Financial Statements 2023/2024

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Foreword from the Chair

We enter the last year of our current corporate plan, Making What Matters Brilliant, in a position of relative financial and operational strength. This year we have met all our operational targets, replacing more kitchens, bathrooms, roofs and windows than ever before, recruited more colleagues to work in our communities and our tenants' homes, as well as delivering an additional 670 affordable homes.

At the same time our surplus for the year has increased to £41.8m using our resources to deliver efficient and tenant focused services.

As a result, we finish the year as the country's only housing association that has G1 V1 ratings in the English Housing Association sector from our Regulator coupled with an A1 stable rating from Moody's.

However much more importantly, we end the year with 92% tenant satisfaction with their most recent repair and 89% overall tenant satisfaction.

These results, my first as Chairman but my fifth as a member of our Board, are the result of our consistent focus on the core landlord services that our tenants tell us matter most to them.

This year our organisation, which origins come from the Conference on Politics, Economics and Citizenship in 1924, will celebrate its centenary. While we look forward to celebrating this milestone, it highlights one of our biggest future challenges; how do we make 100-year-old homes fit for the next century?

We have the largest percentage of pre-First World War homes of any housing association in the country, with over 9,000 Victorian terrace homes in inner-city Birmingham alone. Over the course of the next year, we will pilot a sector-leading modernisation programme that will see us take a whole house, fabric first and tenant-centred approach to improving the comfort and energy efficiency of these homes.

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>
> **Llewellyn Graham**
> CHAIR,
> MIDLAND HEART

Alongside this more groundbreaking work we have continued our day-to-day efforts to improve the energy efficiency of our homes, meaning that by the end of our corporate plan in March 2025 all of our homes will be a minimum of EPC D or higher, indeed over 77% at C. On completion of this target, we will continue work to ensure that none of our homes have an EPC lower than C by 2030.

These results show an organisation with a relentless focus on the issues that matter most to our tenants, that is delivering high satisfaction, greater energy efficiency and targeted impactful investment.

To ensure that this continues we have started to co-create our next corporate plan with our tenants. This joint project between our Board, managers, front line colleagues and tenants will ensure that every investment, initiative, and improvement made between now and 2030 is exactly where our tenants want it to be and is delivered in the best possible way for them.

Our next corporate plan, which will launch in April 2025, will not simply be shaped by our tenants' voice – it will be our tenants' voice.

Foreword from the Chief Executive

Housing, like many sectors, can be guilty of focusing on the more eye-catching things we do, most notably development. This is not to say that building lots of new affordable homes is not an important or valuable endeavour, because it is. However, it is not what our tenants care about on a day-to-day basis, who want us to make sure their home is free from repairs, are responsive to their needs, and treat them with respect. We therefore have to ensure that our resources are balanced in meeting the needs of our existing, as well as our future tenants.

We have set out over the last five years to be truly brilliant at what matters most to our tenants. The results set out in this report show that, while there is still some work to do, we have made major improvements on the issues that our tenants care most about.

Investing in the comfort and safety of our homes is the issue our tenants tell us matters most to them. So, this year nearly 2,000 of our tenants have had a new bathroom or kitchen and over 500 have a new set of windows or roof improving their energy efficiency.

Our tenants also told us that the speed with which we respond to them when they need us is really important to them, especially when a repair is needed in their home.

To make sure we can get out to more repairs in less time we have increased the size of our in-house maintenance team meaning there is more people in more vans visiting more tenants homes every day.

> **This year we have recruited more people to work in our frontline services, promoted more colleagues internally and improved the technology our colleagues have out and about in our communities. As a result, I am delighted that we have been named as one of the Sunday Times Best Places to Work 2024.**
>
> **Glenn Harris MBE**
> CHIEF EXECUTIVE, MIDLAND HEART

The ease with which tenants can report issues to us is also something that they felt needed to be improved. In September, we made it possible for tenants to report a repair 24/7 via our app and to choose an appointment there and then that suits them and their family. We now have over 13% tenants registered on our app and within a few months 10% of our repairs were being reported via this channel. We will not be forcing tenants to change the way they want to contact us, instead we are offering choice and flexibility and to ensure each is as good as it can be.

I am also delighted to be able to confirm that for the fifth year in a row we have maintained our 100% safety compliance record.

Like many of our peers, we have tens of thousands of people who are looking for an affordable home to rent on our waiting list. Building new affordable homes, like the 670 we have handed over to tenants this year, is important to addressing this issue but so is focusing on the improvements such as reducing the time it takes to re-let homes. This year, on average, we have done any work required and re-let our empty homes in just over two weeks. This has resulted in a record low void loss for our organisation ensuring we can home our tenants more quickly.

None of the above would be possible without a dedicated, well trained and passionate set of colleagues. This year we have recruited more people to work in our tenant facing services, promoted more colleagues internally and improved the technology our colleagues have out and about in our communities. As a result, I am delighted that we have been named as one of the Sunday Times Best Places to Work 2024.

We enter the final year of our plan having made significant and lasting improvements on our three main objectives; becoming a first-class landlord whose services are responsive and accessible, building as many new affordable homes as we can, and becoming a leading employer across the Midlands.

Strategic **annual review**

Our fifth year of our corporate plan 'Making What Matters Brilliant' has demonstrated our commitment to invest significantly in the quality of our existing & new homes, energy efficiency, frontline services as well as our digital offer to tenants.

We have continued to deliver a robust set of operational and financial results amidst a challenging operating and macro-economic environment, with the sector facing unprecedented change as new regulations and legislation is introduced.

Our key highlights:

- We have delivered our **largest ever programme of home upgrades,** including new kitchens, windows, roofs and bathrooms.
- We built **670 new homes** and have now **delivered 2,941 of our target new homes of 3,750 (78%) by March 2025.** Our highest level of capital investment on both new and existing homes.
- **Our new online repairs offer to tenants went live,** allowing them to raise, amend and cancel repairs 24/7. This is a significant step forward in the way our tenants access our core services.
- We made important strides in improving the energy efficiency of our homes. **77% of our properties are now registered at EPC band C**, with **99.7% at band D**. We also completed Wave 1 of the Social Housing Decarbonisation Fund and drew down more than £2m of grant funding, **providing 161 homes with greater levels of insulation.**
- We continue to remain **fully compliant** on building safety.
- We completed interventions on **150 general needs intervention** schemes tackling communal areas in our more challenging blocks, with £0.9m spent.
- We achieved our **lowest ever void loss,** now below 1% for the first time ever.
- Both overall tenant and repairs satisfaction following a transaction remains consistently strong at 89% and 92% respectively. Repairs satisfaction finished at its highest position since 2017/18.
- Despite the cost-of-living challenges, **rent arrears ended the year below target at 4.32%** and below the 2022/23 figure of 4.39%.
- We generated a **sales surplus of £2.07m** from **sales in 143 Shared Ownership units.**
- We are now the **only** Governance 1, Viability 1 (Regulatory gradings) and A1 credit rated housing association (Moody's) in England.
- For the first time, **we were placed on the Sunday Times Best Places to Work list** following our colleague engagement survey held in October 2023.

Operating Environment

The social housing sector is undergoing a significant period of change. From April 2024, housing associations will be subject to enhanced levels of regulatory oversight, giving the Regulator of Social Housing (RSH) an expanded role to proactively regulate consumer standards, which will mean a new C 1-4 rating will be applied alongside governance and viability.

Housing Associations will be required to publish new tenant satisfaction measures (TSMs) providing tenants with greater transparency through an assessment of their services. Additionally, RSH will have new powers to intervene on grounds of a potential breach of standards.

The regulatory oversight of consumer standards is complemented with the bolstering of the Ombudsman service that will continue to drive up service standards in social housing through the assessment of tenant complaints.

As part of the new Social Housing Act, the sector will be expected to upskill their workforce, with greater levels of professionalisation. More staff will undertake professional development, leading to professional qualifications in housing management.

The Government has also announced Awaab's Law which will require social landlords to fix damp and mould, as well as other potential health hazards, within strict time limits. This is currently under consultation and is in response to the tragic death of two-year-old Awaab Ishak who died from exposure to damp and mould in his home. The sector will continue to devote more resources into existing homes to reduce the incidences of damp and mould and other building safety measures. It will be supported by the Building Safety Regulator that was established under the Building Safety Act 2022 to regulate higher-risk buildings and raise safety in all buildings.

Additionally, the economic environment has remained challenging as interest rates remain elevated to the previous historic low-rate period in order to combat a sticky level of inflation. Whilst inflation was falling by the end of March 2024, it is expected that rates will remain elevated during the first half of the next financial year to maintain a lid on inflation prone to supply chain shocks and the increase in real wages. Whilst the Government has not made a decision on a long-term settlement for rent increases, it has announced an extension of CPI + 1.0% into the financial year 2025/26.

Although outside this 23/24 Financial Year reporting period, the General Election was held on 4 July 2024, with a newly elected Labour Government. This could mean amendments to national housing policy and we will continue to monitor developments throughout 24/25. It is, however, expected that the supply of new housing and the quality of existing homes will remain a priority.

In addition to the General Election, the regional Mayoral elections took place on 2 May 2024. Richard Parker was elected as Mayor of the West Midlands and will continue to have oversight of any future affordable homes programme post 2026. We will continue to work closely with the Mayor and his advisors.

Tenant Satisfaction Measures

Since 1925, and nearly 100 years on, we have been working closely with tenants to improve the quality of our homes across the Midlands - actively listening to meet their expectations, tackling their concerns, and focusing on their priorities.

We have continued to deliver a robust set of operational and financial results amidst a challenging operating and macro-economic environment, with the sector facing unprecedented change as new regulations and legislation is introduced.

During 2023/24 we spent time engaging with tenants to help shape and co-produce our next corporate plan (2025-30), with around 1,500 tenants providing feedback, 650 through face-to-face visits. Specifically, in 2023/24, we have:

- Held more than **80** tenant meetings;
- Undertaken **141** estate inspections with tenants;
- Carried out around **11,000** post transaction surveys with tenants e.g. after completing a repair or delivering communal services.
- Obtained **6,000** pieces of insight through bespoke surveys, and;
- Have **89** tenants who are actively engaged through our **'My Voice'** tenant framework

This is the first time we are reporting on two new 'Tenant Satisfaction Measures' that have been introduced by the Regulator of Social Housing in 2023/24. 12 of these relate to tenant perceptions and 10 relate to management information. This further enriches the tenant insight work we have been undertaking.

- Overall satisfaction among our low cost rented accommodation tenants was **76.6%**. This represents around **27,500** homes.

- Overall satisfaction among our low-cost homeowners was **52.4%**. This represents around **2,200** homes.

We continue to use the feedback to shape and improve our services. This includes:

- Tackling anti-social behaviour through engaging with tenants on improving security arrangements and CCTV systems across **74** schemes.

- Going live with repairs online. More than **6,000** repairs have now been raised via the tenant app, around **11%** of jobs raised. This has been a major milestone in helping tenants to access our services on a 24-7 basis. It builds on our broader tenant offer which includes our letting portal and rent app. Targeted communications are continuing to promote further usage across all our channels.

- As part of our work on delivering balanced and sustainable communities, we have now completed works to **150** general needs schemes, as well as **30** in Retirement Living. The aim being to improve the overall quality of communal areas, including in relation to security.

Further information on all of our tenant satisfaction measures results can found at midlandheartgroup.org.uk

Our performance

Our financial resilience and underlying strength have allowed us to make record levels of investment in customer and digital services, our front-line operations, new and existing homes, building safety and energy performance - fundamentally focusing on improving the quality of our homes.

The fundamentals of our strategy are:

- Being a top-class landlord
- Building as many affordable homes as we can
- Being a great place to work and develop a career

£30.5m planned capital works

100% building safety compliance

77% of our homes are EPC C or above

1,086 bathrooms

868 kitchens

1,201 boilers

Consistently high levels of customer and repairs satisfaction each year at **c90%**

Re-let days at a record low - an average of **16.7** days

Void loss at a record low of (**0.98%**).

670 new homes built

143 Shared Ownership sales this year

£41.8m surplus

A1 stable Moody's rating

Continued highest Governance and Viability rating (G1 V1) from the Regulator of Social Housing

Operating and financial highlights

Our surplus for the year of £41.8m has increased by £1.1m. The increase in rent has given the group the additional income to cover the increase in costs caused by exceptionally high inflation, enable additional capital investment in our customers' homes, and improve service delivery.

The surplus has been used in full to invest in new and existing homes. Together with additional borrowing, a sum of over £145m was invested in new homes for customers, and over £30m was invested in improving our existing stock. This is a total increase of 50% over the prior year.

Financial performance	2024	2023
Turnover (£m)	231.9	221.1
Operating Surplus (£m)	66.4	63.7
Operating Margin (%)	28.6	28.8
Surplus for the year (£m)	41.8	40.7
Interest cover covenant (%)	291	300
Balance sheet		
Housing properties (net of depreciation) (£m)	1,898.5	1,758.4
Gearing (%)	43	44
Operational indicators		
Total housing stock	35,459	34,906
Customer satisfaction (%)	89	89
Current tenant arrears (%)	4.32	4.39
Average re-let time (days)	16.7	17.5
Repairs satisfaction (%)	92	91

Statement of comprehensive income

Our turnover of £231.9m shows an increase of £10.8m over the previous year as a result of a rent rise of 7.0%, the maximum level permitted as directed by the RSH, due to a cap imposed by Government against the rent standard and additional income from new build.

Despite inflationary pressures, our operating surplus has increased by £2.7m to £66.4m, largely due to increased income being offset by higher inflation and greater repair demand. To mitigate this, several actions took place, such as insourcing more housing operatives and placing less reliance on sub-contractors. This has reduced costs and given us more control to improve and shape tenant services.

	Turnover		Operating surplus	
	2024 £m	2023 £m	2024 £m	2023 £m
Social housing lettings	208.8	192.4	58.6	54.2
First tranche shared ownership	13.8	17.3	2.2	2.7
Properties developed for outright sale	-	3.0	-	0.3
Change to Support contracts and other income	4.2	4.2	0.8	1.1
Disposal of fixed assets	-	-	4.3	4.0
Other social housing	3.5	2.6	0.1	0.0
Market rent	1.6	1.6	1.0	1.0
Surplus on revaluation	-	-	(0.6)	0.4
Total	**231.9**	**221.1**	**66.4**	**63.7**

Social housing lettings income is the core of our business. Rent increased to £208.8m as a result of annual rent increases and the growth in homes. Meanwhile, operating surpluses increased marginally in social housing lettings as rent increases were largely offset by higher costs, in particular through increased repair volumes.

The level of first tranche sales decreased as the number of homes were sold less quickly during 2023/24, due primarily to the affordability of mortgages following the high prevailing rates of interest.

Surplus on disposal of fixed assets, such as staircasing and divestments, continued to perform well.

Market rent operating surpluses remained stable despite some disposals. However, the remaining portfolio was affected by a £0.6m downward revaluation on its investment properties.

Net interest costs of £24.4m were £1.5m higher than last year. This was caused by the increase in the small portfolio of variable interest rates and taking on new loans to meet our investment aspirations.

Statement of Financial Position

The gross cost of housing properties has increased by £167.4m to £2.3bn over the year.

This is a result of expenditure of £145.8m on new homes and a further £30.5m invested in improvements to existing properties. Properties with a cost value of £8.1m were disposed of during the year, and a net £3.9m of developed properties, principally shared ownership, were moved to stock, ready for sale.

Social Housing Grant has increased by £26.2m to £760.5m due to a net increase of grants receivable on new developments. Debtors increased by £4.0m to £17.5m largely due to higher prepayments.

Cash at bank and in hand decreased to £39.4m from £101.1m at the beginning of the year. This reflects our strong investment programme in our new and existing stock. We remain in a strong cash position, that together with undrawn facilities, ensures that all commitments are fully funded.

Creditors of less than one year increased £10.1m to £71.1 mainly due to an increase in accruals and deferred income.

Creditors over a year increased by £22.2m to £1,390.9m, due to the increase in Social Housing Grant.

Our immediate operating environment

From 1 April 2024, the operating environment remains challenging, this includes the following: -

- Sustained high interest rates
- Meeting increased regulatory and consumer standards
- Maintaining a strong new business programme
- Rising asset investment
- Pushing ahead with our low carbon strategy and its funding needs
- Continued focus on new development projects
- Investment in building safety, and;
- An increasingly uncertain labour market and skill shortages

Our financial strength and liquidity position mean that we are well placed to meet these challenges.

Our corporate plan

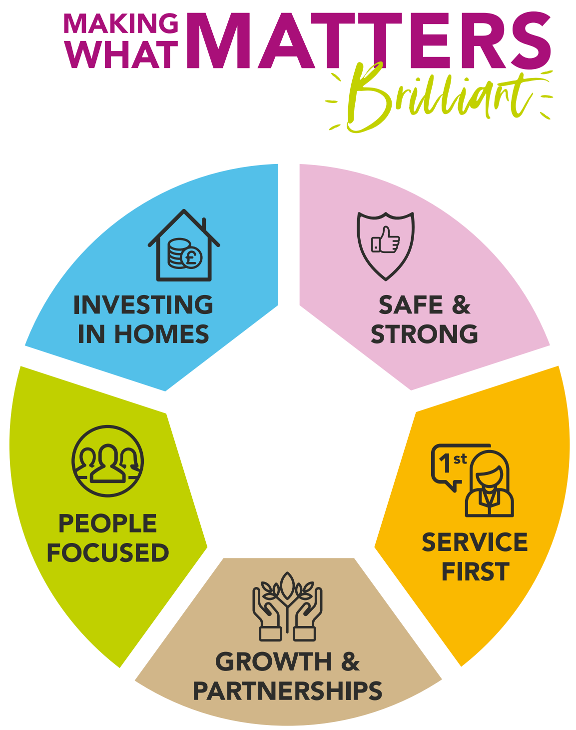
Our financial resilience and underlying strength have allowed us to continue to invest in tenant and digital services, our front-line operations, new and existing homes, building safety and energy performance. Essentially focusing on improving the quality of our homes.

The fundamentals of our strategy are:

- Being a top-class landlord
- Building as many affordable homes as we can, and
- Being a great place to work and develop a career.

During 2023/24 we have done much work to engage and listen to tenants, colleagues and stakeholders to help shape our next corporate plan 2025-30. We are co-producing this with tenants with final sign off by Board in December 2024.

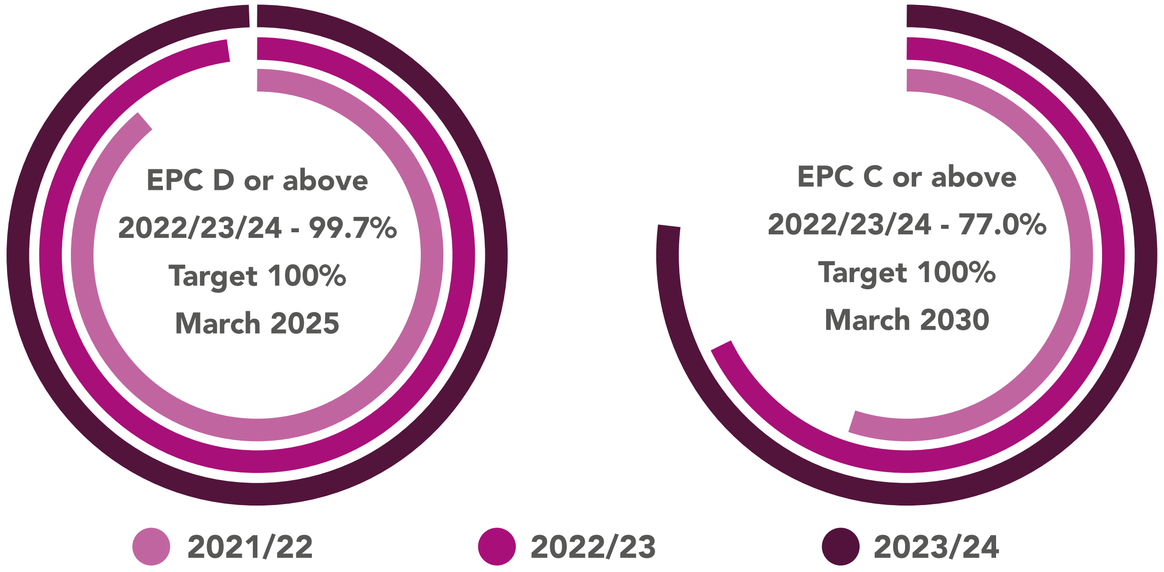
We completed our fifth and penultimate year of **Making What Matters Brilliant** in 2023/24. For each section of our corporate plan, we have set out our key deliverables and the outcomes we expect to achieve, with measures and targets. We have also included our low carbon initiatives for the third year running.



Investing in Homes

Measure	2021/22	2022/23	2023/24	2024/25 Target
Property investment spend	£26.4m (£67.6m over 3 years)	£29.5m (£97.1m over 4 years)	£39.9m (£137.0m over 5 years)	£120m over 6 years
Void loss %	1.29%	1.09%	0.98%	1.00%
EPC (Energy Performance Certificate) ratings	89% are at a minimum of EPC rating of D, of which 55% are at EPC C	98% are at a minimum of EPC rating of D, of which 68% are at EPC C.	99.7% are at a minimum of EPC rating of D, of which 77% are at EPC C.	100% of properties at a minimum of EPC rating D.

We have exceeded our target to invest £120m over the six-year corporate plan period, the overachievement is due to additional inflationary costs as well as additional green based components. This investment is modernising our stock by replacing key components such as kitchens, bathrooms, windows and roofs. This will ensure that we can offer high quality homes to our customers and support our progress toward a void loss target of 1%.



Within the year:

- We completed a record 1,086 new bathrooms, 868 kitchens, 152 roofs, and replaced 416 windows.
- We have significantly improved the EPC ratings of our properties during 2023/24 with 77% at EPC C or above, supporting our journey to ensuring all properties are above EPC rating of C by 2030.
- We spent £1.3m on refurbishing more of our Retirement Living schemes, which included the refresh of communal areas.
- We continued our intervention programme by improving overall property conditions as well as working with the police and local authorities to tackle anti-social behaviour. We have completed all 150 schemes identified at the start of the corporate plan, spending £0.9m in 2023/24, and;
- We achieved our lowest ever void loss at 0.98%, already hitting our target of 1% by 2025. We now take 16.7 days to re-let a property.

Intervention Scheme

West Street, Leicester – a partnership approach to tackle crime

Located near Leicester city centre, West Street is in an area of the city which has been associated with crime and anti-social behaviour, vandalism, drug dealing, fly tipping and prostitution. Through our teams, we received a multitude of complaints from our tenants who were finding the situation intolerable and meant a robust action plan was put in place to effectively deal with the issues.

Actions and various initiatives were taken through Leicestershire Police's Operation Levitate, which focused on targeted patrols and arrest warrants, together with the government-led Operation Gizmo, set up to tackle county line drug dealing. Our role was working in partnership with the police and the local authority to establish a variety of working groups and resident meetings which aimed to provide assurances that the issues were being tackled.

The multi-agency approach had a significant impact with Closure Orders obtained on three specific problem properties, with possession applications against four properties, and two tenants who were involved in this serious anti-social behaviour were successfully evicted. This was alongside five individuals receiving injunction orders, stopping them from returning to the area.

With the problem tackled, and left with a variety of void properties, these were fully refurbished and re-let to suitable tenants through a Local Lettings Plan.

The outcome is a street which is now a much safer, quieter and calmer place to live, and our colleagues being able to visit without fear of intimidation.

We are, however, not being complacent and our Tenancy Services team continue to have a local presence in this area, also conducting door-knocking initiatives, whilst a local newsletter provides key updates on local events and other community news.

Social Housing Decarbonisation Fund Wave 1

The Social Housing Decarbonisation Fund provides vital support to social housing landlords as we make strides to improve the energy efficiency of our homes and move our properties closer to net zero.

In 2022, we obtained c£2.2m from the SHDF Wave 1 from the West Midlands Combined Authority (WMCA) bid. This funding was matched by Midland Heart and used to supplement our net zero aligned energy efficiency retrofit strategy, getting all our homes to EPC D or above by 2025 and EPC C or above by 2030.

We have the largest number of pre-War/ early 1900s homes in the country, approximately one third of our 35,000 homes. Each require their own plan of works and can be expensive to retrofit, presenting us with a more unique challenge than other housing providers.

Nevertheless, through working in partnership with contractors Lovell and Wates, we have successfully completed retrofit works in 161 of our properties, including a mixture of fabric measures, solar panels and triple glazing, an industry and domestic housing first. As a result, we have seen a significant EPC uplift in these properties, with homes moving from bands E-D to C-B, years ahead of our organisational target. We also anticipate this technology will have a positive impact on the thermal comfort of our tenants and will reduce their energy bills now and in the long term.

One of our participating tenants said, “They totally reinsulated it and put the plaster boards and plaster on, they did it all lovely. They were very quick and got on with it. Electric bill has gone down and the windows are brilliant and keep the room warm without the draught coming in.”

Our award-winning Demand Side Response (DSR) smart storage heater pilot

The UK Government recognises electrification as the key pathway to decarbonise heat in our homes. Given the recent energy crisis, fast-tracking net zero action has the potential to solve the immediate pressing issues of security of supply and higher energy costs, part of the UK energy trilemma. As more electric load from renewables comes online, flexibility and storage will be required through a demand-side management system, also known as demand side response.

In partnership with British Gas and Glen Dimplex, we have upgraded or installed around 600 smart DSR ready storage heaters in our retirement living schemes, amounting to over a 1MW load. The innovative heaters sit within our tenant and communal spaces to undertake the first trial DSR of this size in a domestic environment.

The significant challenge to upgrade or install 600 smart storage heaters was overcome through a robust partnership and strong levels of engagement with our tenants. Our tenants were interested to learn about the innovative technology and how they could support in a trial of national importance. Without their understanding and support, we could not have contributed to such an important pilot.

The legacy of this pilot will be our collaborative commitment to trialling a technology critical to UK energy policy and the transition to net zero. Off the back of the pilot British Gas and Glen Dimplex have produced a new flexible DSR based electricity tariff.

This groundbreaking pilot has been recognised as a winner in two major energy and sustainability sector awards: Winner at the Edie Net Zero Awards 2023 Smart Systems and Flexibility Project of the Year and Winner at the Energy Awards 2023 Net Zero Initiative – Heating and Cooling.

Service first

Measure	2021/22	2022/23	2023/24	2024/25 Target
Customer satisfaction	89%	89%	89%	85-90%
Repairs satisfaction	91%	91%	92%	90-95%

Summary:

We want to ensure we deliver the best service we can to our tenants, exceeding their expectations and proactively dealing with their issues.

We measure how quickly we respond to tenants, as well as identifying issues before they tell us about their issue.

Within the year:

- We continued to deliver high quality repairs, achieving our highest level of repairs satisfaction since 2017/18
- We continued to focus on providing a rapid response to damp and mould, dealing with and preventing issues from arising
- During the year we went live with repairs online. Over 7,748 repairs have been raised via the tenant app (around 11% of jobs raised). This has been a major milestone in helping tenants to access our services on a 24/7 basis. It builds on our broader tenant offer which includes our letting portal and rent app
- We are doing more to tackle ASB through engaging with tenants on improving CCTV security arrangements across 74 schemes
- We collected £26.3m of rent through our tenant app
- We received 35,000 applications from prospective tenants through our lettings portal last year for 355 adverts for our homes. This demonstrates the continued high levels of demand for our homes.
- We continued our rollout of 'Connect 360', our colleague app that allows them to track and report repairs on site, whilst also allowing them to easily view property and tenancy information. This has enabled frontline colleagues to proactively help tenants with a wide range of issues at each point of contact.

