Southdown

Making Life Work

Report of the Board

And

Financial Statements

for the year ended 31 March 2021

Contents

1. Board Members, Directors, Advisors & Bankers

Board

Chair	Jane Claxton
Vice Chair	Greg Falvey (Vice Chair)

Other Members

Nick Deyes (resigned 29.04.20)
Jill Garner (retired on 23.9.20)
Phil Cliftlands (due to retire at AGM on 22.09.21)
Beverly Hone (due to retire at AGM on 22.09.21)
Rachael Swann (appointed 23.09.20 & resigned on 22.01.21)
Helen Perry-Bowen (Co-opted 11.12.19 & resigned 11.06.20)

Caroline Hamblett
Pauline Ford
Graeme Allinson (appointed 23.09.20)
Alysha Burrell (appointed 23.09.20)
Craig Jones (appointed 23.09.20)

Directors / Executive Team

Chief Executive Officer	Neil Blanchard
Deputy Chief Executive	Vikki Hayward-Cripps
Director: Finance and ICT	Colin Farmer
Director: Learning Disabilities	Sharon Clare
Director: Community Support Services	Steve Hickman-Brown (resigned on 29.01.21)
Director: Housing	Jim Aspdin
Company Secretary	Vikki Hayward-Cripps
Registered Office	2 Bell Lane Lewes East Sussex BN7 1JU

Independent Auditors

Nexia Smith & Williamson
Chartered Accountants
Statutory Auditor
Cumberland House
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Southampton
Hampshire
SO15 2BG

Internal Auditors

Mazars LLP
Tower Bridge House
St Katherine's Way
London
E1W 1DD

Board Members, Directors, Advisors & Bankers (cont'd)

Solicitors

Clarke Willmott
Burlington House
Botleigh Grange Business Park
Hedge End
Southampton
SO30 2AF

Housing Law Services
HLS House
Watch Oak Business Centre
Chain Lane
Battle
East Sussex
TN33 0GB

Mayo Wynne Baxter
3 Bell Lane
Lewes
East Sussex
BN7 1JU

Principal Funders

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Bankers

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Worthing
West Sussex
BN13 3QZ

2. Report of the Board

The Board is pleased to present its report and the audited financial statements for the year ended 31 March 2021.

Overview of 2020/21

The 2020/21 business year proved to be the most significant test of Southdown throughout its' five decades of operating. The impact of the coronavirus pandemic placed critical and sustained pressure on all areas of the organisation. Although as at April 2021, we continue to operate under restrictive conditions, after the anniversary of the start of the pandemic we are able to begin to reflect on the experience and key points of learning.

It is with considerable personal pride that I am able to report that despite all the unprecedented challenges, Southdown performed excellently, keeping clients and staff safe, maintaining vital support services and business systems and remaining financially stable. This is a true testament to the strong starting position for Southdown and the amazing work and commitment of staff who were able and willing to quickly adapt working practices, rising to every challenge posed.

As a support provider for extremely vulnerable clients, particularly the 200 people with learning disabilities and underlying health conditions across our care services, at the start of the pandemic we had real fears of the impact of Covid-19 and our ability to protect clients and staff. Fortunately, as a result of the successful management of the emerging crisis within Southdown, we are pleased to be able to report that we sustained no Covid fatalities across any of our residential care settings.

For the thousands of clients across our mental health and housing support services, we were able to immediately transfer service delivery to non-face to face models, whilst retaining essential visits for those identified as most vulnerable and at risk. We were also able to develop new digital support tools, ensuring that clients were able to benefit from peer support during lockdowns.

As a social landlord, we have been able to maintain effective housing and property services, with a focus on keeping in more regular contact with tenants. Many tenants report that they feel that their relationship with Southdown has actually improved over the past year due to the more personalised service provided. We will be keen to maintain this approach.

For the business as a whole, our prior investment and planning in robust systems, processes and IT infrastructure proved to be invaluable when required to quickly adapt how we function. With staff successfully being able to transfer to home-working, we were able to maintain all key business activities. Going forward, we are keen to build on this positive experience, looking to offer staff on-going flexible working arrangements. We will also be investing in a major Digital Strategy that will further transform how staff work and how we support our clients.

Although we will continue to reflect and identify further learning over the coming year, we believe that the key contributing factors to our immediate successful management of the pandemic included; decisive and strong leadership; quick and effective translation of Government advice into practice; clear and regular communication with staff; offering paid absence to staff required to self-isolate; developing and revising crisis management plans ahead of events occurring (e.g. outbreaks, staff shortages) and investing in additional resources as required, including at key points choosing to exceed basic Government guidance to provide maximum protection to clients and staff (e.g. increasing Personal Protective Equipment (PPE) levels).

Southdown is now over half way through delivery of its five-year Business Strategy. Even before the pandemic, we had a comprehensive programme of projects and initiatives. Inevitably, as we were required to divert resources and focus on our response to the pandemic, many of our business plan projects have been subject to delay. Although we remain committed to achieve our five-year goals, we have taken the opportunity to reflect on the experiences of the past year and reset our business priorities and targets, details of which are included in this annual progress update report. The key theme for the years ahead is building on our success over the past year, taking forward bold and ambitious recovery and business transformation plans.

Finally, although one of our toughest years, it has also been one of our proudest, where the outstanding memories are of how staff and clients have been able to truly put Southdown's values into practice through immeasurable acts of kindness, generosity and selflessness. My sincere thanks to everyone for playing their part.

Neil Blanchard
Chief Executive

Business Model

Southdown was established as a not-for-profit organisation in 1972 to meet the needs of vulnerable people with mental health issues who were struggling to access and maintain housing and to support them to overcome the challenges they faced as a result of their disability and to develop fulfilling lives.

For nearly five decades, we have continued to put this original mission into practice and by expanding our business activities, we have been able to maximise the number of people across Sussex who are able to benefit from the services we provide, and help people who have a wide range of life challenges.

Although a Registered Provider of social housing (Housing Association), this activity only accounts for 17% of income, the remainder being related to our commissioned care and support services. Our Business Model and Principle Activities are summarised below:

Mission	**To offer vulnerable people the support they need to lead a fuller life**					
Vision	**Everyone, no matter what their life experience, background or challenges will have the opportunity to lead their life to the full**					
Organisational aims	**Help people in our communities to have their best life**	**Be the provider of choice to deliver services that meet local needs**	**Shape best practice and provide innovative and effective services**	**Increase the number of people that benefit from our services and are our tenants**	**Be an excellent, fair and caring employer**	**Be an efficient, robust and sustainable business**
Our inputs	**People 950 staff**	**Properties 600 homes**	**Money £29.3m total income**	**Experience 49 years**		
What we do	**Personal care and support in accommodation based settings**	**Community based person centred support**	**Provide safe, secure and affordable social housing**			
Clients	**Individuals and families who are homeless or at risk of homelessness**	**Socially excluded and vulnerable people**	**People experiencing challenges with their mental health**	**People with learning disabilities and complex behavioural needs**		

<table>
<tr><td>Tenants</td><td colspan="2">People with history of homelessness</td><td colspan="2">People with history of mental health issues</td><td>People with Learning Disabilities</td></tr>
<tr><td>Organisational Structure</td><td>Housing Division</td><td>Learning Disability Division</td><td>Mental Health Services Division</td><td>Housing Support Division</td><td>Organisational Support Services Division</td></tr>
<tr><td>Our core services</td><td colspan="5">➢ Provider of Social Housing
➢ Homeless Prevention Support
➢ Community Mental Health Recovery and Employment Services
➢ Registered Care Homes and Supported Living for people with Learning Disabilities</td></tr>
<tr><td>Ancillary services</td><td colspan="5">➢ Client Involvement and Engagement
➢ Peer Support
➢ Financial and Digital Inclusion
➢ Volunteering
➢ Accredited provider of Positive Behaviour Support
➢ Training and Consultancy</td></tr>
<tr><td>Benefits and outcomes for clients and tenants</td><td colspan="5">➢ Successful tenancy management
➢ Prevention of homelessness
➢ Improved health, wellbeing and quality of life
➢ Improved economic and financial outcomes
➢ Safeguarding of personal risks and managing harmful behaviours</td></tr>
<tr><td>Income sources</td><td colspan="2">Rent and service charge income from social housing units</td><td colspan="2">Commissioned contracts to deliver support services</td><td>Commissioned packages of support for individual clients</td></tr>
<tr><td>Surplus</td><td colspan="5">Where income exceeds costs, we generate a surplus. We reinvest our surplus in:
• Improving our existing homes and support venues
• Developing and acquiring new social housing
• Improving the services we offer to our customers
• Investment in staff, business resources and capital infrastructure</td></tr>
</table>

Values, Excellence and Co-Production

Underpinning and shaping the culture of how Southdown operates are our Core Values:

Values

Responsive to need

We respond to the changing needs of clients, local communities and commissioners

We track and support the development of best practice and innovation

We are optimistic and solution focused and respond calmly and positively to resolve issues as they arise

Ethical in all we do

We maintain a set of core values and embed these into everything that we do

We appreciate the privileged role we have in supporting vulnerable people and always place their interests at the core of all decisions we make

We aim to be an employer of choice and offer good benefits and working conditions to our staff

Dedicated to quality

We provide high quality personalised services

We invest in staff and managers to ensure that they are skilled, confident and caring

We put in place robust mechanisms to monitor the quality and impact of the services we provide

We perform at a consistently high level to deliver contract outputs and outcomes

Value for Money

We offer services that offer good value for money for the quality delivered

We continually review and benchmark all operational and central services cost areas and set savings targets

We operate sound and robust business systems and processes to maximise efficiency

Focused and stable

We work in geographical areas that can be accessed and supported by our core resources

We focus on client groups and service models where we are confident that we can deliver the required skills, resources and quality

We are a not for profit organisation and use any surpluses generated to reinvest in our services, develop innovation and enhance our stability and financial security

At Southdown our values are more than just words on a page; staff live out these values day by day in their work caring for vulnerable adults across Sussex, often going the extra mile to help those whom we serve. This has been even more in evidence as staff have come together to support Southdown's response to the coronavirus pandemic.

Wherever possible we seek to adopt best practice and use the following techniques to ensure that we continue to deliver excellence in all we do.

- We ask our clients, tenants and stakeholders how we are doing on a regular basis
- We benchmark our performance against others and published best practice
- We use third parties to assess and audit whether we are on the right track
- We employ expert staff who bring to Southdown the best of what they have learned in their careers
- Should we make a mistake, we always seek to learn from it, carrying out internal reviews and investigations
- We also study what has gone wrong in other similar organisations so that we can learn and keep changing for the better

These approaches are core to Southdown's ethos and success and we will again work in 2021/22 to ensure that our values continue to be at the forefront of everything that we do.

Regulatory Information

Southdown Housing Association Limited is:

- A Public Benefit Entity, as defined in Financial Reporting Standard 102.
- A Registered Society under the Co-operative and Community Benefit Societies Act 2014 – registration number 20755R. As a Co-operative and Community Benefit Society, it is registered with the Financial Conduct Authority and is a non-registered charity.
- A Registered Provider, registered with the Regulator of Social Housing (RSH) and Homes England - registration number L1829.
- A member of the National Housing Federation – membership number 2469.

