Annual Report of the Board

and

Financial Statements

for the year ended 31 March 2023

Force for good
We're passionate about making a difference.

Brilliant with people
We're compassionate, inclusive and welcoming; our colleagues and local communities deserve nothing less.

United
Together, we can achieve so much more.

Trustworthy
We're knowledgeable and act with integrity.

Responsive
We listen, learn and adapt.

REGULATOR OF SOCIAL HOUSING
REGISTRATION NUMBER L1829

THE CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES ACT 2014
REGISTRATION NUMBER 20755R

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BOARD MEMBERS, DIRECTORS, ADVISORS AND BANKERS

Board

The Board Members who served from 1 April 2022 up to the date of approval of these financial statements were as follows:

Chair	Jane Claxton (retired at AGM on 21.09.22) Pauline Ford (appointed at AGM on 21.09.22)
Vice Chair	Greg Falvey (retired at AGM on 21.09.22) Helen Tuddenham (appointed at AGM on 21.09.22)

Chair and Vice Chair appointment dates shown are the date existing Board members appointed into these posts.

Other Members:

Graeme Allinson
Alysha Burrell
Tara Osbourne-Wallace (Co-opted on 01.01.22 and formerly appointed 21.09.22)
Dumindu Witharana
Cathy Winfield
Simon Nunan
Simon Anderson (appointed 21.09.22)
Tony Williams (appointed 21.09.22)
Jo Ellis (appointed 21.09.22)
Michelle Baker (appointed 21.09.22)
Caroline Hamblett (retired on 21.09.22)

Directors / Executive Team

Chief Executive	Neil Blanchard
Director: People, Culture & Change	Jo Raisey
Director: Finance & Business Performance	Colin Farmer
Director: Client Services	Sharon Clare
Director: Housing & Business Services	Jim Aspdin
Company Secretary	Colin Farmer
Registered Office	2 Bell Lane Lewes East Sussex BN7 1JU

BOARD MEMBERS, DIRECTORS, ADVISORS AND BANKERS

Independent Auditors

Beever and Struthers
Chartered Accountants
Statutory Auditor
150 Minories
London
EC3N 1LS

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

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

Funder and Banker
NatWest Bank plc
Worthing Commercial Office
C2 Yeoman Gate
Yeoman Way
Worthing
West Sussex
BN13 3QZ

Internal Auditors

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

OVERVIEW OF 2022/23

As evidenced in this annual report, we end the financial year in a strong and positive position, having made great achievements towards the delivery of our longer-term Business Strategy.

Whilst appreciating continued significant workforce, inflationary and regulatory challenges, and wider funding and operational pressures that face the care and supported housing sector, our approach over the year was to be even more proactive and bold in how we responded - ensuring we fully own our responsibility and accountability to stand up and speak out on behalf of our clients, colleagues and communities.

An example of this was our 'Fair Funding for Fair Pay' campaign, in which we highlighted the unsustainability of our learning disability care services without adequate funding. This was a new strategy for Southdown, taking a more honest and transparent approach to the financial and operational impact of the inadequate levels of funding we receive, including stating the unavoidable consequences on services and individual placements. The campaign has had success, with improved fee levels from two of our three main commissioners, enabling us to achieve our goal to address recruitment and in-work poverty challenges by increasing our lowest salaries by 12.5%, as well as making additional cost-of-living in-year bonus payments. We will continue the campaign, appreciating that this is a far more endemic issue for Southdown and the sector.

2022 marked our 50th anniversary as a business and we celebrated this throughout the year with opportunities to reflect on our achievements whilst also looking forward to future ambitions and goals. Fortunately, as Covid restrictions eased, we were able to bring colleagues and clients together for celebratory events, which felt fantastic after such a long time.

During our 50th year, it felt fitting to take the opportunity with colleagues and clients to review our organisational values, launched in early 2023. The process was a great example of collaborative working, and we all feel that our new value statements perfectly reflect Southdown's beliefs and ways of working: Force for Good; Brilliant with People; United; Trustworthy, and Responsive.

Southdown has an ambition to be a psychologically informed organisation and, over the past 18-months, again with input and support from colleagues and clients, we have developed a new bespoke psychologically informed framework, 'The Southdown Beacon'. We are excited about the benefits that this innovative, clinically reviewed approach will bring as the framework becomes embedded across Southdown.