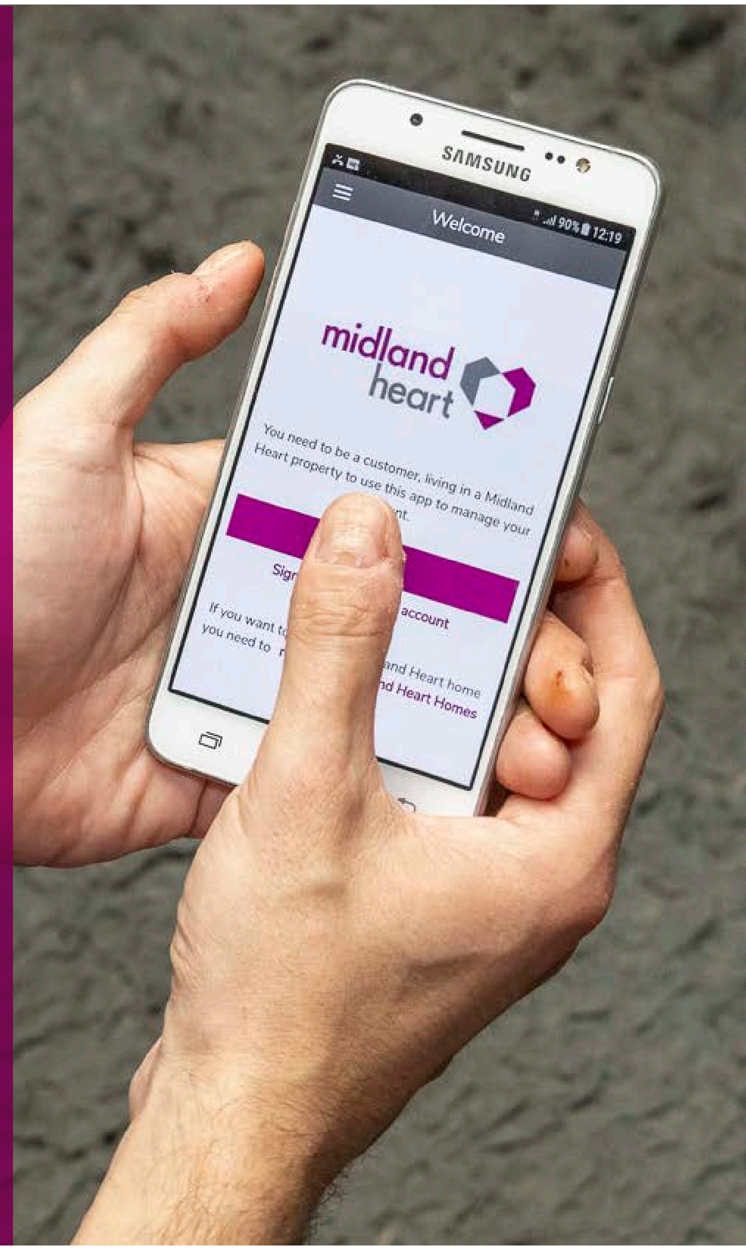
Tenant smartphone app

Through our ongoing digital improvement programme, in April 2023 we ran a successful pilot of the new repairs feature within our Customer app in both Wolverhampton and Coventry. This was then rolled out for all tenants in September 2023, backed by a multi-channel marketing campaign which featured a consistent stream of messaging underlining the app's time and hassle-saving features, mainly around booking and tracking repairs.

The app has been downloaded by 13% of our tenants across the region and more than 7,748 repairs have now been raised via the app. This has been a major milestone in helping tenants to access our services on a 24/7 basis.

Tenants have told us: "It's easy and I love it. You can just type what you want, it's easy" and "It was easier to use than other apps. The way we reported it, it gives options about where in the house needs repairing. It's fantastic."

New features and improvements will continue to be added, including making it easier for tenants to track their case and keep in touch. Regular updates to both the Apple and Google Play stores will also make it easier for tenants to understand the app's features at the point of download.



HomeChecker progress

HomeChecker continues to be an important Midland Heart colleague tool created to provide assurance that our properties are safe, secure, and well maintained.

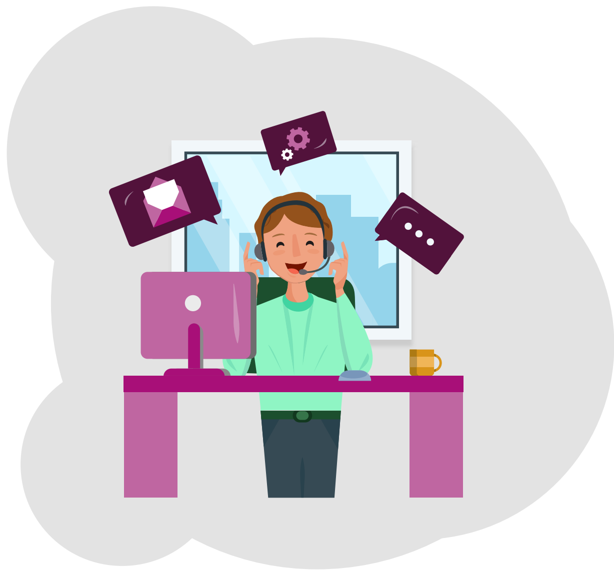
The online form is completed by every colleague visiting the property, grading the condition as 1 - No Concerns, to 4 - Immediate Concerns. The form prompts feedback on the exterior and interior of the property, as well as the cleanliness of the home, any safeguarding and wellbeing concerns, and where required, the condition of fire doors.

The key objective is to spot concerns proactively, enabling us to better support our tenants. Where serious issues are identified, multi-disciplinary case conferences are convened to develop tailored action plans that resolve the concerns.

The form also allows us to capture where there are issues with tenants allowing access to the property, and this has enabled us to target resources and visits to our 'silent tenants' to ensure their homes are safe, secure and well maintained.

Since its launch two years ago in August 2022, our colleagues have completed over 146,000 HomeChecker forms.

Telephony and our call management systems



From 2025, telecoms provider BT is moving to a fully digitalised network. During 2023 this upgrade meant we partnered with BT to transition to a new cloud-based telephony platform.

The project saw us upgrading our contact centre software to the cloud-based Genesys platform, which has enabled us to direct tenants quickly to the correct team and provide reporting and evaluation which allows us to continually improve the tenant experience. As part of the project, our customer income collection dialler was also moved to the Genesys platform. Further enhancements are continually taking place to further improve the service we provide to tenants.

Aside from improvements to our contact centre systems, we also launched external dialling across the business within the Microsoft Teams system, and set up call groups which saw, for the first time, unanswered calls routed through to our Hub to ensure tenant calls are always responded to.

The second phase of the project has now commenced, focusing on our customer communication channels, including social media and live chat functionality.

Re-aligning housing need

We identified two Retirement Living Plus schemes in Coventry where the changing demographic meant that there was a reduction in tenants requiring care, with a declining use of restaurant facilities.

This meant that tenants were paying for service and staff provision through service charges that they didn't want or need. Through our ongoing engagement with the local authority and care providers, it was collectively decided that the best course of action was to move the schemes under our sheltered provision which focuses on our tenants living independently.

Throughout the process, we obtained constant feedback from tenants through a formal consultation process to understand what was important to them. As a result, we upgraded the CCTV and door entry system, and created drinks areas in the communal areas. For the tenants in receipt of care, the provision changed from on site to a domiciliary service. These changes meant value for money for our tenants as they have seen a reduction of £20 in their weekly service charges.

Scrutinising our successions process

During the year, our tenant scrutiny team continued to ensure initiatives were undertaken to test that the tenant's voice continues to be heard and respected. This work included a detailed review with our involved tenant group to study our successions service - where a tenant may be allowed to continue living in a property if the lead tenant passes away. As part of the review, dozens of Midland Heart staff were interviewed, whilst we scrutinised over 200 cases of succession logged between April and December 2023. Whilst we continue to review our end-to-end communications which take place during a typical succession application process, the review's outcomes highlighted that we are taking a good practice approach around areas such as tenancy selection, online services and translation awareness.

Acting on tenant engagement

Shaped by our drive to make every tenant happy in their homes, in December 2023 our tenant scrutiny team surveyed all our shared owners to gain feedback on what we do well and where we can improve. Overall, we received 247 responses which identified key trends, including tenants telling us they wanted more clarity around repairs, improved communication, and seeking further background on their position around the resale of their property. Following the survey, we held a focus group for shared ownership tenants to discuss and solve a variety of issues. The results have been positive with a regular focus group programme, which covers topics that matter to tenants in our shared ownership homes, now in place.

Upgrading our CCTV

Our CCTV upgrade project has driven a variety of significant improvements in our equipment, systems and functionality across over 70 sites, including our core offices, general needs and Retirement Living schemes. The project aimed to:

- Standardise and modernise our CCTV systems, whilst moving away from older analogue equipment
- Improve customer safety by providing a live monitored surveillance system - enabling us to respond in real time to deter and detect crime
- Ensure full GDPR compliance
- Deter fly-tipping and anti-social behaviour across our schemes

As part of our investment, we have also created a new CCTV control room at our East Midlands Hub facility in Hinckley. This is staffed by an experienced CCTV operative team who both manage and monitor our systems.

Handling and resolving complaints

When we fail to meet a tenant's expectations, we respond and look for ways to improve our services - with teams working in collaboration and taking collective responsibility to understand and fix the issue. Our seven principles remain as:

- We place our tenants at the heart of our process to ensure we are flexible and responsible
- Our process is well publicised, easy to understand, and available for all
- We outline a clear complaints process with agreed timelines for resolution
- We aim to resolve complaints at the earliest opportunity
- Our investigations are thorough, proportionate and consistent to the circumstances of the case
- We treat tenants with respect and seek to remain impartial and objective throughout the process
- We use information from complaints to measure performance, identify trends and highlight opportunities for service improvement

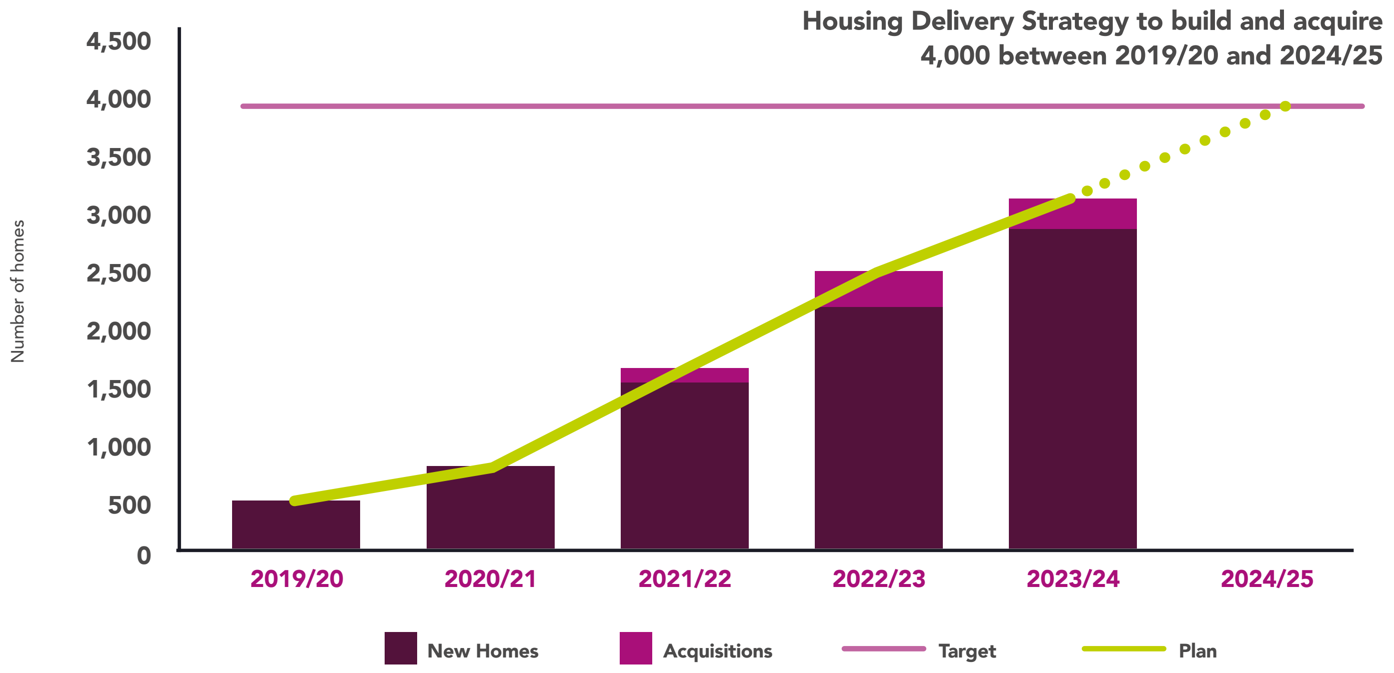
Our tenants continue to work with us to review our compliance with the expectations for how we manage, respond, and learn from complaints set out by the Housing Ombudsman Service. Whilst we have seen the number of complaints increase slightly to 35 per 1000 homes, we are pleased to report that last year tenants agreed that we were fully compliant and that in 2023/24 we received no determinations of severe maladministration.

This comes at a time when the housing sector is seeing record numbers of complaints received. We recognise that where things do go wrong, we need to ensure we learn from these cases and put improvements in place to prevent this happening again. We regularly review the root causes of complaints we receive and have identified that improving the timeliness of our responses, the quality of the repairs we deliver and ensuring we communicate effectively with our tenants is key to reducing the complaints we receive. We've worked over the last year to deliver training, lessons learned and service improvement plans for our front-line teams and will continue to focus on these areas over the coming year.

Growth and Partnerships

Measure	2021/22	2022/23	2023/24	2024/25 Target
New homes built since 2019/20	1,620	2,271	2,941	4,000
Acquisitions	82 (net of stock swap)	255	257	
Total	**1,702**	**2,526**	**3,198**	

Average sales price of our properties in 2023/24:	£230,042
Average first tranche equity share in 2023/24:	42%
Average time to sell a property in 2023/24:	13 weeks



Through our Housing Delivery Strategy to build and acquire 4,000 homes by 2025, we are committed to playing our part to challenge the national home shortage.

Within the year:

- We built 670 new homes in 2023/24 which means we have delivered 2,941 homes since the start of the corporate plan, despite the challenges of global supply issues, price increases, contractors and planning delays.
- This year's shared ownership first tranche surplus was £2.07m, continuing our successes from 2022/23. There were 143 shared ownership sales which generated sales receipts of £13.8m.

Birmingham City University – Project 80 evaluation

Following completion of both Project 80 sites in Handsworth and Edgbaston, we worked with Birmingham City University (BCU) to evaluate the project. In July 2023, BCU published an initial research report looking at not only the technical performance of these homes, but what they are like to live in. By speaking to tenants, BCU researchers were able to find out what it's really like to live in homes that meet the Future Homes Standard and learn lessons early in the process.

These homes deploy a range of technologies to reduce their carbon footprint, so it was heartening that the researchers found that the homes surpass the required targets by some margin. This is especially important as it shows we can build homes that do so using traditional materials and techniques, without the need for pre-fabrication of off-site construction.

More interestingly, the research showed that it is not so much the technical challenge of building these homes that is the main issue but changing tenant's behaviours to make the most of the technology. For example, some tenants still used the heating systems as they would a traditional boiler, boosting heating when they needed it rather than maintaining a constant temperature, as the equipment is designed to. This is despite the provision of significant training and information on the equipment being provided. This shows it is the human side of the changes that is more significant that the technical challenge of meeting the standard.

The 100th completed home at Drakelow Park

Drakelow Park is a 1,500-home development situated just south of Burton, on the Derbyshire-Staffordshire border. Now part way through its construction, the development signals a major regeneration of the area, with us working with Countryside Partnerships on the £70m construction of 400 affordable, modern houses on the site. It is our largest ever single development and sees us making a significant contribution to the area by providing high quality, affordable homes for families. Whilst we expect all 400 homes to be completed by 2026, we were delighted to hand over the 100th completed unit during the 2023/24 financial year.

Regeneration of Leicester's former Abbey Lane bus depot

Working with Morro Partnerships, the multi-million-pound construction of 117 affordable homes on the site of a former Leicester bus depot is now well underway. The work marks a major regeneration of the Abbey Lane site, which sits close to the city's Abbey Park, whilst also linking our existing Wolsey Island development which was completed in 2021. With a mix of two, three and four-bedroom homes, the development is Leicester's largest inner-city scheme, providing a variety of affordable housing for families and couples in the local area. Completion is expected by 2025 with handovers already taking place.

People focused

Measure	2021/22	2022/23	2023/24	2024/25 Target
Voluntary turnover	16.8%	14.9%	13.1%	<15.0%
Time lost due to sickness	2.8%	2.3%	2.6%	<3.0%
Colleague engagement	80%	81%	79%	>80%

Summary:

Being a great place to work is central to our corporate strategy. Put simply, we want colleagues to thrive and develop their careers irrespective of background. We work with our Colleague Champions and Inclusion Networks in making sure our people feel a sense of belonging and feel heard about the things that matter to them.

Within the year:

- We are delighted to report that for the first time we made the Sunday Times Best Places to Work List within the Big Organisation category. This is a significant achievement and reflects our very positive levels of colleague engagement. It is important for our employer brand given the broader labour and skills challenges and we were featured alongside large national and multi-national organisations
- Our colleague engagement score remains consistently high at circa 80%
- Our work on equality, diversity and inclusion (EDI) has been recognised by the Inclusive Employers Standard where we were awarded the bronze standard on first time of entering. Recognising our ongoing commitment to creating an environment where all feel a sense of belonging and can thrive and succeed
- We reported our lowest gender pay gap in the seven years of reporting; recognising our ongoing work to reduce the gap. Alongside this we are one of a small number of employers nationally who voluntarily publish their ethnicity pay gap. Something we remain committed to doing, demonstrating transparency in our EDI work as well as recognising the importance of reporting to our colleagues
- We continued to invest in our people and grow our talent. We fully utilise the apprenticeship levy with 25 early careers apprentices including trade apprentices in our In House Maintenance Team across carpentry, electrical and plumbing. We also have an additional 36 colleagues undertaking apprenticeships alongside their current roles, studying subjects from coaching to surveying, and;
- Like most employers, mental health remains one of our main reasons for sickness absence. To support our colleagues, we have introduced a second cohort of mental health first aiders, launched mental health for managers e-learning and we've delivered stress and resilience training to 95 colleagues and managers in areas where mental health absence has been higher. As a result, we've seen a 12% reduction in mental health related absence.

Bronze Inclusive Employers Standard

Our diversity and inclusion work was recognised in our first year of entering the Inclusive Employers Standard.

There are a variety of highlights and successes that helped us achieve the accreditation. These include:

- **Our female development programme:** To improve gender representation in managerial and leadership roles we have delivered two cohorts of our female development programmes. Half of the cohort have moved into higher paid positions and all women continue to receive dedicated support because of the programme. Of the women who took part in the course, 96% said they would recommend it to others.
- **Our black colleague development programme:** We have delivered two cohorts of the development programme for black colleagues. As a direct result of the programme 35% of colleagues moved into higher paid roles. Looking wider than the programme, 39% of colleagues who are currently receiving investment in their formal development are ethnically diverse. This has contributed to 46% of promotions being to colleagues from an ethnically diverse background (19% to black colleagues).
- **Disability confident leadership status:** Over the last 12 months, we've seen an increase in colleagues sharing a disability with us: increasing from 9% to 12% which is above the national average. The increase in disclosures demonstrates our colleagues feel comfortable to do so and trust how the information will be used. Our disability network Liberty has played an important role in creating an environment where colleagues feel comfortable to share.
- **Our four Inclusion networks:** We continue to see increasing engagement with our Inclusion Networks especially from colleagues based across our geography. The networks continue to bring colleagues together to solve issues, engage with colleagues and celebrate success.

Colleague engagement survey

We saw an overwhelmingly high response to our 2023 colleague engagement survey which was 78%. We were delighted that 78% of colleagues recommend Midland Heart as a great place to work, and that we scored higher than the global and industry averages on all six key areas of reward and recognition, information sharing, empowerment, wellbeing, instilling pride and job satisfaction. We donated nearly £2,000 to Acorns Hospice as a thank you to those colleagues who responded.

Apprenticeships in Property Services

A core element of our People strategy is to grow our talent. Our property services teams operate within a traditionally male dominated sector with an ageing workforce. To address this, we designed and implemented an apprenticeship programme specifically aimed improving the diversity of our workforce.

The programme has delivered:

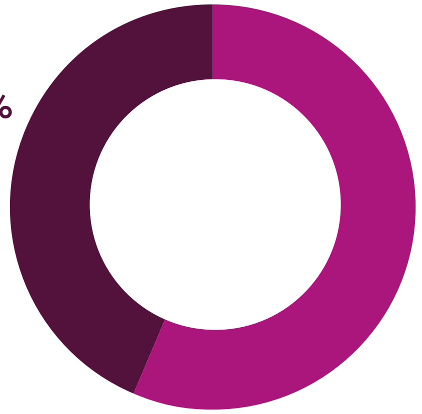
- 13 apprentices, 3 of which are females, as well as 4 female trainee surveyors
- 38% of maintenance apprentices are from an ethnically diverse background
- In 2021, 27% of our trade colleagues were over 50 and 6% were over 60. Through this focus on early careers, we now have 24% of trades colleagues over 50 and 21% under 30, giving more of a balance of ages

Gender **pay gap**

Upper

Upper Middle

Lower Middle



Lower

Our median Gender Pay Gap is **15.02%**
The UK median Gender Pay Gap is **14.3%**

Our mean Gender Pay Gap is **17.10%**
The UK mean Gender Pay Gap is **13.2%**

We're pleased that our mean gender pay gap has reduced to 17.10%, the lowest it has ever been in our seven years of reporting. The gender balance of our workforce also remains representative of our tenants and our geography.

We have achieved this through making incremental changes that will reduce our pay gap in the long term, as well as contributing to a culture where everyone feels able to thrive and succeed;

- Gender diverse interview panels have been introduced for all upper and lower quartile roles and we monitor and review internal promotions, external recruitment and pay review requests, reporting to Executive Board quarterly
- Our women's network membership has grown by over 60% since 2022. Attendance at female inclusion events has also continued to grow, enabling us to foster a culture of female inclusion. Colleagues have told us that the women's career development sessions have been particularly useful with practical tips they can apply
- 56% of internal promotions have been to women
- 5 female colleagues have moved into higher paid roles as a direct result of our female development programme, and;
- As some of our female colleagues have developed into the upper quartile, we have seen a better balance of gender in the lower quartiles. We now have 10% more males in the lower quartiles, and 10% less females than last year.

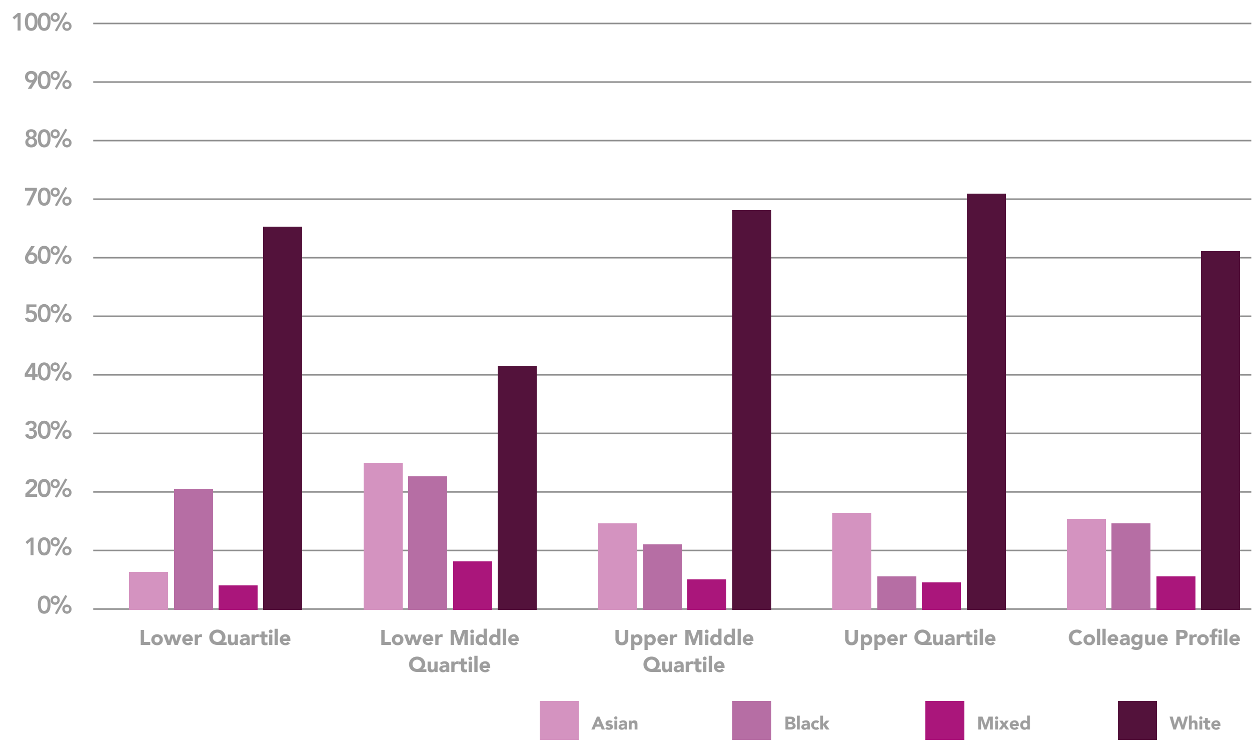
Next year, we will focus on:

- Continuing to enhance our early careers programmes within trades and construction in partnership with colleges and schools
- Improve how we identify high performing females by reviewing succession planning for roles in the upper quartile
- Ensure we are attracting women into roles in the upper quartiles, we will review essential shortlisting criteria and sourcing plans
- Continued delivery of our female development programme to develop our pipeline of talent
- Launch coaching for women returning from family leave, and;
- Provide diversity metrics to leaders to ensure greater visibility in their areas and help identify imbalances to address at a local level.

Ethnicity pay gap

Ethnicity	Mean Pay Gap	Median Pay Gap
Asian groups	1%	0.23%
Black /African / Caribbean / Black British groups	21.4%	20.55%
Mixed / Multiple ethnic groups	14.1%	14.09%
All ethnic minority colleagues compared to white colleagues	11.35%	9.81%

Colleagues in each ethnic group by pay quartile



This is our third year of reporting our ethnicity pay gap and we remain amongst a small number of employers that publish voluntarily. Our mean ethnicity pay gap is 11.35%, and our median is 9.81%. The median has increased by 2.58% but the mean has slightly increased by 0.64% from the figures we published in 2022.

The are two key reasons for the increase;

- We have recruited additional resources into our customer contact centre, and this has increased the proportion of asian colleagues in our lower middle quartile area. Whilst this has the effect of reducing the median these roles are great initial stepping stones for colleagues starting a career in housing, and;

- We have also increased resources in our trades team. These are roles which are traditionally occupied by a predominantly white male workforce. To redress this balance in the future, 38% of our maintenance apprentices are from ethnically diverse backgrounds, allowing us to grow our own talent to improve representation in these roles

To improve our ethnicity pay gap, we continue to focus on these key areas;

Colleague development for black and ethnic minority colleagues: We have delivered two cohorts of the development programme for black colleagues;

- As a direct result of the black colleague programme, four colleagues have moved into higher paid roles.

- 39% of colleagues who are currently receiving investment in their formal development are from ethnically diverse groups.

- 50% of delegates on our aspiring managers programme are from ethnically diverse groups.

- We have recruited our second cohort of degree apprentices; 29% are black and 57% are from ethnically diverse groups.

- 46% of promotions have been to colleagues from an ethnically diverse background (19% to black colleagues).

Listening to colleagues: We have worked with our Race and Ethnicity Network to shape and deliver Career Development Workshops, based on topics that they've told us are important to colleagues from a black, asian and ethnically diverse background, all aimed at supporting their progression.

Improve our data: We have worked hard to ensure that colleagues understand why diversity data is important. We now have 99% of colleagues disclosing data regarding their ethnicity. We are therefore confident in the ongoing accuracy of our Pay Gaps.

Employee involvement and consultation: Our Colleague Champions play a key part in shaping our colleague experience, increasing internal engagement and supporting others when they need it. They work closely with our Executive and Leadership teams, as well as our frontline colleagues. For example, they have been instrumental in helping to provide engagement and feedback when:

- Consulting about our 2023 pay award

- Reviewing our Reward package, providing more choice for colleagues, and;

- Shaping our 2025 Corporate Plan.

