funded by reserves, future surpluses, Social Housing Grant, loan finance and new build asset sales.

The Group and Company were committed to making the following future minimum lease payments under non-cancellable operating leases.

Group and Company	2023 £'000	2022 £'000
Due within one year	478	485
Due within two and five years	405	884
	883	1,369

25. Provisions for liabilities

The leave pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost for the period of absence.

Group & Company	Leave Pay £'000	SP Contracts £'000	Groundworks £'000	Total £'000
At 1 April 2022	175	70	6	**251**
Additions	65	-	-	**65**
Reversals	-	-	(6)	**(6)**
At 31 March 2023	**240**	**70**	**-**	**310**

26. Called up share capital

	2023 Group £	2022 Group £	2023 Company £	2022 Company £
Issued and fully paid shares of £1 each:				
At 1 April	11	73	11	10
Issued during the year		1		1
Relinquished during the year	(2)	(63)	(2)	-
At 31 March	**9**	**11**	**9**	**11**

The shareholders do not have the right to dividends, redemptions or distributions.

27. Reconciliation of operating surplus to net cash flow from operating activities

Group	2023 £'000	2022 £'000
Operating surplus	12,181	15,163
Depreciation of housing properties	9,503	9,053
Depreciation of other fixed assets	927	898
Impairment of other fixed assets	(127)	(229)
Movement in valuation of investment properties	(282)	(147)
Carrying value of assets disposals		
Movement in properties held for sale	1,544	3,937
Surplus on disposal of properties	(1,876)	(1,970)
Other loss on disposal	372	362
Movement in stock	397	(187)
Movement in debtors	(765)	3,958
Movement in creditors	(2,182)	(692)
Movement in provisions	59	(78)
Pension cost less contributions payable	449	618
Taxation	1	(1)
Government grants utilised in the year	(1,128)	(755)
Net cash flow from operating activities	**19,073**	**29,930**

28. Analysis of changes in net debt

Group	1 April 2022 £'000	Cashflow £'000	Non-cash £'000	31 March 2023 £'000
Cash	1,281	(359)		922
Short term investments	4,342	18,581		22,923
	5,623	18,222	-	23,845
Debt (loans)	(200,480)	(40,956)	-	(241,436)
Debt (finance leases)	-	-	-	-
Issuance costs	2,727	306	(203)	2,830
	(192,130)	(22,428)	(203)	(214,761)

29. Financial assets and liabilities

Other than short-term debtors, financial assets held are cash deposits at bank or placed on money markets at call or invested in sterling gilts. They attract interest at variable rates and amounts held are shown below:

	2023 Group £'000	2022 Group £'000	2023 Company £'000	2022 Company £'000
Call account deposits & gilts (On which floating interest is earned)	22,923	4,342	18,766	4,334
Current account deposits (On which no interest is earned)	922	1,281	512	152
Total financial assets	**23,845**	**5,623**	**19,278**	**4,486**

29. Financial assets and liabilities (continued)

Financial liabilities excluding creditors

	2023 £'000	2022 £'000
Under one year	-	-
Within two to five years	-	13,000
After five years	241,436	187,480
Interest rate basic:		
Fixed	99.7%	93.0%
Floating	0.3%	7.0%

Based on final repayment date

The weighted average percentage of financial liabilities is 4.37% in 2023. (2022: 4.56%).

The interest rate profile of the group's financial liabilities at 31 March was:

	2023 £'000	2022 £'000
Fixed Rate	240,649	185,971
Variable Rate	787	14,509
Total Borrowings	**241,436**	**200,480**

Borrowing facilities

The group has undrawn committed borrowing facilities

	2023 £'000	2022 £'000
Two years of more but less than five years	80,000	12,000
Five years or more	-	55,000
	80,000	**67,000**

Financial risk management

Risk Management

The Corporate Finance team is responsible for the management of funds and control associated risks. Its activities are governed by the Group Board who are responsible for treasury issues in all Connexus Homes Limited legal entities which include this company.

Interest rate risk

The Group currently borrows on a fixed rate basis from the capital market through Herefordshire Capital which on-lends these funds to Connexus Homes Limited which then on-lends to the other entities in the Group on a similar fixed rate basis. The group also borrows at floating rates through its RCF facility.

The Group soes not have any hedging activities and it does not have any derivatives.

The interest rate on all Herefordshire Capital borrowing is fixed at 4.193% until 2049

30. Contingent liabilities and Contingent Assets

As at 31 March 2023 the company had nil contingent liabilities (£nil 2022)

As at 31 March 2023 the company had £3.53m of contingent assets linked to its Defined Benefit Pension schemes following the application of an asset ceiling.