Southdown is regulated by the RSH (Regulator of Social Housing) and the CQC (Care Quality Commission). Our support contracts are subject to scrutiny by Local Authorities, Health Authorities and other commissioners.

Southdown is fully compliant with the National Housing Federation Code of Governance 2020 and the RSH's Governance and Financial Viability standards and Consumer standards as they relate to Registered Providers with under 1,000 units.

Although a Housing Association, we are different from most others in that only a small proportion of our income is property related - 17% (in 2020/21) is derived from rents and service charges, whilst 83% comes from contract fees from local authorities and the NHS to provide care and support to individuals and groups of clients.

Operating Environment

With the majority of Southdown's income being publicly funded through welfare benefit payments for rental charges and commissioned contracts to deliver care and support services, we are extremely susceptible to both national and local government policy and strategy changes that impact on resource allocations.

Current government policies that impact our Business Strategy include:

- The Office for National Statistics predicts that borrowing will hit a peacetime high of £303b for 2020/21. Although this is expected to reduce during 2021/22 as the economy opens up, following over a decade of austerity after the last financial crash, there are concerns of the long-term financial impact of Covid-19 responses on future public sector spending.
- During the pandemic, to comply with Government safety guidance Southdown faced considerable additional cost pressures in care settings (supply of PPE, staff movement restrictions, shielding of staff etc.) Overall the Learning Disability Division expenditure during 2021-22 was £14.1m, £1.2m above budget. Southdown did receive £613k of additional funding from commissioners as part of Government financial support packages, but this did not fully cover incurred costs, resulting in a year end deficit for the Learning Disability Division of £573k. As we start the 2021-22 financial year, despite indications that care home guidance will remain in force for the foreseeable future, we have yet to receive confirmation of continuing additional funding to fully cover increased costs.
- In 2020, the Government set a target for National Living Wage to reach two-thirds of median pay by 2024, with predictions that hourly rate would achieve £10.50. Covid-19 has created significant shocks to economic and labour markets, with the introduction of furloughing distorting assessments of wages. Taking into account a range of issues, the Low Pay Commission who recommend NLW rates, reduced the 2021 level from a predicted £9.06 to £8.91, with an estimated level in 2022 of £9.42 (5.7% increase) and £10.33 by 2024. National Living Wage is used as a key determinate in the annual review of care fees by local authorities, so there will be a direct correlation between NLW and care fees.
- Similar to the slowing down of wage inflation, general inflation rates have also reduced, with CPI (Consumer Prices Index) rising by only 0.4% in 12 months to February 2021. As a Registered Provide of social housing, we are subject to a rent cap increase based on September's CPI (0.5%) plus 1%. These figures are lower than we had predicted in our five year financial plan at a time where we are seeing above inflation increases in property maintenance and development costs.
- In March 2021, the Supreme Court announced their decision that social care staff are not entitled to receive national minimum wage (this is the same as NLW for employees over 23) for every hour worked, including sleep-in shifts. Although Southdown had already introduced an averaging of all hours worked to ensure staff pay remained above national minimum wage, we await any potential impact this decision may have on commissioner funding for sleep-ins.

- In 2019, the UK became the first major economy in the world to pass laws to end its contribution to global warming. The target will require the UK to bring all greenhouse gas emissions to net zero by 2050. The Government has set an additional expectation that all rented properties will have reached Energy Performance Certificate band C by 2030. For Southdown, 35% of current homes are below this level, with predictions that it will require between £1.6m - £2.4m additional investment.
- We await the final findings from the Independent Review of Building Regulation and Fire Safety and Government intentions to introduce a new Fire Safety Bill.
- The Government has a target to eliminate rough sleeping by the end of the current Parliament in 2024, with Southdown acting as a local provider for some of the linked initiatives. During the pandemic, additional 'Everyone In' emergency funding was made available, facilitating the housing of rough sleepers in hotels and other temporary accommodation. To maintain the momentum, in addition to the continuation of existing initiatives, a new Rough Sleeper Accommodation Programme will offer both capital and revenue funding.
- NHS investment in the Mental Health Five Year Forward View and Long Term Plan to improve and transform community mental health support services. Across the Sussex Health and Care Partnership, this will see additional investment of £3.5m through the Transformation Funding programme.
- Replacement of Deprivation of Liberty Safeguards (DoLS) with Liberty Protection Safeguards originally planned for 2020, now delayed to April 2022.
- Continued implementation of the NHS Learning Disability and Autism (Transforming Care) Programme to increase community based housing and care services for people with complex and challenging physical and behavioural needs.

Challenges and Risks

Within the five-year strategy and annual progress updates, we have identified the challenges and risks that face Southdown. We consider these to be:

- The inability to recruit and retain sufficient staff for our lower paid care and support roles (salaries being restricted by available funding)
- Funding pressures, in particular fee inflation not keeping in track with rising costs (national living wage salary pressures, building contractor costs, IT licensing increases etc.)
- New opportunities being available, but often having lower margins and increased client and commissioning complexity
- Do-ability of jobs, staff resilience and wellbeing, impacted by increasing complexity of client needs
- Responsiveness and capacity of health and adult social care to adequately support complex clients once transferred to community settings
- For Housing Support services, a move away from prevention to crisis intervention and general reduction in available funding for floating support services
- Loss of linked revenue support contracts for our housing units

Many of these have the potential to destabilise Southdown and are included in our strategic organisational risk plan. For each risk we have agreed mitigation plans with our Board and regularly monitor and report on progress to manage negative exposure and impact on the organisation.

As part of the 2021 annual Business Strategy review process, we have identified the level of control and influence we have over these challenges. This will help inform and guide Southdown over the remainder of the five year Strategy.

Can influence, but not in our direct control	Can change and in our control
Fees Commissioning intentions Service specifications Compliance National Strategy Local Strategy	Southdown culture Investment decisions Risk appetite Innovation and creativity Embracing technology Business Systems Staff terms and conditions Staff structures Client and tenant engagement

Financial Review and Performance

Even with the huge disruption caused by the Coronavirus pandemic that spanned this entire financial year, our financial resilience has enabled the delivery of another successful year. We have seen our turnover and overall surplus increase during a period of increased cost pressure as we invested heavily to protect our staff and clients from the impacts of Covid-19. Our diverse portfolio and business model remains very strong and with some delays this year, in our capital investment plans, we have seen our level of cash holding increase. Our operating model remains robust and continues to generate sufficient cash to fulfill our plans to invest in our services and grow our Housing portfolio.

Total income in the year was £29.3 million (2020: £28.3 million); a £1.0 million increase, partly due to £0.6m additional Covid-19 funding from our local authority commissioning partners (Learning Disability division). We have also seen additional income and contract extensions (Housing Support division where all services were due to be competitively retendered) as well as launching 2 new Mental Health Wellbeing Centres. Despite £0.4m of annual income reductions and contracts ending in our Mental Health division, we have still achieved our overall, underlying income growth target of £0.3m (excluding the additional Covid-19 funding).

Covid-19 has caused a significant impact on our financial performance, making it quite an exceptional year that is not easily comparable to our normal operating performance. Although, we received £0.6m additional commissioner funding to meet some of the additional cost pressures arising from this pandemic, we spent far in excess of this to ensure we could do all that was possible for our staff and clients at this incredibly disruptive time. We have identified over £1.6m of additional cost, which is impacted by the Covid-19 pandemic. This includes paying staff their normal wage if unable to work due to covid or self-isolating, an overtime premium to ensure adequate staffing shift cover, as well as additional infection control measures and PPE, often doing more than the Government guidance to protect our staff and clients. As stated in this report, we are immensely proud of the actions taken by our staff, which has at the time of writing, resulted in no Covid fatalities within any of our residential care settings.

Operating costs of £28.2 million (2020: £27.6 million); an increase of £0.6m, a much lower rate of increase than our income growth as despite the additional Covid cost pressures described above, we have also seen some expenditure reductions throughout this year as many of our services operated under Lockdown conditions for much of the year – meaning we have spent less than expected on travel, office and property repair cost as well as reduced training activity. As part of our recovery plan, we will of course, be catching up on the activities impacted by the Covid-19 restrictions (like staff training).

As in previous years, the largest single area of expenditure continues to be on staffing, which accounted for 78.7% of operating costs this year (2020: 77.4%) – this increase is due to the additional pay cost pressures and staffing levels this year. Average full time equivalent staff numbers increased during the year: 685 to 31 March 2021 (2020: 680).

Overall, we achieved a net surplus of £1.1 million (2020: £0.7 million), meaning our accumulated total capital and reserves increased to £20.6 million (2020: £19.5 million). These accumulated reserves are invested in Net Assets used to operate the business (mainly property fixed assets). Refer to the Statement of Financial Position (our balance sheet) on page 34 for further detail on the value of these Net Assets.

At the start of this financial year, we had planned to spend over £1.2m on capital expenditure to expand our Housing property portfolio, but Covid has caused some inevitable delays in this investment plan. We only spent £0.2 million on capital expenditure this year, (2020: £1.9 million). This included urgent property component renewals, replacement of adapted vehicles for our learning disability services and continuing investment in our ICT and database resources. We will catchup on this delayed investment plan as we will be investing a further £2.1m capital expenditure in 2021/22, including the purchase of 2 additional Housing properties as well as investment in our digital transformation plans.

Our business remains robust and our operations generate sufficient cash to allow the continued investment in our planned capital programme and to repay our existing bank loans. The cash balance at 31 March 2021 was £5.8 million (2020: £4.2 million). Of this cash holding, £2.5 million, representing over one month's operating expenditure, is treated as a strategic liquid reserve and the remainder is available to develop services and improve operating efficiencies through further investment in our infrastructure.

Treasury Management

Our funding and treasury activities operate within a framework of clearly defined Board approved policies, procedures and delegated authorities. Full compliance was achieved throughout the year. Southdown has adopted The Chartered Institute of Public Finance and Accountancy's (CIPFA's) "Treasury Management in the Public Service", as far as it is practical to do so.

Creditor Payment Policy

We operate a standard 30 day creditor payment policy that applies to all suppliers unless separate terms have been agreed when we enter into binding contracts. We abide by these terms and pay our suppliers promptly when we are satisfied that the supplier has provided the goods and services in accordance with agreed terms and conditions.

Risk Management

We have a good track record of identifying issues and developing strategies to manage risk impacts over the medium term. A key element of this success is recognising the importance of risk management through a clearly defined strategy and framework. Risk can be any event or combination of events, positive or negative, which impact our ability to meet strategic objectives or cause us to incur unexpected losses and reputational damage.

Key elements of our approach to effective management of risk include:

- All major operational and strategic risks being identified and recorded
- The evaluation of risk is set in the context of the overall activities of the organisation
- Risks are prioritised to ensure that management and resources are focused on the critical areas
- Southdown's strategic approach to risk is based on a clear understanding of the organisation's appetite for risk, which is regularly reviewed and set by the Board

- Our Business Strategy is modelled in our five year financial plan with the impact of all major risks assessed as part of downside scenario modelling.
- The combined impact of multiple risks is further understood and managed through stress testing that aims to consider what event or combination of events might 'break' the organisation
- Using all events that involve or trigger risks as important learning opportunities, keeping issue and decision logs during events and holding post event reviews.