Apprenticeships

Through our People Strategy, over the past year challenging labour market conditions mean it has been more important than ever that we enable our colleagues to develop critical skills to not only fulfil their potential and aspirations, but to ensure we deliver on our corporate objectives.

Continued investment into the development of our colleague has seen us fully utilising the Apprenticeship Levy since it launched seven years ago. The cornerstone Degree Apprenticeship programme offers talented young people the opportunity to gain real-world work experience and skills, whilst studying for a university degree. Our first five-strong cohort are progressing well in their studies, applying their knowledge and adding value to our business. This year we will see our first-degree apprentice complete their apprenticeship and we are looking forward to them continuing their career with us.

Our second cohort of seven started in September 2023 and their apprenticeship specialisms are focussed on hard-to-fill roles where we know labour market conditions are unlikely to change substantially in the years ahead. Those specialisms include commercial, cyber security, fire engineering and surveying. The whole cohort have also begun their university studies and are settling well into their respective departments.

Additionally, we currently have 13 trade apprentices on our apprenticeship programme. From the first cohort, three of the apprentices have successfully completed their base trade apprenticeship in Plumbing and Heating and this year moved on to their multi-trade qualification. A further three apprentices with the base trade of carpentry and joinery are on track to successfully complete their programme and move onto the multi trade qualification.

The second cohort started their programme in September 2023 as we continue to grow our trade apprenticeship programme and provide a pipeline of skilled talent to our repairs and maintenance team.

THE WEST MIDLANDS' 100 BEST COMPANIES TO WORK FOR 2023 cert.b.co.uk

Staff engagement – Best Companies

Following our 2022 colleague engagement survey, in November 2023 we were recognised in the 2023 Best Companies to Work For list, our third year working with them. In the West Midlands region, we were placed within the top 40 at number 36 out of 76 organisations. From a national perspective, within the Large Companies category, we were ranked in 90th position, and in 11th spot within the UK Housing sector's top 25.

Our 2023 Colleague Engagement Survey saw us partnering with WorkL and we saw an excellent 78% response rate from colleagues.

Although outside of this reporting period, as already stated, we were also named in the 2024 Sunday Times Best Places to Work list.

Safe and strong

Measure	2021/22	2022/23	2023/24	2024/25 Target
Operating margin %	36.3	28.8	28.6	>30
Interest cover %	368	300	291	>150.0
Gearing %	45	44	43	<70
Arrears %	4.30	4.39	4.32	<4.00

Interest cover and gearing reflect calculations in our banking covenants. The operating margin includes surplus on sale of fixed assets.

Safe and Strong focuses on remaining financially strong and focusing on safety, making sure we spend our money wisely and invest in what matters to our tenants.

Financial Strength

Our goal is to maintain our financial strength by adhering to our golden rules of interest cover, gearing and liquidity.

Within the year:

- Our financial performance remained strong, and we have a best-in-class credit rating from Moody's of A1 stable, and;
- We maintained a robust level of liquidity. As of 31 March 2024, we held £303m of cash and facilities that are immediately available

Focus on safety

The regulatory environment is constantly evolving with new regulatory judgments and guidance, such as 'Building a Safer Future' and the Fire Safety Act. Where possible, we adopt best practice in our properties and workplaces. We put tenant consultation at the heart of safety, ensuring that we have clear processes to raise concerns and are transparent with their resolution.

Within the year:

- Continued our 100% compliance on building safety
- We have registered our building safety cases for our 5 buildings in scope (above 18 metres) and have developed our Building Safety case files ready for submission when the Regulator invites us to do so, and;
- We continue to submit our Regulatory Fire Safety Survey each quarter.

Working together on procurement

As part of our modernisation, and to ensure our tenants are as up to date as possible, over the past year we introduced a new initiative which ensures our Customer Scrutiny Panel are kept updated and are more involved with upcoming tender processes. Together the relevant Contract Manager and Commercial Team member communicate the latest route to market and timescales to our tenants through timely and accurate updates, including feedback on satisfaction surveys via the Customer Scrutiny Team. This has delivered far better synergies around planned works and repairs on areas such as window and door replacements, and kitchen and bathroom upgrades.

The new way of working also allows our customer panel to be fully aware of tender process outcomes and become far more involved in decisions around subcontractors, materials and designs.

West Midlands Hub investment

Following a £3.4 million investment, in February 2024 we opened our new West Midlands Hub facility in the Oldbury area of Sandwell. The three-storey office provides 12,000 square feet of space for over 100 colleagues, with excellent meeting facilities which are driving improved collaboration. The facility also includes a large, onsite warehouse and storage facility which houses our In House Maintenance Team.

Close to hundreds of our homes and schemes, the Hub has excellent links to the motorway and public transport networks, with a sustainable travel message promoted strongly internally to colleagues.

Colleagues have described our new West Midlands Hub as **"a great place for collaboration"** and think it **"really helps you to focus on your job."**

Building safety

The Building Safety Act 2022 requires all building owners of residential buildings over 18m to register with the new Building Safety Regulator.

In response, we have developed a building safety case report for our 5 in scope buildings based on the guidance from the HSE. Each report has a summary of our safety assessment of the building with a case file that holds the relevant information to support our summary, including certification and risk assessments.

We have ensured that the content meets the requirements of the Act and meets the needs of our primary authority partners, West Midlands Fire and Rescue Service.

Anti Social Behaviour All-Party Parliamentary Group ('APPG')

Founded by Midland Heart in 2022, the APPG on Anti-Social Behaviour (ASB) has had strong year, conducting its first inquiry, publishing the inquiry report and holding fringe sessions at both main party conferences.

The first inquiry and report of the group looked at community responses to ASB and how we can all work together to better address it. The inquiry heard evidence from housing providers, local authorities, tenants, Police and Crime Commissioners (PCC), academics researching ASB, and ASB specialists e.g. Resolve and ASB Help across several meetings. Key recommendations of the report include a pilot of a specialist housing court, better communication around ASB and what can be done to address it and changes to the 'ASB case Review' to make it a better, clearer process for victims.

The APPG also held fringe events at both main party conferences to promote the report and its recommendations. Joined by Resolve CEO, Rebecca Bryant, and Surrey PCC Jane Townsend, Midland Heart's Joe Reeves chaired a lively session largely discussing housing courts. Jack Kelly was joined on the Labour fringe by Mike Amesbury MP, Alex Wrigley (Resolve), West Midlands PCC Simon Foster and Torus CEO, Steve Coffey for another well attended, lively session to discuss the report. The group will be holding an AGM shortly, with Mr Amesbury and Baroness Newlove becoming joint chairs, as Shaun Bailey MP steps down.

Awaab's law

Following a government amendment to the Social Housing Regulation Act 2023, Awaab's Law is set to require landlords to respond to, and remediate, damp and mould in their homes within specified time frames. The new requirement follows the tragic death of two-year old Awaab Ishak, caused by damp and mould in his home.

Despite initially being floated as a measure to address damp and mould only, the Government consultation proposed expanding Awaab's Law to cover all hazards identified by the 'Housing Health and Safety Rating System' (HHSRS). Midland Heart has responded to the consultation proposing that it initially apply to damp and mould only, whilst the Government considers including all HHSRS hazards more fully. The Government is currently considering the consultation responses.

Value for money

Value for money is embedded throughout our corporate plan, incorporating the VFM standard and metrics.

The regulator's sector-wide annual global accounts to March 2023 highlighted the sector's record spending on existing stock, resulting in the erosion of operating margins and interest cover. This is against an economic backdrop of increasing inflation, interest rates and a softening housing market. The regulator has urged providers to take a strategic approach to managing their economic risks through this economic uncertainty.

We continue to deliver a strong set of VFM metrics. This is supplemented with a suite of regularly published quality indicators. Our Board continues to set our strategic VFM targets, for example, 4,000 new and acquired homes, and £120m asset spend to 2025, flow into our VFM metrics. Gearing is also one of our financial golden rules.

Value for money metrics

	Actual				Forecast	
Measure	**2020/21**	**2021/22**	**2022/23**	**2023/24**	**2024/25**	**2025/26**
Reinvestment	6.4%	7.7%	6.7%	9.3%	8.9%	6.8%
New supply delivered (social housing units)	1.2%	2.3%	2.1%	2.1%	2.3%	1.3%
New supply delivered (Non-social housing units)	0.00%	0.00%	0.0%	0.0%	0.0%	0.0%
Gearing	28.9%	29.6%	29.3%	30.5%	33.0%	33.8%
EBITDA MRI interest cover	2.14	2.74	2.37	1.96	1.76	1.50
Headline social housing cost per unit	£3,480	£3,693	£4,012	£4,612	£5,000	£5,400
Operating margin (social housing lettings only)	32.6%	30.2%	28.2%	28.1%	28.4%	28.6%
Operating margin (overall)	30.9%	28.8%	27.0%	27.0%	27.0%	27.1%
ROCE	3.7%	3.9%	3.3%	3.4%	3.4%	3.3%

Regulator 2022/23	Reinvest-ment %	New supply delivered (social housing units) %	New supply delivered (Non-social housing units) %	Gearing %	EBITDAMRI interest cover	Headline social housing cost per unit	Operating margin % (social housing lettings only)	Operating margin % (overall)	ROCE
Lower quartile	4.3%	0.6%	0.0%	33.4%	0.87	£4,082	14.4%	12.0%	2.2%
Median	6.7%	1.3%	0.0%	45.3%	1.28	£4,586	19.8%	18.2%	2.8%
Upper quartile	9.4%	2.2%	0.1%	53.7%	1.69	£5,847	25.5%	23.0%	3.6%

Reinvestment levels have risen strongly in the year through our continued focus on delivering new homes and improving our existing ones for customers

New supply delivered has remained over 2% due to delivering 670 new homes in the year. Our development programme will continue to progress towards our Corporate Plan target of building and acquiring 4,000 new homes by the end of 2024/25

Non-social housing remains at 0% as we devote our resources to social and affordable homes

Gearing increased due to increased borrowings, as we sought to increase our property numbers and improve our existing stock

EBITDA MRI is an indicator of liquidity and investment capacity (excluding sales). It is the only real measure which includes interest costs. We continue to perform very strongly on this measure. However, rising investments costs and increased interest rates reduced this measure in 23/24

Headline Cost Per Unit has continued to increase due to an increase in maintenance, decarbonisation and investment costs, as well as increasing our number of frontline operatives. We expect this figure to continue to rise in future years with further property investment and inflationary pressures

Operating margin (Social Housing Lettings and overall) has been consistent with last year due to strong management of costs offsetting inflationary pressures and salary increases, and;

Return On Capital Employed (ROCE) has been broadly stable.

How do we compare to others?

We continue to lead and develop a new performance improvement and benchmarking model for the sector with Vantage Business Solutions.

A key aim is to analyse the performance of the largest providers on an annual basis through publicly available information from financial accounts.

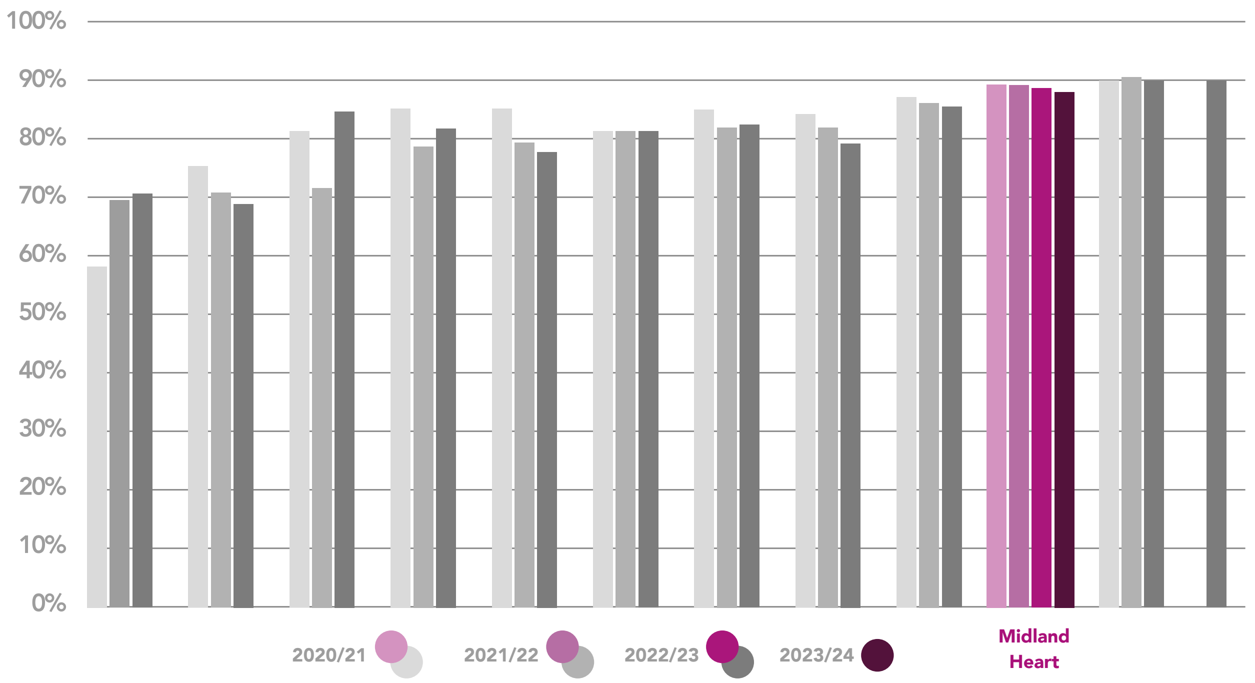
As in previous years, we continue to compare ourselves to a core number of housing providers. We select organisations in all geographies, which represent some of the largest and most efficient Registered Providers, as well as including those that largely have strong governance and viability ratings.

Our benchmarking group consists of:

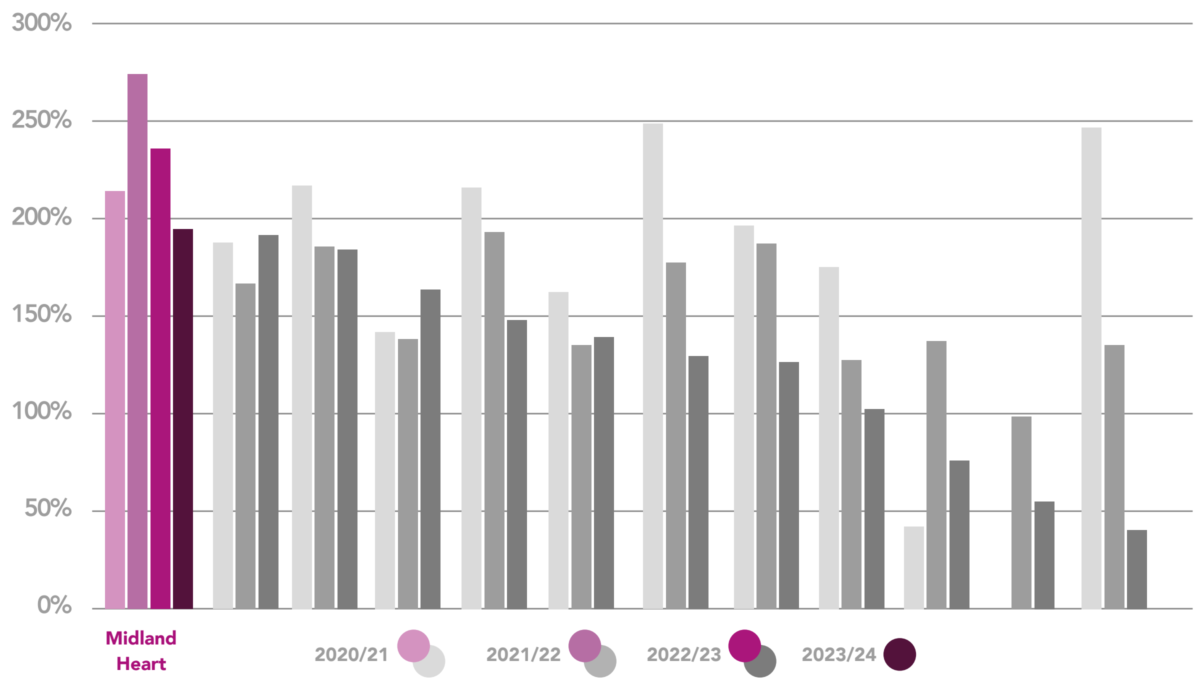
- Bromford
- Citizen
- East Midlands Housing
- Orbit Group
- Platform
- Riverside
- Sovereign
- WHG

The results of our core metrics are detailed in the graphs below:

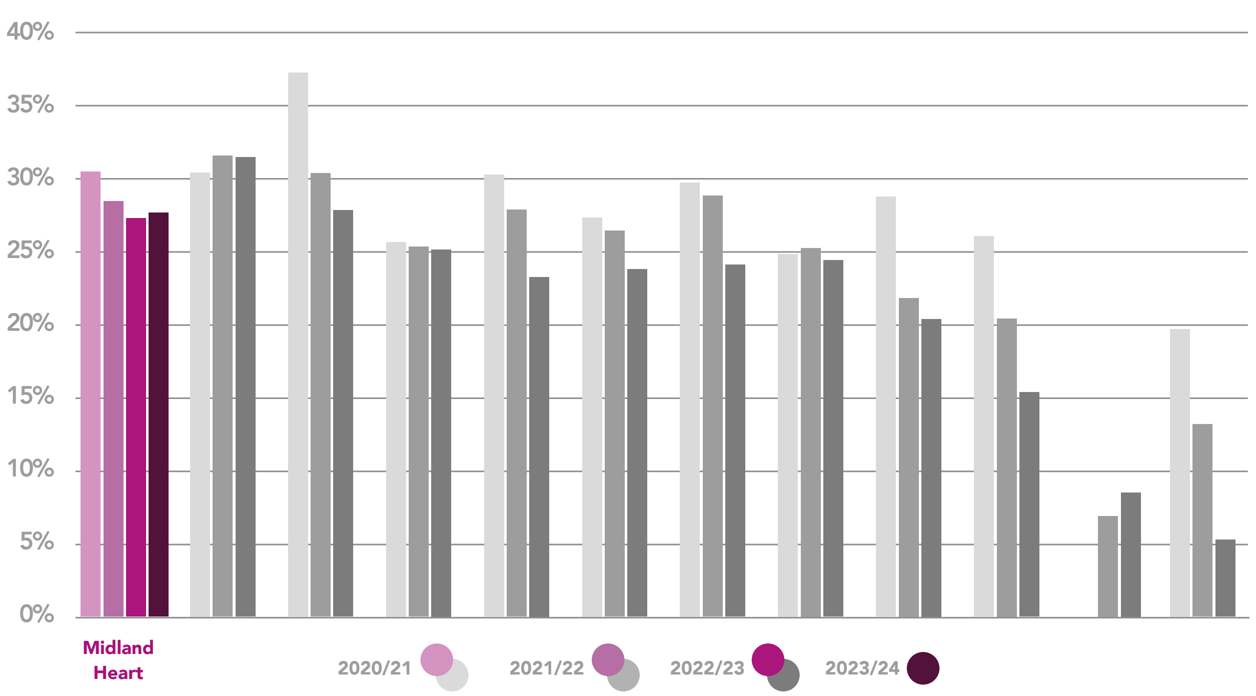
Tenant satisfaction – post transaction



EBITDA MRI interest rate cover - overall %



Operating margin - overall %



Headline cost per unit (£)

Commercial team

Our Commercial team is responsible for procurement, contracting, ensuring effective contract management. In addition, they are also responsible for energy and utilities management.

Energy

The team have successfully ensured that our tenants have been insulated against the recent huge price increases in the electric and gas markets. Contract pricing was hedged as far back as 2019, and up to 2024, allowing us to shield our tenants from much of the highest prices allowing us to contract again in 2024 when we are seeing energy prices fall to the lowest levels in 3 years. This has been a great success, ensuring our tenants had some of the best pricing available during the energy crisis and the forward look is also positive in that we will be procuring for the next 4 years at much more affordable levels.

Property Investment

The team operate with a procurement pipeline of projects which requires tendering when contracts conclude, or when we need additional suppliers. This often can lead to commercial savings or better ways of achieving things. We have multiple examples over the last few years where we have saved money in a very difficult economic climate, just by changing supplier, doing things differently, or increasing quantities to afford economies of scale.

Examples of this are listed below:

Roofing and Solar

We negotiated with a roofing contractor to hold their price to March 2025 creating a saving against CPI of 6.7%. If we assume the supplier will install 150 roofs at an average cost of circa £20,000 this would equate to a £201,000 saving against the CPI increase. In addition, the contractor recommended a change of supplier for asbestos removal offering a £2,000 saving on each full roof strip which equated to an £180,000 saving per annum. A new supplier of solar was used with a different system of panels delivering a further saving of over £320,000 against the 150 roofs for the next financial year. The total saving on the roofing contract extension was over £701,000.

Rebates

The Commercial team work with a variety of suppliers and framework organisations. With the current rebates we have in place, we can see over £350,000 per annum being returned and we envisage that this will grow year on year.

Cyclical Decorations

The Commercial team recently tendered for cyclical decorations which delivered a saving after the full competition by switching to a new supplier. The new supplier prices compared to the incumbent show a 4% saving on internal decorations, and 44% saving on external decorations. We are hoping that this will deliver a £490,000 saving per annum of the duration of the contract.

General

Throughout the year we deal with around 60 tenders and contract extensions, with the Commercial team negotiating new pricing and updated terms of contract. Many times, we can see that costs are maintained or reduced or when the costs unfortunately increase, we will strive to ensure that additional added value is received.

Treasury management

Loan facilities

Our approach is to develop long-term relationships with lenders and investors that fully understand our business and can help support its funding and evolving requirements. This includes regular dialogue with our key banking funders as well as institutional investors. This approach enables all parties to understand the progress that we are making in delivering its objectives, as well as our approach to ESG and sustainability. It also gives us the opportunity to reflect, listen and engage with our funders, to understand their perspective and ensure we remain a compelling investment choice.

By maintaining strong relationships, our funding strategy remains agile, particularly important in a volatile market. During the year, we published our inaugural Sustainable Finance Framework which outlines our ambitions and commitments to a more sustainable future which has been independently reviewed by DNV to verify our Sustainable Finance Framework and its alignment with the relevant ICMA and LMA Principles. We are a keen supporter of the Sustainable Reporting Standard (SRS) and report accordingly.

We have a robust liquidity policy that states there should be sufficient cash and fully secured loan facilities to cover 18 months of any net committed development spend excluding any sales receipts from outright sale/shared ownership properties.

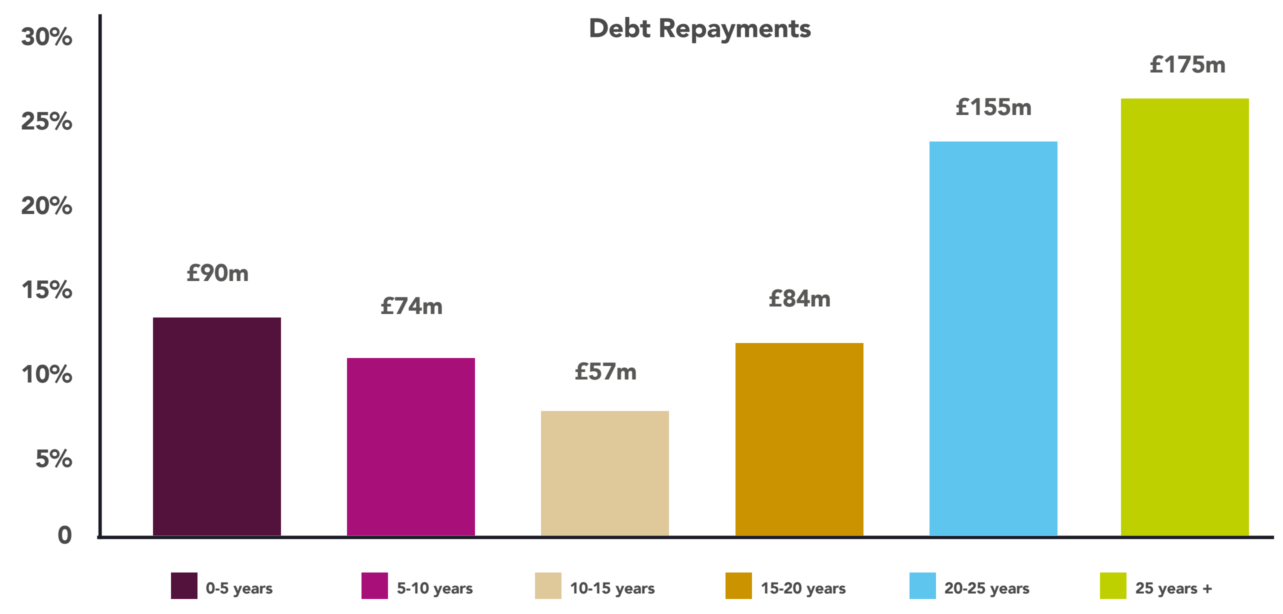
As of 31 March 2024, we had circa £303m of available liquidity: comprising £264m available in undrawn fully secured facilities, and circa £39m in cash. In addition to this, we have £75m fully secured retained bonds from our 2020 bond issue, that could be issued at pace if desired. This provides us with an excellent foundation to fund both our future development ambitions and asset investment plans in our existing customer homes.

New revolving credit facilities

During a volatile period in the interest rate markets, we were highly successful in securing an additional £200m of competitively priced and flexible revolving credit facilities from three different lenders. This provides us with the necessary flexibility to draw down /repay cash as required. This process has also established a new relationship with a leading banking institution, further strengthening our lender base. The facilities have inbuilt optionality that provides us, on agreement with the respective funder, the opportunity to apply Sustainably Linked Loan targets that, if achieved, may provide a small margin reduction.

The maturities of our loans due for repayment are as follows £'000:

Measure	2024	2023
Within one year	9,644	12,761
Between one and two years	9,579	9,637
Between two and five years	71,039	58,418
After five years	544,481	550,791
	634,743	**631,607**



Only circa 14% of our drawn debt matures in the next over 5 years.

We hold a diversified funder base. As of 31 March 2024, 60% of our drawn debt came from the capital markets and 40% from banks and building societies.

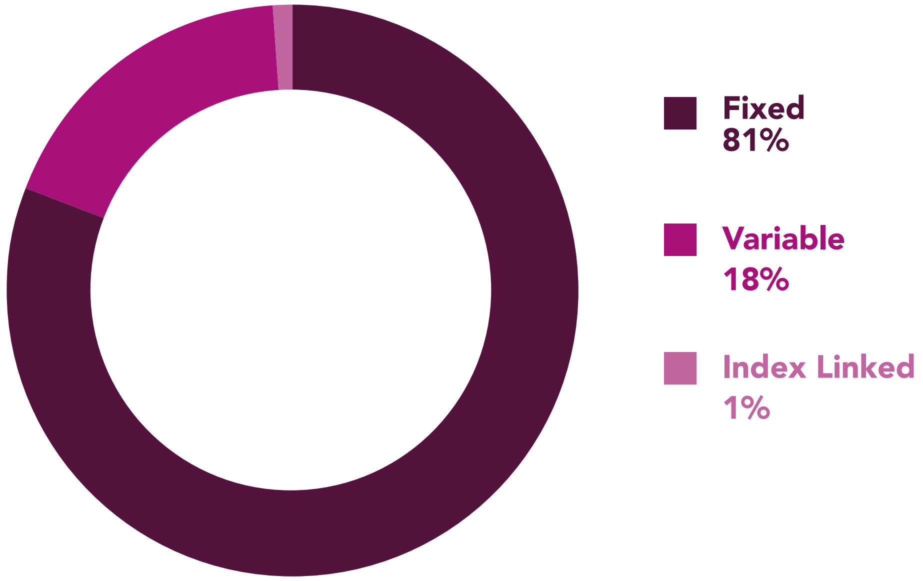
Financial instruments

We are financed by a combination of retained reserves, long-term loan facilities and grants from the Government. The group has a formal Treasury Management Policy which is approved by the Board. 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.