31. Pensions

All the company's employees are eligible to join one of our Pension schemes. The membership of the Shropshire County Pension Fund (SCPF), Worcestershire Pension Fund (WPF) are legacy schemes relating to long standing colleagues and are closed to new members. The Social Housing Pension Scheme (SHPS) Defined benefit scheme is closed to new members, the Defined Contribution scheme is open to all colleagues. Further information on each defined benefit scheme is given below.

	2023 Group £'000	2022 Group £'000
Total pension liability comprises of:		
SHPS	2,037	2,072
Shropshire Council (LGPS) for 430	-	115
Shropshire Council (LGPS) for 455	-	2,179
Worcester County Council (LGPS)	-	12,694
	2,037	17,060

	2023 Group £'000	2022 Group £'000
Total pension asset comprises of:		
Shropshire Council (LGPS) for 430	-	-
Shropshire Council (LGPS) for 455	-	-
Worcester County Council (LGPS)	675	-
	675	-

The pension asset in the actuary reports has not been fully recognised in the Connexus accounts as identified in the SCPF an asset ceiling has been applied based on recovery certainty as detailed in Note C.

Shropshire County Pension Fund (SCPF)

The Shropshire County Pension Fund is a local Government Pension Scheme and is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme.

Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The last actuarial; valuation was completed as at 31 March 2022. At this date the market valuation of the whole scheme assets was £2,339m.

The market value of the Group's share of the scheme assets at 31 March 2023 was £10.961m (£11.233m 2022) representing a funding level of 111% (2022: 83%) based on liabilities valued on actuarial assumptions. Having a market value of £9.899m (13.527m 2022).

Employer's contributions to the SCPF by the Group for the year ended 31 March 2023 were £0.91m (£0.87 2022). Employer's contribution rates were 0% Employer ref: 430 and 22.3% Employer ref: 455, during the financial year (2022: 0% 430, 22.3% 455) plus an annual past service deficit payment of £0.004m (£0.005m 2022).

Since the 2019 valuation, the overall average primary employer contribution rate has been 16.6% of pensionable pay, plus £9m per annum in Secondary contributions set at individual levels on the basis that deficits are recovered over 19 years. In the absence of other factors, the contributions at the above level would mean a gradual improvement so that the Fund would have increased to 100% at the end of the 19 years. Employers can also op to make an additional contribution to cover the McCloud judgement, Connexus has opted to do so, and it is included in the Secondary rate.

In practice, each employer's position is assessed, and separate employer contribution rates are set based on individual employer circumstances.

There is no provision for unitising the assets of the SCFP under the Local Government Pension Scheme Regulations. The above assets are allocated as a whole to participating bodies on a consistent and reasonable basis and overall investment performance is attributed to employers on a pro-rata basis (i.e a notional individual employer investment strategy that is identical to that adopted for the scheme as a whole).

Financial assumptions	2023 % per annum	2022 % per annum	2022 % per annum
	430 & 455	430	455
Inflation assumption (CPI)	2.70	3.50	3.40
Future salary increases	3.95	4.75	4.65
Future pension increases	2.80	3.60	3.50
Discount rate	4.90	2.80	2.80

Post retirement mortality assumptions:	2023 No. of Years	2022 No. of Years
Retiring today:		
Current pensioners - Male	22.2	22.9
- Female	24.5	25.1
Retiring in 20 years:		
Future pensioners - Male	23.5	24.1
- Female	26.3	26.7

Analysis of the amount charged to the Statement of Comprehensive Income (SCPF)

	2023 £'000	2022 £'000
Current service costs	185	184
Past Service Costs	-	-
Employer Contribution	(91)	(87)
Administration expenses	4	2
Curtailments	-	-
Amounts charged to operating costs	**98**	**99**

	2023 £'000	2022 £'000
Interest on pension liabilities	374	279
Expected return on assets	(311)	(223)
Amounts charged to other finance costs	**63**	**56**

Statement of total recognised surpluses and deficits (SCPF)

	2023 £'000	2022 £'000
Remeasurements in year (liabilities and assets)	3,517	525
Internal judgement - asset ceiling applied	(1,062)	-
Actuarial gain / (loss) recognised	**2,455**	**525**

*Further information about Asset Ceiling contained in Note C Defined Benefit Obligations.