This risk management framework is built upon the following fundamental principles:

- Overall responsibility for risk management lies with the Board who delegate operational responsibility to the Executive Team
- The management of risk is a continuous process involving regular monitoring and reviewing
- The management of risk should be subject to external scrutiny on a periodic basis.

Southdown's internal audit programme provides a useful and objective tool to assess if we have appropriate controls, governance and risk management systems in place and to highlight any areas for improvement.

The Board are confident that appropriate action is being taken to mitigate and/or manage risks.

Value for Money

We strive to be a robust, professional and efficient business, committed to delivering Value for Money. Central to this is a commitment to a positive Value for Money culture that evidences how we meet our purpose, deliver efficiency and maximise the financial, social and environmental returns on all resources.

Value for Money within Southdown does not mean simply doing things at the lowest cost, but demonstrating how we deliver our vision and values by providing services at the agreed quality standards, and in the most cost efficient and effective way. Integral to this approach is ensuring that we will never inappropriately compromise on health and safety standards for staff, clients or our properties purely in pursuit of financial savings.

Value for Money is also one of the standards of the Regulator of Social Housing (RSH), who oversee our activities as a Registered Provider of social housing.

In this section of the report, we describe how we demonstrate the delivery of value for money, by comparing our performance against peer group performance across mandatory metrics (RSH scorecard metrics) and other appropriate metrics.

Value for money headlines

Of the eight relevant RSH sector scorecard metrics, we have improved our headline performance in 2020/21 in five of these core metrics. As the majority of these metrics are financially driven, there is a notable impact this year, as we invested resource and diverted focus to safeguarding our staff and clients from this deadly pandemic. Where possible, we have identified and stripped out the pandemic impact on these RSH metrics (by exception) to show a more normal or underlying performance for comparison. This adjusted, underlying trend is shown in Table One below.

Two of the three metrics where our 2020/21 performance has not improved (Reinvestment % and New Supply Delivered) are impacted by the pandemic, where we have seen delays in our capital programme: 2 property purchases were due to complete in 2020/21. Both of these metrics would have shown improvement and more favourable performance against benchmark peer groups, had we not encountered delays caused by the pandemic. In fact, **after allowing for the impact of Covid in the current year performance, all but one of the RSH metrics would have shown further year on year**

improvement. Our Headline Social Housing Cost per unit shows a small increase (1.4%), which is primarily due to a reduction in short leased properties rather than cost performance.

We also measure our performance against other benchmarked metrics (shown in Table Two) and client/tenant satisfaction ratings. Our annual performance and satisfaction ratings are consistently high year on year and when compared to other providers but we have not undertaken satisfaction surveys in 2020 due to the staff focus on additional infection control measures introduced during the pandemic.

We feel this consistently strong performance demonstrates our culture of delivering Value for Money through the achievement of our core priorities and these core sector metrics.

Housing cost benchmarking and performance

We assess progress against our strategy in relation to our landlord functions by monitoring our progress against the key financial metrics developed as part of the RSH Standard on Value for Money and the social housing 'Sector Scorecard'. Since 2017, we have also participated in the Acuity benchmarking tool for smaller RPs. We have used available data from both the Sector Scorecard and Acuity to benchmark against as part of our Value for Money assessment for 2020/21.

We are only able to compare our current year performance against the Acuity benchmarking data for 2019/20, with the 2020/21 benchmarking metrics only being available in the autumn. Although we are not able to compare our current performance with Acuity, we have included our own internal performance for 2020/21, comparing this with the previous year and 2018/19. Comparing our current year performance against prior year benchmarking peer groups is a challenge, as the financial impact of Covid-19 has mainly impacted in this current year – which is why we have also disclosed our current performance without the pandemic impact, to enable a clearer, underlying performance for benchmark comparison.

There are nine sector scorecard metrics, which we are required to report on as part of the value for money standard. One of these is not relevant to us, as we do not operate non-social housing properties.

Table One below, compares our performance in these metrics across three years and benchmarks this against the following peer groups:

- **Acuity SPBM** – Benchmarking club made up of over 150 smaller housing association providers (with less than 1,000 units)
- **Acuity Supported** - A sub group of Acuity SPBM comprising of 24 specialist, supported housing providers.
- **HouseMark** – National benchmarking of larger housing association providers (over 1,000 units) made up of over 400 organisations.

Our performance against these metrics is shown in the following tables, along with an outline of our interpretation of this performance:

Table One: Performance against Sector Scorecard benchmarking metrics

Table Two: Performance against additional Acuity benchmarking metrics

Table One: Sector Scorecard	2020/21			2019/20					2018/19
Acuity Sector Scorecard results Supported = 24 organisations SPBM = 150+ organisations HouseMark = 400+ organisations	**Southdown**	Trend against 2019/20 Southdown	Trend excluding Covid impact	**Southdown**	Acuity Supported	Our Trend against Acuity Supported	Acuity SPBM	All HouseMark	Southdown
RSH Sector Scorecard core metrics									
Reinvestment %	**0.4%**	↓	5.3% ↑	**4.8%**	**4.5%**	↓	3.7%	5.6%	**5.3%**
New supply delivered %	**Nil**	↓	3.0% ↑	**1.0%**	**1.0%**	↓	n/a	1.4%	**0.9%**
Gearing %	**(23.6%)**	↑	(16.8%) ↑	**(15.0%)**	**8.5%**	↑	17.0%	43.0%	**(19.4%)**
EBITDA MRI interest cover %	**5,223%**	↑	↔	**2,139%****	**388%**	↑	254%	158%	**1,685%**
Headline social housing cost per unit	**£6,825**	↓	↓	**£6,730**	**£12,075**	↑	£4,636	£3,814	**£6,621**
Operating Margin % (Social housing)	**15.5%**	↑	↑	**10.9%**	**7.0%**	↑	18.2%	28.5%	**9.2%**
Operating Margin % (overall)*	**3.9%**	↑	↑	**2.4%**	**4.6%**	↓	17.6%	29.2%	**2.4%**
Return on capital employed (ROCE)	**4.0%**	↑	↑	**2.5%**	**1.5%**	↑	2.4%	3.6%	**2.4%**

Table Two: Additional Acuity benchmarking metrics	2020/21		2019/20					2017/18
	Southdown	Trend against 2019/20 Southdown	**Southdown**	Acuity Supported	Trend against Acuity Supported	Acuity SPBM	All HouseMark	Southdown
Value for Money								
Overheads as % of turnover*	**10.2%**	↑	**11.0%**	13.3%	↑	16.9%	13.1%	**10.3%**
Allocation and lettings								
% of rent lost to voids	**2.3%**	↑	**2.5%**	5.0%	↑	5.0%	4.8%	**2.6%**
Income management								
% rent collected supported housing	**100.4%**	↑	**100.1%**	97.4%	↑	98.4%	100.2%	**97.0%**
Quality housing experience								
Planned & cyclical repair cost per unit	**£631**	↓	**£1,838**	£1,271	↓	£1,078	£1,410	**£916**
Quality housing experience								
Responsive & void repair cost per unit	**£600**	↓	**£788**	£889	↓	£716	£726	**£720**

* All value for money metrics that relate to turnover include other income
** This metric has been restated for 2019/20

Narrative on benchmark performance – Table One RSH Sector Scorecard

Reinvestment % - Our ambition and 5 year business strategy is to increase the supply of accommodation we own. However Government intervention in the social housing sector has created some challenges (3 years of rent reductions to 2020 and the continued uncertainty with the future funding regime for supported housing). As a specialist supported housing provider, this has limited our ability to deliver our growth aims. Despite these uncertainties, we continue to invest in our housing stock: we have 2 property purchases in the pipeline, which have not completed and been delayed over the last 12 months because of Covid. Had we completed these purchases, our Reinvestment rate (5.3%) would have exceeded our previous year performance and would be higher than both SPBM and Acuity Supported peer groups.

New Supply Delivered % - We have developed 6 new supported living housing units in this 5 year business strategy period (Southdown Court, last year) and we have plans to acquire and develop over 40 units by 2023. Like the Reinvestment performance, this has also been impacted by Covid delays. If we had been able to complete the 2 planned property purchases this year, we would have delivered a New Supply Delivered performance of 3%, which is above all our benchmarked peer group comparators.

Gearing % - We have no additional borrowing this year and also have a higher end of year cash at bank balance (due to the Covid delayed property acquisitions). As this Gearing ratio includes the year end cash holding, this has caused our gearing to improve (we have negative gearing as our cash at bank balance is higher than our loan liabilities). If we had completed the 2 planned property purchases (resulting in lower cash holding) this Gearing performance would have seen a smaller improvement this year (to -17%). As a business we currently have very low Gearing performance, which is significantly lower than all benchmarked peer groups. We have high borrowing capacity and we plan to use some of this in the coming year to deliver the planned housing investment (40 units by 2023).

EBITDA MRI interest cover % - Our ratio of interest cover has increased further in 2020/21 as our Operating Surplus increased and bank loan interest rates reduced following the initial Covid Lockdown. We expect this EBITDA to return to circa 2,500% after the Covid impacts. Like Gearing, our interest cover remains very strong and 10 times higher than the comparable sector measures.

Headline Social Housing Cost per Unit - This ratio has only seen a small increase this year (+1.4%) despite our continued investment in our social housing properties. This increase is mainly due to a reduction in short leased properties, rather than cost performance. Our performance continues to be higher than the smaller Housing Association peer group (SPBM), but our value for money is demonstrated by our significantly lower operating cost when compared to the other supported housing provider (Acuity Supported) peer group. Supported housing provider costs are usually higher than the more general needs providers (SPBM).

Operating Margin % (social housing and overall margin %) - Both, our social housing and overall operating margins have increased this year. The Lockdown restrictions and additional infection control measures to keep our staff and clients safe from the pandemic, have caused extra operating cost, but we have also seen some delay and saving with other, usual operating costs (staff training, travel and facilities). The peer group comparisons are difficult as the 2019/20 benchmark comparisons do not include the impact of the pandemic. We continue to deliver operating margins that are aligned with the Acuity Supported Housing peer group and significantly lower than SPBM margins generated by the smaller general needs providers. This performance continues to demonstrate the value we deliver by operating at small margins.

ROCE - Just like the margin metrics, this rate of return metric has also increased this year. We continue to see our underlying ROCE to be 2.5%, which is a better return than our supported housing peer group, aligned with the small housing associations but lower than the larger providers (Housemark).

Narrative on benchmark performance – Table Two Acuity Benchmark Metrics

Overall performance overview – Most of the metrics in Table Two are showing improvement this year, which is also better than the benchmark comparisons. Only the two property repair metrics have reduced this year, largely driven by the service restrictions (reduced repairs under Lockdown), which have been caused by the pandemic. The benchmark comparisons are against the prior year (2019/20) comparisons, which are pre-pandemic levels and we expect the Covid impact (reduction) to also be shown across the sector comparisons when this data is available (for 2020/21).