Another area we are proud of is the launch of a new colleague engagement framework, referred to as 'Southdown Voice'. This new approach increases opportunities for colleagues' opinions to be heard and responded to, with direct involvement and accountability from Southdown's Executive Team and Board. Our colleague survey undertaken in March 2023 indicates that this approach is already having a positive impact, with increased engagement scores across the business.

Unfortunately, the social housing sector has been rocked by high-profile cases of building disrepair and unsatisfactory response from landlords. Southdown is committed to provide decent, safe, secure, affordable, high-quality homes that enable tenants to live well. To ensure that we deliver on this commitment and demonstrate how we are stepping up to respond to sector concerns, we have increased our focus and investment in property maintenance, fire safety and sustainability projects, as well as launching a new 'Tenant Voice' initiative, maximising opportunities to hear and respond to the issues of residents, including increased engagement directly with the Board.

Despite it being a remarkably busy year within Southdown, we have continued to play an active and leading role in supporting statutory and Voluntary, Community & Social Enterprise (VCSE) partners to maintain and improve local health, care and housing services within our communities. This has included the development of new service models as well as promoting the ability of the VCSE to help solve some of the biggest issues facing our society.

On behalf of the Board, we would like to thank all our amazing colleagues for their hard work and commitment delivering care and support to our tenants and clients.

Pauline Ford — *Chair*

Neil Blanchard — *Chief Executive*

REPORT OF THE BOARD FOR THE YEAR ENDED 31 MARCH 2023

Southdown is a Sussex-based, not-for-profit social business specialising in the provision of care, support and housing services that respond to the needs of local communities.

We were established in 1972 by a group of volunteers who recognised the issues facing people with mental health issues recently resettled in Brighton and Hove from long-stay hospital institutions. They decided to work together to make a difference, ensuring that everyone had the right and opportunity to live well in the community. Five decades later, although we have grown and diversified our activities significantly, everyone at Southdown remains fully committed and passionate to continue to put our founding principles into practice.

OUR FOUNDATIONS

WE BELIEVE

Everyone has the right to live their life well.

OUR MISSION

To provide exceptional community support services and housing across Sussex which enable people to live well.

OUR INCOME SOURCES

- Commissioned contracts
- Rent and service charge income
- Commissioned packages of support for individual clients

As a not-for-profit social business, we reinvest any surpluses into service delivery and development.

WHAT WE DO

We deliver specialist, person-centred and psychologically informed services:

- 24-hour and community care and support (autism and learning disabilities)
- Mental and physical wellbeing community services
- Peer support opportunities
- Homelessness prevention and support
- Learning and employment
- Social landlord of supported housing

OUR VALUE PROPOSITION (what we do best)

- Big enough to be taken seriously, small and local enough to care
- Renowned for consistency, quality, reliability and professionalism
- Unique capability to act as an inclusive VCSE Lead Provider
- Being a psychologically informed organisation
- We influence and innovate
- We believe in and stand up for our people (clients and colleagues)

OUR VALUES

In 2022, as part of our 50th anniversary, we worked with over 100 colleagues to review our values. We felt that this was a positive way to consider and agree the principles, beliefs and behaviours that will guide and shape the continued success of Southdown as we move forward.

To ensure our new values, launched in early 2023, are more than just words on a page, we are committed to embedding them in everything we do.

THE SOUTHDOWN BEACON

In 2023, we also launched a new bespoke psychologically informed framework (The Southdown Beacon). This acts as a practical guide and training tool equipping colleagues with the skills and knowledge to recognise and respond to people's psychological needs.

The framework was co-produced and piloted over 18 months with input and support from colleagues and clients from across the organisation. And it has been clinically reviewed by external psychologists, providing additional assurance and quality benchmarking.

As shown in the pictorial representation below, The Beacon comprises of three domains; Environment, Relationships and Individual, with nine 'beams'; each of which acts as a focus for specific training and team discussions as we embed the tool.

STRATEGIC OBJECTIVES

Southdown has six strategic objectives that describe what we will do to fulfil our mission. They also act as the basis for our performance goals that we measure our success against.