We use embedded instruments, such as fixed rate bank loans and bond issues, and standalone interest rate swaps to reduce the impact of increases in interest rates. They are only used to hedge existing variable rate debt liabilities and are prohibited from being used for speculative purposes. As a result of using swaps, we set aside property collateral and utilise credit thresholds to cover any net future anticipated payments due. As at 31 March 2024, this amounted to just under £14m and all counterparties' exposure was fully covered by property collateral and credit thresholds.

We monitor its exposure daily and stress test the outcomes. Our policy is that we must be able to cover a fall in interest rates of a 100 basis points. We have no non-sterling or exchange rate exposures.

Debt portfolio



Covenants

The Group's main financial covenants are in respect of gearing, interest, and asset cover. These have been agreed with all our banking and building society partners and are monitored on a regular basis, including stress testing through our Finance and Growth Committee. The Committee monitors our golden rules to ensure we are always well within our financial covenants. As can be seen from the table below, we have ample headroom measured against our banking covenants.

Measure	Golden rule	Bank tightest covenant	2024	2023
Interest cover %	150	116	264	296
Gearing %	70	75	43	44

As of 31 March 2024, we had 7,051 unencumbered units which could be used for new funding.

In recognition of our credit strength and strong financial management, we continue to enjoy a strong credit rating from Moody's Investors Services of A1 – stable outlook, which was confirmed on 19 December 2023. We were particularly pleased for the outlook to be revised to stable from negative, reflecting the proactive actions we have taken to mitigate the adverse effects of the weaker operating environment.

This is the leading Moody's rating in the English Housing Association sector, and bears testament to our consistently strong financial performance and business discipline over the years.

Sustainability and climate change

Our Carbon Reduction Plan sets out how we will get on track to net zero and build resilience against climate change in the homes we rent, the homes we build and the way we work. The plan embedded corporate energy efficiency targets to EPC D by 2025 and EPC C by 2030, putting our tenants' thermal comfort and affordability at the heart of strategy. Through robust governance, good data and an increasing dedicated resource we are focused on delivering for our tenants. Our 2023-24 headlines show the progress we have made since the start of the plan in 2021.

- **25,520 tCO2e reduction** since the 2019-20 baseline
- **0.24 SECR tCO2e** intensity figure
- **WB2C** pathway maintained
- **99%** of our homes are now **EPC D or above**
- **77%** of our homes are now **EPC C or above**
- **99%** actual registered **EPCs**
- **670 new energy efficient** homes built
- **SHIFT Gold** award
- **161 homes retrofitted to EPC C** or above through SHDF Wave 1

Governance

Governance is at the heart of our approach to Environmental Social Governance (ESG).

We are committed to the principles of good corporate governance and achieving high standards of business integrity, ethics and professionalism in everything we do.

To drive low carbon, our commitment to ESG and how that interacts with our tenants, we formed our ESG Committee to provide the governance needed to achieve our commitment.

The ESG Committee steers ESG and our target to reach net zero in the homes we rent, the homes we build and the way we work by 2050. The ESG Committee is chaired by our Executive Director of Finance & Growth. Convening frequently, it hosts strategic senior leaders, providing a platform to generate ideas, evaluate performance and define strategy, focused on our progress towards key corporate targets including our energy performance in our homes which has been targeted as a minimum, EPC D for all homes by 2025, EPC C for all homes by 2030 and a net zero position by 2050.

The New Business Group, chaired by our Chief Executive, is accountable for the selection and evaluation of key new build development projects using guidelines approved by the ESG Committee.

This year we updated our governance framework to accommodate our Sustainable Finance Framework. The framework will act as mechanism to allow our financial instruments to be recognised and formally linked to ESG.

Our ESG Report is published annually. We are a voluntary adopter and supporter of the Sustainability Reporting Standard for Social Housing (SRSSH) to support consistent, reliable, and quality sector reporting. SRSSH enhances ESG reporting, net zero pathway reporting, the embedding of United Nations Sustainable Development Goals (SDGs) and aligns us with elements of Task Force on Climate-Related Financial Disclosures (TCFD).

Strategy

Our 2025 Corporate Plan, Making What Matters Brilliant, puts our tenants and homes at the centre of everything we do. It aligns elements of organisational strategy and made low carbon a key priority.

Under our Corporate Plan we set out fuel poverty elimination, energy efficiency and net zero focused corporate targets of:

- EPC D or above on all our properties by 2025
- EPC C or above on all our properties by 2030
- Net zero carbon emissions by 2050

Our Carbon Reduction Plan sets out a holistic approach to reduce our carbon emissions and build resilience against climate change in the homes we rent, the homes we build and the way we work.

To deliver our corporate energy efficiency and thermal comfort target to 2030 our Board approved a fully costed retrofit strategy in our business plan. This has been projected to cost us circa £72m.

It has been developed through a smart combination of intelligent modelling, asset management strategy and archetypal datasets. It is based on key tenant consultations, data from registered EPCs (Energy Performance Certificate coverage of 99.9% of our homes) and knowledge and resource developed over an extensive period of planned improvements to our homes. We have also learned from the delivery of Social Housing Decarbonisation Fund (SHDF) Wave 1 and our new build Project 80 Future Home Standard (FHS) pilot.

Carbon emissions scenario analysis modelling indicates that our corporate EPC targets will keep us within a Well-Below 2°C (WB2C) pathway to 2030. Putting us on course to transition to net zero by 2050 and meet the national policy environment and regulatory requirements.

Board oversight of targets related to key performance and strategic risks provide the knowledge and flexibility to manage strategy around climate-related and other issues.

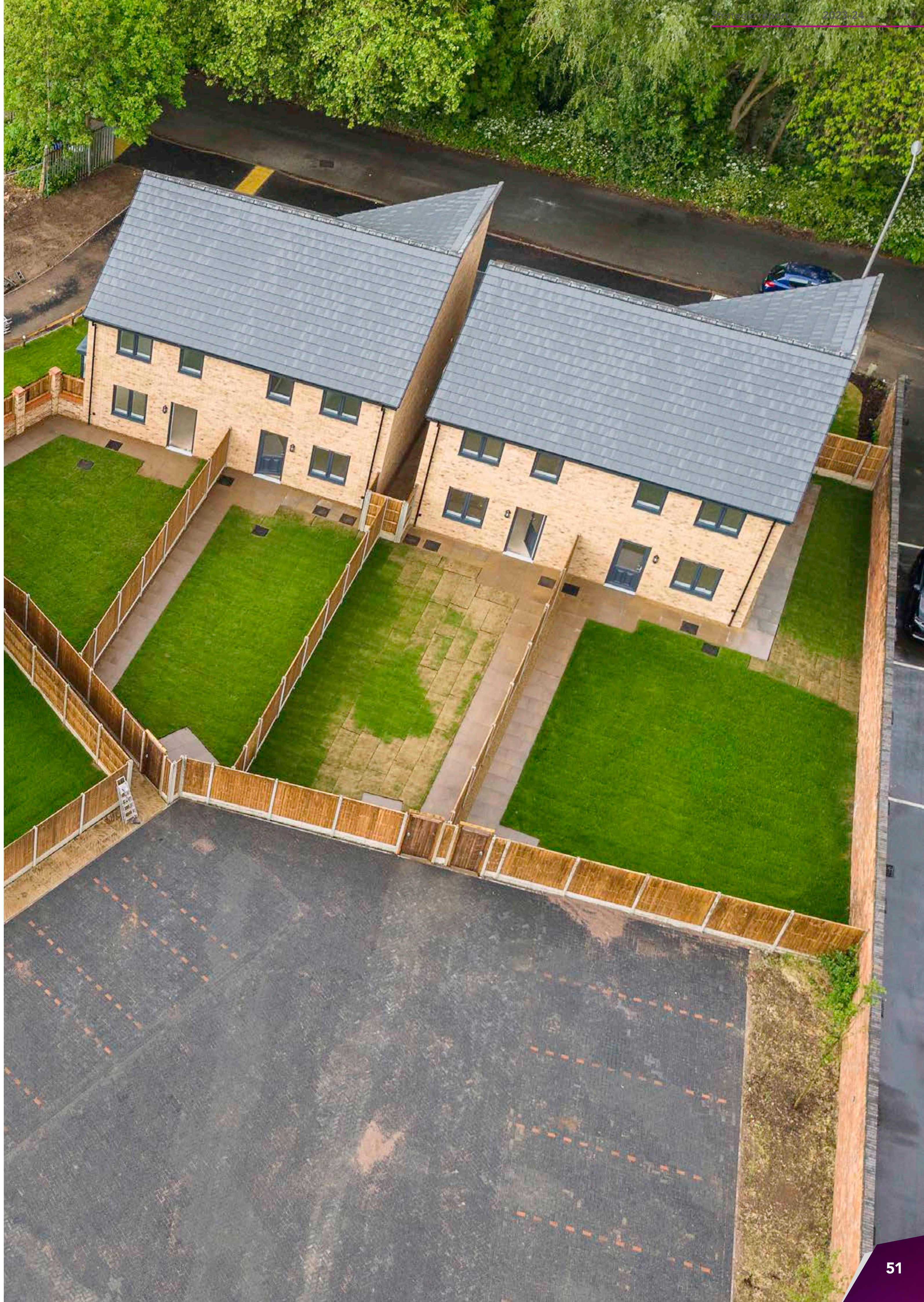
Financing Environmental Social and Governance and our transition to net zero

We have closely linked how we may finance ESG through our Sustainable Finance Framework. The framework will act as a mechanism to allow our financial instruments to be recognised and formally linked to ESG.

To comply with market standards, the framework follows best practice recognised by internationally constructed voluntary principles published by the International Capital Markets Association (ICMA) and the Loan Market Association (LMA).

We are committed to seeking ways to improve the transparency of ESG strategy and reporting and will update our framework as our understanding and the broader market evolves.

We appointed DNV Business Assurance Services UK Limited (DNV) to provide a second audit opinion on our Sustainable Finance Framework and its alignment with the relevant ICMA and LMA Principles. We also received assurance on our methodologies for calculating use of proceeds in our impact reports.



Sustainability risk management

Our Risk Management Policy defines our framework for identifying and managing strategic and operational risks. The Board, along with Audit and Risk Committee, oversee our strategic risks quarterly and this includes reviewing our transitional risk around decarbonisation and emerging risks such as increasing severe weather events and key policy change.

Risk category	Risk area	Mitigation measures
Strategic (current and emerging)	• Transitional risk around decarbonisation • Upcoming key policy change (current and emerging) • Increasing severe weather events (emerging)	• Low carbon as a key priority in the Corporate Plan • ESG Committee governance and regular reporting to Board • c.£72m in the Business Plan for EPC C in all our homes by 2030 • Professional resource for managing climate related issues (eg retrofit team, building safety and sustainability resource, etc.)
Operational (current)	• Severe weather events (pluvial (surface water) and fluvial (rivers and seas) flooding and overheating) • Supply chain	• Tested Emergency Response Framework • Up to date and utilised Asset Management system • Partnerships with experienced contractors • Flexible frameworks for supplier procurement

Physical climate change risk from pluvial and fluvial flooding and overheating is regularly assessed. The assessment uses combined Geographical Information Systems (GIS) modelling with Environment Agency Flood Risk Maps and the SHIFT methodology for integrating physical climate risk factors.

This year we recorded that 4% of our properties are at medium to high risk of pluvial flooding, 2% are at medium to high risk of fluvial flooding and 12% are at medium to high risk of overheating.

At risk properties are incorporated into our risk management decisions and mitigations through the operational risk management framework.

Metrics and targets – Streamlined Energy and Carbon Reporting disclosures

Scope 1	Scope 2	Scope 3
Definition:		
Direct emissions that are owned or controlled by a company	Indirect emissions* from the generation of purchased energy.	All indirect emissions* (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.
Activities:		
• Estate gas use • Commercial Fleet fuel use (diesel fuel use) • Fugitive emissions (release of Fgas from air conditioning systems)	• Estate electricity use	**Upstream** • Transmission and distribution losses (from the national grid) • Expenses business travel • Employee commuting • Employee homeworking • Commercial waste disposal • Water use and water treatment • Key suppliers by spend in the • supply chain **Downstream** • Independently heated homes (operational electricity and gas and other use)

*Indirect emissions are a consequence of the activities of the company but occur from sources not owned or controlled by it.

Greenhouse gas emissions (tonnes CO2 emissions)				
Financial Year		**2023-24**	**2022-23**	**2019-20**
Scope 1 emissions from natural gas and commercial fleet fuel use		6,427	6,220	7,529
Scope 2 emissions from electricity use	Location based	3,591	3,357	4,958
	Market based	1,938	39	2,825
Scope 3 emissions from business travel private vehicle use		184	166	183
Total greenhouse gas emissions	Location based	10,202	9,743	12,670
	Market based	8,549	6,425	10,537
Carbon intensity ratio (total tCO2e / #homes)	Location based	0.29	0.28	0.38
	Market based	0.24	0.18	0.31
Energy use total (MWh)		51,781	50,930	n/a
#homes*		35,459	34,906	33,611

*Excludes offices

We have reduced our overall carbon emissions by 8,752 tonnes CO2 emissions (tCO2e) from last year and 25,520 tCO2e since the 2019-20 baseline. This puts us within a Well-Below 2°C (WB2C) pathway to 2050 in alignment with our scenario analysis modelling and forecasts.

A significant increase in the energy efficiency of the homes we rent to an average EPC SAP of 73 has made a 29,067 tCO2e contribution to our emissions reduction. We anticipate this reduction to continue as we work towards our EPC C or above target by 2030.

Scope 1 fleet fuel use increased by 85 tCO2e from last year. A study commissioned by our ESG Committee found that fleet fuel use correlated with the number of jobs and mileage. We have increased the number of jobs completed due to bringing more work in-house and delivering more support to tenants. Despite this, more effective management of service delivery meant fleet efficiency had improved since 2021.

Our Scope 2 market-based electricity use increased by 1,899 tCO2e. In October 2023, our energy contracts ended. Many factors led to a UK energy crisis raising energy prices and putting more households at risk of fuel poverty.

We took the decision not to renew our Renewable Energy Guarantees of Origin (REGO) backed electricity to stop an increased uplift on our service charges to tenants for communal power. However, for our core offices we are still committed to REGO backed electricity and investment in renewable electricity. We are also planning to install solar PV in some of our offices in 2024-25.

Carbon emissions calculation methodology

Greenhouse gas (GHG) emissions are calculated in line with the GHG Protocol methodology and disclosed annually and include Scopes 1, 2 and 3 and a relevant intensity metric to the sector. Scope 3 emissions are industry relevant, including independently heated homes. A historical period and baseline are used in reporting and to evidence trend analysis.

We have continued our work with SHIFT, a leading consultant to social housing, to provide assurance of our methodologies and data. We regularly review our energy GHG Protocol Accounting and Reporting Principles. We use the 2022 Defra conversion factors to calculate associated tonnes CO2e equivalents. Reporting has been aligned with the UK Government's Environmental Reporting Guidelines.

Scope 3 emissions have been reported for the assessed scope 3 categories and activities using the GHG Protocol: Technical Guidance for Calculating Scope 3 Emissions. For the purposes of SECR we have included Category 6: Business travel, omitting other associated categories. All assessed Scopes will be disclosed in our annual ESG Report.

The chosen intensity ratio is the total tonnes CO2 emissions (market based) per home, providing effective benchmarking of our performance within the social housing sector. Through enhanced governance of sustainability and net zero we have built key action plans and workstreams to advance energy efficiency and reduction in the homes we rent, the homes we build and the way we work.

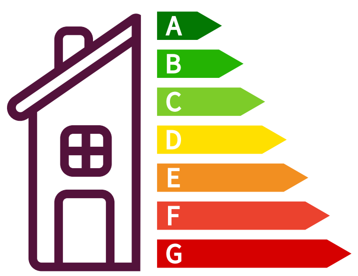
Energy efficiency measures

We have increased our spend on energy efficiency measures through major projects such as SHDF Wave 1 in our homes and Heating, Ventilation and Cooling (HVAC) upgrades in our Bath Row head office and fabric improvements at our new West Midlands Hub office.

- **161** homes uplifted from EPC E-D to C-B through our Social Housing Decarbonisation Fund Wave 1 programme
- **565** new smart or automated meters (AMRs) installed since 2023
- **1,201** new energy efficient boilers
- **220** electric heating systems including storage and panel heaters
- **283** solar PV arrays on our homes, including in-roof solar PV through our re-roofing programme
- **60** blocks transitioned to new LED lightbulbs
- **284** properties have received new double-glazed windows
- **373** properties have received wall insulation ready triple-glazed windows
- **216** insulation top-ups have been completed
- **3,866** newly assessed and registered EPCs have captured the energy efficiency measures installed in our homes as we work towards EPC C by 2030

EPC corporate targets

EPC D by 2025 and EPC C by 2030 in all our homes is captured through the latest EPC SAP assessment methodologies and regularly reported to our Board and Management Team as a corporate KPI.

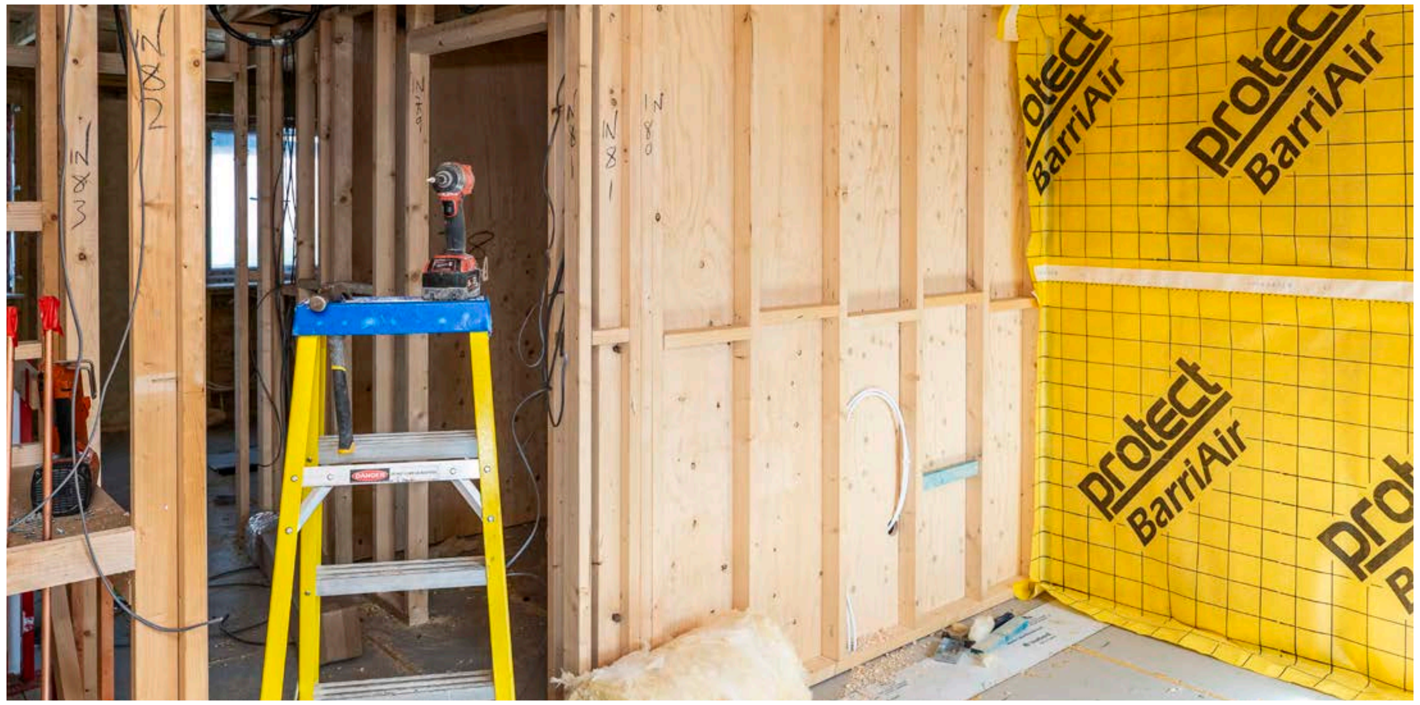


SHIFT environmental assessment

Our partnership with SHIFT means that we can annually assess our environmental sustainability performance against sector standards, maintain consistent methodologies and quality assurance and access specialist consultancy to the sector.

This year we achieved SHIFT 'gold' award for environmental sustainability and a score of 58.4. A marked improvement since the assessment journey began 3 years ago. We have excelled in the areas of the energy efficiency of the homes we rent and tenant engagement on sustainability issues.

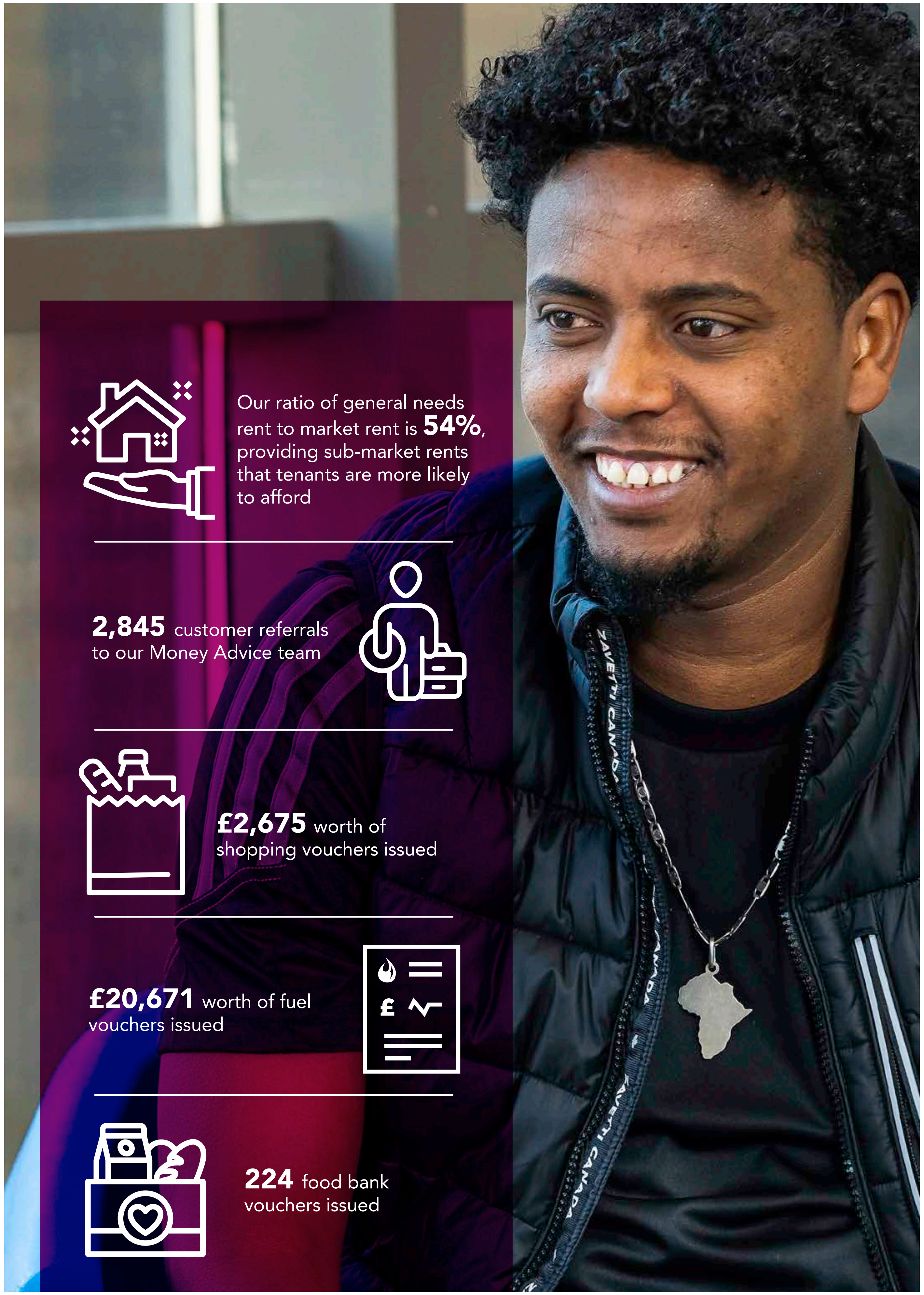
Delivering Social Value



We are committed to delivering social value for our tenants through providing high quality housing and support services. We work with partner organisations who can support us by donating their knowledge, time, energy and resources across a variety of activities to put something back into their community. Our Money Advice team assist our tenants in assessing this support, alongside advice in dealing with debt and maximising benefits.

This year, we:

- Maximised customer income by £2.6m, increasing income and reducing debt liability. We obtained Universal Credit awards of £245,000 and £27,000 in Discretionary Housing Payment for customers struggling to meet their rent shortfall due to financial hardship and effects of welfare reform
- Helped eligible customers obtain an additional £1m in housing benefit, and £88,000 in attendance allowance for those over 65 to help with care needs
- Secured £92,000 from charities, trust funds and tenant hardship funds to help reduce debt and purchase essential goods and services, such as ovens, bedding and fridges
- Accessed additional support for our tenants who are struggling to cope with the food and energy price inflation
- Gaining access to Trussell food bank portal so that we can quickly issue food vouchers electronically
- Worked with the building safety team to clear gas meter debt to enable gas safety checks and to continue to have a supply
- Gave customers advice on how they can most efficiently use energy and reduce their bills through the Money Advice team, and on our website
- Distributed winter warm packs donated by a contractor for vulnerable customers
- Administered part of the Household Support Fund on behalf of Wolverhampton Council, distributing over £20,000 to Midland Heart tenants living within the Wolverhampton area.
- Provided 30 customers with washing lines so that they can save on drying costs – helping them to save money, and;
- We recruited an additional money adviser which allowed us to advise more customers dealing with the effects of the cost-of-living crisis.



Risk Management

Our operating environment

We began the year in the midst of high inflation and a below CPI rent cap of 7%. We have continued to model these economic risks throughout the year to ensure we managed the impact on our surplus as well as the cost-of-living impact on our tenants. We regularly monitored arrears and ensured that tenants continued to be supported through our Money Advice team.

We have undertaken preparedness work to realign our compliance and performance frameworks with the introduction of the Social Housing (Regulation) Act 2023 and the Regulator of Social Housing's new Tenant Satisfaction Measures and revised regulatory standards.

During 2023/24, Birmingham City Council issued a s114 notice notifying Government of their difficult financial position. We are continually assessing our exposure in case this risk becomes sufficiently significant to require strategic management.

Looking ahead to 2024/25

In January 2024, the Government confirmed that the rent increase for 2024/25 would revert to CPI +1%. The rent increase of 7.7% for 2024/25 will ensure that we remain able to deliver high quality services.

During the last two years, high inflation led to the Bank of England increasing interest rates. This has resulted in higher borrowing costs, including mortgages and consumer credit. Inflation fell to 3.2% in March 2024 and interest rates are expected to reduce later in 2024/25. In the short term however, higher debt could add to cost-of-living pressures already caused by inflation. This could adversely impact arrears and our business plan.

We will also continue to drive strong compliance with the Regulator of Social Housing's new Consumer Standards during 2024/25.

Our Retrofit Strategy will deliver EPC D in all our homes by 2025 as we strive towards our 2030 EPC C corporate target, delivering decarbonisation through energy efficiency and improving thermal comfort for our tenants.

A cyber attack remains a real and credible threat across all sectors. We will continue to put in place robust, proactive measures to protect our systems, together with ongoing communications to colleagues around the risks, what to look for, and how to protect themselves and the organisation.

Risk management embedded through our business

The Board and Audit and Risk Committee recognise the importance of sound risk management in achieving our Corporate Plan.

Our risk management process aims to identify risks before they crystalise, ensuring we can put mitigating controls in place and focus our assurance activities. Our Executive Board has overall responsibility for risk management and the system of internal control within the business. The Audit and Risk Committee reviews the systems in place to identify and manage risk and receives reports from the internal auditors, advising on the effectiveness of our internal control systems in managing risk. The Group uses an enterprise-wide risk management (ERM) framework to support the identification and management of risk.

ERM enables us to identify, measure and manage the entire range of business opportunities and risks. Under the ERM framework, each functional area of the business regularly reports on its major risks and how these are being managed or eliminated.