Overheads as a % of Turnover - We continue to focus on controlling overhead costs, although this performance is now likely to increase as we invest in building capacity and embark on a 3 year digital strategy to enhance technology and transform how our staff work and support clients. Our overhead performance has improved this year and we continue to compare favourable (lower overhead rate) than all benchmarked peer groups.

% of Rent Lost to Voids – We have delivered a further small improvement in our lost rent performance this year and this rent void rate remains lower than all benchmarked peer groups. Voids are a high risk area for the business, especially when a rent void is linked to a resident with a learning disability care package. We have not sustained any Covid fatalities across our residential care settings, however, Covid has impacted our ability to consider referrals and fill these voids. We have therefore experienced a high level of voids in our learning disability services. As part of our mitigating actions, we continue to raise this issue with commissioners in relation to their role to help manage the provider market and speed up making referrals and agreeing funding packages for prospective clients as we recover from the pandemic.

% of Rent Collected Supported Housing - We have consistently strong rent collection rates, which has improved further this year and remains above all benchmarked peer groups in 2019/20.

Planned and Cyclical Repair Costs per Unit - This includes preventative maintenance and replacement of property components. Spend levels have reduced this year, due to the delays in our capital programme and property acquisitions following the pandemic and Lockdown of services. The benchmark comparisons (2019/20) are pre-pandemic levels and we expect this Covid impact reduction to be shown across the sector comparisons in 2020/21.

Responsive and Void Repair Cost per Unit – This metric has also seen a small reduction as client shielding and services operating under Lockdown meant fewer responsive repairs (emergencies only). The benchmark comparisons (2019/20) are pre-pandemic levels and we expect this Covid impact reduction to be shown across the sector comparisons in 2020/21.

Other supported housing benchmarking

Since 2019, Southdown have also been a member of a specialist housing providers benchmarking club. This is led by the Home Group, with the aim of developing a further sector scorecard specifically for supported housing. This sector scorecard builds upon the RSH's VfM metrics and allows cost and performance comparisons with general needs accommodation and between supported housing providers.

Whilst still only in its infancy, this supported housing scorecard has provided some opportunities for Southdown to externally benchmark the additional costs of developing and operating supported accommodation as well as capturing its broader social benefits. Our cost and performance metrics appear to be consistent with other specialist providers operating in the field.

With our participation in existing and new benchmarking clubs, we will continue to monitor and assess our performance against our peers across the available benchmarked metrics to widen our suite of measures to report on in our Annual Report. We will aim to improve our own performance year on year and to exceed our peer performance in the majority of benchmarked measures.

Non-Housing cost benchmarking

As a specialist supported housing and community care and support provider, our housing activities only account for 17% of our income. Although we evidence our achievements against the RSH regulatory standard for our landlord activities, Value for Money has far wider considerations due to the diversity of our other operating activities. To reflect this we also assess and report on Value for Money for other key areas of our business as detailed in the following pages.

Staffing

Over the years, we have successfully implemented a wide range of initiatives as part of our Staff Engagement Strategy as we aim to be an excellent, fair and caring employer. This year, we have seen our staff turnover rate improve to 15% (21% in 2019/20), which is better than our target of 18%. This performance is likely to have been impacted by Covid-19 (typical for our recruitment rates to improve during periods of economic recession), but it is difficult to quantify this impact. Our staff sickness also improved this year to 4.1% (4.5% in 2019/20), which is in line with our target of 4%, although we have seen an additional 2.6% absence, specifically due to Covid-19 (self-isolating, shielding or diagnosed) where we paid staff, their normal (full) wages in line with Government guidance. Alongside other organisations, we continue to experience very low applications (now fewer than 2 per post) for care worker positions. All of these issues have resulted in additional pressure on staff teams to cover for absent colleagues and maintain service capacity and quality levels.

We completed an annual benchmarking exercise of staff remuneration and terms and conditions against key posts with the aim to pay above the median level. Evidence indicated that we were achieving this when compared to other Community and Voluntary Sector pay rates for frontline support roles when consideration is given of the overall remuneration package.

We awarded 3% annual pay inflation (initially 2%, then a further backdated 1% in-year) and increased entry point pay rate for lowest paid LD support workers. All staff received a £220 Covid Resilience payment. Maintaining and increasing staffing levels to meet demand, continues to be a significant challenge for our business, which is a sector wide issue that is indicative of the very challenging employment market, particularly for care and support roles. Staffing levels remain a key area of focus for the Board and we will continue to develop and deliver staff engagement initiatives to improve our offer to staff.

Commissioned Contracts

All of the care and support services that we provide are under contract to local authority or health commissioners. Care and support contract funding accounts for £24.4 million (83%) of Southdown's total income of £29.3 million. Commissioners use competitive tendering processes, fixed hourly rate framework agreements or single provider negotiations based on cost benchmarking models to arrive at the best value for money for services.

For our Community Support Services we do not typically receive inflationary uplifts during the contract term (normally 3 years). Although we build inflation into original bids, where contracts are further extended before retender we do not receive any fee uplift to cover staff and other cost rises and we increasingly have to review and reduce service capacity and staffing levels to ensure contracts remain financially viable.

In recent procurement exercises we are experiencing Commissioners offering longer contract terms of between 6-10 years with extensions. Although this is positive in relation to contract and service delivery stability, we will need to ensure that cost inflation is adequately covered, either by fee increases or an appreciation that service capacity will reduce over the contract term.

Social Impact

Social value outcomes achieved by our support services

Through delivery of our operational services, we make a significant impact to the communities in which we work. During 2020/21, we supported over 10,000 vulnerable clients across Sussex to maximise their independence and achieve their personal goals. Each contracted service is monitored and reviewed by its public sector commissioner against a set of quality standards and performance indicators. A key element of the review process is to evidence the outcomes that are being achieved as a direct result of the support provided by our staff.

To demonstrate the difference that our support and housing services have made each year we produce an annual 'Impact Report'. The report for 2020/21 will be published in June 2021 and will be available on our website.

In addition to our contracted services, we invest £44k to fund our client involvement and quality checking central resources, £33k to support our volunteer service and £56k for additional financial inclusion advice for clients and tenants.

Procurement exercises require us to complete financial templates of the additional Social Value that we contribute when delivering services under contract. We are required to report on performance against these calculations.

Social impact within the Sussex economy

With a total income of £29.3 million and employing over 950 local people, Southdown makes a significant contribution to the local Sussex economy. Working within our financial regulations we aim to prioritise awarding procurement contracts to local businesses, and with the majority of staff living locally, they reinvest their salaries to further stimulate the local economy.

During the coronavirus pandemic Southdown has supported a number of other local businesses and statutory partners, including redeployment and loaning of staff to help other organisations respond to the crisis.

We invest time and resources to support local professional networks and community initiatives as part of our corporate social responsibility. Each year we nominate a local charity to support and, staff hold fundraising events to raise money for the nominated good causes, typically donating around £2k per annum. This activity was halted because of the pandemic but will be reintroduced as soon as we are able to.

Value for Money summary

Although we remain committed to continually promote and achieve business efficiency across the organisation, we increasingly appreciate that our ability to deliver significant ongoing cost savings will be harder to achieve, and in fact, costs are beginning to rise in some areas. This is particularly true as we have already identified and delivered substantial savings over recent years, we continue to incur mandatory cost increases due to Government initiatives (including National Living Wage, Apprenticeship Levy, Pension Auto-enrolment, and rent decreases) and have plans to further invest in the quality of our housing portfolio and digital transformation.

3. Strategic Plans and Performance 2018-2023

Southdown's five year goals

In 2018, our Board established an ambitious five year Business Strategy that sets out the organisational aims up until 2023. This included defining the priority areas for focus and investment to deliver Southdown's mission and values:

- **Develop more homes for vulnerable people with continuing support needs**
- **Secure and protect sufficient social care funding to maintain viability of support services**
- **Deliver more services to support our tenants' and clients' lives**
- **Diversify and remodel services to meet changing commissioning needs and priorities**
- **Develop community health and wellbeing services**
- **Invest in our staff to grow and develop their skills**
- **Find more ways to ensure value for money**
- **Continue to challenge poverty**
- **Be ready for opportunities**

To demonstrate the effectiveness of the Business Strategy to meet our organisational aims we set, monitor and report against longer-term measurable strategic objectives.

Performance against our Five Year Business Strategy objectives

At the end of the third year of our five year strategy we report below on the progress being made.

Business objective	Goal	Five year strategic objective 2018 - 2023	Progress during 2020/21	Status
Financial sustainability	Maintain viable long-term financial plans and liquidity	Achieve 2%+ margin by 2019/20	Margin of 3.9% achieved during 2020/21	
		Learning Disability Division to deliver up to a 1% loss margin over the 5YP	Division delivered a loss of (4.2%) during 2020/21 against a budget target of (0.9%)	
		Increase cash reserves to £6m over five years to invest in new housing and trials of new models of support	Cash reserves increased to £5.8m	
Competition and growth	Maximise the number of people we support	Maintain income and number of clients supported	Income has increased to £29.3m Number of clients supported in 2020/21 is 10,174	
		Achieve £300k new business each year	We achieved £738k gains, but losses of £422k, resulting in net gain of £316k against target of £300k	
Quality housing	Provide accommodatio n that meets tenant and	Develop or acquire 20+ units of accommodation	We have delivered 6 units up to March 2021, with current plans to achieve minimum of 40 by 2023	

Business objective	Goal	Five year strategic objective 2018 - 2023	Progress during 2020/21	Status
	commissioner needs			
		Repairs attended on time above 95%	Achieved 95.8%	
		Repair satisfaction rate above 95%	Achieved 95.6%	
		Achieve 90%+ satisfaction levels in annual survey	Survey not undertaken in 2020 due to Covid-19	
Quality staff resources	Recruit, develop and retain skilled, confident, resilient and caring staff and managers	Staff turnover 15% or less	Achieved 15%, improvement from 21%	
		Sickness 4% or less	Achieved 4% (excluding Covid-19 absence)	
		95% staffing level cover in all business areas	Based on spend against establishment we achieved an overall 93.9% staffing cover (95.1% in 2019/20).	
		IiP gold reaccreditation 2020	Postponed to Spring 2021 due to Covid-19	
		Maintain paying staff fairly and avoiding in-work poverty for lower paid staff	Awarded 3% annual pay inflation (initially 2%, then a further backdated 1% in-year) and increased entry point pay rate for lowest paid LD support workers. £220 Covid Resilience payment to all staff Full pay offered for Covid-related sickness absence/ self-isolation	
Quality client support	Recognised as the leading provider of quality services	Achieve 'good' CQC ratings	100% of services achieved 'Good' rating	
		All services to achieve 90%+ client satisfaction ratings in annual survey across all areas	Survey not undertaken in 2020 due to Covid-19	
Evidencing our impact	Demonstrate the total impact of support services	Achieve national best practice awards	Achieved	
		Meet all contract KPIs	Achieved	
		Publish Impact Report	Achieved	
Business efficiency	Robust, effective and value for money use of available resources to enable business continuity	Central costs average of 10.5% over five years	Achieved 10.2% in 2020/21	
		To be in top quartile supported housing Acuity Benchmarking	Achieved	
		Maintain ISO9001 quality accreditation	Achieved	
		Invest in programme of external audits assessing	Completed	

Business objective	Goal	Five year strategic objective 2018 - 2023	Progress during 2020/21	Status
		against national best practice and compliance		
Effective Governance	Well led, managed, safe and compliant organisation	RSH compliance	We remain fully compliant	
		CQC compliance	We remain fully compliant	
		100% gas compliance	99.48% (one property had access issues)	
		98% total overall property safety compliance	94.9% Access restrictions imposed due to Covid-19 meant that some lower risk elements unable to be completed	

Key

Achieved target		5% within target		+5% variance on target	

One of the above business objective performance metrics is red rated and three are amber rated, with all others being on track (green rated). The pandemic has, clearly impacted the delivery of some of our key priorities and further narrative where we have not achieved the target this year, is as follows:

<u>Learning Disability Division margin (red rated)</u>
2020/21 bought unprecedented operational and financial challenges for our care services, with increased expenditure required to keep clients and staff safe during the pandemic. This caused a significant impact (increased the level of loss) in the LD division as we invested heavily (in excess of the additional Covid funding received).