1. **PEOPLE (our colleagues):** Be an exceptional employer, maximising pay and development opportunities.

2. **PEOPLE (our clients and tenants)**: Provide exceptional services to our clients and tenants.

3. **ASSURANCE**: Operate safely and meet regulatory standards.

4. **GROWTH**: Develop partnerships to expand services offered.

5. **FINANCE**: Maintain long-term financial security.

6. **EFFICIENCY**: Modernise ways of working to reduce overheads and improve experience.

Pursuit of the strategic objectives underpins and steers the direction of how Southdown works and prioritises investment and resources. Performance measures for each strategic objective form the basis of quarterly performance reporting to our Board.

OPERATING ENVIRONMENT

As a social business where most of our activities are commissioned and contracted by the public sector, we operate in a complex and challenging environment susceptible to changes in local and national government strategic policies and funding commitments. Over the past year, we have also had to contend with the negative impact of the global economic situation, most acutely felt in inflationary and cost-of-living pressures.

As evidence demonstrates, Southdown is very experienced and skilled in working in a low margin, high risk sector, with 2022/23 being no exception. Alongside adoption of robust business practices, we attribute our continued success to holding excellent knowledge and expertise of our operating environment. Through investing time and energy in taking a leading role in local and national networks, as well as maintaining effective personal relationships with our peers and commissioners, we are not only able to respond to issues but also help shape and improve the sector.

Current issues and themes that continue to have the greatest impact include:

Viability of the Adult Social Care sector

As evidenced in the 'Hft and Care England Sector Pulse Check Report 2022', Southdown, alongside all other adult social care providers, experience extremely challenging and potentially business critical issues in the delivery of residential care and community support. Despite having successfully navigated the Covid pandemic, providers now face an even more acute concentration of factors placing the already fragile sector, 'on the precipice.' The Sector Pulse report provides an excellent summary of the multiple issues, whilst also enabling Southdown to benchmark and sense check our own position. Key issues (and % of providers reporting this) include:

- Workforce pay due to increases in National Living Wage now being the most significant cost pressure (92%)
- Operating learning disability services in a deficit or experienced decrease in surplus (84% compared to 56% in 2020)
- Local Authority fee increases not covering increasing workforce costs (81%)
- Lack of confidence that Fair Cost of Care exercise will improve the situation (74%)
- Increased use of agency staff to cover staff vacancies (69%)

- Rising utility costs, a significant cost pressure (60%)
- Had to turn down referrals due to staff shortages (58%)
- Closure of services and or handing back of contracts (42%)
- Average staff turnover of 25% and vacancy rates of 21%

Southdown experiences all these issues. Our learning disability services have operated in a deficit position since 2017, with an accumulated loss of more than £2.6 million. The sustained and increasing financial and operational impacts have required us to take similar actions as other providers: not accepting referrals due to staff shortages; ending individual placements and closing three services over the past 18 months. These are extremely difficult decisions to make, challenging our core organisational mission and values, but have been the only way we can protect the future of our total learning disability care activities.

The outlook is difficult, complex and very challenging, and without intervention and transformation of the sector by Government it is unclear how this can radically change. However, we are doing everything we can to be as resilient as possible and take actions to mitigate risks and make improvements. We are, and have for some time, been working at the very edge of profitability for our care services, but through robust and evidence-based lobbying, we have secured some improvements to funding levels that has enabled us to retain care placements and pay our staff more. Although we appreciate the pressures on the wider system, we have been honest with commissioners that we can only continue to be a strategic partner if funding covers costs, many of which are outside of our direct influence.

NHS pressures

Through our leading role in supporting the transformation of community mental health services across Sussex, we increasingly work in partnership with NHS providers with staff embedded and co-located in NHS and GP settings. Through this joint work, we are acutely aware of the pressures facing the NHS and the threats to delivery of timely and safe services to patients as well as the longer-term viability of the overall system. Our clients and colleagues regularly experience poor or delayed interventions that increase risks and delay discharge to more cost-effective settings.