Analysis of the amount recognised in the Statement of Financial Position (SCPF)

	2023 £'000	2022 £'000
Present value of funded benefit obligations	9,899	13,527
Fair value of plan assets	(10,961)	(11,233)
Internal judgement - asset ceiling applied	1,062	-
(Surplus) / deficit related to the Group	**-**	**2,294**
Net (asset) / liability to the Group	**-**	**2,294**

*Further information about Asset Ceiling contained in Note C.

Change in benefit obligation during financial year to 31 March (SCPF)

	2023 £'000	2022 £'000
Opening scheme liabilities	13,527	13,437
Current service cost	185	184
Interest on pension liabilities	374	279
Member contributions	34	32
Past service cost (gain)	-	-
Re-measurements - gain/(loss): experience	848	31
Re-measurements - gain: assumptions	-	-
Remeasurements - loss on financial	(4,515)	54
Remeasurements - gain on demographic	(200)	(83)
Curtailments	-	-
Benefits paid	(354)	(407)
Present value of benefit obligation at end of the year	**9,899**	**13,527**

Change in plan assets during financial year to 31 March (SCPF)

	2023 £'000	2022 £'000
Opening fair value of plan assets	11,233	10,773
Interest on plan assets	311	223
Remeasurements (assets)	(350)	527
Administration expenses	(4)	(2)
Employer contributions	91	87
Member contributions	34	32
Benefits / transfers paid	(354)	(407)
Closing fair value of plan assets	**10,961**	**11,233**

The actual return on the plan assets was £0.049m reduction in year (£0.75m 2022)

Analysis of plan assets (SCPF)

The major categories of plan assets as a percentage of total plan assets are:

	2023 %	2022 %
Equities	51.1	50.6
Other bonds	18.8	18.9
Property	3.3	3.7
Cash / Liquidity	0.5	1.7
Other	26.3	25.1

The company expects to contribute £0.091m to this defined benefit pension plan in 2023/24.

History of experience gains and losses (SCPF)

	2023 £'000	2022 £'000
Defined benefit obligation	(9,899)	(13,527)
Plan assets	10,961	11,233
Internal judgement - asset ceiling applied	(1,062)	-
(Deficit)	-	**(2,294)**
Gains / (losses) on plan liabilities	3,867	(2)
(Losses) / gains on plan assets	(350)	527
Internal judgement - asset ceiling applied	(1,062)	-

*Further information about Asset Ceiling contained in Note C Defined Benefit Obligations.

Worcestershire Pension Fund (WPF)

The WPF is a multi-employer scheme with more than one participating employer, which is administered by Worcestershire County Council under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme.

Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The last actuarial valuation was completed as at 31 March 2022.

The market value of the overall scheme assets at 31 March 2022 was £3,585m.

The market value of the Company's share of the scheme assets at 31 March 2023 was £34.094m (£34.634m 2022) representing a funding level of 110% (2022: 73%) based on liabilities valued on actuarial assumptions. Liabilities had a market value of £30.951m (£47.328m 2022).

Employers' contributions to the WPF by the Company for the year ended 31 March 2023 were £0.57m (£0.59m 2022). Less a Past Service Deficit Credit of £0.043m (£0.042m 2022).

The Company's employer's contribution rate was 17.5% during the financial year (2022: 17.5%).

Since the 2019 valuations, the overall average employer primary contribution rate has been 17.5% of pensionable pay, plus £28m per annum with secondary contribution rates set at an individual levels on the basis that deficits are recovered over 15 years. In the absence of other factors, the contributions at the above level would mean a gradual improvement so that the Fund would have increased to 100% at the end of the 15 years. Employers can also opt to make an additional contribution to cover the McCloud judgement, Connexus has opted to do so, and it is included in the Secondary rate.

In practice, each employer's position is assessed, and separate employer contribution rates are set based on individual employer circumstances.

There is no provision for unitising the assets of the WPF under the Local Government Pension Scheme Regulations. The above assets as a whole are allocated to participating bodies on a consistent and reasonable basis and overall investment performance is attributed to employers on a pro-rata basis (i.e. a notional individual employer investment strategy that is identical to that adopted for the Scheme as a whole).