<u>Staff cover (amber rated)</u>
We have already outlined earlier in this report, the sector wide challenges of recruiting and retaining sufficient staffing levels in the care and support sector. We have seen some improvement in staffing performance this year (reduced turnover and sickness) but some of this is likely to have been impacted by the pandemic (lower appetite of staff to move jobs in this period of uncertainty and receiving full pay by Southdown for Covid absence). We achieved 93.9% staffing cover this year, which is below our target rate of 95%. Most of this staffing shortfall is due to unfilled vacancies in central support and operational management functions. The LD services achieved the 95% staffing target in 2020/21.

<u>Satisfaction Surveys</u>
A decision was made to postpone the 2020 client and staff surveys to enable teams to focus on service delivery and business support during the pandemic. Surveys will resume in 2021.

<u>Property Safety Compliance (2 amber rated)</u>
In line with Government advice to limit non-essential access by contractors into properties, a revised property safety compliance programme was agreed, with monthly reporting to the Exec and Board. During the year this did lead to some incidents of temporary non-compliance, but with clear risk mitigation and management plans in place. Through careful negotiation with tenants and care staff, we were able to complete checks as soon as possible. At year end, the only areas outstanding relate to Thermostatic Mixing Valves and Portable Appliance Testing, both where Southdown's policy for annual checks exceeds minimum frequency guidance.

Other key achievements

Despite the significant and sustained impact of Covid-19 across all areas of Southdown, resulting in 43% of business plan projects being delayed, paused or cancelled, we have still been able to make some notable progress and achievements:

- Successfully securing housing related support contracts at retender in West Sussex (Pathways Homes £400k) and Brighton and Hove (Mental Health Floating Support £390k), although on both occasions the contract sum was reduced

- Launching of two new 'Staying Well' Cafés offering out of hours mental health crisis prevention support as an alternative to attendance at A&E or referrals to mental health clinical teams
- Successful first year delivery of the Brighton and Hove 'Community Roots' service, with Southdown acting as lead provider of 15 other voluntary sector organisations to transform community based mental health services across the City
- Active involvement in the Sussex Health and Care Partnership Integrated Care System development and transformation of community based mental health services, with Southdown representation on local and pan-Sussex delivery and governance oversight groups and boards
- Overall net new business gains of £316k against a target of £300k (achieved £738k new business gains and £422k of contracts ended). Also secured extra income funding to provide post-Covid employment support in 2021/22.
- Successful appeal against no fee uplift to our registered care service in Brighton and Hove, securing award of 8% and an additional 1% for supported living services (2.33% in total)
- Developing a roadmap and plan for a new three year organisational Digital Transformation Strategy
- Identifying and agreeing terms to purchase and develop a 12 unit supported housing and mental health wellbeing venue in Brighton and Hove (for completion Winter 2022)
- Being selected as preferred partner by The Rotary Club of Eastbourne to support/match their £400k fundraising campaign to develop four new homes for former homeless people during 2022
- Agreeing a revised five year Asset Management Strategy 2021-26
- Developing a Housing Sustainability Strategy to enable Southdown to achieve energy efficiency targets for social housing by 2030
- Developing a new psychologically informed practice development and support approach 'The Southdown Way' for implementation across our mental health, housing support and housing management services
- Support to European nationals obtaining right to work in UK post Brexit
- Revising our Staff Engagement Strategy, offering additional support options and initiatives to staff including increasing pay award from 2% to 3%, backdated to April 2020, 1% initial pay award agreed for 2021/20 and providing £220 Covid resilience payment to all staff in recognition of the additional pressures during the pandemic.

Business Strategy Refresh 2021-2023

As is demonstrated, despite the unprecedented impact of the coronavirus pandemic during 2020/21, we continue to make good progress to achieve and exceed the majority of our business strategy objective targets and plans.

We consider that our five year business strategy remains fit for purpose, providing Southdown with a clear vision and focus of key achievements we wish to make up until 2023, but after three years we have taken the opportunity to review delivery of our five year plan vision and goals.

Our vision

At the start of the fourth year of the plan we have taken the opportunity to review and summarise the vision for each of our four main operating areas:

- Learning Disability – deliver 'good' quality (CQC assessed) care and support services, continuing to focus on clients with more complex needs, best supported by offering suitable accommodation and work environments, having sufficient staff to provide safe and individually tailored services
- Mental Health Services – be the leading Sussex voluntary sector provider of community mental health services – supporting the Integrated Care System's redesign and transformation of services, by acting as the link between clinical and community services
- Housing Support – be the preferred provider for move-on and resettlement housing support, adapting support models to enable clients with more complex needs to achieve positive outcomes

- Housing – increase our supply of quality, safe, environmentally sustainable and affordable supported housing

This vision will be achieved by:

- Being an exciting, rewarding and enjoyable organisation to be involved with – a preferred partner, provider and employer
- Continually challenging ourselves to be better
- Steering our own future, even when we are not always in control of all the factors
- Choosing our priority areas for investment
- Developing and delivering 'cutting edge' support approaches
- Embracing technology and change
- Being efficient and delivering value for money – so we can maximise investment
- Providing a working culture which is fair, supportive and kind, but still welcomes and enables people to contribute ideas and healthy challenge of the status quo

In addition to continuing to deliver on our existing Business Strategy projects, we have agreed some additional areas of priority up to March 2023. These focus on the common theme of '**Recovery and Business Transformation**' across four key areas:

1. Support Models
2. Client Experience
3. Staff Experience, and
4. Operational Processes

Detailed below are details of new project areas that unpin our work over the next two years.

Activity	Outcome/Target
Recovery from pandemic	We use learning from pandemic to improve service delivery and business processes
Implement Digital Strategy	**Empowering** people with choice over where and how they work **Connecting** easily with our clients and each other **Upskilling** and supporting people during change and innovation **Upgrading** our systems, telephone and ICT architecture
Reduce staff vacancies across Learning Disability services	Review and increase starting salaries Agree new long-term overtime rate Reduce time between recruitment and new staff commencing employment
Staff Engagement	Develop Organisational Culture charter Commission Senior Leadership Development programme Implement Organisational Development programme
Develop new supported housing	Build 16 new homes in our 50th Year (2022)
Respond to new property regulatory guidance	All properties to meet compliance requirements for fire safety, decent homes and de-carbonisation
Asset Management Strategy	Action recommendations for all underperforming properties
Roll out The Southdown Way support model across	Improve client and staff experience of support

Further develop our Positive Behaviour Support across Learning Disability services	Improve quality of life for clients and our ability to support more complex behaviours
Tenant Engagement	Publish housing performance metrics Increased involvement of tenants in performance oversight and scrutiny

Appreciation of Commissioning Partners

We would like to record our appreciation for the ongoing support of our commissioning partners; the local authorities and NHS organisations who procure our services. We firmly believe that developing credible and long lasting relationships with these partners, enables us to work collaboratively for the benefit of our clients. Our main commissioning partners, who we work with include:

- East Sussex County Council
- West Sussex County Council
- Brighton & Hove City Council
- Sussex Health and Care Partnership
- Brighton and Hove City Clinical Commissioning Group
- East Sussex Clinical Commissioning Group
- West Sussex Clinical Commissioning Group
- Primary Care Networks across Sussex
- Sussex Partnership NHS Foundation Trust
- NHS England
- Department for Work and Pensions

4. Structure, Governance and Management

Board

Southdown is a Registered Society under the Co-operative and Community Benefit Societies Act 2014, whose liability is limited by shares and is a Registered Provider with the Regulator of Social Housing.

The Board currently comprises of 9 members – all non-executive directors. Members of the Board are required to hold a single £1 share.

At 31 March 2021, the 10 issued shares were held by the 9 existing non-executive Board and 1 former Board member. The Directors listed on page 3 hold no interest in the share capital of Southdown. Only new Board members are now admitted as shareholders. Historically, Board members who retired or resigned from the Board had been allowed to retain their share and remain in membership of Southdown if they so wished, but now they are asked to agree to their share being cancelled.

Jill Garner retired from the Board in September 2020 and we are very grateful for her contribution and service to Southdown over many years. The Board has a robust system for reviewing members' skills, performance and tenure with a programme for recruitment and succession management in place to ensure Board skills are maintained and vacancies are filled in a timely manner.

Board Responsibilities

Southdown follows the principles of the 2020 National Housing Federation Code of Governance and the 2018 updated Statement of Recommended Practice on Accounting Standards for registered social housing providers.

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of 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 then apply them consistently
- Make judgements and estimates, which are reasonable and prudent
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business

The Board is responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the association and to enable it to ensure that the 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 2019. It 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 meets regularly to lead, control and monitor Southdown's overall performance. The Executive Team and senior management supply the Board with appropriate and timely information and attend Board and subcommittee meetings to provide advice.

The Board undertakes an annual review of Board effectiveness and governance arrangements and the following Board Governance Structure has been in place since May 2018:

- A strategically focused Board
- Members are all non-Execs and remunerated for their services
- The Board meets 10 times per annum including two Away Days
- Two Board sub Committees: Audit & Risk and Remuneration & Nominations (roles outlined below)

- Board members have a maximum tenure of up to six years (although a further extension is possible in exceptional circumstances)

The Board and Committee roles are summarised as follows:

- **Board** – the main remit is to focus on strategy, compliance, finance, our purpose and achievements. The Board will also retain oversight of organisational performance, risk management, as well as human resources matters, strategic asset management and developments.
- **The Audit and Risk Committee** – has a responsibility for oversight of Southdown's quality assurance activities, including internal and external audit and scrutiny of all Southdown risk management processes. This committee also has oversight of all operational activities, including safeguarding.
- **The Remuneration and Nominations Committee** – with responsibility for Executive, staff and Board remuneration and benefits, as well as oversight of Board composition, including Board skills, knowledge and recruitment.