Having considered our operational and project risk registers, the risks arising from our corporate plan and external views on the sector's risks (e.g. the Regulator, Homes England and Moody's), we have identified our key corporate risks which require active management and monitoring by our Board.

Our risk management process seeks to identify the key risk factors that may have a material impact on the group and to manage them appropriately. The risk factors cover financial, operational and reputational risk.

Measure	Risk	Mitigation
SR1	Causing serious harm or neglect to a customer, staff, supplier or third party	• Safeguarding and operational policies and procedures in place with all relevant staff inducted and trained. • Routine checks undertaken by fully trained operational staff. • Safeguarding Board monitors policy implementation and performance. • Health and safety system and reporting in place. • Contractor H&S systems checked via procurement / contract monitoring. • Annual programme of thematic H&S audits. • Monitoring by Safe & Strong Committee
SR2	Non-compliance with Building Safety laws, regulations and best practice in existing and new build properties	• Dedicated team and budgets to manage building safety and compliance. • Systems and processes in place to identify, control, monitor and report on building safety risk / performance • Competent, qualified contractors procured to provide specialist services • Building Safety (Customer) Engagement Strategy for building safety responsibilities • Building Safety competency framework for staff training / knowledge • Contract Management Framework for contractor services • Building Safety horizon scanning group assesses emerging themes / impact • New Build Handover process between Building Safety / Development teams
SR3	Failure to build homes that meet demand at the required rate and quality	• Board approval of Housing Delivery Strategy. • Development strategy adequately phased and held to across 6-year plan. • Development project management processes with status reported to Board. • Operations sign off development projects to ensure property specifications meet customer need. • Dedicated Construction and Quality Manager and Customer Care Co-ordinator manage defects process and shared ownership home demos. • Financial modelling measuring impact of external factors, ongoing application of financial 'Golden Rules' and liquidity checks.
SR4	Adverse impact on financial plan of government policy, including any further rent cap and settlement post 2025	• Scrutiny of business plans budgets by Executive/Board. • Stress tests include a 10-year rent freeze that does not break plan. • Active treasury management including money market funds (AAA rated). • Forecast and business plan presented to Board • External affairs engagement with key national and local political bodies and individuals. • Planned sequence of mitigation plans if golden rules breached. • Money Advice Team advise customers on accessing hardship funds and maximising income.
SR5	Midland Heart suffers a cyber-attack	• IT policies, procedures and training, including IT Security e-learning • Vendor management with IT Security requirements embedded at procurement. • Annual Penetration test and Digital Application testing with all remediation complete. • Anti-virus software, firewalls, email & web filtering. • Mobile device management. • Encryption of data, MFA and geo-blocking implemented across all systems. • Executive cyber training by external specialist and phishing simulations.
SR6	Failure to comprehend and financially/ operationally plan for decarbonisation	• Governance arrangements meet the requirements of the ESG early adopter return (ESG Committee and reporting to Board). • Board and ESG Committee monitor progress towards ESG targets. • £72m embedded in the 2023 Financial Plan to get our properties to EPC C by 2030. • Annual ESG report aligned to external reporting standards. • Low Carbon priority included in the Corporate Plan as agreed by Board. • Decarbonisation operational team with specialist knowledge to achieve energy efficiency targets in the most cost-efficient way.
SR7	Non-identification/ mismanagement of damp & mould cases, resulting in harm to a customer and/or reputational or financial issues	• D&M Strategy in operation (reactive and preventative). • Two stage approach: 1) treat and advise; or 2) specialist D&M survey and works overseen by project team. • Collaboration with customers. • Homechecker application to facilitate the reporting of issues at every customer visit. • Visual inspections for signs of compromised damp courses. • Pro-active checks on window vents, extraction fans & heating systems. • Customer Scrutiny Group review how approach aligns with best practice per the Housing Ombudsman in their spotlight on Damp and Mould Report. • Dashboards for Operations Committee and Executive Board.
SR8	Breach of new and changing regulation	• Corporate Affairs Team receives alerts from RSH, Government departments, trade press, CIH and social media to stay informed of regulatory updates and communicate key messages to the business. • Complaints Policy aligned to Housing Ombudsman's Complaint Handling Code. • Self-assessment of the Annual Complaint Handling Code / outcomes reported to Board. • Board monitor policy updates and performance against Consumer Standards, tenant satisfaction measures and stock condition KPIs. • Operations Committee monitor Customer Scrutiny reports and Complaints dashboard. • Tri-annual review of stock intelligence (Decent Homes). • Resident-led review of Consumer Standards is completed annually to assess compliance / agree actions.

Board and
Executive Overview

Appointments and resignations

Name	Position	Appointed	Resigned	End of tenure
John Edwards	Chair of the Board	29/09/2014	27/09/23	27/09/23
Glenn Harris	Chief Executive and Executive Board Member	29/09/2017		
David Taylor	Executive Director of Operations and Executive Board Member	29/09/2017		
Martin Tiplady	Non-Executive Director; Chair of Remuneration and Executive Selection Committee and Chair of Audit and Risk Committee	29/09/2014	27/09/23	27/09/23
Carole Mills	Non-Executive Director and Chair of Operations Committee	29/09/2017	27/09/23	27/09/23
Llewellyn Graham	Chair of the Board and Operations Committee	01/05/19		
Joe Reeves	Executive Director of Finance and Growth and Executive Board Member	03/12/20		
Baljinder Kang	Executive Director of Corporate Resources and Executive Board Member	01/01/22		
Dominic Wong	Non-Executive Director and Chair of Finance and Growth Committee and Remuneration and Executive Selection Committee	01/05/21		
Louise McFadzean	Non-Executive Director and Chair of Audit and Risk Committee	28/09/22		
Pamela Leonce	Non-Executive Director	27/09/23		
Abigaile Bromfield	Non-Executive Director	27/09/23		
Dasos Christou	Non-Executive Director	27/09/23		
Lord Austin	Chair of the Board and Nominations Committee	27/09/23	01/03/24	

John Edwards, Martin Tiplady and Carole Mills all retired in September 2023. Following the retirements in September, Lord Austin, Abigaile Bromfield, Pamela Leonce and Dasos Christou were recruited to join the Midland Heart Board effective from September 2023. Lord Austin was appointed Chair Designate from 1st April 2023 and was appointed as Chair in September 2023.

Lord Austin retired in March 2024 and Llewellyn Graham, our Senior Independent Director at that time, acted as Chair in the interim period. Following consideration by the Board following Lord Austin's retirement, the members appointed Llewellyn Graham as Chair with Dominic Wong appointed as Senior Independent Director in Llewellyn Graham's place. Both appointments effective from 1 April 2024.

Board member attendance – 1st April 2023 to 31st March 2024

Board member	Main Board	Finance and Growth Committee	Audit and Risk Committee	Operations Committee	R&ES Committee	Nominations Committee	Board Away Time April 2023	Board Planning Day in November
Total Number of Meetings	8	4	4	4	3	4	1	1
John Edwards	4/4				1/1	1/1	1/1	
Martin Tiplady	4/4		2/2		1/1	1/1	1/1	
Carole Mills	4/4		2/2	2/2			1/1	
Glenn Harris	8/8	4/4					1/1	1/1
David Taylor	8/8			4/4			1/1	1/1
Llewellyn Graham	8/8			4/4		3/4	1/1	1/1
Joe Reeves	8/8	4/4					1/1	1/1
Baljinder Kang	8/8						1/1	1/1
Dominic Wong	8/8	4/4	2/2		2/2		1/1	1/1
Louise McFadzean	8/8	3/4	4/4				1/1	1/1
Lord Austin	3/3	2/2			1/1	2/2		1/1
Pamela Leonce	2/4		2/2		2/2	3/3		1/1
Dasos Christou	3/4		2/2	2/3				1/1
Abigaile Bromfield	3/3	1/3	2/2					1/1

Pamela Leonce, Dasos Christou and Abigaile Bromfield all attended the 21 June 2023, 26 July 2023 and 27 September 2023 Board Meetings, and the 26 April 2023 Board Away Time as Observers.

Board and Non Executive directors

Llewellyn Graham
Chair

Llewellyn joined the Board in September 2019 and is the Chair of our Operations Committee, and a member of our Nominations Committee. He is also the Board lead on equality, diversity and inclusion. In March 2024, Llewellyn was appointed as Chair.

Llewellyn Graham is an experienced Chief Executive Officer, who has a proven track record of success in leadership at the highest level within the voluntary, social housing and not-for-profit sector. He is a visionary leader and social entrepreneur who has the ability to analyse and solve complex organisational problems and implement change successfully. Llewellyn was instrumental in providing leadership and strategic direction in developing Nehemiah Housing from its embryonic stage to being a successful multi-million-pound social business.

Llewellyn continues to hold a number of board appointments. In July 2022 he became a member of the Black Country Integrated Care Board (ICB) a statutory NHS organisation responsible for developing a plan for meeting the health needs of 1.26 million people in the Black Country.

Working with people has been a long-term passion that began as a social worker and for 21 years has held the role of a senior pastor and area bishop for the Church of God of Prophecy.

Llewellyn is a member of a variety of bodies. He is a member of the National Housing Federation Regional committee, BME National Executive, West Midlands Housing Association Partnership, Birmingham Social Housing Partnership, the Chartered Institute of Housing, the Institute of Directors, the Association of Corporate Governance Practitioners, the Institute of Corporate Governance, and the National and International church board, where he is also chair of the International Audit Committee.

Llewellyn also chairs the Strategic Commissioning Committee of the Black Country ICB and is a member of the Black Country Healthcare NHS Foundation Trust Joint Oversight Committee for Mental Health and Learning Disability.

Dasos Christou
Non-Executive Member

Dasos is the Regional Managing Director for Abri, one of the largest housing associations based in the south of England. Dasos is responsible for the south east region of 13,500 homes predominantly based around Windsor and Bracknell in Berkshire, following the successful merger or Abri with Silva homes in 2023. Prior to the merger, Dasos was the executive director of customer relations for Silva and has been in housing for over 10 years.

Dasos started his career in retail, working for the John Lewis partnership for over 12 years, in a variety of roles from being part of the management team that opened the department store in Solihull to regional positions and finally Development Manager of Customer Service for the group's Financial Services.

Dasos brings a wealth of knowledge and experience from working already in the sector. He has used his commercial acumen and expertise in customer service to modernise the way services are delivered in housing, implement sector leading digital services and improve the customer experience through organisational transformation. This is further supported by his chartered member qualification with the Chartered Institute of Housing.

Before joining the board, Dasos was an independent Operations Committee member for 7 years so knows Midland Heart well and will continue to sit on this Committee in his new role. Dasos is also a member of the Audit and Risk Committee at Midland Heart, and he is the Board Member Responsible for Complaints. Dasos is also a non-executive director position with Opendoor Homes, which is part of the Barnet Group and sits on their group Governance and Renumeration Committee.

Dominic Wong
Senior Independent Director

Dominic joined Deloitte LLP in 1991 and spent the next 28 years there, specialising in turnaround, restructuring and performance improvement. In 2019, he left Deloitte to pursue a portfolio career. Dominic is a chartered accountant and a licensed insolvency practitioner. He was recently appointed as our Senior Independent Director.

As well as his role at Midland Heart, Dominic is vice-chair at Harper Adams University and is a non-executive director of Warwickshire County Cricket Club.

Abigaile Bromfield
Non-Executive Member

Abigaile is an experienced strategic leader, chartered town planner and qualified mediator with a mix of public and private sector experience. She currently works as a leader at Homes England for Regeneration, Partnerships and Major Projects. Prior to that Abigaile was at Arup for 11 years as Director on the executive leadership team for Arup Midlands, in charge of a commercial business section and a significant financial turnover.

Abigaile held two roles: Arup UK Town Planning Leader and Midlands Growth Director, responsible for raising the company profile in the regional market and increasing the breadth and diversity of work (local to international), mainly in infrastructure related development. She was recently seconded to Birmingham City Council as acting Legacy Director, and previously the Engagement Leader for the Host City Programme team in their response to city readiness for the Commonwealth Games 2022.

Abigaile was seconded to the Cabinet Office Implementation Unit for the Prime Minister (2014-16) advising on improving the implementation of housing and public sector land related policies.

She is also a fellow of the Royal Town Planning Institute and has been a Non-Executive Board member for Midland Heart for the Finance and Growth Committee for 4 years prior to becoming a full Board member.

Louise McFadzean
Non-Executive Member

Louise joined our Board in September 2022 and is the Chair of our Audit and Risk Committee and a member of our Finance and Growth Committee.

Louise is a Chartered Accountant, she started her career in audit and subsequently moved into industry. With over 20 years' experience as a senior finance leader, with knowledge of the Food and Travel Retail, Manufacturing and Public Sector Organisations, Louise has a strong track record in financial strategy, governance and organisational transformation.

Louise also has experience as a charity trustee, school governor and board member and advisor in several other organisations.

Pamela Leonce
Non-Executive Member

Pamela is an experienced housing professional with over 30 years in the sector. She has extensive leadership and governance experience having been an Executive Director across the housing, health, social care and criminal justice sectors. She is also a board member of Local Space Housing Association, an Improvement and Assurance Panel member for the Department for Levelling Up, Housing and Communities, and a Partner at recruitment firm, Saxton Bampfylde. Her previous roles include being Sustainability Advisor to the Mayor of London and board member of the Barclays Foundation. Pamela is passionate about good governance and the impact it has on delivering good outcomes for communities.

Glenn Harris MBE
Chief Executive Officer and Executive Board Member

Glenn has been our Chief Executive since 2018. Before this he was our Executive Director of Corporate Services, responsible for Strategy, Finance, HR and IT. Supported by the rest of our Executive Board Glenn oversaw delivery of the final year of our Fit for the Future corporate plan and the creation of our current strategy Making What Matters Brilliant. Glenn is focused on Midland Heart being a truly outstanding landlord who excels at delivering first-class services to our customers, building as many new affordable homes in the Midlands as possible and being a leading local employer where people can develop themselves and grow their careers.

Prior to joining Midland Heart, Glenn was Deputy Chief Executive of the East Midlands Development Agency and held the role of Deputy Chief Executive at NHS Logistics, supplying over £1bn of consumable goods to all NHS Trusts across England.

Baljinder Kang
Executive Director of Corporate Resources and Executive Board Member

Bal joined us in 2014 and has over 30 years of generalist people management experience gained across the private sector, NHS, charitable and not-for-profit sectors. Since 2014 she has transformed our HR function and gained responsibility for the full breadth of the corporate resource's agenda including health and safety, facilities management, and technology and transformation.

A Fellow of the Chartered Institute of Personnel & Development (CIPD) and named as one of HR Magazine's most influential HR practitioners in the not-for-profit sector for the past five consecutive years, Bal led the team to winning the 2017 CIPD award for Best Reward Initiative, as well as the 2022 Best Health & Wellbeing Initiative. Bal was promoted to our Executive team in May 2018.

Joe Reeves
Executive Director of Finance and Growth and Executive Board Member

Joe joined the Executive team in July 2013 following 15 years at PwC working in both public sector audit and advisory, and corporate finance infrastructure and government teams, having qualified as a Chartered Public Finance Accountant (CIPFA) in 2000. As our Director of Finance and Growth, Joe is responsible for our housing development strategy, commercial projects, strategic planning, audit and risk, finance, treasury, procurement and corporate affairs functions.

As a Director at PwC, he acted as lead commercial advisor on major economic and social infrastructure public private partnership projects for Government across the UK with a combined value of £1.5bn.

David Taylor
Executive Director of Tenancy Services and Executive Board Member

David joined us in 2009 as Head of Housing and became a member of the Executive team in 2015. He has strategic responsibility for all of our tenant-related services, which includes property investment, customer services and housing management.

He is a member of the Chartered Institute of Housing, has a Level 5 housing qualification and over 20 years of experience working in the sector. David's career started in housing management at Leicester City Council and his experience spans most areas of the housing sector including resident and community engagement, homelessness, service commissioning and asset management.

Corporate Governance

Summary

We are committed to the principles of good corporate governance and achieving high standards of business integrity, ethics and professionalism in everything we do. Our code of conduct sets out the values we expect of ourselves and will uphold when at work from frontline colleagues to Board and committee members.

To provide our stakeholders with assurance the Board has adopted the National Housing Federation's (NHF) 2020 code of governance to measure our governance practices.

The NHF's code contains a broad range of governance measures for the Board to assess itself against including:

- Constitution and composition of the Board
- Essential functions of the Board and Chair
- Board skills, renewal and review
- Conduct of the Board and committee business
- The Chief Executive
- Audit and Risk
- Conduct, probity and openness

The Board has recently reviewed its compliance with the code and confirms it complies with all the provisions with suitable measures in place.

Declarations of interest

All declarations of interest are held on our register and are available publicly. Please contact our Company Secretary directly should you like to receive a copy of the register. There have been no declarations made which have a material impact.

Board of Directors

The Board has responsibility for the overall management and performance of the Group, its overall strategy and planning, including strategic objectives, financial viability, internal controls and risk management. The Board has delegated day to day management of the Group to the Executive team, and delegates specific governance responsibilities to a number of committees of the Board, as detailed in their terms of reference.

As of 31 March 2024, there were 10 Board members, of whom 6 are Non-Executive Directors, and four are Executive Directors.

Recruitment to the Board takes place as required to maintain orderly succession and an appropriate mix of skills and experience. Induction and development programmes are provided to all Board members.

Collectively, Board members bring a wide range of experience and expertise to the governing of Midland Heart. Executive Directors attend all Board meetings and members are provided with appropriate papers and information in advance of all meetings.

On 31 March 2024, the Board had five committees and operates one property owning subsidiary, Cygnet Property Management plc.

Audit and Risk Committee

The Audit and Risk Committee, chaired by Louise McFadzean, is responsible for six key areas which are:

- Monitoring the integrity and effectiveness of financial reporting and external audit
- Agreeing and monitoring the delivery of the Group's internal audit programme
- Monitoring the effectiveness of the Group's risk management and internal control systems
- Overseeing the effective implementation of the Group's health and safety policy
- Oversight of the compliance with whistle blowing and fraud policies and procedures
- Compliance with regulatory standards and the National Housing Federation's code of governance

In addition to exercising oversight of these areas, the Committee also considers items related to information governance and general data protection regulation (GDPR), business resilience, and reviews the governance and control framework (Midland Heart's standing orders).

The Committee meets quarterly to ensure continued oversight and assurance over risks and processes.

Finance and Growth Committee

The Finance and Growth Committee (F&G), chaired by Dominic Wong is responsible for overseeing the finances of the Group, agreeing treasury strategy and controls and approving new loan facilities and interest rate risk management arrangements. F&G's functions also include a review of the Environmental Social and Governance annual report.

At the close of the financial year, F&G convened and considered the following areas:

- The final budget for 2023/2024
- The Management Accounts Report with outturn forecast
- The rent and service charge report
- The Treasury report including covenant compliance
- The long-term financial plan, including assessing adequacy and comprehensiveness of stress testing and mitigation plans
- The delivery of our development programme and targets and ensuring sufficient liquidity is in place for this
- The annual review of the development appraisal parameters, and;
- The Assets & Liabilities Register

Remuneration and Executive Selection Committee

The Renumeration and Executive Selection Committee was previously chaired by Martin Tiplady OBE until his retirement in September, and chaired by Dominic Wong for the remainder of the financial year. The Committee considers all matters about pay and remuneration and oversees the development of effective human resources and employment policies.

During the course of the year the Committee has:

- Commented to the Chief Executive and his team on strategic matters of organisation structure design, organisation development and employment affecting the workforce more widely
- Considered the performance levels of the Chief Executive and Executive Directors and determined the appropriate levels of remuneration and salary
- Approved our gender pay gap and ethnicity pay gap reports; reviewed and informed progress on the resulting action plans
- Received information on workforce sentiment from the colleague champions (our colleague representative body)
- Considered labour market conditions and approved the annual pay award
- Considered and approved additional reward & benefits to ensure our Total Reward Strategy remains competitive
- Took decisions regarding pension arrangements both for the current and future years
- Considered and made recommendations on the major pension issues and risks facing us and our future pension strategy. The Committee receives independent advice from a firm of pensions advisors, and;
- Reviewed the delivery and implementation of our Diversity and Inclusion plans from our Equality and Diversity Steering Group

Nominations Committee

The Nominations Committee is chaired by the Chair of the Board

The committee's main responsibilities are;

Board and committees succession planning and recommending new appointees to the Board; recommending what the remuneration should be for Non-executive Directors and for the members of Board and committees; carrying out the annual appraisal of the Chair and approves the approach towards, and considers the outputs from, the annual appraisal process for Board and committees of Midland Heart. As well as this, the committee is responsible for assessing and reporting on overall governance effectiveness.

Some of the areas considered by the committee during the year were:

- Board recruitment for our incoming Board members following the retirements of John Edwards, Martin Tiplady, Carole Mills and Lord Austin. This includes the recruitment of the Chair of the Board and the Senior Independent Director.
- Approval of plans for, and the outputs from, Board, committee and Chair appraisal
- A review of our Code of Governance and Board member Code of Conduct, and;
- A review of our Governance compliance checks

Operations Committee

The Operations Committee, previously chaired by Carole Mills until her retirement in September, and chaired by Llewellyn Graham for the remainder of the financial year, shapes and oversees the effectiveness of our tenant engagement and scrutiny activity, helping to ensure that the tenant voice informs policy and decision making, with the aim of achieving positive outcomes for those who live in our homes. The committee reviews operational performance and critiques, develops and approves our key tenant facing policies.

The Committee comprises a mix of tenants, independent and non-executive members along with our Executive Director of Tenancy Services, which brings a variety of valuable perspectives to our work at Midland Heart. This year we have continued our focus on optimising the strength and visibility of the tenant voice throughout the organisation and at Board and been involved with and helped develop the following areas:

- Tenant scrutiny – including a focus on being respectful, transparent and accountable to our tenants.
- Learning from complaints
- First class repairs
- Balanced and sustainable communities
- Investment into the quality of our homes and neighbourhoods
- Energy efficiency
- Building safety
- The Committee also exercises oversight and scrutiny of the current operational position and trends via a comprehensive suite of operational, governance and performance reports.

With Llewellyn Graham now being appointed as our Chair of the Board, Dasos Christou has been appointed to chair the Committee, with his appointment effective from 1 April 2024.

Cygnet Property Management PLC

Cygnet oversees the acquisition and management of a small portfolio of properties for market rent. As a non-charitable operating subsidiary of the Midland Heart group, Cygnet has its own discrete funding arrangements (currently with Handelsbanken), separate from those used by Midland Heart, and operates through a separate legal entity. Over the financial year the Cygnet Board has been chaired by Joe Reeves.

Executive Team

The Board of Midland Heart delegates the day-to-day operation of the business to the Executive team, chaired by the Chief Executive.

Tenant Insight

Our tenant involvement and engagement framework ensures that we have a varied and accessible approach to listen to our tenants' views and experiences. Each year we engage with circa 3,500 tenants to understand their experience of being a Midland Heart tenant through surveys, in depth scrutiny reviews and focus groups, as well as through our mystery shopping and estate champion programmes.

We also collect insight into our tenants' experiences through over 10,000 transactional and tenant perception surveys which is added to learning and insight from when we have worked with our tenants to put things right when they have gone wrong through our complaints process. Last year this was utilised by over 1000 tenants.

Some examples of the impact this has made so far can be seen below:

Rent setting: We engage tenants each year to understand the impact and affordability of rent setting. This year we surveyed over 1,000 tenants from different tenures and backgrounds as well as holding discussions through focus groups. We segmented arrears by geography and different demographics, discussed with tenants their priorities for investing income and explored how we could best support tenants with additional needs to be able to make rent payments.

Damp and mould: We worked with a group of tenants who had experienced damp and mould in their home to review how effective we are at responding to these reports. They benchmarked our services against the best practice spotlight report from the Ombudsman and added their own perspectives to this. This has led to a 10-point improvement plan which is tracked and reported back to the My Impact group.

Investment in our homes: The investment into our homes is shaped by tenant experiences, what we know about our tenants needs and aligned with property data. We have engaged tenants in shaping works in our 'intervention schemes' these are our 150 schemes where data showed them as the least sustainable communities. Tenants have informed investment works aligned with management interventions to make homes safer and attractive places to live. More recently we have been developing plans for a £50m modernisation programme, targeting homes where tenants require the investment most involving tenants in defining a what a modernised home would look like.

Statement of Internal Control

The Board is the ultimate governing body of the Group and is committed to the highest standards of business ethics and conduct and seeks to maintain these standards across the whole business.

The Board has overall responsibility for ensuring systems of internal control are established and maintained, and they focus on the significant risks that threaten the Group's ability to meet its strategic objectives. Such systems can only provide reasonable assurance against material financial misstatement or loss.

In reviewing the systems of internal control we have in operation, the Board takes assurance from the following practices or elements of our control framework:

Control system	Contribution
Governance arrangements	Provides regular and significant oversight of and scrutiny over the business and its performance.
Terms of reference for the Audit and Risk Committee	Provides for a detailed system of scrutiny and checks the effectiveness of management processes and the overall system of internal control, using both internal and external sources of assurance.
Governance and control framework	Detailed scheme of delegation for all parts of the business, including financial delegation.
Whistleblowing/anti-fraud measures	Whistleblowing and anti-fraud policies are approved by the Board and their effectiveness monitored by Audit and Risk Committee.
Policy, strategy and procedure sign off and ongoing review process	Leads to strategies, policies and procedures which are designed to comply with the law and are and remain fit for purpose. This includes the governance and control framework which sets out the levels of financial delegation from the Board to management.
Performance information - non-financial (e.g. key performance indicators)	Regularly reporting on operational performance at Board, committees, Executive team and divisional levels allowing for review of performance and prompt action to be taken where performance is below target levels. This includes monitoring of delivery against targets included in our Making What Matters Brilliant corporate plan.
Performance information – financial (e.g. management accounts and budget reports)	Regularly reporting financial performance information at Board, committees, Executive team and divisional levels together with a forecast of financial performance to year end. This allows any deviation from agreed budgets or failure to meet financial KPIs (or any future risk of this occurring) to be quickly identified, and any necessary remedial measures to be agreed. This includes monitoring of delivery against targets included in our corporate plan.

Control system	Contribution
Treasury management	A group-wide treasury management function monitors compliance with our obligations to lenders (including in relation to performance against our financial and non-financial covenants) and external treasury risk factors, whilst also proactively taking steps to improve the efficiency, and reduce the risk of our loan book. It also ensures we have sufficient cash to meet our short-term commitments and access to loan facilities sufficient to finance our long-term plans and commitments. It reports regularly to the Finance and Growth Committee, which in turn reports to the Board.
Appraisal of investment decisions	All housing new build investment decisions and other major commitments are subject to appraisal and approval by the relevant governance forum depending on the value of the transaction. All transactions with a capital value in excess of £10m are approved by a forum with a majority of Non-Executives.
Internal audit	These are carried out in an audit programme focusing on the areas of highest risk within the business as well as some key controls which are subjected to a continuous audit process. This is an outsourced service which in 2023-2024 was delivered by our advisers, BDO. The internal audit programme is determined by the Audit and Risk Committee annually by reference to a rolling three-year programme which aims to ensure all key risk areas are audited at least every three years. Audit reports then identify any control weaknesses or areas for improvement and require management to implement corrective actions in relation to those areas of weakness/improvement.
Quality assurance reports	These look at specific areas of operational risk in our customer services, and the outcome of these reviews are reported to and considered at Executive team and Audit and Risk Committee.
Regulatory standards compliance	An annual report provides evidence of compliance against the RSH regulatory standards which is reviewed by the Board and enables the Chair, on behalf of the Board, to certify compliance against the regulatory standards.
Health and safety risk monitoring	A Health and Safety Committee meets regularly to monitor the extent to which we meet our health and safety responsibilities. Reporting of health and safety key performance indicators and review of risks and controls occurs at each meeting of Executive team, Audit and Risk Committee and the Board to determine if health and safety risks are being adequately managed.