The VCSE is acknowledged as having a vital role to play to help the NHS deliver on its commitments and priorities, having increased flexibility, agility and ability to recruit and retain staff. Southdown, through the role of its Chief Executive as a VCSE Strategic Lead and hosting of other VCSE transformation roles, is ideally placed to support and shape development of new integrated models. However, a current barrier to this is restrictive commissioning practices and the precarious state of NHS finances (for example, not being able to confirm funding for the VCSE ahead of commencement of financial years). It is hoped that through continued local engagement, supporting by national reviews of NHS procurement practices (Provider Selection Regime) in 2023, positive progress can be made to enhance the role of the VCSE to support and protect the NHS, and increase patient access to community based mental health services.

Inflation

2022/23 has seen inflation rates not experienced for a generation at above 11%, posing all businesses with additional cost pressures that erode the bottom line. Operating at such low margins, and with our income from commissioned contracts on fixed terms or subject to annual 'politicised' negotiations, social businesses such as Southdown have limited options and complex decisions to make. Due to the issues this created, we added high inflation as a specific strategic risk on our live register in 2022, with a range of measures in place to manage the risk with predictions for inflation to remain high for at least the next 18 months.

As cited above, workforce cost pressures, with a 9.7% increase in National Living Wage have had the biggest impact on Southdown, although success in funding lobbying and appeals, have enabled us to award colleagues a 5% general pay award for 2023/24, with additional weighting given to our lowest paid roles equivalent to 12.5%, bringing our base salary level to £11.50 (£22,185 annual base salary from £19,666). In addition, we awarded a 3% backdated pay bonus for 2022/23 (on top of the 2% general pay award) and made cost-of-living bonus payments of £245 per FTE.

We typically mitigate non-staff inflationary pressures by fixing prices where appropriate, which has meant our utility costs have not seen the large price volatility and increases seen throughout 2022/23 where our prices are fixed for 2 years through to September '23. However, we are seeing price increases beyond this date where our gas price will increase by 217% and electricity by 132%. This follows a 159% increase in insurance costs in 2022/23, although we have been able to re-broker this increase back down by 24% for 2023/24.

Likewise for clients and tenants, they have also had to contend with rising living costs, with real fears for people's ability to pay for food, utilities and other essential items. We have offered clients and tenants, along with our colleagues, access to advice, guidance, and support from our in-house Financial Inclusion Team, as well as linking with other Sussex initiatives.

Building and Fire Safety

The reputation of the social housing sector has been negatively impacted by a series of damaging and unfortunate serious incidents, most notably the sad death of Awaab Ishak in Rochdale, attributed to poor practice in dealing with damp and mould. This comes in the context of poor practice findings following the Grenfell Tower disaster in 2017.

Building and fire safety have become key national and political priorities, with new regulations and legal acts implemented, or going through Parliament. The implications for all social housing providers are significant, with the increased need to demonstrate compliance and investment priority, but more importantly, upholding commitments to provide tenants with safe and secure homes.

For Southdown, as a small, supported housing provider, we are fortunate to know our stock very well and have regular contact with tenants. Compliance and housing services performance are very good, and we have prioritised continued and increasing investment to ensure properties are well-maintained, energy efficient and safe. Although we have a strong base position, recent internal audits have identified some gaps in our data reporting capabilities, alongside the need to adapt and develop reporting systems to better capture property hazards. This is a priority project for 2023/24.

Supported Housing Regulatory Oversight

Following the Government's pilot review of supported housing providers use of exempt rents published in April 2022, a Private Members Bill, led by Sir Bob Blackman, is currently progressing through Parliament. This Bill looks to introduce local authority oversight of, and enforcement powers relating to, regulation of supported exempt accommodation. Although the Bill is intended to address a minority of providers, there are sector concerns, shared by Southdown, of unintended consequences of the implications of the guidance on other parts of the sector, most notably where supported housing units have lost linked revenue funding.

KEY BUSINESS CHALLENGES AND RISKS

As has been recognised in the Regulator of Social Housing's Sector Risk Profile 2022, providers operating in supported housing, and care and support activities face specific additional risks and challenges. It is a low margin, high risk sector. When operating at such tight margins, the need for effective and proactive risk planning and management is vital.

Southdown is expert in navigating this challenging operating environment, with a strong track record of being reactive to live issues, but also using market intelligence and insight to plan ahead.