While the Audit and Risk Committee has detailed oversight of the Association's risk management processes, the Board collectively still holds overall responsibility for this. Awareness and the management of risk remains a core part of the remit of all committees and the Board as a whole.

Authority is delegated to the Chief Executive, the Executive Team and senior management to implement strategy and to lead and manage the day-to-day operations of Southdown.

Internal Controls and Risk Management

The Board is responsible for ensuring that adequate systems of risk management and internal control are in place across Southdown. These systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide reasonable, but not absolute, assurance against material misstatement or loss.

The key means of identifying, evaluating and managing the system of internal controls comprise:

- A formal approach to risk management, incorporating regular review that aims to identify the key risks for the business and to put in place systems and procedures to mitigate and monitor these risks. This includes comprehensive risk stress testing.
- Corporate governance arrangements, written financial regulations and delegated authorities.
- The use of policy and procedure manuals that are monitored by regular review.
- Management structures with experienced and suitably qualified staff, which take responsibility for important business functions and provide balance and focus within Southdown.
- An annual, risk-based internal audit plan alongside quality assurance measures and practices. All audit reports are reviewed by the Audit and Risk Committee, which also receives updates on the implementation of agreed external and internal audit recommendations.
- A five year Business Strategy and Financial Plan. Both are regularly updated to monitor progress and inform our annual business planning cycle.
- A comprehensive annual business plan and budget with a monthly reporting cycle that identifies variances and their underlying causes. The reporting arrangements also allow the Board and senior management to monitor achievements against Key Performance Indicators, regulatory requirements and service objectives, with variances being investigated and acted upon.
- A confidential reporting (whistle blowing) policy, with anti-fraud and anti-corruption policies and procedures.
- The appraisal and approval by senior management and/or Board members of all significant investments, major commitments and new projects in accordance with Southdown's financial and governance regulations.

The Chief Executive has reviewed the internal control and assurance arrangements by reference to checks based on the above points. No weaknesses were found in internal controls, which resulted in material losses, contingencies or uncertainties that require disclosure in the financial statements. The Chief Executive has reported to the Board that he is satisfied with the effectiveness of the control systems.

Going Concern

In this Annual Report, we have made reference to the global coronavirus pandemic, which has significantly impacted the UK throughout this financial year and into the next, with several Government-imposed national and regional Lockdowns. This pandemic can be life threatening for many of the vulnerable clients that we serve and care for, which in turn, can have a devastating impact on their families. This also brings a significant risk to our business model and income streams if this pandemic was to translate into increased mortality rates. We have taken a very proactive approach to shielding our clients and rigorously following or exceeding public health and sector guidelines throughout this pandemic period. The successful management of this crisis within Southdown, has resulted in us not sustaining any Covid fatalities across our residential care settings during this financial year. We believe, the robust pandemic response plans introduced since the initial Lockdown in March 2020 have significantly mitigated the high financial risks associated with this pandemic. We have seen some increased cost exposure during this year, which will continue into 2021/22 but we remain confident of this being covered by additional funding secured and our other operating performance. We do not expect this pandemic to adversely impact on our medium term business model.

Given our actual pandemic experience of this financial year and after reviewing Southdown's five year plan, annual budget and based on our business planning and control procedures, Board members are confident that Southdown is financially sound and has adequate resources to continue in operational existence for the foreseeable future.

Appreciation

In spite of the Covid pandemic, Southdown have had a better than expected year and has been able to navigate the challenges of the pandemic in an agile and safe way to ensure all clients and staff have been kept safe and secure whilst maintaining services to our vulnerable clients, during what has been a very difficult time. On behalf of the Board and the Senior Executive Team I would like to thank all of our staff who played a key role in achieving this, your commitment and flexibility have been absolutely critical in doing so. Thank you.

We look forward to the year ahead as we learn lessons from the pandemic and build on our strong foundations for the future.

Approved by the Board and signed on its behalf by:

Jane Claxton
Chair
14 July 2021

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTHDOWN HOUSING ASSOCIATION

Opinion

We have audited the financial statements of Southdown Housing Association (the 'association') for the year ended 31 March 2021 which comprise Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Statement of Cash Flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

Other information

The other information comprises the information included in the Report of the Board and Financial Statements, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information contained within the Report of the Board and Financial Statements. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Responsibilities of the Board
As explained more fully in the Board's Responsibilities set out on page 26, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal controls as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing the association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained a general understanding of the association's legal and regulatory framework through enquiry of management concerning: their understanding of relevant laws and regulations and the entity's policies and procedures regarding compliance. We also drew on our existing understanding of the association's industry and regulation.

We understand that the association complies with the framework through:

- Updating operating procedures, manuals and internal controls as legal and regulatory requirements change;
- A risk assessment framework and register that includes regular review and scrutiny by the Board and the Audit and Risk Committee;
- An annual assessment of compliance with regulatory standards as applied to Registered Providers and enforced by the Regulator of Social Housing; and
- The Board's close oversight through regular board meetings and compliance reporting

In the context of the audit, we considered those laws and regulations: which determine the form and content of the financial statements; which are central to the association's ability to conduct its business; and where failure to comply could result in material penalties. We identified the following laws and regulations as being of significance in the context of the Association:

- FRS 102, the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019, in respect of the preparation and presentation of the financial statements;
- Health and safety regulations; and
- Regulatory standards as applied to Registered Providers and enforced by the Regulator of Social Housing.

We performed the following specific procedures to gain evidence about compliance with the significant laws and regulations above:

- Performed a review of board minutes to identify any indicators of known or suspected non-compliance with significant laws and regulations; and
- Reviewed any correspondence between the Regulator of Social Housing and the association.

The senior statutory auditor led a discussion with senior members of the engagement team regarding the susceptibility of the association's financial statements to material misstatement, including how fraud might occur. The key areas identified as part of the discussion were with regard to the manipulation of the financial statements through manual journal entries.

The procedures carried out to gain evidence in the above areas included:

- Testing of a sample of manual journal entries, selected through applying specific risk assessments applied based on the association's processes and controls surrounding manual journal entries; and
- reviewing and challenging estimates made by management;

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

Use of our report
This report is made solely to the association's members, as a body, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Nexia Smith + Williamson

Nexia Smith & Williamson
Statutory Auditor
Chartered Accountant

Date: 20/7/21

Cumberland House
15-17 Cumberland Place
Southampton
Hants
SO15 2BG

6. Financial Statements

Statement of Comprehensive Income for the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Turnover	1	**28,673**	28,265
Other Income	1	**619**	-
Total Income		**29,292**	28,265
Less; Operating costs		**(28,154)**	(27,579)
Operating surplus		**1,138**	686
Interest receivable and similar income	6	**9**	22
Interest payable and similar charges	7	**(30)**	(46)
Surplus and total comprehensive income for the year		**1,117**	662

All activities are classed as continuing.

The notes on pages 37 to 52 form part of these financial statements.

Statement of Changes in Reserves

	Income and expenditure reserve £'000	Revaluation reserve £'000	Total £'000
Balance as at 1 April 2019	16,826	2,037	18,863
Surplus from statement of comprehensive income for the year	662	-	662
Transfer from revaluation reserve to income and expenditure reserve	11	(11)	-
Balance at 31 March 2020	17,499	2,026	19,525
Surplus from statement of comprehensive income for the year	1,117	-	1,117
Transfer from revaluation reserve to income and expenditure reserve	11	(11)	-
Balance at 31 March 2021	**18,627**	**2,015**	**20,642**

Statement of Financial Position
as at 31 March 2021

	Notes	2021 £'000	2020 £'000
Fixed Assets			
Housing properties & day centre – depreciated cost	8	**19,644**	19,902
Other tangible fixed assets	9	**4,090**	4,178
Total Tangible Fixed Assets		**23,734**	24,080
Current Assets			
Debtors	10	**2,152**	1,808
Cash at bank and in hand	11	**5,756**	4,206
		7,908	6,014
Creditors: amounts falling due within one year	12	**(3,321)**	(2,697)
Net Current Assets		**4,587**	3,317
Total Assets less Current Liabilities		**28,321**	27,397
Creditors: amounts falling due after more than one year	13	**(7,676)**	(7,869)
Net Assets		**20,645**	19,528
Capital and Reserves			
Share capital		**3**	3
Income and Expenditure reserve		**18,627**	17,499
Revaluation reserve		**2,015**	2,026
Total Capital and Reserves		**20,645**	19,528

The financial statements on pages 32 to 52 were approved by the Board of Southdown Housing Association on 14th July 2021 and were signed on behalf of the Board by:

Jane Claxton
Chair

Phil Cliftlands
Board Member, as Chair of the Audit and Risk Committee

Vikki Hayward-Cripps
Secretary

Statement of Cash Flows
for the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Net cash generated from operating activities	(i)	**1,905**	819
Cash flow from investing activities			
Acquisition, construction and works to housing properties		**(87)**	(1,073)
Other fixed asset additions		**(143)**	(852)
Receipt of new grant		**-**	559
Interest received		**9**	22
Proceeds on disposal of fixed assets		**-**	-
Net cash used in investing activities		**(221)**	(1,344)
Cash flow from financing activities			
Repayment of borrowings		**(104)**	(101)
Interest paid		**(30)**	(46)
Net cash used in financing activities		**(134)**	(147)
Increase/(Decrease) in cash and cash equivalents		**1,550**	(672)
Cash and Cash Equivalents at beginning of year		**4,206**	4,878
Cash and Cash Equivalents at end of year	(ii)	**5,756**	4,206

Statement of Cash Flows
For the year ended 31 March 2021

i) Reconciliation of operating surplus to net cash flow from operating activities

	2021 £'000	2020 £'000
Operating surplus for the year	**1,138**	686
Depreciation	**576**	530
Amortisation of government grants	**(85)**	(78)
Increase in debtors	**(344)**	(235)
Increase/(Decrease) in creditors	**620**	(84)
Net cash generated from operating activities	**1,905**	819

ii) Cash and cash equivalent

	2021 £'000	2020 £'000
Cash at bank and in hand	**5,756**	4,206

Analysis of movement in net debt

	At 1 April 2020 £'000	Cash flows £'000	Other non-cash changes £'000	At 31 March 2021 £'000
Cash	4,206	1,550	-	5,756
Overdraft	0	-	-	0
Total cash and cash equivalents	4,206		-	5,756
Bank borrowings due within 1 year	(104)	104	(101)	(101)
Bank borrowings due in more than 1 year	(1,016)	-	100	(916)
Total borrowings	(1,120)	104	(1)	(1,017)
Net debt	3,086	1,654	(1)	4,739

7. Notes to the Financial Statements

1. Accounting policies

Southdown Housing Association is a public benefit entity incorporated under the Co-operative and Community Benefit Societies Act 2014 in the United Kingdom and is a registered provider of social housing with the Regulator of Social Housing (RSH).

Basis of accounting
The financial statements have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including The Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019. The Association meets the definition of a public benefit entity as defined by FRS 102.

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain housing properties at the date of transition under the 'deemed cost' option of FRS 102.