The principle assumptions at the Statement of Financial Position date are: (WPF)

Financial assumptions	2023 % per annum	2022 % per annum
Inflation assumption (CPI)	2.7	3.3
Future salary increases	4.2	4.8
Future pension increases	2.8	3.4
Discount rate	4.8	2.8

Mortality assumptions	2023 No. of Years	2022 No. of Years
Retiring today:		
Current pensioners - Male	22.0	22.6
- Female	24.2	25.0
Retiring in 20 years:		
Future pensioners - Male	23.3	24.1
- Female	26.1	27.0

Analysis of the amount charged to the Statement of Comprehensive Income (WPF)

	2023 £'000	2022 £'000
Current service costs	1,429	1,422
Past service costs	-	-
Employer contribution	(570)	(590)
Administration expenses	14	14
Curtailments	-	-
Amounts charged to operating costs	**873**	**846**

	2023 £'000	2022 £'000
Interest on pensions liabilities	1,317	972
Expected return on assets	(977)	(688)
Amounts charged to other finance costs	**340**	**284**

Statement of total recognised surpluses and deficits (WPF)

	2023 £'000	2022 £'000
Remeasurements (liabilities & assets)	17,050	2,527
Internal judgement - asset ceiling applied	(2,468)	-
Actuarial gain / (loss) recognised	**(6,064)**	**(8,591)**

*Further information about Asset Ceiling contained in Note C Defined Benefit Obligations.

Analysis of the amount recognised in the Statement of Financial Position (WPF)

	2023 £'000	2022 £'000
Present value of funded benefit obligations	30,951	47,328
Fair value of plan assets	(34,094)	(34,634)
Internal judgement - asset ceiling applied	2,468	-
(Surplus) / deficit related to the Company	**(675)**	**12,694**
Net (Asset) / liability to the Company	**(675)**	**12,694**

*Further information about Asset Ceiling contained in Note C.

Change in benefit obligation during the financial year to 31 March (WPF)

	2023 £'000	2022 £'000
Opening scheme liabilities	47,328	46,468
Current service cost	1,429	1,422
Interest on pension liabilities	1,317	972
Member contributions	252	242
Past service cost / (gain)	-	-
Re-measurements - gain/(loss): experience	3,425	126
Re-measurements - gain: assumptions	(21,191)	
Remeasurements - gain on financial assumptions	-	(947)
Remeasurements - gain on demographic assumptions	(749)	(368)
Curtailments	-	-
Benefits paid	(860)	(587)
Present value of benefit obligation at end of the year	**30,951**	**47,328**

Change in plan assets during the financial year to 31 March (WPF)

	2023 £'000	2022 £'000
Opening fair value of plan assets	34,634	32,377
Administration expenses	977	688
Remeasurements (assets)	(1,465)	1,338
Administration expenses	(14)	(14)
Employer contributions	570	590
Member contributions	252	242
Benefits / transfer paid	(860)	(587)
Closing fair value of plan assets	**34,094**	**34,634**

The actual return on the plan assets was £0.335m reduction in year (£2.026m 2022).

Analysis of plan assets (WPF)

The major categories of plan assets as a percentage of total plan assets are:

	2023 %	2022 %
Equities	72.2	79.2
Government Bonds	-	-
Other bonds	2.6	3.0
Property	8.6	5.6
Cash / Liquidity	1.5	-
Other	15.1	12.2

The company expects to contribute £0.482m to this defined benefit pension plan in 2023/24.

History of experience gains and losses (WPF)

	2023 £'000	2022 £'000
Defined benefit obligation	(30,951)	(47,328)
Plan assets	34,094	34,634
Internal judgement - asset ceiling applied	(2,468)	-
Asset / (Deficit)	**675**	**(12,694)**
Gains / (losses) on plan liabilities	18,515	1,189
(Losses) / gains on plan assets	(1,465)	1,338
Internal judgement - asset ceiling applied	(2,468)	-

*Further information about Asset Ceiling contained in Note C Defined Benefit Obligations.

Social Housing Pension Scheme (SHPS)

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

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

The last competed triennial evaluation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 31 March 2028.

The Scheme is classified as a ‘last-man standing arrangement’. Therefore, the company is potentially liable for other participating employers’ obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme Deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it was not possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

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

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

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

We were notified in 2021 by the Trustee of the Scheme that it has performed a review of the changes made to the Scheme's benefits over the years and the result is that there is uncertainty surrounding some of these items. The Trustee is seeking clarification from the Court on these items, and the process on ongoing with it being unlikely to be resolved before the end of 2024 at the earliest. It is estimated that this could potentially increase the value of the full Scheme liabilities by £155m. We note that this estimate has been calculated as at 30 September 2022 on the Scheme's Technical Provisions basis. Until the Court direction is received, it is unknown whether the full (or any) increase in liabilities will apply and therefore, in line with the prior year, no adjustment has been made in these financial statements in respect of this.

