Notes to the consolidated financial statements continued

20 Financial instruments and fair value disclosures continued

Hedge accounting

Hedging activities are evaluated periodically to ensure that they are in line with Group policy.

The Group has designated the carrying value of €79.0 million of foreign currency borrowings (2022: €79.0 million) held at the balance sheet date as a net investment hedge of part of the Group's investment in Euro denominated assets, equating to £68.7 million (2022: £69.9 million).

The change in the carrying value of £(1.2) million (2022: £3.5 million) of the borrowings designated as a net investment hedge offset the exchange movement on the foreign currency net investments and are presented in the statement of comprehensive income.

Foreign currency sensitivity

The Group is exposed to the Euro due to its Spanish operations. The following table details how the Group's income and equity would increase/(decrease) on a before tax basis following a 5% (2022: 10%) change in the currency's value against Sterling, all other variables remaining constant. The 5% change represents a reasonably possible change in the specified Euro exchange rates in relation to Sterling.

	Income sensitivity 2023 £m	**Equity sensitivity 2023 £m**	Income sensitivity 2022 £m	Equity sensitivity 2022 £m
Euro weakens against Sterling	**(0.4)**	**2.9**	(0.9)	5.5
Euro strengthens against Sterling	**0.5**	**(3.2)**	1.0	(6.8)

Credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations.

Group policy is that surplus cash, when not used to repay borrowings, is placed on deposit with the Group's main relationship banks and with other banks or money market funds based on a minimum credit rating and maximum exposure. There is no significant concentration of risk to any single counterparty.

Land receivables arise from sales of surplus land on deferred terms. If the credit risk is not acceptable, then the deferred payment must have adequate security, either by an appropriate guarantee or a charge over the land. The fair value of any land held as security is considered by management to be sufficient in relation to the carrying amount of the receivable to which it relates.

Trade and other receivables comprise mainly amounts receivable from various housing associations, other housebuilders and corporate investors. Management considers that the credit quality of the various receivables is good in respect of the amounts outstanding and therefore credit risk is considered to be low. There is no significant concentration of risk.

Mortgage receivables, including shared equity loans, are in connection with various historical sales promotion schemes and are measured at fair value through profit or loss. The mortgages are secured by a second charge over the property with a low level of experienced credit losses due to non-payment.

The carrying amount of financial assets, as detailed above, represents the Group's maximum exposure to credit risk at the reporting date assuming that any security held has no value.

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources available to meet its obligations as they fall due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the expected cash flow timings of financial assets and liabilities with the use of cash and cash equivalents, borrowings, overdrafts and committed revolving credit facilities with a minimum of 12 months to maturity. Future borrowing requirements are forecast on a monthly basis and funding headroom is maintained above forecast peak requirements to meet unforeseen events. At 31 December 2023, the Group's borrowings and facilities had a range of maturities with a weighted average life of 4.8 years (2022: 1.9 years).

In December 2022 the Group entered into an agreement to refinance the €100 million 2.02% senior loan notes due June 2023 with €100 million 5.08% senior loan notes due June 2030. In July 2023 the Group renewed its revolving credit facility, increasing it to £600 million with a maturity of July 2028 and the option to request an extension for two further years. The borrowings and facilities contain financial covenants based on minimum tangible net worth, maximum gearing and minimum interest cover. The revolving credit facility contains sustainability-linked performance targets based on reducing emissions and wastage. At the balance sheet date, the total unused committed amount was £600.0 million (2022: £550.0 million) and cash and cash equivalents were £764.9 million (2022: £952.3 million).