The principal accounting policies of the Association are set out below.

Significant judgements and estimates
The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Significant management judgements
The following are the significant management judgements made in applying the accounting policies of the Association that have the most significant effect on the financial statements:

Impairment
Most of Southdown's tenants qualify for Housing Benefit, where their accommodation continues to be recognised as supported housing, with the tenants receiving a linked support package. Where support services are decommissioned or are de-linked from specific units of accommodation, tenants are likely to transition from Housing Benefit to Universal Credit for their housing costs. Although there are additional challenges for Southdown with the operation of Universal Credit, Southdown believes core rental costs will continue to be met by the benefits system and there will be no impairment of the value of the Association's property portfolio.

Cash generating units for impairment purposes
Southdown aggregates the costs of all property units in an individual address when considering impairment. This is deemed appropriate given that Southdown's properties are domestic in scale and often include shared facilities.

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

Capitalisation of property costs
The cost of a completed building bought from a third party includes the cost of any professional fees needed to complete the purchase, together with any VAT, if applicable. When a fully completed building is purchased, Southdown ascribes 45% of the total cost to land, with the remaining 55% being apportioned to building shell and the various component elements. The split of the 55% portion across the component elements is based on a stock condition survey which is commissioned prior to purchase and which identifies the cost of replacement of all of the component elements in the building. The survey also identifies when the component element will be due for replacement. The estimated current value of the component is then calculated using this information, with the balance being ascribed to the property shell.

When a property is built by Southdown, the final build cost will include the costs of the build itself, together with any fees and VAT as applicable. Land will have a separate value – either brought forward in Southdown's books if the site was already owned by Southdown or from a separate purchase where the price is identifiable. The build cost is apportioned across building shell and components by the quantity surveyor/builder.

When a property already owned by Southdown undergoes substantial remodeling, any remaining net book value of property components being replaced is written off. The cost of work undertaken is apportioned across components and property shell by the quantity surveyor/builder, with a separate amount being estimated and expensed to represent the cost of cyclical and planned maintenance being brought forward as a result of the renovation.

Period of amortisation of grants
Social Housing Grant or other grant obtained as part of the funding for a purchase or build will assume the same useful life as the building shell of the project to which it relates.

Useful lives of assets
Southdown ascribes standard lives to its assets based on a combination of practical experience coupled with, in the case of property components, experience from other housing associations and published information from surveyors. In some cases, such as solar panels, we use the life ascribed to the panels by the manufacturer and which was used when assessing the economic case for purchase. Four years is chosen as the asset life for general computer equipment to reflect the relatively short life of such assets driven by changes in technology, as much of the actual wearing out of the underlying asset. However, longer life specialist software application systems are treated as having an asset life of up to 10 years.

Southdown estimates that the residual value for all of its depreciated assets at the end of their useful life will be zero.

Southdown uses a relatively long life for our property core structure at 125 years. This is because many of our properties are period properties of a type that will last, if properly maintained, for this length of time. All of our properties are also of a high standard of construction using conventional materials and we maintain our properties to a high standard, which will support their life expectancy. We also believe that there will always be demand for our property given the popularity of living on coastal towns where most of our properties are situated and the general proximity of our Sussex base to London.

Debt provisioning policy
The vast majority of our debt is with quasi Government bodies such as Local Authorities or Clinical Commissioning Bodies and thus our fee related bad debt is negligible.

Because of the nature of the clients we house, most of the rent debts are settled directly by Housing Benefit and thus do not incur problem debts. In relation to debt due directly from tenants, we review the debtors ledger each month for any debt we might consider doubtful. Because of the supported housing nature of our business, we have a good knowledge of each and every client and can make judgements concerning the likelihood or otherwise of collecting any non-current debt. We identify any specific problem rent debts and categorise them as high risk, in which case we provide 100% of the debt or medium risk in which case we provide for 50% of the debt. The balance of tenant rent debtors other than current debt are provided at 25%.

We apply the same process for tenant recharge debts but in this case provide 50% of the general debtor balance, based on our practical experience of collecting this type of debt.

Leasehold dilapidations
We provide for leasehold dilapidations where our business strategy indicates that we will seek to exit a particular lease at a future date. Dilapidations are provided taking into account our knowledge of how much it might cost to paint and decorate a site before hand back or how much it might cost to strip out amendments we have made to the site during our tenure in order to return it to its original condition.

Income
Total income includes Turnover and Other Income. Turnover includes rental and service charge income from residential and commercial properties in respect of the year and any other income such as legacies received in the year. Additional grant and furlough income arising for the additional costs incurred as a result of the Coronavirus pandemic are shown separately as Other Income. All fees and grants receivable from local authorities in respect of revenue are credited to the Statement of Comprehensive Income in the same period as the expenditure to which they relate. Grants received for housing properties are recognised in income on a systematic basis over the life of the property to which it relates.

Housing properties
Southdown accounts for its expenditure on housing properties on a historic cost basis, with the exception of those properties where deemed cost at 31 March 2014 has been substituted for the original historic cost. Southdown accounts for its expenditure on housing and day centre properties (excluding shared ownership properties) using component accounting. Under component accounting, the housing property is divided into those major components, which are considered to have substantially different useful economic lives. These components are then depreciated over their individual useful economic lives. The particular components identified by Southdown and their respective useful economic lives are as follows:

Core structure	125 years
Roof	60 years
Windows	25 years
Bathrooms	25 years
Electrics	25 years
Heating systems	25 years
Lifts	25 years
Solar panels	20 years
Fire sprinkler systems	20 years
Kitchens	20 years
Boilers	15 years

Where a separately identified and depreciated component of an existing property is replaced, the carrying value of the component is expensed and the cost of the replacement component capitalised.

Depreciation
Freehold shared ownership properties are depreciated on a straight line basis over their expected useful economic life of 125 years. Freehold land is not depreciated.

No depreciation is provided on housing properties in the course of construction.

Leasehold housing properties and land are depreciated over the remaining term of the lease or useful economic life, whichever is the shorter.

Depreciation is charged on a straight line basis over the expected useful economic life of the other fixed assets, which are as follows:

Leasehold offices - Bell Lane, Lewes	65 years
Office furniture and equipment	5 years
Motor vehicles	6 years
Computer equipment and software	4 years, or up to 10 years for longer life applications

A transfer is made from the Revaluation Reserve to the Income and Expenditure Reserve on an annual basis for any difference between the actual depreciation charge and that which would have been incurred if the housing properties had been held at their historic cost.

Impairment
Housing properties are assessed for impairment when there is an indicator of impairment. Where indicators are identified, an assessment for impairment is undertaken comparing the asset's 'carrying amount' to its 'recoverable amount'. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down.

The recoverable amount is the higher of the fair value of the asset (less estimated cost to sell) and the 'value in use' of the asset based on its service potential. The resulting impairment loss is recognised as expenditure in the Statement of Comprehensive Income. Where an asset is deemed not to be providing service potential to the organisation, its recoverable amount is the higher of the value in use and its fair value less costs to sell.

In estimating the value in use of an asset based on its service potential, Southdown believes that a ready market for the types of specialist properties we use does not exist. Depreciated Replacement Cost is therefore deemed to equate to the cost of building an equivalent asset (as adjusted for depreciation).

Government Grant
Social Housing Grant (SHG) is receivable from Homes England (HE), and is utilised to reduce the capital costs of housing properties, including land costs.

The Association has taken advantage of transitional relief for deemed cost in respect of a number of properties and all grant in respect of these properties on transition to FRS 102 has been treated under the performance model and released to the Income and Expenditure reserve. Subsequent to the date of transition, Government Grants received for housing properties are recognised in income over the useful life of the housing property structure on a pro rata basis under the accruals model. The unamortised element of the government grant is recognised as deferred capital grant in creditors.

Grants due from other government organisations such as local authorities or health bodies are treated in the same way as Social Housing Grant.

Grants relating to revenue are recognised in the Statement of Comprehensive Income over the same period as the expenditure to which they relate. Until the revenue grants are recognised as income they are recorded as liabilities.

On sale of a property, Government Grants may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and are included in the balance sheet in creditors.

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

Major Repairs
Major repairs are charged to the Statement of Comprehensive Income as incurred.

Taxation
Southdown has charitable status qualifying for exemption from Income and Corporation Tax. A certificate to this effect has been received from HMRC.

Pension Costs
Southdown operates a Group Personal Pension Scheme with Aviva. Employer contributions are charged to the Statement of Comprehensive Income when payable. Southdown also has "Direction" status with the NHS Pension Scheme, which is an unfunded multi-employer final salary pension scheme. As such, it is not possible to separately identify assets and liabilities relating to Southdown and so, in accordance with FRS102, the scheme is accounted for as if it was a defined contribution scheme.

The NHS scheme currently has a shortfall of assets compared to liabilities and a deficit payment plan which has been agreed between the participating employers and the scheme. In line with FRS 102 requirements, this payment plan has been recognised as a liability in the Statement of Financial Position and is measured at the reporting date by discounting future cash flows at the rate of a high quality corporate bond. The unwinding of the discounting is recognised as a finance charge in the period to which it relates.

Leased assets and operating leases
Southdown holds various operating leases for housing properties and office premises. The rentals paid are charged through the Statement of Comprehensive Income in accordance with the lease arrangements as they are incurred.

Value Added Tax
Southdown is not registered for VAT and therefore all expenses are stated inclusive of VAT.

Shared ownership
Southdown historically undertook some shared ownership arrangements, whereby Southdown disposed of an interest, usually between 27% and 68%, in housing units to persons who occupy them. The occupier normally has the right to purchase further equity tranches at the current valuation up to 100%.

In line with the requirements of SORP 2018, all shared ownership properties are split between fixed assets and current assets. The proportion of the split is determined by the percentage of the property to be sold under a first tranche sale. The split between fixed and current assets at the financial year end is made by reference to the best information available.

Subsequent tranches sold ('staircasing') are reflected in the operating surplus as a surplus or deficit on disposals of fixed assets.

Financial Instruments
Financial assets and financial liabilities are recognised in the balance sheet when the Association becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and are measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Association will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts.

Interest bearing bank loans, overdrafts and other loans, which meet the criteria to be classified as basic financial instruments, are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported as a surplus or deficit.

Going Concern
These accounts are prepared on the basis that Southdown remains a going concern. Southdown prepares a five year business strategy, which is underpinned by a risk stress tested, five year financial plan that demonstrates the organisation has appropriate controls in place to manage the risks faced, to safeguard its assets and to ensure medium term commitments and liabilities can be met.

We have considered the impact of the Coronavirus pandemic, which does bring a significant risk to our business model and income streams if this pandemic was to translate into increased mortality rates. We have taken a very proactive approach to shielding clients and rigorously following public health and sector guidelines. As a result of this, Southdown has seen low Covid-19 infection rates and with robust pandemic response plans in place, we believe this significantly mitigates the financial risks associated with this pandemic. We recognise there is some exposure to increased costs from this pandemic, but we remain confident this will be covered by available funds.