Assurance is also derived as to there being an adequate system of internal control from:

- The internal auditors who expressed this opinion in the 2023/2024 internal audit annual report
- The external auditors who gave an unqualified opinion on the 2023/2024 financial statements
- Financial controls that have shown themselves to be effective through the delivery of on budget financial performance in 2023/2024
- A group-wide risk management function which seeks to proactively manage risk so as to avoid any serious damage or impact to the Group, its customers or its assets. This includes a formal requirement to report on risk and how this will be mitigated in relation to new business and major development initiatives, and;
- The ongoing monitoring and scrutiny of our assurance framework by both the Executive team and the Audit and Risk Committee

The key elements of the assurance framework are:

- Internal audit
- External audit
- Supporting people inspections by local authorities of our supported housing
- Homes England (formerly the Homes and Communities Agency) annual audit of development programme performance
- External funder reviews and annual financial/ governance reviews by credit rating agency, Moody's
- Internal quality assurance frameworks
- Health and safety risk assessments and audit inspection outcomes
- Regular compliance checks and reporting to Board of inspection outcomes in relation to fire risk, hot water, asbestos, gas safety, legionella and electrical testing
- Business continuity planning and disaster recovery planning and externally led testing of these plans
- Fraud reports, including annual fraud report to the housing regulator, the Regulator of Social Housing
- Ad hoc audit reviews
- Whistleblowing reports
- Regulator of Social Housing regulatory judgement
- Experienced and suitably qualified staff take responsibility for important business functions.
- Annual appraisals are carried out for all staff to assess their performance, and;
- Budgets are prepared which allow the Board and the Executive team to monitor the achievement of financial objectives throughout the year. Monthly management accounts are prepared and distributed promptly providing relevant, reliable and up-to-date financial information and commentary which allows significant variances from budget or from key performance indicators to be quickly understood and corrective actions put in place

Regulator of social housing regulatory standards compliance

Registered providers are required by the Regulator of Social Housing (RSH) to assess their compliance with the RSH's governance and financial viability standard. The Board has considered our compliance with these standards and in line with the requirements of the RSH hereby certifies that we comply with such standards.

During 2021, an in-depth assessment was carried out on us by the RSH. This resulted in a positive outcome with the regulator confirming our regulatory judgement as G1/V1, the highest possible rating.

Mergers and partnerships

The Board previously decided to adopt the National Housing Federation's merger code. This is a voluntary code which sets out 10 core principles of conduct which act as a framework for boards to follow in relation to the various stages involved in evaluating and making decisions on opportunities for mergers, group structures and partnerships.

The Board believes that this will benefit our customers and stakeholders in that it will:

- Enable Board ownership of such matters;
- Support good and objective decision making; and
- Embed principles of transparency and accountability.

The following set of key principles will act as a guide for our approach towards mergers and partnerships:

- Our express wish is to grow the organisation and provide greater capacity to do more.
- A merger or partnership with a fellow housing association is the principal means by which this corporate objective can be met.
- We see ourselves as being a consolidator in the market, rather than being consolidated.
- We would however ensure that any merger or partnership activity is in the best interest of our current and future beneficiaries.
- We will not enter into any merger or partnership activity which would represent poor value for money for us.
- We cherish our unitary structure and believe it to be the most efficient means to deliver our services. Whilst merger or partnership activity may alter our structure in the short term, we would return to a unitary structure over time
- We believe that merger and partnership activity is most likely to arise with fellow housing associations within the greater Midlands area.

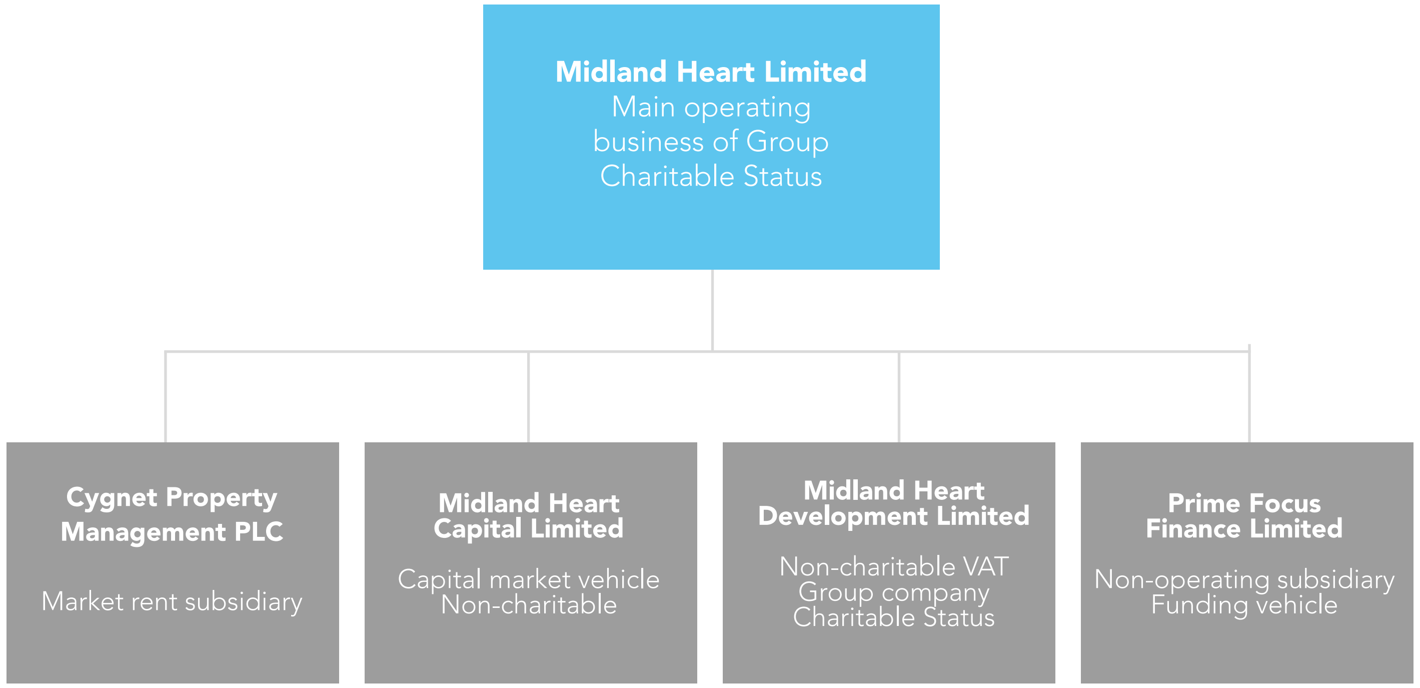
We will evaluate potential partners for this activity using the following criteria:

- *Strategic fit* – do we have a set of common objectives, purpose and mission?
- *Financial fit* – does the sum of our parts make us financially stronger and allow us to build more housing?
- *Geographic fit* – does it make us more relevant and influential in our chosen geographies?
- *Cultural fit* – do we share the same values?
- *People fit* – do we have the right senior staff from the changed organisation to lead the business?

Directors' Report

The Board of Directors present their report, together with the audited financial statements for the year ended 31 March 2024.

Organisation structure



Principal activities

The principal activities of the Group are the provision of housing and support. The Group's principal area of operation is across the Midlands.

A review of our operational and financial performance for the year ended 31 March 2024 can be found in the strategic review from page 14.

Income and surplus for the year

The Group's activities generated turnover for the period of £231.9m (2022/2023 – £221.1m) on which a surplus of £41.8m (2022/2023 - £40.7m) was achieved. On 31 March 2024, revenue reserves totalled £570.3m (2022/2023 – £533.2m).

Legal proceedings

From time to time, Midland Heart and its subsidiaries may be involved in legal proceedings incidental to its operations. The outcome of such proceedings, either individually or in aggregate, is not expected to have a material effect upon the results of our operations or financial position.

Financial instruments

Information on the Group's use of financial instruments, financial risk management objectives and activities and exposure to credit liquidity and market risks is provided in the treasury management section.

Modern Slavery Act

We are committed to achieving greater clarity and understanding of our supply chains in order to seek out and deal with any evidence of slavery and human trafficking. We recognise that no supply chain can be considered entirely free from the potential for slavery or human trafficking to occur and we are endeavouring to take further steps to understand high risk areas, communicate our approach and take positive action where appropriate. Our full statement on modern slavery and human trafficking can be found on our website.

Health and safety

Health and safety continues to be our number one priority. We provide safe homes for our customers and safe places to work for our colleagues. For us, health and safety is never a tick box exercise.

Our Corporate Plan puts customer and colleague safety at its centre. Responding to events outside of our business we are committed to ensure concerns about safety can be raised as quickly and seamlessly as possible. We make sure that we respond to any concerns connected to safety; we are open and transparent about what needs to be improved and how that will be done.

To continuously monitor health and safety, the Safe and Strong Group and its sub committees are well bedded in providing a platform for two way communication throughout the organisation, involving representatives across the business. The addition of the Building Safety Concerns process has allowed us to monitor issues arising which could impact the safety of our buildings.

Our continued work in response to the Grenfell Tower fire is ensuring that we are amongst the leaders in our industry to proactively manage the health and safety of our customers and colleagues.

Investment for the future

We are committed to investing in our properties and the communities in which we serve. During the year we invested £39.9m (2022/23 £29.5m) in our homes. Our asset management strategy also provides for the disposal of a number of properties which sit outside of our core operational area. Proceeds from these properties are used to fund development of properties within our core area.

Policy on payment to suppliers

We are committed to paying suppliers in line with the payment terms agreed with those suppliers.

Auditors

KPMG LLP are auditors to the Group and have indicated their willingness to continue in office.

The resolutions for their re-appointment and to authorise the directors to determine their remuneration will be proposed at the AGM on 25 September 2024. The auditors' fees for audit and non-audit work are disclosed in note 9 to the financial statements.

Going concern

The Board has considered those areas that could give rise to significant financial exposure and is satisfied that no material or significant exposures exist other than those reflected in these financial statements and that Midland Heart Limited and the Group have adequate resources to continue its operations for the foreseeable future.

We previously reported that the Government's announcements in July 2015 would impact on the future income of the Group and may have led to a breach in borrowing covenants. Since then, we have delivered efficiency savings through both our Fit for the Future corporate plan and the launch of our Making What Matters Brilliant corporate plan which have realised savings that have fully mitigated this risk.

We have a strong capital position with high levels of favourable financing facilities and of cash holdings.

No significant concerns have been noted and for this reason the going concern basis has been adopted in preparing the financial statements.

Statement of Board's Responsibility

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 has 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 its income and expenditure for that period.

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

- Select suitable accounting policies and 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 Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern
- 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 2022. 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 directors who held office at the date of approval of these Financial Statements confirm that, as far as they are each aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Sarah Scott
Company Secretary

Llewellyn Graham
Chair

Independent auditor's report to Midland Heart Ltd

Opinion

We have audited the financial statements of Midland Heart Limited ("the Association") for the year ended 31 March 2024 which comprise the group and association statements of comprehensive income, the group and association statements of financial position, the group cash flow statement, the statement of movement in reserves and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland, of the state of affairs of the Group and the Association as at 31 March 2024 and of the income and expenditure of the Group and the Association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group and Association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Association or to cease their operations, and as they have concluded that the Group's and the Association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period"). In our evaluation of the Board's conclusions, we considered the inherent risks to the Group's and the Association's business model and analysed how those risks might affect the Group's and the Association's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified, and concur with the Board's assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group's or the Association's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Association will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of Board, the audit and risk committee and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit and risk committee minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.
- Reading the Group's fraud register.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.
As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates such as the valuation of investment properties, the valuation of financial instruments and the valuation of defined benefit pension obligations. On this audit we do not believe there is a fraud risk related to revenue recognition because the majority of revenue streams consist of routine transactions with non-complex recognition criteria.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included unusual revenue combinations, unusual cash journals combinations, unusual borrowings journals combinations and journals posted by unexpected users.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience ,and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related co-operative and community benefit societies legislation), and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, data protection laws, anti-bribery laws, employment law, financial services regulation, compliance with housing regulation and legislation recognising the financial nature of the Group's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

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 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 fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The Association's Board is responsible for the other information, which comprises the strategic report and Governance. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

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

We have nothing to report in these respects. .

Board's responsibilities

As explained more fully in their statement set out on page 84, the Association's Board is responsible for: the preparation of financial statements which give a true and fair view; 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; assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group or the Association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it 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, for our audit work, for this report, or for the opinions we have formed.

Mark Dawson
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Group statement of Comprehensive Income

	Notes	2024 £'000	2023 £'000
Turnover	3	231,894	221,127
Operating expenditure	3	(169,192)	(161,834)
Surplus on disposal of property, plant and equipment	6	4,252	4,014
Surplus on revaluation of investment properties	11	(587)	410
Operating Surplus	**3**	**66,367**	**63,717**
Interest receivable	7	3,644	2,606
Interest and financing costs	8	(27,998)	(25,502)
Surplus before Tax	**9**	**42,013**	**40,821**
Taxation	10	(241)	(126)
Surplus for the year		**41,772**	**40,695**
Other comprehensive income			
Movement in fair value of cash flow hedged financial instruments	24	4,562	28,446
Actuarial loss on defined benefit scheme	25	(4,718)	(4,140)
Total comprehensive income for the year		**41,616**	**65,001**

The results for both years are wholly attributable to continuing activities.

These financial statements were approved by the Board of Directors on 31 July 2024 and signed on its behalf by:

Member
Llewellyn Graham

Member
Dominic Wong

Member
Glenn Harris MBE

Association statement of Comprehensive Income

	Notes	2024 £'000	2023 £'000
Turnover	3	230,233	219,666
Operating expenditure	3	(167,546)	(160,747)
Surplus on disposal of property, plant and equipment	6	4,255	3,832
Operating Surplus	**3**	**66,942**	**62,751**
Interest receivable	7	3,584	2,606
Interest and financing costs	8	(27,348)	(25,034)
Surplus before Tax	**9**	**43,178**	**40,323**
Taxation	10	-	-
Surplus for the year		**43,178**	**40,323**
Other comprehensive income			
Movement in fair value of cash flow hedged financial instruments	24	4,562	28,446
Actuarial loss on defined benefit scheme	25	(4,718)	(4,140)
Total comprehensive income for the year		**43,022**	**64,629**

The results for both years are wholly attributable to continuing activities.

These financial statements were approved by the Board of Directors on 31 July 2024 and signed on its behalf by:

Member
Llewellyn Graham

Member
Dominic Wong

Member
Glenn Harris MBE

Group statement of Financial Position

	Notes	2024 £'000	2023 £'000
Fixed Assets			
Tangible Assets:			
Housing properties	12	1,898,467	1,758,383
Investment properties	11	24,370	27,526
Other Fixed Assets	13	47,576	45,390
Homebuy loans receivable	14	90	100
Fixed Asset investments	15	801	1,189
Total Fixed Assets		**1,971,304**	**1,832,588**
Current Assets			
Debtors	17	17,463	13,502
Properties for sale and work in progress	18	12,820	19,472
Cash and cash equivalents	19	39,364	101,053
		69,647	**134,027**
Creditors: Amounts falling due within one year	20	(71,073)	(60,980)
Net Current (Liabilities) / Assets		**(1,426)**	**73,047**
Total Assets less Current Liabilities		**1,969,878**	**1,905,635**
Creditors: Amounts falling due after more than one year	21	(1,390,934)	(1,368,720)
Pension – defined benefit liability	25a	(22,382)	(21,969)
Total Net Assets		556,562	514,946
Reserves			
Revenue reserves		570,298	533,244
Cash flow hedge reserve		(13,736)	(18,298)
Total Reserves		**556,562**	**514,946**

These financial statements were approved by the Board of Directors on 31 July 2024 and signed on its behalf by:

Member
Llewellyn Graham

Member
Dominic Wong

Member
Glenn Harris MBE

Association statement of Financial Position

	Notes	2024 £'000	2023 £'000
Fixed Assets			
Tangible Assets:			
Housing properties	12	1,899,180	1,754,833
Other Fixed Assets	13	47,550	45,334
Homebuy loans receivable	14	90	100
Investments	15	801	1,189
Investments in subsidiaries	16	6,067	6,067
Total Fixed Assets		**1,953,688**	**1,807,523**
Current Assets			
Debtors	17	23,037	24,054
Stock and Work in Progress	18	12,820	19,472
Cash and cash equivalents	19	38,437	100,324
		74,294	**143,850**
Creditors: Amounts falling due within one year	20	(63,406)	(55,177)
Net Current Assets		**10,888**	**88,673**
Total Assets less Current Liabilities		**1,964,576**	**1,896,196**
Creditors: Amounts falling due after more than one year	21	(1,388,552)	(1,363,607)
Pension - defined benefit liability	25a	(22,382)	(21,969)
Total Net Assets		553,642	510,620
Reserves			
Revenue reserves		567,378	528,918
Cash Flow Hedge Reserve		(13,736)	(18,298)
Total Reserves		**553,642**	**510,620**

These financial statements were approved by the Board of Directors on 31 July 2024 and signed on its behalf by:

Member
Llewellyn Graham

Member
Dominic Wong

Member
Glenn Harris MBE

Group Cash Flow Statement

	Notes	2024 £'000	2023 £'000
Cash Flows from Operating Activities			
Operating Surplus		66,367	63,717
Adjustments for:			
Depreciation & Impairment charges		34,014	31,741
Amortisation of grant		(8,857)	(8,219)
Surplus on disposal of property, plant and equipment		(4,252)	(4,014)
Loss / (surplus) on revaluation of investment properties		587	(410)
Interest received		3,790	2,527
Interest and financing costs (including capitalised interest)		(28,005)	(25,485)
Increase in debtors		(3,961)	(1,303)
Decrease in stock		7,220	1,354
Increase / (Decrease) in creditors		(3,092)	(12,473)
Increase in pension - defined benefit liability		(4,718)	(5,102)
Tax paid		93	72
Net Cash flow from Operating Activities		**59,186**	**42,405**
Cash Flows from Investing Activities			
Acquisition and construction of housing properties		(175,282)	(126,290)
Social Housing Grant received		30,331	18,045
Sales of housing properties		27,751	46,077
Net decrease in investments and loans to other associations		398	494
Purchase of other tangible fixed assets		(7,154)	(6,439)
Net Cash flow from Investing Activities		**(123,956)**	**(68,113)**
Cash Flows from Financing Activities			
Loan advances received		18,000	-
Loan principal repayments		(14,919)	(10,524)
Net Cash flow from Financing Activities		**3,081**	**(10,524)**
Net Increase in cash & cash equivalents	33	**(61,689)**	**(36,232)**
Cash and cash equivalents at the start of the year	19	101,053	137,285
Cash and cash equivalents at the end of the year	**19**	**39,364**	**101,053**

Statement of Movement in Reserves

Group	Income and Expenditure Reserves	Cash flow hedge reserve £'000	Total Reserves £'000
At 1 April 2022	**496,689**	**(46,744)**	**449,945**
Surplus for the Year	40,695	-	40,695
Movement in cash flow hedge	-	28,446	28,446
Movement in defined benefit pension obligations	(4,140)	-	(4,140)
At 31 March 2023	**533,244**	**(18,298)**	**514,946**
Surplus for the Year	41,772	-	41,772
Movement in cash flow hedge	-	4,562	4,562
Movement in defined benefit pension obligations	(4,718)	-	(4,718)
At 31 March 2024	**570,298**	**(13,736)**	**556,562**

Associations	Income and Expenditure Reserves	Cash flow hedge reserve £'000	Total Reserves £'000
At 1 April 2022	**492,735**	**(46,744)**	**445,991**
Surplus for the Year	40,323	-	40,323
Movement in cash flow hedge	-	28,446	28,446
Movement in defined benefit pension obligations	(4,140)	-	(4,140)
At 31 March 2023	**528,918**	**(18,298)**	**510,620**
Surplus for the Year	43,178	-	43,178
Movement in cash flow hedge	-	4,562	4,562
Movement in defined benefit pension obligations	(4,718)	-	(4,718)
At 31 March 2024	**567,378**	**(13,736)**	**553,642**

Notes To The Financial Statements

(Forming part of the financial statements)

1. Legal status

Midland Heart Limited is a Registered Society limited by shares registered under the Co-operative and Community Benefit Societies Act 2014 (Registration number 30069R) and with the Regulator of Social Housing (Registration number L4466). Midland Heart Limited is a public benefit entity.

The registered office is 20 Bath Row, Birmingham, B15 1LZ.

Details of the group entities are set out in Note 31.

2. Accounting policies

2a Basis of accounting

The financial statements of the Group (Midland Heart Ltd and its group entities) are 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 by Registered Social Housing Providers Update 2022, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2024, the Co-operative and Community Benefit Societies Act 2014 and the Housing Regeneration Act 2008.

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.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could 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:

Tangible fixed assets: Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Impairment: The expected net realisable value of properties developed for outright/shared ownership sales and work in progress are reviewed and impairment is made when a loss is anticipated.

Bad debts: The recoverability of rental and trade debtors is assessed based on the likelihood of collection, on a portfolio basis for rental debtors and an individual basis for sales debtors.

Revaluation of investment properties: The Group carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. The Group engaged independent valuation specialists to determine fair value at 31 March 2024. The valuer used a valuation technique based on a discounted cash flow model. The determined fair value of the investment property is most sensitive to the estimated yield as well as the long term vacancy rate. The key assumptions used to determine the fair value of investment property are further explained in Note 11.

Shared Ownership Properties: where the Group sells a property as part of staircasing process it creates an obligation to pay for essential and initial repairs during the first 10 years or a shared owner acquires 100% of the ownership. This obligation is recognised as a provision within the accounts.

Pension and other post-employment benefits: The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases.

The Group participates in a defined benefit plan as set out below:

Social Housing Pension Scheme

SHPS is a multi-employer scheme which provides benefits to non-associated employers. The scheme is classified as a defined benefit scheme. For financial years ending on or before 28 February 2019, it was not possible for the Group to obtain sufficient information to account for the liability on a full FRS 102 valuation basis so it was accounted for as a defined contribution scheme where the net present value of the deficit contributions were recognised in the accounts as creditors falling within and more than one year.

As a result of additional information, SHPS are now able to split the pension liability by employer which has resulted in the scheme liability being accounted for adopting a full FRS 102 valuation for financial years on or after 31 March 2019. Further details are given in Note 26.

Impairment of non-financial assets: Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the estimated recoverable amount. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

2b Basis of consolidation

The consolidated financial statements incorporate the results of Midland Heart Limited and all of its subsidiary undertakings as at 31 March 2024 using the acquisition or merger method of accounting, as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition, being the date the Group obtains control.

2c Measurement convention

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, investment property.

2d 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 June 2024 by the Board. 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. The stress testing impacts were measured against loan covenants and peak borrowing levels compared to agreed facilities, with potential mitigating actions identified to reduce expenditure.

The Board, after reviewing the group and company budgets for 2024-25 and the group's medium term financial position as detailed in the 30-year business plan, the Group and company have adequate resources to continue in business for the foreseeable future. In order to reach this conclusion, the Board have considered through multi-variant stress testing:

- 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 cost increases and delays in maintenance expenditure, with major works being phased into future years
- Inflation – given the high volatility in the current global/UK environment, CPI/RPI assumptions as well as differential inflation on various elements such as energy costs, development costs etc have been stressed tested to take into account the increasing cost base
- 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
- Liquidity – current available cash and unutilised loan facilities of c£303m which 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 in compliance with its debt covenants even in severe but plausible downside scenarios.

Consequently, the Directors 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 prepared the financial statements on a going concern basis.

2e Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases.

Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

2f Housing properties

Tangible housing fixed assets principally available for rent are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings (including applicable stamp duty), construction costs, directly attributable development and administration costs, interest at the average cost of borrowing for the development period, and expenditure incurred in respect of improvements which comprise the modernisation and extension of existing properties.

Directly attributable development costs are the labour costs arising from acquisition or construction, and the incremental costs that would have been avoided only if the property had not been constructed or acquired.

Housing properties in the course of construction are stated at cost and are not depreciated. They are transferred into housing properties held for letting at practical completion.

Shared ownership properties are split between fixed and current assets, with the element relating to the expected first tranche sale being treated as a current asset. Any surplus made on the sale of the first tranche is treated as turnover in the Statement of Comprehensive Income in accordance with the treatment in the SORP update 2018. Second and subsequent tranche surpluses or deficits are shown on a net basis before operating surplus has been determined.

Depreciation

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

Depreciation is charged to the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each component. Land is not depreciated. The estimated useful lives are as follows:

• Structure	100 years
• Boilers	15 years
• Windows and doors	30 years
• Roofs	75 years
• Kitchens	20 years
• Bathrooms	30 years
• Heating	30 years
• Sprinklers	25 years
• Solar Panels	25 years
• Air Source Heat Pumps	15 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Properties held on leases (and associated components) are depreciated over the shorter of the length of the lease, or their estimated useful life.

Non component works to existing properties

The amount of expenditure incurred which relates to an improvement, which is defined as an increase in the net rental stream or the life of a property, has been capitalised. Expenditure incurred on other major repairs, cyclical and day-to-day repairs to housing properties is charged to the Statement of Comprehensive Income in the period in which it is incurred.

Interest capitalised

Interest on borrowings is capitalised to housing properties during the course of construction up to the date of completion of each scheme. The interest capitalised is either on borrowings specifically taken to finance a scheme or on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was raised. For the period ending 31st March 2024, interest has been capitalised at an average rate of 4.35% (2023: 4.0%) that reflects the weighted average effective interest rate on the Group's borrowings required to finance housing property developments.

2g Other tangible fixed assets

Other tangible assets include those assets with an individual value in excess of £500.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold office buildings	50 years
Furniture and equipment	3 to 28 years
(dependent on whether item is service chargeable)	
Motor vehicles	4 years
Computers and software	3 or 6 years

2h Investments

Investments in subsidiaries are measured at cost less accumulated impairment. Where merger relief is applicable, the cost of the investment in a subsidiary undertaking is measured at the nominal value of the shares issued together with the fair value of any additional consideration paid. Investments in unlisted company shares, which have been classified as fixed asset investments as the

Group intends to hold them on a continuing basis, are re-measured to market value at each balance sheet date. Gains and losses on re-measurement are recognised in Statement of Comprehensive Income for the period.

Current asset investments
Current asset investments include cash and cash equivalents invested for periods of more than 24 hours. They are recognised initially at cost and subsequently at amortised cost.

2i Social housing and other government grants
Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. Social Housing Grant (SHG) received for items of cost written off in the Statement of Comprehensive Income is included as part of turnover.

When SHG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

SHG must be recycled by the Group under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by Homes England. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as income in the Statement of Comprehensive Income. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

Non-monetary government grant
On disposal assets for which non-monetary government grants are held as liabilities in the Statement of Financial Position, the unamortised amount in creditors is derecognised and recognised as income in the Statement of Comprehensive Income.

Recycling of capital grant
Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the acquisition of new properties, where recycled grant is known to be repayable it is shown as a creditor within one year.

Properties developed for outright sale
Shared ownership first tranche 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. Net realisable value is based on the estimated sales price after allowing for all further costs of completion and disposal.

2j Non-Government grants
Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as income in the Statement of Comprehensive Income.

2k Supported housing managed by agencies
Social housing capital grants are claimed by the Group as developer and owner of the property and included in the Statement of Financial Position of the Group. The treatment of other income and expenditure in respect of supported housing projects depends upon the nature of the partnership arrangements between the Group and its managing agents and on whether the Group carries the financial risk.

Where the Group holds the support contract with the Supporting People Administering Authority and carries the financial risk, all of the project's income and expenditure is included in the Group's Statement of Comprehensive Income. Where the agency holds the support contract with the Supporting People Administering Authority and carries the financial risk, the Statement of Comprehensive Income includes only that income and expenditure which relates solely to the Group.

2l Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

2m Business combinations
Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the company.

2n Investment property
Investment property includes commercial and other properties not held for the social benefit of the Group. Investment property is measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value at the reporting date. Fair value is determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive income.

2o Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through income and expenditure is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment. The impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in the Statement of Comprehensive Income. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Statement of Comprehensive Income.

Non-financial assets
An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount or service potential (depreciated replacement cost).

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

2p Employee benefits
The Group participates in the Social Housing Pension Scheme, a multi-employer defined benefit final salary scheme managed by The Pensions Trust.

Contributions are based on pension's costs across the various participating associations taken as a whole. The assets of the scheme are invested and managed separately from those of the Group in an independently administered fund.