The principle assumptions at the Statement of Financial Position date are: (SHPS)

Financial assumptions	2023 % per annum	2022 % per annum
Discount rate	4.84	2.78
Inflation (RPI)	3.17	3.47
Inflation (CPI)	2.79	3.14
Salary growth	3.79	4.14
Allowance for commutation of pension for cash at retirement	75% of max allow	75% of max allow

The mortality assumptions adopted at 31 March 2021 imply the following life expectancies

Post retirement Mortality assumptions:		Life expectancy at age 65 Years 2023	Life expectancy at age 65 Years 2022
Retiring today:			
Current pensioners	- Male	21.0	21.1
	- Female	23.4	23.7
Retiring in 20 years:			
Future pensioners	- Male	22.2	22.4
	- Female	24.9	25.2

Analysis of the amount charged to the Statement of Comprehensive Income (SHPS)

	2023 £'000	2022 £'000
Current service costs	1	110
Employer Contribution	(539)	(453)
Expenses	16	16
Amounts charged to operating costs	**(522)**	**(327)**
Interest on pension liabilities	484	404
Expected return on assets	(434)	(311)
Amounts charged to other finance costs	**50**	**93**
Total recognised in statement of comprehensive income	**(472)**	**(234)**

Statement of total recognised surpluses and deficits (SHPS)

	2023 £'000	2022 £'000
Remeasurements in year (liabilities & assets)	(437)	2,058

Analysis of the amounts recognised in the Statement of Financial Position (SHPS)

	2023 £'000	2022 £'000
Present value of funded benefit obligations	11,556	17,554
Fair value of plan assets	(9,519)	(15,482)
Deficit related to the Group	**2,037**	**2,072**
Net liability to the Group	**2,037**	**2,072**

Change in the benefit obligation during the financial year to 31 March (SHPS)

	2023 £'000	2022 £'000
Opening benefit obligation	17,554	18,629
Current service cost	1	110
Expenses	16	16
Interest Cost	484	404
Member contributions	65	110
Actuarial losses (gains) - Experience	(468)	969
Actuarial losses (gains) - Demographics	(24)	(259)
Actuarial losses (gains) - Financial	(5,754)	(1,660)
Curtailments	-	-
Benefits paid and expenses	(318)	(765)
Closing benefit obligation	**11,556**	**17,554**

Change in plan assets during financial year to 31 March (SHPS)

	2023 £'000	2022 £'000
Opening fair value of plan assets	15,482	14,265
Interest income	434	311
Remeasurements - Experience gain / (loss)	(6,683)	1,108
Employer contributions	539	453
Member contributions	65	110
Benefits paid and expenses	(318)	(765)
Closing fair value of plan assets	**9,519**	**15,482**

The actual return on the plan assets (including any change in share of assets) was £6.249m, reduction in year (£1.419m 2022)

Analysis of plan assets (SHPS)

	2023 £'000	2022 £'000
Global equity	178	2,971
Absolute return	103	621
Distressed opportunities	288	554
Credit relative value	359	515
Alternative risk premia	18	511
Emerging market debt	51	450
Risk sharing	701	510
Insurance-linked securities	240	361
Property	410	418
Infrastructure	1,087	1,103
Private debt	424	397
Opportunistic liquid credit	407	520
High Yield	33	133
Opportunistic Credit	1	55
Cash	69	53
Corporate bond fund	-	1,033
Long lease property	287	398
Secured income	437	577
Liability driven investment	4,384	4,320
Currency Hedging	18	(61)
Net current assets	24	43
Total assets	**9,519**	**15,482**

32. Related party transactions

Grow, Cook, Learn and Discovery Centre

Connexus Homes on-lent £0.25m to Grow Cook Learn, this has been written off along with the Discover Centre asset value of £0.2m as part of the transfer of ownership to Grow, Cook Learn in March 2023 for nil consideration. This met our corporate objectives to support local communities by ensuring the future sustainability of this amenity, ending the related party relationship.

Defined Benefit Pension Schemes

Related party transactions exist between Connexus Homes and SHPS, the SCCPF and the WPF these relate to Defined Benefit pension schemes as disclosed in Note 31.

33. Disclosure of group activity

Intra group transactions

Debtor and creditor balances between members of the Group are either debt subject to a market rate of interest, or trading balances which are non-interest bearing and are due to be settled within one year of their recognition. Costs are recharged to Floreat Living Limited at cost and to Rise Partnerships Development Limited at cost plus 5%.

Floreat Living Ltd. Is a subsidiary of Connexus Homes Limited providing design build and property sales services for the open market properties.

Rise Partnerships Development Limited charge Connexus Homes Limited at cost plus 5%. In accordance with FRS102, the group has taken advantage of the exemption from disclosing transactions or balances with entities which form part of the group.