On this basis, and as we do not expect to lose significant levels of income, coupled with our solid liquidity and low gearing, we do not believe this pandemic will adversely impact on our medium term business model and are confident that the preparation of the financial statements on a going concern basis remains appropriate.

2. Social Housing Income and Expenditure

	2021 £'000	2020 £'000
General needs housing		
Rents receivable net of identifiable service charges	**2,985**	3,023
Service charges receivable	**1,677**	1,615
Revenue, capital grants and other income	**128**	112
Total Social Housing Income	**4,790**	4,750
Social housing activities expenditure	**(4,047)**	(4,233)
Operating surplus on social housing activities	**743**	517
Net surplus on social housing activities	**600**	350
Rent losses from voids	**(115)**	(121)

3. Directors' emoluments (including key Management Personnel)

The Directors are defined for the purpose of emoluments as the non-executive Board members, the Chief Executive and other members of the Executive reporting directly to the Chief Executive. The emoluments of these individuals, who are also regarded as key management personnel, were as follows:

Executive team emoluments

	2021	2020
	£'000	£'000
Emoluments (including benefits in kind)	**553**	537
Pension Contributions	**39**	38
	592	575

Non-executive Board member emoluments

	2021	2020
	£'000	£'000
Emoluments including travel expenses		
Jane Claxton	**9**	9
Phil Cliftlands	**5**	5
Greg Falvey	**5**	5
Caroline Hamblett	**3**	3
Beverly Hone	**3**	3
Pauline Ford	**3**	2
Graeme Allinson	**2**	-
Craig Jones	**2**	-
Alysha Burrell	**2**	-
Jill Garner (retired 23/09/20)	**2**	3
Helen Perry-Bowen (resigned 11/06/20)	**1**	1
Rachael Swann (resigned 22/01/21)	**1**	-
Nick Deyes (resigned 29/04/2020)	**-**	3
Steve Benson (resigned 29/02/20)	**-**	1
	38	35

Employer National Insurance relating to Key Management Personnel

	2021	2020
	£'000	£'000
Executive team	**70**	67
Non-executive Board members	**-**	-
	70	67

3. Directors' emoluments (including key Management Personnel) continued

The Chief Executive's pension contribution from the employer is 10% (£12,301) of his gross salary, being in line with standard Southdown Housing Group Personal Pension Scheme arrangements existing at the time the Chief Executive joined the Scheme.

Emoluments (excluding pension contributions) include amounts paid to:

	2021	2020
	£'000	£'000
Highest paid director	**125**	123

The number of staff who received emoluments and compensation for loss of office during the year (including pension contributions) in the following ranges were:

	2021	2020
Salary Ranges	**Number**	Number
£40,001 - £50,000	**-**	2
£70,001 - £80,000	**-**	2
£80,001 - £90,000	**3**	2
£90,001 - £100,000	**2**	-
£100,001 - £110,000	**-**	-
£131,001 - £140,000	**1**	1

	2021	2020
	£'000	£'000
Expenses reimbursed to directors not chargeable to United Kingdom income tax	**-**	3

4. Employee information

The average monthly number of full time equivalent persons, based on 37 hours per week, including directors (but excluding the non-executive Board members) employed during the year was:

	2021 Number	2020 Number
Average full time equivalent persons	**686**	680
Staff costs	**£'000**	£'000
Wages and salaries	**19,785**	18,986
Social security costs	**1,610**	1,487
Pension costs (Note 20)	**759**	869
	22,154	21,342

5. Surplus on ordinary activities

	2021 £'000	2020 £'000
Surplus on ordinary activities is stated after charging:		
Operating lease rentals – land and buildings	**818**	846
Depreciation of other fixed assets	**231**	200
Depreciation of housing / day centre properties	**345**	330
Auditor's remuneration in capacity as auditors	**15**	14
Auditor's remuneration for other services	**-**	-

6. Interest receivable and similar income

	2021 £'000	2020 £'000
Bank and unlisted investments	**9**	22

7. Interest payable and similar charges

	2021 £'000	2020 £'000
Interest on loans and overdrafts	**30**	46
	30	46

8. Tangible fixed assets

	Housing Properties	Short Leasehold Housing Properties	Shared Ownership Properties	Day Centre Properties	Total
	£'000	£'000	£'000	£'000	£'000
Cost at 1 April 2020	20,445	104	1,820	919	23,288
Additions – Components	71	-	-	16	87
Disposals	(12)	-	-	(4)	(16)
At 31 March 2021	**20,504**	**104**	**1,820**	**931**	**23,359**
Depreciation and Impairment at 1 April 2020	3,090	104	135	57	3,386
Charge for year	322	-	12	11	345
Eliminated on disposal	(12)	-	-	(4)	(16)
At 31 March 2021	**3,400**	**104**	**147**	**64**	**3,715**
Net book value at 31 March 2021	**17,104**	**-**	**1,673**	**867**	**19,644**
Net book value at 31 March 2020	17,355	-	1,685	862	19,902

The net book value of Housing Properties comprise: Freeholds £12,880,000 (2020: £13,098,000) and Long Leaseholds £4,224,000 (2020: £4,257,000). The total expenditure on repairs to existing properties charged to the Statement of Comprehensive Income in the year was £341,000 (2020: £368,000). An amount of £87,000 (2020: £1,714,000) was capitalised in the year, representing the value of component replacements and other building work.

9. Other tangible fixed assets

	Offices £'000	Computer Equipment £'000	Furniture and Fittings £'000	Motor Vehicles £'000	Total £'000
Cost at					
1 April 2020	3,749	1,779	511	231	6,270
Additions	-	102	12	29	143
Disposals	-	(3)	(13)	(41)	(57)
At 31 March 2021	**3,749**	**1,878**	**510**	**219**	**6,356**
Depreciation at					
1 April 2020	341	1,193	422	136	2,092
Charge for year	32	138	31	30	231
Eliminated on disposal	-	(3)	(13)	(41)	(57)
At 31 March 2021	**373**	**1,328**	**440**	**125**	**2,266**
Net book value at 31 March 2021	**3,376**	**550**	**70**	**94**	**4,090**
Net book value at 31 March 2020	3,048	586	89	95	4,178

Offices includes one Freehold office £374,000 (2020: £378,000) and one Leasehold office £3,002,000 (2020: £3,030,000)

10. Debtors

	2021 £'000	2020 £'000
Amounts falling due within one year		
Rent arrears	**300**	178
Less: Provision for bad and doubtful debts	**(136)**	(80)
Net rent arrears	**164**	98
Prepayments	**316**	229
Other debtors	**1,672**	1,481
	2,152	1,808

11. Cash at bank and in hand

	2021 £'000	2020 £'000
Current and deposit accounts	**5,449**	3,973
Corporate appointee – client accounts	**307**	233
	5,756	4,206

Corporate appointee – client accounts contain funds owned by clients which are managed by Southdown on behalf of those clients who do not have the capacity to manage their own finances.

12. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Corporate appointee – client accounts	**307**	233
Trade creditors	**462**	388
Other creditors	**451**	419
Other taxation and social security	**509**	478
Housing loans repayable	**101**	104
Other accruals and deferred income	**1,192**	851
Deferred capital grant (Note 14)	**85**	85
Annual Leave accrual	**214**	139
	3,321	2,697

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

	2021 £'000	2020 £'000
Housing loans	916	1,016
NHS Pension creditor	84	92
Deferred capital grant (note 14)	6,676	6,761
	7,676	7,869

	2021 £'000	2020 £'000
The Housing loans are repayable by instalments as follows:		
Less than one year	101	104
Between one and two years	48	101
Between two and five years	160	152
In five years or more	708	763
	1,017	1,120

The loans are repayable over the term of the loans, which vary between 20 and 25 years, ending between 2022 and 2035. Since August 2020, interest is only charged at a variable rate, currently between 1.71% and 1.74%. Prior to August the fixed element of loan was charged at 5.3%. Housing loans are secured by fixed charges on individual properties with a carrying value of £3,281,000

14. Deferred capital grant and recycled capital grant fund

Deferred Capital Grant

	2021 £'000	2020 £'000
At 1 April	6,846	6,140
Released to income in the year	(85)	(78)
Recycled grant	-	225
New grant received in the year	-	559
At 31 March	6,761	6,846

	2021 £'000	2020 £'000
Amounts to be released within one year	85	85
Amounts to be released in more than one year	6,676	6,761
	6,761	6,846

Recycled Capital Grant Fund

	2021 £'000	2020 £'000
At 1 April	-	225
Interest applied	-	-
Grant recycled	-	(225)
At 31 March	-	-

15. Share capital

	2021 £	2020 £
Allotted, issued and fully paid during the year		
At 1 April	9	8
Issued during the year	5	2
Cancelled during the year	(4)	(1)
At 31 March	10	9

Each Board member of Southdown holds one £1 share, which carries no dividend rights, with the balance being held by a previous Board member. Unless otherwise agreed, Board members' shares are cancelled upon their resignation from the Board. Only shareholders have the right to vote at the AGM, special or general meetings.

The £3,000 balance disclosed in the Balance Sheet relates to accumulated share capital reserves of Southdown.

16. Capital commitments

Capital expenditure authorised by the Board but not contracted for: Vernon Gardens £556,000; Orlando House £480,000 and Lewes Road £850,000 (2020: None), all funded from existing cash reserves.

17. Contingent liabilities

There are no contingent liabilities (2020: £nil)

18. Operating leases

Some properties and equipment are held under non-cancellable operating leases. Southdown had outstanding commitments for future minimum payments under non-cancellable operating leases as follows:

	2021	2020
	Land and Buildings	Land and Buildings
	£'000	£'000
Less than one year	**172**	167
Between one and five years	**131**	194
After five years	**515**	485
	818	846

19. Accommodation in management

Number of units	**Supported Housing**	**Care Homes**	**Low Cost Home Ownership**	**Total in Management**
At 1 April 2020	575	32	22	629
Net movement	(36)	-	-	(36)
At 31 March 2021	**539**	**32**	**22**	**593**

20. Pensions

Southdown operates a Group Personal Pension Scheme with Aviva. Employer and employee contributions are paid monthly to Aviva who administer the scheme on behalf of the Trustees. Employer contributions of between 4% and 10% are charged to the Statement of Comprehensive Income in the year to which they relate and are paid over to Aviva on a monthly basis. The money is invested in appropriate funds as determined by each member of the scheme. In addition to the scheme above, several staff who have joined Southdown in previous years under TUPE arrangements remain members of the NHS Pension Scheme. Southdown has Direction Body Status with the NHS Pension Scheme and contributes 14.38% of relevant employees' salary to this scheme as an employer contribution.

The employer's contribution amounted to £758,723 in the year ended 31 March 2021 (2020: £868,767). At this year end, accrued pension charges amounted to £124,704 (2020: £122,060).

21. Legislative provisions

Southdown is governed by the provisions of the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014.

22. Controlling parties

There are no controlling parties connected with Southdown.

23. Related parties

There are no related party transactions, other than as disclosed in note 3.

24. Reserves

Revaluation Reserve - Represents the difference between the valuation of completed housing properties and their historical cost carrying value (net of depreciation).