A full actuarial valuation for the scheme which was carried out with an effective date of 30 September 2020 showed a substantial deficit; to eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers. Further details are given in Note 26 to the financial statements.

The difference between the value of defined benefit pension scheme assets and the defined benefit pension scheme liabilities is recorded on the Statement of Financial Position as a defined pension liability.

Defined benefit pension scheme assets are measured at fair value using the market value of the assets of the scheme applied to the Group's percentage share of the total funding liabilities of the scheme. Defined benefit pension scheme liabilities are measured by calculating the liability for the appropriate members linked to the Group. The liabilities for orphan members (members with no remaining sponsorship employer for historical reasons) has been allocated to each employer's share of the overall liabilities.

Expenses, representing the cost to SHPS of running the scheme, is included in operating costs. Net interest cost is calculated by applying the discount rate used for the scheme liabilities to the net obligation.

Changes in the defined benefit obligation that arise from:

- Differences between the return on scheme assets and interest income included in the Statement of Comprehensive Income;
- Actuarial gains and losses from experience adjustments; and
- Changes in demographic or financial assumptions

are classified as remeasurements, charged or credited to Other Comprehensive Income in the period in which they arise.

The defined benefit scheme was closed to new members in October 2010. A defined contribution scheme is in place to new members. Employer contributions to this scheme are charged to the Statement of Comprehensive Income as they are incurred.

The disclosures in these financial statements follow the requirements of Section 28 of FRS 102 in relation to multi-employer funded schemes in which the Group has a participating interest.

Termination benefits
Termination benefits are recognised as an expense when the company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting date, then they are discounted to their present value.

2q Provisions
A provision is recognised in the Statement of Financial Position when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

2r Turnover
Turnover represents rental and service charge income receivable (net of void losses), fees receivable, proceeds from first tranche sales of low-cost home ownership and from properties developed for open market sales, grants from local authorities and amortisation of Social Housing Grant (SHG) from Homes England under the accrual model.

Rental income is recognised on the execution of tenancy agreements. Proceeds on sales are recognised on practical completions. Other income is recognised as receivable on the delivery of services provided.

2s Service charges
Service charge income and costs are recognised on an accruals basis. The Group operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

2t Expenses

Cost of sales
Cost of sales represents the costs including capitalised interest and direct overheads incurred in the development of the properties, and marketing, and other incidental costs incurred in the sale of the properties.

Operating leases
Payments (excluding costs for services and insurance) made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in the Statement of Comprehensive Income over the term of the lease as an integral part of the total lease expense.

Finance lease
The interest element of rental obligations is charged to the Statement of Comprehensive Income over the period of the lease in proportion to the balance of capital repayments outstanding. Contingent rents are charged as expenses in the periods in which they are incurred. .

Repairs and maintenance
Due to the number of properties held and the establishment of regular programmes of repair and maintenance, the Group does not make provision for future works but charges actual costs incurred to the Statement of Comprehensive Income in the year in which they are incurred.

Interest receivable and interest payable
Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities, loan fees, and finance leases recognised in income and expenditure using the effective interest method and unwinding of the discount on provisions that are recognised in the Statement of Comprehensive Income (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of Housing Properties that take a substantial time to be prepared for use are capitalised up to the date of practical completion of the scheme based on the average rate paid on borrowings.

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.
Interest income and interest payable are recognised in income and expenditure as they accrue.
Dividend income is recognised in the Statement of Comprehensive Income on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation
Current tax is recognised for the amount of income tax payable in respect of the taxable surplus for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

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 surpluses.

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

Value Added Tax

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on its expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset as appropriate.

2u Related Party Transactions

The Association is exempt from the requirement of FRS 102 to disclose transactions between Group undertakings as all companies are controlled and managed by Governing Bodies and an Executive Board appointed by the Board of Management of the Parent Company.

2v Financial Instruments

Financial Instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised cost model. These include loans whereby there are two-way breakage clauses. These are regarded as basic as their purpose is to minimise breakage costs where the rates are in our favour and not to act as an option for investment purposes. To do so would contradict our treasury management policy.

Tenant arrears, Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Non-basic financial instruments include all non-basic instruments and derivatives such as swaps and are accounted for under section 12 of FRS 102 and measured at fair value through the Statement of Comprehensive Income unless hedge accounting is applied.

All financial assets or liabilities at fair value are calculated using measurements based on inputs that are observable for the asset either directly or indirectly from quoted prices. Loans and Bonds are valued at amortised cost and market values for the stand alone swaps are obtained by discounting the cash flows at the prevailing swap curve. All other assets and liabilities are shown at historical book value.
Midland Heart's variable rate debt is partly covered by interest rate hedges using standalone interest rate swaps and in accordance with FRS 102, hedge accounting has been applied to all standalone swaps.

Hedging

Interest rate swaps relate to fixing variable rate interest and are therefore designated as cash flow hedges.

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable transaction, which could affect income or expenditure. They are measured at fair value at each reporting date. Gains and losses on cash flow hedges which are highly effective are recognised in Other Comprehensive Income and accumulated in the cash flow hedge reserve. Any ineffective portion of a gain or loss on cash flow hedges is recognised in the Statement of Comprehensive Income.

In order to apply hedge accounting, an economic relationship must exist between the hedged item and the hedging instrument. The Group must formally designate and document the hedging relationship at inception so that the risk being hedged, the hedged item and the hedging instrument are clearly identified, and the risk management objective and for undertaking the hedge. It is also required to determine and document the causes of hedge ineffectiveness.
In a cash flow hedge, if the hedged future cash flows are no longer expected to occur, the amount that has been accumulated in the cash flow hedge reserve is reclassified from the cash flow hedge reserve to the Statement of Comprehensive Income immediately.

All of the Groups stand-alone swaps satisfy the above criteria and the group has chosen to test the effectiveness of its hedges annually.

Impairment

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income immediately.
The following financial instruments are assessed individually for impairment:

(a) All equity instruments regardless of significance; and
(b) Other financial assets that are individually significant.

Other financial instruments are assessed for impairment either individually or grouped on the basis of similar credit risk characteristics.

3a. Group Turnover, Operating Costs, Operating Expenditure and Operating Surplus

	2024					2023
	Turnover	Operating Costs	Surplus on disposals	Surplus on investment properties	Operating Surplus/ (Deficit)	Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000	£'000	£'000
Social Housing Lettings	**208,862**	**150,265**	**-**	**-**	**58,597**	**54,222**
Other Social Housing Activities:						
Development services and costs not capitalised	893	105	-	-	788	541
1st tranche shared ownership sales	13,760	11,692	-	-	2,068	2,646
Other income	2,627	3,325	-	-	(698)	(525)
Total	**17,280**	**15,122**	**-**	**-**	**2,158**	**2,662**
Activities other than Social Housing Lettings:						
Properties developed for outright sale	-	-	-	-	-	326
Charges for support services	1,124	1,315	-	-	(191)	(212)
Market rent lettings	1,563	572	-	-	991	967
Student lettings	272	212	-	-	60	73
Commercial	1,196	550	-	-	646	672
Leased to other bodies	1,597	1,156	-	-	441	583
Disposal of property, plant and equipment	-	-	4,252	-	4,252	4,014
Revaluation of investment properties	-	-	-	(587)	(587)	410
Total	5,752	3,805	4,252	(587)	5,612	**6,833**
Total from Social and Non-Housing Activities	**231,894**	**169,192**	**4,252**	**(587)**	**66,367**	**63,717**

3b. Group Turnover, Operating Costs and Operating Surplus (continued)

Particulars of turnover and operating expenditure from Social Housing Lettings

	2024					2023
	General Needs Housing	Supported Housing	Residential Care Homes	Shared Ownership Accommo-dation	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges, net of voids	140,645	20,992	-	7,076	168,713	154,144
Service charge income	9,307	17,767	-	1,419	28,493	26,178
Amortised Government Grants (Accrual model)	6,887	1,501	8	262	8,658	8,036
Net Rental Income	**156,839**	**40,260**	**8**	**8,757**	**205,864**	**188,358**
Other income	145	2,018	130	705	2,998	4,054
Turnover from Social Housing Lettings	**156,984**	**42,278**	**138**	**9,462**	**208,862**	**192,412**
Management	26,114	5,142	49	2,585	33,890	31,717
Service charge costs	9,690	18,985	39	2,033	30,747	28,956
Routine maintenance	30,984	5,230	88	229	36,531	31,381
Planned maintenance	6,975	1,133	29	9	8,146	8,606
Major repairs expenditure	7,072	2,292	4	39	9,407	8,819
Depreciation of housing properties	23,378	4,300	31	1,050	28,759	26,880
Bad debts	767	640	-	33	1,440	1,037
Lease costs	935	330	2	78	1,345	794
Operating Costs on Social Housing Lettings	**105,915**	**38,052**	**242**	**6,056**	**150,265**	**138,190**
Operating Surplus on Social Housing Lettings	**51,069**	**4,226**	**(104)**	**3,406**	**58,597**	**54,222**
Void losses	(923)	(920)	-	(18)	(1,861)	(1,874)

3c. Association Turnover, Operating Costs, Operating Expenditure and Operating Surplus

	2024				2023
	Turnover	Operating Costs	Surplus on disposals	Operating Surplus/ (Deficit)	Operating Surplus/ (Deficit)
	£'000	£'000	£'000	£'000	£'000
Social Housing Lettings	**209,417**	**150,539**	**-**	**58,878**	**54,222**
Other Social Housing Activities:					
Development services and costs not capitalised	893	105	-	788	541
1st tranche shared ownership sales	13,760	11,692	-	2,068	2,646
Other income	1,979	1,979	-	-	68
Total	**16,632**	**13,776**	**-**	**2,856**	**3,255**
Activities other than Social Housing Lettings:					
Properties developed for outright sale	-	-	-	-	326
Charges for support services	1,122	1,315	-	(193)	(212)
Student lettings	272	212	-	60	73
Commercial	1,193	548	-	645	672
Leased to other bodies	1,597	1,156	-	441	583
Disposal of property, plant and equipment	-	-	4,255	4,255	3,832
Total	**4,184**	**3,231**	**4,255**	**5,208**	**5,274**
Total from Social and Non-Housing Activities	**230,233**	**167,546**	**4,255**	**66,942**	**62,751**

3d. Association Turnover, Operating Costs and Operating Surplus (continued)

	2024					2023
	General Needs Housing	Supported Housing	Residential Care Homes	Shared Ownership Accommo-dation	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges, net of voids	140,645	20,992	-	7,076	168,713	154,144
Service charge income	9,307	18,041	-	1,419	28,767	26,178
Amortised Government Grants (Accrual model)	6,887	1,501	8	262	8,658	8,036
Net Rental Income	**156,839**	**40,534**	**8**	**8,757**	**206,138**	**188,358**
Other income	146	2,298	130	705	3,279	4,054
Turnover from Social Housing Lettings	**156,985**	**42,832**	**138**	**9,462**	**209,417**	**192,412**
Management	26,114	5,142	49	2,585	33,890	31,717
Service charge costs	9,689	18,059	39	3,234	31,021	28,956
Routine maintenance	30,984	5,230	88	229	36,531	31,381
Planned maintenance	6,975	1,133	29	9	8,146	8,606
Major repairs expenditure	7,072	2,292	4	39	9,407	8,819
Depreciation of housing properties	23,378	4,300	31	1,050	28,759	26,880
Bad debts	767	640	-	33	1,440	1,037
Lease costs	935	330	2	78	1,345	794
Operating Costs on Social Housing Lettings	**105,914**	**37,126**	**242**	**7,257**	**150,539**	**138,190**
Operating Surplus on Social Housing Lettings	**51,071**	**5,706**	**(104)**	**2,205**	**58,878**	**54,222**
Void losses	(923)	(920)	-	(18)	(1,861)	(1,874)

4. Directors' Emoluments

	2024 £'000	2023 £'000
Aggregate Emoluments payable to Directors (including pension contributions and benefits in kind)	1,003	956
Emoluments (excluding pension contributions) payable to the Chief Executive who was also the highest paid Director	353	337

Pension contributions for the Chief Executive were paid as a supplement to his salary.

There were 3 Directors in the Group's pension scheme described in note 25 (2023: 3).

For the purposes of this note, Directors are defined as members of the Board of Management and the Executive Board.

Included in the above are the emoluments in respect of the Directors' services in connection with the affairs of subsidiary undertakings.

The members of the Executive Board were remunerated as follows:

Director	Position	Date of Appointment	Salaries £'000	Taxable benefits £'000	Pensions & equivalent £'000	Total 2024 £'000	Total 2023 £'000
Glenn Harris	Chief Executive Officer	29/03/2018	314	13	26	353	337
David Taylor	Executive Director of Operations	15/04/2015	200	9	16	225	215
Joe Reeves	Executive Director of Finance & Growth	08/07/2013	200	9	16	225	214
Baljinder Kang	Executive Director of Corporate Resources	01/06/2018	176	9	15	200	190

The aggregate amount of Directors' Pensions recognised within these financial statements for the year ended 31 March 2024 is £47k (2023: £46k)

The aggregate compensation for loss of office of key management personnel was £nil (2023: £nil)

4. Directors' Emoluments (Continued)

Members of the Board of Management, subsidiary Boards and Committees have been remunerated as follows:

Director	Date of Appointment	End of Tenure	Total 2024 £'000	Total 2023 £'000
Board and committee members				
Lord Austin	Chair Designate 01/04/2023 to 27/09/2023 Chair 27/09/2023 resigned 01/03/2024		31	-
John Edwards	Resigned 27/09/2023	September 2023	15	30
Dominic Wong	Appointed 29/09/2023		15	13
Llewellyn Graham	Appointed 20/09/2019		14	12
Louise McFadzean	Appointed 01/05/2022		14	11
Dasos Christou	Appointed 27/09/2023		9	4
Abigaile Bromfield	Appointed 27/09/2023		9	4
Martin Tiplady	Resigned 27/09/2023	September 2023	8	16
Carole Mills	Resigned 27/09/2023	September 2023	7	14
Pamela Leonce	Appointed 27/09/2023		6	-
Other Non Executive directors				
Caroline Waters	Appointed 27/09/2023		5	4
Daena Shimmon	Appointed 01/03/2019		5	4
Peter Cheer	Appointed 01/04/2022		5	4
Chiluba Musukuma	Appointed 31/05/2022		5	4
Deborah Jinks	Appointed 15/09/2022		5	2
Amarjit Singh	Appointed 15/09/2022		5	2
James Lockyer	Resigned 04/10/2023	October 2023	3	4
Trevor Stanley	Resigned 27/09/2023	September 2023	2	4
Camella Norford	Appointed 27/09/2023		2	-
Amit Rajput	Appointed 27/09/2023		2	-
Hina McKiernan	Appointed 27/09/2023		2	-
Richard Starkey	Appointed 01/01/2024		1	-
Darren Humphreys	Resigned 29/03/2023	March 2023	-	13
Chris West	Resigned 28/09/2022	September 2023	-	7
Zaheda Vaid	Resigned 31/10/2022	October 2023	-	3
Thomas Forty	Resigned 15/09/2022	September 2023	-	2
Trevor Caffull	Resigned 15/09/2022	September 2023	-	2
Nicola McGowan	Resigned 09/03/2022	March 2023	-	1
			170	160

5. Employee Information

	Group 2024 Number	Group 2023 Number	Association 2024 Number	Association 2023 Number
Asset Management	282	253	282	253
Central Services	200	188	200	188
Development	15	15	15	15
Operations	628	619	628	619
Average number of employees expressed as full time equivalents	**1,125**	**1,075**	**1,125**	**1,075**

A Full Time Equivalent employee is classified as working a fully contracted 35 hour week.

Staff Costs (for the above persons).

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Wages & Salaries	42,759	37,682	42,759	37,682
Social Security Costs	4,246	3,946	4,246	3,946
Other Pension Costs	1,934	1,705	1,934	1,705
	48,939	**43,333**	**48,939**	**43,333**

The pension cost charge represents contributions payable to the pension fund.

Salary banding for all employees earning over £60,000 (including salaries, performance related pay, benefits in kind, compensation for loss of office, and pension contributions):

Salary Range	2024 Number	2023 Number
£350,000 to £360,000	1	-
£340,000 to £350,000	-	-
£330,000 to £340,000	-	1
£230,000 to £330,000	-	-
£220,000 to £230,000	2	-
£210,000 to £220,000	-	2
£200,000 to £210,000	-	-
£190,000 to £200,000	1	1
£160,000 to £190,000	-	-
£150,000 to £160,000	2	-

Salary Range	2024 Number	2023 Number
£140,000 to £150,000	1	1
£130,000 to £140,000	1	1
£120,000 to £130,000	4	3
£110,000 to £120,000	5	8
£100,000 to £110,000	4	2
£90,000 to £100,000	7	6
£80,000 to £90,000	11	6
£70,000 to £80,000	27	18
£60,000 to £70,000	46	44
	112	93

6a. Surplus on Sale of Fixed Assets – Group

	2024 Proceeds £'000	2024 Cost of Sales £'000	2024 Surplus £'000	2023 Proceeds £'000	2023 Cost of Sales £'000	2023 Surplus £'000
Staircasing on Shared Ownership	5,285	2,821	2,464	7,896	4,654	3,242
Other Property Sales	8,873	7,085	1,788	17,950	17,178	772
	14,158	**9,906**	**4,252**	**25,846**	**21,832**	**4,014**

6b. Surplus on Sale of Fixed Assets – Association

	2024 Proceeds £'000	2024 Cost of Sales £'000	2024 Surplus £'000	2023 Proceeds £'000	2023 Cost of Sales £'000	2023 Surplus £'000
Staircasing on Shared Ownership	5,285	2,821	2,464	7,896	4,654	3,242
Other Property Sales	6,277	4,486	1,791	17,304	16,714	590
	11,562	**7,307**	**4,255**	**25,200**	**21,368**	**3,832**

7. Interest receivable and similar income

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Interest receivable on financial assets measured at amortised cost:				
Interest on investments	3,400	2,193	3,340	2,193
Equity Investment realisation	244	413	244	413
Total interest receivable and similar income	**3,644**	**2,606**	**3,584**	**2,606**

8. Interest and Financing costs

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Interest payable on financial liabilities measured at amortised cost:				
Housing loans	25,789	20,045	25,183	19,609
Discounted bonds	1,744	1,675	1,744	1,675
Interest on finance leases	705	657	705	657
Notional interest on Recycled Capital Grant Fund	669	336	669	336
	28,907	**22,713**	**28,301**	**22,277**
Interest on derivatives treated as fair value hedging instruments:				
Interest payable on loan swap arrangements	(74)	3,024	(74)	3,024
Interest capitalised	(3,145)	(1,815)	(2,503)	(1,815)
Loan fees	1,364	885	678	853
Change to measurement of net finance cost on Social Housing Pension Scheme liability	946	695	946	695
Total interest and financing costs	**27,998**	**25,502**	**27,348**	**25,034**

Interest was capitalised at an average rate of 4.35% (2023: 4.0%).

9. Surplus before Taxation is stated after charging:

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Depreciation of housing property fixed assets	29,224	27,470	29,224	27,470
Depreciation of non-housing property fixed assets	4,790	4,271	4,760	4,236
Auditors' remuneration - Audit fees				
- Group fees	158	140	150	135
- other Group services	53	42	53	42
Payments under Operating Leases				
- Plant	1,341	693	1,341	693
- Office	51	101	51	101

10. Taxation on Surplus on Ordinary Activities

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
a) Analysis of charge in the year – Group				
United Kingdom Corporation Tax on surplus of the period	239	124	-	-
Adjustments in respect of prior years	-	-	-	-
	239	**124**	**-**	**-**
Deferred tax	2	2	-	-
	241	**126**	**-**	**-**

10. Taxation on Surplus on Ordinary Activities (continued)

Factors affecting the tax charge for the year

The Corporation Tax charge is lower (2023: lower) than that resulting from applying the standard rate of Corporation Tax of 25% (2023: 19%) to the surplus before taxation.

The differences are explained below:

	Group		Association	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Surplus on ordinary activities before tax	42,013	40,821	43,178	40,323
Tax payable at 25% (2023: 19%) thereon	10,503	7,756	10,795	7,661
Expenses not deductible for tax purposes	416	139	-	-
Income not taxable for tax purposes	-	(78)	-	-
Amounts charged/(credited) directly to equity or otherwise transferred	-	-	-	-
Current tax charged/(credited) directly to equity	-	-	-	-
Fixed Asset differences	8	(20)	-	-
Prior period adjustments - current tax	(4)	-	-	-
Prior period adjustments - deferred tax	1	-	-	-
Capital gains/(losses)	108	-	-	-
Adjust closing deferred tax to average rate	-	-	-	-
Adjust opening deferred tax to average rate	-	(10)	-	-
Exemption due to charitable status	(10,795)	(7,661)	(10,795)	(7,661)
Deferred tax not recognised	4	-	-	-
Gift aid	-	-	-	-
Total tax charge	**241**	**126**	**-**	**-**

11. Investment Properties held for letting: Group

	Work in Progress £'000	Market Rent Properties £'000	2024 £'000	2023 £'000
Valuation:				
At 1 April	-	27,526	27,526	27,519
Additions during the year	-	-	-	246
Gain in valuation	-	(587)	(587)	410
Disposals during the year	-	(2,569)	(2,569)	(649)
At 31 March	**-**	**24,370**	**24,370**	**27,526**

Investment properties are valued annually by Savills who are professionally qualified external valuers.

The valuation of properties was undertaken in accordance with the Royal Institution of Chartered Surveyors Valuation Standards. In valuing the properties the following significant assumptions were used:

The valuation of properties and portfolios subject to Assured and Secure tenancies is carried out with direct reference to comparable evidence, gleaned from the sales of similar tenanted portfolios and individual units, sold subject to Protected Tenancies and on Assured Shorthold Tenancies. There is an established body of evidence from portfolios traded on the open market to which we can refer.

The purchasers of residential investments are usually private investors or firms who acquire vacant units and let on Assured Shorthold tenancies ("AST").

Investors tend to base their bid on their abililty to "trade out" individual units at Market Value assuming vacant possession over time. In locations where there is a limited market or where a property is difficult to trade, owing to style or market conditions, investors will base their bid on rental return compared to capital cost.

The discount to MV-VP ranges from 10% for prime property to 50% where market conditions are difficult. Typical rates are around a 20% to 30% discount to MV-VP for properties subject to AST tenancies.

The yield applied to net income varies from 5% or less for prime property, to 7% or more for poorer locations. This equates to a yield on gross income (after deductions for management, maintenance & voids) of between 7% and 10%.

The discount and yield applied to Assured and Secure Tenancies is adjusted to reflect the additional security of tenure such tenants benefit from.

12a. Housing Properties - Group

	Housing Properties Held for Lettings £'000	Housing Properties in the Course of Construction £'000	Shared Ownership Housing Properties £'000	Shared Ownership Housing Properties in the Course of Construction £'000	Total £'000
Cost:					
At 1 April 2023	1,885,022	78,269	127,455	14,178	2,104,924
Additions	108	116,747	-	25,929	142,784
Improvements	30,480	-	-	-	30,480
Interest capitalised	-	2,209	-	936	3,145
Transferred on completion	84,848	(84,848)	20,163	(20,163)	-
Transfer to current assets	-	-	(6,657)	(5,486)	(12,143)
Transfer from current assets	5,344	-	2,906	-	8,250
Disposals	(5,609)	-	(2,472)	-	(8,081)
At 31 March 2024	**2,000,193**	**112,377**	**141,395**	**15,394**	**2,269,359**
Depreciation and impairment					
At 1 April 2023	336,441	-	10,100	-	346,541
Charge for the year	28,146	-	1,078	-	29,224
Eliminated on disposal	(4,571)	-	(302)	-	(4,873)
At 31 March 2024	**360,016**	**-**	**10,876**	**-**	**370,892**
Net Book Value					
At 31 March 2024	**1,640,177**	**112,377**	**130,519**	**15,394**	**1,898,467**
At 31 March 2023	1,548,581	78,269	117,355	14,178	1,758,383

12b. Housing Properties - Association

	Housing Properties Held for Lettings £'000	Housing Properties in the Course of Construction £'000	Shared Ownership Housing Properties £'000	Shared Ownership Housing Properties in the Course of Construction £'000	Total £'000
Cost:					
At 1 April 2023	1,888,771	70,970	127,455	14,178	2,101,374
Additions	108	121,652	-	25,929	147,689
Improvements	30,480	-	-	-	30,480
Interest capitalised	-	1,567	-	936	2,503
Transferred on completion	84,848	(84,848)	20,163	(20,163)	-
Transfer to current assets	-	-	(6,657)	(5,486)	(12,143)
Transfer from current assets	5,344	-	2,906	-	8,250
Disposals	(5,609)	-	(2,472)	-	(8,081)
At 31 March 2024	**2,003,942**	**109,341**	**141,395**	**15,394**	**2,270,072**
Depreciation and impairment					
At 1 April 2023	336,441	-	10,100	-	346,541
Charge for the year	28,146	-	1,078	-	29,224
Eliminated on disposal	(4,571)	-	(302)	-	(4,873)
At 31 March 2024	**360,016**	**-**	**10,876**	**-**	**370,892**
Net Book Value					
At 31 March 2024	**1,643,926**	**109,341**	**130,519**	**15,394**	**1,899,180**
At 31 March 2023	1,552,330	70,970	117,355	14,178	1,754,833

12c. Housing Properties

Expenditure on works to existing properties

	Group 2024 £'000	2023 £'000	Association 2024 £'000	2023 £'000
Components capitalised	30,480	20,722	30,480	20,722
Amounts charged to the Income and Expenditure account	9,407	8,819	9,407	8,819
	39,887	**29,541**	**39,887**	**29,541**

Completed housing properties book value, net of depreciation and impairment

	Group 2024 £'000	2023 £'000	Association 2024 £'000	2023 £'000
Freehold land and buildings	1,664,972	1,602,476	1,668,721	1,606,225
Leasehold land and buildings	105,724	63,460	105,724	63,460
Total Net Book Value	**1,770,696**	**1,665,936**	**1,774,445**	**1,669,685**

13a. Other Fixed Assets - Group

	Office Premises £'000	Furniture & Equipment £'000	Total £'000
Cost:			
At 1 April 2023	15,863	51,927	67,790
Additions	178	6,976	7,154
Disposals	-	(183)	(183)
At 31 March 2024	**16,041**	**58,720**	**74,761**
Depreciation:			
At 1 April 2023	3,381	19,019	22,400
Charge for the year	286	4,504	4,790
Eliminated on disposal	-	(5)	(5)
At 31 March 2024	**3,667**	**23,518**	**27,185**
Net Book Value			
At 31 March 2024	**12,374**	**35,202**	**47,576**
At 31 March 2023	12,482	32,908	45,390

13b. Other Fixed Assets - Association

	Office Premises £'000	Furniture & Equipment £'000	Total £'000
Cost:			
At 1 April 2023	15,863	51,761	67,624
Additions	178	6,973	7,151
Disposals	-	(177)	(177)
At 31 March 2024	**16,041**	**58,557**	**74,598**
Depreciation:			
At 1 April 2023	3,381	18,909	22,290
Charge for the year	286	4,474	4,760
Eliminated on disposal	-	(2)	(2)
At 31 March 2024	**3,667**	**23,381**	**27,048**
Net Book Value			
At 31 March 2024	**12,374**	**35,176**	**47,550**
At 31 March 2023	12,482	32,852	45,334

14. Homebuy Loans - Group and Association

	2024 £'000	2023 £'000
As at 1 April	100	100
Loans redeemed in the year	(10)	-
As at 31 March	**90**	**100**

The Social Homebuy initiative is a scheme whereby Midland Heart Limited acts as a conduit between the Homes and Communities Agency and tenants wishing to partake in shared ownership.

15. Fixed Asset Investments - Group and Association

	2024 £'000	2023 £'000
Investments - Mutuals	781	1,169
Investments - Other	20	20
	801	**1,189**

The investment in mutuals represents equity loans from Midland Heart Limited to individual Fully Mutual Housing Associations.

16. Investment in Subsidiaries - Association

	£'000
At 1 April 2023	6,067
At 31 March 2024	**6,067**

The investment in subsidiaries represents shares in Group undertakings as described in Note 31.

17. Debtors

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Gross rent and service charge arrears	15,240	15,804	15,195	15,761
Less: provision for bad and doubtful debts	(7,895)	(8,347)	(7,860)	(8,310)
Net rent arrears	**7,345**	**7,457**	**7,335**	**7,451**
Amounts due from Group undertakings	-	-	6,956	10,910
Prepayments and other debtors	10,118	6,045	8,746	5,693
	17,463	**13,502**	**23,037**	**24,054**

18. Properties for sale and Work in Progress - Group and Association

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Stock and work in progress	1,469	10,225	1,469	10,225
Schemes developed for shared ownership disposal	11,351	9,247	11,351	9,247
	12,820	**19,472**	**12,820**	**19,472**

19. Cash and Cash Equivalents

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Bank Accounts	39,285	100,991	38,358	100,262
Cash in hand	79	62	79	62
Total Cash and Cash Equivalets	**39,364**	**101,053**	**38,437**	**100,324**

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Therefore, an investment normally qualifies as a cash equivalent only when it has a short maturity of, say, three months or less from the date of acquisition.

20. Creditors: Amounts falling due within one year

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Housing loans (Note 21a)	9,517	12,636	2,800	6,239
Rents received in advance	4,545	4,561	4,535	4,553
Obligations due under finance leases (Note 21a)	127	126	127	126
Trade creditors	4,624	2,155	4,624	2,149
Amounts due to Group undertakings	-	-	5,144	5,639
Recycled Capital Grant and Disposals Proceeds Fund (Note 22)	5,409	3,796	5,410	3,796
Other taxation and social security costs	1,135	3,800	1,135	3,816
UK Corporation Tax	181	51	-	-
Deferred tax	102	100	-	-
Accruals and deferred income	36,713	25,329	30,911	20,433
Deferred social housing grant (Note 21b)	8,715	8,420	8,715	8,420
Social Housing Pension Scheme Liability (Note 25b)	5	6	5	6
	71,073	**60,980**	**63,406**	**55,177**

Amounts due to group undertakings for the Association include interest bearing loans due to group undertakings of £6,717k (2023: £6,397k). All other amounts due to group undertakings are non interest bearing.

Liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of ninety days was £2,926k (2023: £3,702k).

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

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Housing loans	605,857	600,225	173,576	158,377
Discounted bonds	15,934	15,228	15,934	15,228
Obligations due under finance leases	3,306	3,393	3,306	3,393
Premium on bond issues	10,451	10,965	3,497	3,663
Discount on bond issues	(9,024)	(9,371)	-	-
Loan and bond arrangement fees	(7,470)	(6,123)	(4,832)	(3,365)
Amounts due to Group undertaking	-	-	425,191	431,908
Homebuy grant: deferred income	90	100	90	100
Deferred social housing grant	751,736	725,787	751,736	725,787
Derivative financial instruments designated as hedges of variable interest rate risk (note 24)	13,736	18,298	13,736	18,298
Social Housing Pension Scheme Liability (Note 25b)	-	4	-	4
	1,384,616	1,358,506	1,382,234	1,353,393
Recycled Capital Grant	6,318	10,214	6,318	10,214
	1,390,934	**1,368,720**	**1,388,552**	**1,363,607**

Social Housing Pension Scheme liabilities are now presented separately on the Statement of Financial Position. The Growth Plan liabilities remain presented within Creditors.

21a. Creditors: Amounts falling due after more than one year (continued)

Housing Loans:
Housing loans are secured by specific or floating charges on the Group's housing properties and are repayable at varying maturity dates with interest at both fixed and variable rates.

The analysis for Association relates to bodies external to MH Group.

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
By instalments:				
In one year or less	9,517	9,886	9,885	3,489
Between one and two years	9,452	9,512	9,511	2,795
Between two and five years	29,403	28,756	28,755	6,523
In five years or more	176,681	186,787	186,788	108,829
	225,053	234,941	234,939	121,636

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Lump Sum Repayments:				
In one year or less	-	2,750	2,750	2,750
Between one and two years	-	-	-	-
Between two and five years	41,255	29,285	29,285	19,345
In five years or more	365,000	361,113	361,113	36,113
	406,255	393,148	393,148	58,208

Finance lease liabilities

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Total of future minimum lease payments:				
In one year or less	127	126	127	126
Between one and two years	127	126	127	126
Between two and five years	381	377	381	377
In five years or more	2,799	2,890	2,799	2,890
	3,434	3,519	3,434	3,519

21a. Creditors: Amounts falling due after more than one year (continued)

Fixed rate financial liabilities bear a weighted average interest rate of 3.59% and are fixed for a weighted average period of 21 years. Including swaps the average weighted interest rate is 3.92%.

Interest rates on fixed rate borrowings range between 1.56% and 11.83%.

Floating rate financial liabilities bear interest at rates based on SONIA or Base Rate and are fixed for periods of up to 12 months.

The interest rate profile ot the groups' debt at 31 March 2024 was:

	Variable rate £'000	Fixed rate £'000	Total £'000
Instalment loans	209,913	18,573	228,486
Non-instalment loans	25,090	381,165	406,255
	235,003	**399,738**	**634,741**

As at 31 March 2024, 60% (£383,954k) of the above debt came from the capital markets and 40% (£250,788k) from banks and building societies.

21b. Creditors

Discounted Bonds:

	Group 2024 £'000	Group 2023 £'000	Association 2024 £'000	Association 2023 £'000
Amount Advanced:				
5% Debenture Stock 2027	9,000	9,000	9,000	9,000
In issue at 31 March 2024	**9,000**	**9,000**	**9,000**	**9,000**
Loan discount amortised	6,934	6,228	6,934	6,228
Net Value at 31 March	**15,934**	**15,228**	**15,934**	**15,228**

The 5% Debenture Stock 2027 have an interest yield of 10.786% and represent funds raised from The Housing Finance Corporation Limited ('THFC') and are for designated housing schemes which have been approved by THFC.

The loans are secured by a fixed charge over the properties purchased with the loans and a fixed charge on any designated account.

Discount unwound/unamortised on discounted bonds was £3,150k (2023: £3,856k).

21c. Cumulative Social Housing Grant
(Displayed regardless of age)

	Group		Association	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Opening Balance of SHG received/receivable	734,207	729,439	734,207	729,439
SHG received during the year	35,000	23,358	35,000	23,358
SHG recycled	(1,727)	(10,187)	(1,727)	(10,187)
Transferred to / (from) current assets	1,588	(1,589)	1,588	(1,589)
less returned to Homes England	-	(14)	-	(14)
Change of tenure	(10)	-	(10)	-
Amortisation write back on sale of fixed assets	250	1,419	250	1,419
Cumulative total of Social Housing Grant received or receivable	769,308	742,426	769,308	742,426
Less grant amortised in the year	(8,857)	(8,219)	(8,857)	(8,219)
Amount held as deferred	**760,451**	**734,207**	**760,451**	**734,207**
Amounts to be released within one year (Note 21)	8,715	8,420	8,715	8,420
Amounts to be released in more than one year (Note 22)	751,736	725,787	751,736	725,787
	760,451	**734,207**	**760,451**	**734,207**
Social Housing Grant under UKGAAP				
Opening SHG	891,605	878,448	891,605	878,448
SHG received net of recycling	33,273	13,171	33,273	13,171
Less returned to Homes England	-	(14)	-	(14)
Closing SHG	**924,878**	**891,605**	**924,878**	**891,605**

22. Recycled Capital Grant and Disposal Proceeds Funds (including amounts due in less than one year).

Group and Association.

	£'000
Balance at 1 April 2023	**14,010**
Grants recycled	1,727
Interest accrued	669
Allocated to new build developments	(4,689)
Change of tenure	10
Balance at 31 March 2024	**11,727**

23. Financial Instruments

The carrying amounts of the financial assets and liabilities include:

	Group		Association	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Liabilities measured at amortised cost				
Loans	625,264	623,571	622,883	607,138
Finance Leases	3,433	3,519	3,433	3,519

Financial liabilities measured at amortised cost comprise convertible loan stock, irredeemable preference shares, bank loans and overdrafts, trade creditors and other creditors.

Derivative financial instruments designated as hedges of variable interest rate risk comprise interest rate swaps. Financial liabilities measured at fair value through profit or loss comprise nil.

24a. Financial Instruments: Hedge Accounting

Paragraph 11.39 of FRS 102 states that "entities that have only basic financial instruments (and therefore do not apply section 12), and have not chosen to designate financial instruments as at fair value through profit and loss will not need to provide such disclosures." Embedded swaps are accounted for as part of the underlying host contract (i.e. the loan) and are therefore basic financial instruments. As such, no disclosures are required.

Midland Heart has £120m standalone interest rate swap contracts to fix the rates of £120m of its borrowing portfolio until various dates up to 2038.

The negative fair value of these swap contracts as at 31 March 2024 was £13.7m (2023 £18.3m). The measurement basis for these swaps is at fair value through profit and loss, determined by calculating the net present value of the future cashflows of the swaps discounted using an appropriate mid-market swap curve as at 31 March 2024

The total change in fair value during the year ended 31 March 2024 of £4.6m (2023: £28.4m) was recognised in the statement of comprehensive income.

In accordance with chapter 12 of FRS 102, hedge accounting has been applied to the following swap contracts:

The group uses hedge accounting for the following cash flow hedges:

	Group		Association	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Barclays Swap £20m 4.815% 2038	2,257	3,207	2,257	3,207
Barclays Swap £30m 5.01% 2037	3,841	5,188	3,841	5,188
Barclays Swap £10m 4.24% 2031	618	1,010	618	1,010
Lloyds Swap £50m 5.432% 2034	7,020	8,893	7,020	8,893
Fair values of financial instruments designated as hedging instruments	**13,736**	**18,298**	**13,736**	**18,298**

24a. Financial Instruments: Hedge Accounting (continued)

The following table indicates the periods in which the cash flows associated with cash flow hedging instruments are expected to occur as required by FRS 102.29(a) for the cash flow hedge accounting models

2024	Carrying amount	Expected cash flows	1 year or less	1 to <2years	2 to <5years	5 years and over
	£'000	£'000	£'000	£'000	£'000	£'000
Interest rate swaps:						
Hedged items cash-flows (liabilities)	120,000	17,370	203	(59)	2,778	14,448

2023	Carrying amount	Expected cash flows	1 year or less	1 to <2years	2 to <5years	5 years and over
	£'000	£'000	£'000	£'000	£'000	£'000
Interest rate swaps:						
Hedged items cash-flows (liabilities)	120,000	23,159	643	985	3,299	18,232

The carrying amount of the hedged item cashflows is equal to the notional principal amount hedged, which is held at amortised cost under FRS 102.

24b. Financial Instruments: Hedges

	Barclays Swap £20m 4.815% 2038	Barclays Swap £30m 5.01% 2037	Barclays ex-European Swap with Double Up £10m 4.24% 2031	Lloyds Swap £50m 5.432% 2034	
Description of the hedge	The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments related to the Lloyds £75m Fl Loan 2043 loan, a floating rate loan entered into by Midland Heart against unfavourable movements in the 3 Month Sonia rate.	The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments related to the Lloyds £75m Fl Loan 2043 loan, a floating rate loan entered into by Midland Heart against unfavourable movements in the 3 Month Sonia rate.	The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments related to the Nationwide £130m Fl Loan 2036 loan, a floating rate loan entered into by Midland Heart against unfavourable movements in the 3 Month Sonia rate.	The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments related to the Nationwide £130m Fl Loan 2036 loan, a floating rate loan entered into by Midland Heart against unfavourable movements in the 3 Month Sonia rate.	The objective of the hedge is to mitigate the variability of the cash flows stemming from the floating rate interest payments related to the Lloyds £75m Fl Loan 2043 loan, a floating rate loan entered into by Midland Heart against unfavourable movements in the 3 Month Sonia rate.
Description of the financial instruments designated as hedging instruments	The interest rate swap, Barclays Swap £20m 4.815% 2038. The counterparty to the swap is Lloyds and the credit risk associated with this counterparty is considered to be low. The credit risk is reflected in the Credit Valuation Adjustment amount to the risk free fair value of the derivative instrument.	The interest rate swap, Barclays Swap £30m 5.01% 2037. The counterparty to the swap is Lloyds and the credit risk associated with this counterparty is considered to be low. The credit risk is reflected in the Credit Valuation Adjustment amount to the risk free fair value of the derivative instrument.	The interest rate swap, Barclays ex-European Cancellable Swap with Double Up £10m 4.24% 2031. The counterparty to the swap is Nationwide and the credit risk associated with this counterparty is considered to be low. The credit risk is reflected in the Credit Valuation Adjustment amount to the risk free fair value of the derivative instrument.	The interest rate swap, Lloyds Swap £50m 5.432% 2034 (ex-Bermudan). The counterparty to the swap is Nationwide and the credit risk associated with this counterparty is considered to be low. The credit risk is reflected in the Credit Valuation Adjustment amount to the risk free fair value of the derivative instrument.	The interest rate swap, Lloyds Swap £50m 5.432% 2034 (ex-Bermudan). The counterparty to the swap is Lloyds and the credit risk associated with this counterparty is considered to be low. The credit risk is reflected in the Credit Valuation Adjustment amount to the risk free fair value of the derivative instrument.
Nature of the risks being hedged including a description of the hedged item	The variability of cash flows stemming from the interest payments of the Lloyds £75m Fl Loan 2043 due to movements in the 3 Month Sonia rate	The variability of cash flows stemming from the interest payments of the Lloyds £75m Fl Loan 2043 due to movements in the 3 Month Sonia rate	The variability of cash flows stemming from the interest payments of the Nationwide £130m Fl Loan 2036 loan due to movements in the 3 Month Sonia rate	The variability of cash flows stemming from the interest payments of the Nationwide £130m Fl Loan 2036 due to movements in the 3 Month Sonia rate	The variability of cash flows stemming from the interest payments of the Lloyds £75m Fl Loan 2043 due to movements in the 3 Month Sonia rate
Fair values of financial instruments designated as hedging instruments £'000	2,257	3,841	618	7,020	

25a.Social Housing Pension Scheme (SHPS)

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

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

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2020. This valuation revealed a deficit of £1,560m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 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 Group to obtain sufficient information to account for the liability on a full FRS 102 valuation basis so it was accounted for as a defined contribution scheme where the net present value of the deficit contributions were recognised in the accounts as creditors falling within and more than one year.
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 was carried out with an effective date of 30 September 2023. The liability figures from this valuation were rolled forward for the accounting year ended 31 March 2024. 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.

Present Values of Defined Benefit Obligation, Fair Value of Assets and Defined Benefit Asset (Liability)

	2024 £'000	2023 £'000
Fair value of plan assets	96,576	99,455
Present value of defined benefit obligation	(118,958)	(121,424)
Net defined benefit asset (liability) to be recognised	**(22,382)**	**(21,969)**

Reconciliation of Opening and Closing Balances of the Defined Benefit Obligation

	Year ended 31 Mar 2024 £'000
Defined benefit obligation at start of year	**121,424**
Current service cost	-
Expenses	109
Interest expense	5,812
Contributions by plan participants	-
Actuarial losses (gains) due to scheme experience	(1,846)
Actuarial losses (gains) due to changes in demographic assumptions	(1,358)
Actuarial losses (gains) due to changes in financial assumptions	(341)
Benefits paid and expenses	(4,842)
Liabilities acquired in a business combination	-
Liabilities extinguished on settlements	-
Losses (gains) on curtailments	-
Losses (gains) due to benefit changes	-
Exchange rate changes	-
Defined benefit obligation at end of year	**118,958**

Reconciliation of Opening and Closing Balances of the Fair Value Plan Assets

	year ended 31 Mar 2024 £'000
Fair value of plan assets at start of year	99,455
Interest income	4,866
Experience on plan assets (excluding amounts included in interest income) - gain (loss)	(8,263)
Contributions by the employer	5,360
Contributions by the employer	-
Benefits paid and expenses	(4,842)
Assets distributed on settlements	-
Assets distributed on settlements	-
Exchange rate changes	-
Fair value in the plan assets at end of year	**96,576**

The actual return on the plan assets (including any changes in share of assets) over the year ended 31 March 2024 was £3,397,000.

Defined Benefit Costs Recognised in Statement of Comprehensive (SOCI)

	year ended 31 Mar 2024 £'000
Current service cost	-
Expenses	109
Net interest expense	946
Losses (gains) on business combinations	-
Losses (gains) on settlements	-
Losses (gains) on business curtailments	-
Losses (gains) due to benefit changes	-
Defined benefit costs recognised in Statement of Comprehensive Income (SOCI)	**1,055**

Defined Benefit Costs Recognised in Other Comprehensive Income

	year ended 31 Mar 2024 £'000
Experience on plan assets (excluding amounts included in net interest cost) - gain (loss)	(8,263)
Experience gains and losses arising on the plan liabilities - gain (loss)	1,846
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation - gain (loss)	1,358
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation - gain (loss)	341
Total actuarial gains and losses (before restriction due to some of the surplus not being recognisable) - gain (loss)	(4,718)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) - gain (loss)	-
Total amount recognised in Other Comprehensive Income - gain (loss)	**(4,718)**

Assets	31 March 2024 £'000	31 March 2023 £'000
Global Equity	9,624	1,856
Absolute Return	3,771	1,076
Distressed Opportunities	3,404	3,010
Credit Relative Value	3,164	3,754
Alternative Risk Premia	3,065	185
Fund of Hedge Funds	1,249	-
Emerging Markets Debt	5,653	534
Risk Sharing	499	7,322
Insurance-Linked Securities	3,878	2,511
Property	9,755	4,281
Infrastructure	79	11,359
Private Debt	3,800	4,425
Opportunistic Illiquid Credit	3,774	4,255
High Yield	15	348
Opportunistic Credit	-	7
Cash	1,906	717
Corporate Bond Fund	-	1
Liquid Credit	-	1
Long Lease Property	624	3,001
Secured Income	2,884	4,565
Liability Driven Investment	39,304	45,802
Currency Hedging	(38)	191
Net Current Assets	166	254
Total Assets	96,576	99,455

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

Key Assumptions	31 March 2024 % per annum	31 March 2023 % per annum
Discount Rate	4.90	4.87
Inflation (RPI)	3.15	3.19
Inflation (CPI)	2.78	2.75
Salary Growth	3.78	3.75
Allowance for commutation of pension for cash at retirement	75% of maximum allowance	75% of maximum allowance

The mortality assumptions adopted at 31 March 2024 imply the following life expectancies:

	Life expectancy at age 65 (Years)
Male retiring in 2024	20.5
Female retiring in 2024	23.0
Male retiring in 2044	21.8
Female retiring in 2044	24.4

None of the fair values of the assets shown above include any direct investments in the employer's own financial instruments or any property occupied by, or other assets used by, the employer.

We have been notified 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 changes. The Trustee has been advised to seek clarification from the Court on these items. This process is ongoing and the matter is unlikely to be resolved before the end of 2024 at the earliest. It is recognised that this could potentially impact the value of Scheme liabilities, but it is not possible to calculate the impact of this issue, particularly on an individual employer basis, with any accuracy at this time. No adjustment has been made in these financial statements in respect of this potential issue.

25b. The Pensions Trust - The Growth Plan

The company participates in the above scheme, a multi-employer scheme which provides benefits to some 950 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

The 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.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2020. This actuarial valuation showed assets of £800.3m, liabilities of £831.9m and a deficit of £31.6m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions From 1 April 2019 to 31 January 2025:	
£11,243,000 per annum	(payable monthly)

The scheme's previous valuation was carried out with an effective date of 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions From 1 April 2019 to 31 January 2025:	
£11,243,000 per annum	(payable monthly and increasing by 3% each on 1st April)

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

25b. The Pensions Trust - The Growth Plan (continued)

Present Values of Provision

	2024 £'000	2023 £'000
Present Values of Provision	5	11

Reconciliation of Opening and Closing Provisions

	2024 £'000	2023 £'000
Provision at start of year	11	17
Unwinding of the discount factor (interest expense)	-	-
Deficit contribution paid	(6)	(6)
Remeasurements - impact of any change in assumptions	-	-
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of year	5	11

Income and Expenditure Impact

	2024 £'000	2023 £'000
Unwinding of the discount factor (interest expense)	-	-
Re-measurements - impact of any change in assumptions	-	-
Re-measurements - amendments to the contribution schedule	-	-
Costs recognised in income and expenditure account	-	-

The above cost is presented as follows in the Statement of Comprehensive Income:

	2024 £'000	2023 £'000
Operating costs (pension deficit costs)	-	-
Interest and financing costs	-	-
	-	-

Assumptions

	2024 % per annum	2023 % per annum
Rate of discount	5.31	5.52

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

The following schedule details the deficit contributions agreed between the company and the scheme at each year end year:

Deficit Contributions Schedule

	2024 £'000	2023 £'000
Year 1	5	6
Year 2	-	5
Year 3	-	-
Year 4	-	-
Year 5	-	-
Year 6	-	-
Year 7	-	-
Year 8	-	-
Year 9	-	-
Year 10	-	-

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account i.e. the unwinding of the discount rate as a finance cost in the year in which it arises.

It is these contributions that have been used to derive the company's balance sheet liability.

26. Share Capital

	2024 £
Allotted, called up and fully paid shares of £1 each:	
At end of year	12

	Number
At 1 April 2023	14
Issued	4
Cancelled	(6)
At 31 March 2024	**12**

No rights to dividends attach to the shares. There is also no provision for redemption or provision for a distribution on winding up. Each share has full voting rights.

27. Operating Leases - Group and Association

Total of future minimum lease payments under non-cancellable operating leases

	2024 £'000	2023 £'000
Plant - Leases which expire:		
Within one year	751	385
Between one year and two years	567	123
Between two and five years	208	120
Office premises - Leases which expire:		
Within one year	7	90
Between one year and two years	-	7
Between two and five years	-	-
After five years	-	-
	1,533	**725**

During the year £1,345k was recognised as an expense in the profit and loss account in respect of operating leases (2023: £794k).

28. Capital Commitments - Group and Association

The carrying amounts of the financial assets and liabilities include:

	Group		Association	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Capital expenditure contracted not provided for	306,697	263,153	306,697	263,153
Capital expenditure authorised by the Board of Directors but not contracted for	11,698	98,950	11,698	98,950

The expenditure represents the total bids submitted to the Homes and Communities Agency and other bodies.

Under Standing Orders approved by the Board, expenditure to certain levels may be authorised by appropriate officers, employees or sub-committees and such authorised expenditure is included above. The above commitments will be funded primarily through cash and funds available for draw-down on existing loan arrangements and £60.6m (2023 £42.7m) funded by Social Housing Grant.

The above figures include the full cost of shared ownership properties contracted for.

As part of the Voluntary Right to Buy programme we have funds of £7.4m (2023: £27.9m) for reinvestment. This is made up of sale proceeds of £33.0m (2023: £33.0m) less attributable debt of £3.9m (2023: £3.9m) that we need to reinvest in new properties. This figure includes no recycled grant (2023: £0.3m). During the year we reinvested £0.3m (2023: £2.4m) funds in replacement developments.

29. Contingent Liabilities

Midland Heart has entered into transactions with other social housing provider which includes original government grant of £18,972k on the incoming properties. The grant has an obligation to be recycled in accordance with the original grant funding terms and conditions which is contingent in the event of the housing properties being disposed (2023: 18,972k).

30. Housing Stock

	2024						
	As at 1 April 2023	Units Developed	Other New Units	Transferred (to)/from other Registered Providers	Units Sold	Other Movements	As at 31 March 2024
	£'000	£'000				£'000	£'000
Social Housing							
Social rent	21,092	83	-	2	(16)	(20)	21,141
Affordable rent	3,733	378	-	-	-	4	4,115
Supported housing and housing for older people	3,828	-	-	-	(12)	28	3,844
Residential Care Homes	51	-	-	-	-	-	51
Shared ownership accommodation	2,303	209	-	-	(42)	(2)	2,468
Lease Scheme for the elderly	165	-	-	-	-	(2)	163
Total social housing units owned	**31,172**	**670**	**-**	**2**	**(70)**	**8**	**31,782**
Accommodation managed for others	1,641	-	-	-	-	(39)	1,602
Total social housing units owned and managed	**32,813**	**670**	**-**	**2**	**(70)**	**(31)**	**33,384**
Long leasehold	1,066	-	-	-	-	44	1,110
Garages	122	-	-	-	(1)	-	121
Total Social Housing	**34,001**	**670**	**-**	**2**	**(71)**	**13**	**34,615**
Non-Social Housing							
Market rent	194	-	-	-	(13)	(5)	176
Commercial lettings	97	-	-	-	-	2	99
Student accommodation	61	-	-	-	-	-	61
Leased to other parties	422	-	-	-	-	(50)	372
Total non-social housing units owned	**774**	**-**	**-**	**-**	**(13)**	**(53)**	**708**
Leasehold	131	-	-	-	-	5	136
Total non-social housing	**905**	**-**	**-**	**-**	**(13)**	**(48)**	**844**
GRAND TOTAL	**34,906**	**670**	**-**	**2**	**(84)**	**(35)**	**35,459**

Other movements includes properties that have changed tenure or have been demolished.

31. Disclosure of Group Activity

Midland Heart Limited is the Parent Company of the Group entities. It is a Registered Society registered with the Financial Conduct Authority. It is also a Registered Provider, registered with the Regulator of Social Housing. It is limited by shares and is required to produce Group accounts. Its principal activity is the provision of social housing.

Midland Heart Limited provides accounting, IT and management services to other group entities.

The members of the Midland Heart Group are as follows:

Entity	Registration	Legal basis	RSH registered	Principal Activity
Cygnet Property Management plc	Companies House	Companies Act 2006	No	Provision of housing at market rents.
Midland Heart Development Limited	Companies House	Companies Act 2006	No	Construction of properties on behalf of Midland Heart Limited.
Prime Focus Finance Limited	Financial Conduct Authority	Co-operative and Community Benefit Societies Act 2014	No	Treasury and financing services on behalf of Midland Heart Limited.
Midland Heart Capital plc	Companies House	Companies Act 2006	No	Treasury and financing services on behalf of Midland Heart Limited.

Intra Group Transactions

Entity	Registration
Midland Heart – Cygnet Property Management plc	Midland Heart charges Cygnet for the management of its Market Rent properties.
Midland Heart – Midland Heart Development (MHDL)	A 3% charge on cost on all invoices recharged to Midland Heart is levied by MHDL. A 2.5% charge on cost on all MHDL invoices received is levied by Midland Heart to cover staff time and use of facilities. Loans from MHL are made at base rate plus 2%.
Midland Heart - Midland Heart Capital plc (MHC)	MHC recharges its interest and other loan administration costs to Midland Heart.
Midland Heart - Prime Focus Finance (PFF)	PFF recharges its interest and other loan administration costs to Midland Heart.

There has been no other cost apportionment within the Group.

32. Related Parties

Midland Heart Limited participates in the Social Housing Pension Scheme, this provides benefits to employees that choose to take part (see note 25).

33. Notes to the Cash Flow Statement

Reconciliation of net cash flow to movement in net debt

	2024 £'000	2023 £'000
Increase/(decrease) in cash	(61,689)	(36,232)
Cash flow from increase/(decrease) in debt finance	(913)	10,474
Discounted bonds	(706)	(637)
	(63,308)	(26,395)
Net debt at beginning of year	(526,026)	(499,631)
Net debt at end of year	**(589,334)**	**(526,026)**

Analysis of changes in net debt

	At 1 April 2023 £'000	Cash flows £'000	At 31 March 2024 £'000
Cash at bank and in hand	101,053	(61,689)	39,364
	101,053	**(61,689)**	**39,364**
Discounted bonds	(15,228)	(706)	(15,934)
Other loans due less than one year	(12,636)	3,119	(9,517)
Other loans due in more than one year	(600,225)	(5,632)	(605,857)
Finance lease	(3,519)	86	(3,433)
Premium on bond issue	(10,965)	514	(10,451)
Discount on bond issues	9,371	(347)	9,024
Issue expenses	6,123	1,347	7,470
Net debt	**(526,026)**	**(63,308)**	**(589,334)**

Notes:

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