Business risks, where current controls are assessed as not adequately mitigating or treating the issue, are recorded on a Strategic Risk Register. This system, cross referenced against issues identified in the Sector Risk Profile, and subject to an internal audit review during 2022/23, provides a 'dynamic' register of the most significant live risks that are impacting the ability of Southdown to achieve its Strategic Objectives. Each risk has specific detailed mitigation and controls in place, receiving increased scrutiny by our Executive Team, Audit and Risk Committee and Board.

As at March 2023, the Live Strategic Risk Register identified:

Risk	Nature of Risk	Score as at March 2023	Target Score	Mitigations
Inability to recruit and retain staff	Inability to recruit and retain staff leads to potential failure to deliver contracts, increases client and staff risks and results in additional costs	20	9	- Bolder approach to 2023/24 pay inflation, £11.50 lowest rate and 5% general pay award - Job Architecture and Pay Benchmarking project - Review of processes to recruit faster and reduce onboarding time - Review of Reward Strategy - Positive promotion of care sector roles through media - Talent Development programme
Learning disability income lost through voids	Loss of income and inability to meet financial margin	20	6	- Review of referral processes and resources to negotiate placements - Marketing of voids
Landlord health and safety	Compromise the Health & Safety of tenants and put at risk Southdown's compliance with regulatory requirements and best practice	20	4	- Continued focus and reduction in open overdue Fire Risk Assessment actions - New Damp and Mould Policy - Review of data collection reporting to provide greater assurance on Decent Homes and Health & Safety
High supported housing voids	Loss of rental income reducing Housing Division margin	16	4	- Conclusion of launching of new supported housing contracts in Brighton & Hove (that increased voids during mobilisation) - Marketing of voids
Learning disability agency spend above target	Level of spending on agency staff unsustainable	15	6	- Finance Business Partner focus on management information to drive reduction - Staff Establishment project to improve live data - Recruitment and retention initiatives
High inflation rates	Significant increase in costs which are not covered in increases in income leading to deterioration of margin below 5-year target	9	6	- Negotiation of fixed price deals for utilities and insurance - Lobbying for fee income
Loss of supported housing designation for homes	Loss of service charge income relating to provision of Enhanced Tenancy Management, tenants' claims moving to Universal Credit, reduction in core rents chargeable	9	4	- Tracking of progress of Private Members Bill through Parliament - Continuing to lobby local authorities and their housing benefit (HB) teams to argue the case as supported housing - Appeal individual claims, providing evidence of support being delivered
High cost of living	Staff wellbeing and impact on service delivery, client wellbeing and impact on complexity / level of need. Also links to Recruitment and Retention	8	6	- Guidance and advice support to staff and clients via internal Financial Inclusion Team - Assessment of increase in tenant's rent, access Tenant Welfare Fund - Commitment to prioritise pay and reward
Losing existing support contracts that	Loss of support contracts/ decommissioning impacts on	8	4	- Participate in market engagement events - Development of sector partnerships

Risk	Nature of Risk	Score as at March 2023	Target Score	Mitigations
are more than 5% of turnover	income and viability of some services/divisions £4.3 million contract income due for renewal in 2023/24			- Develop further Lead Provider capabilities - Project approach to bid writing - Negotiations for care fee increases to ensure services remain viable
Development and delivery of major change programmes	Projects not delivered to required timescale, budget or quality OR projects adversely impact on business as usual activities.	6	4	- Recruitment of Project Management Office lead in January 2023 - Project Scrutiny and Assurance Board launched in March 2023 - Internal audit review January 2024
Delivery of organisational annual budget	Financial loss / instability with potential to destabilise long-term operations	4	4	- Effective budget setting and control in place - Five-year financial planning - Risk stress testing - Contract management

In addition to the robust control of risks across the organisation, Southdown's strong Balance Sheet & Reserves position provide further assurance of our ability to navigate the complex operating environment, supported by the appreciation of the need to take tough and pragmatic decisions to protect the long-term viability of the organisation and our housing assets.

			Likelihood				
			Very low	Low	Medium	High	Very high
			1	2	3	4	5
Consequence	Catastrophic	5	5 medium	10 high	15 high	20 extreme	25 extreme
	Major	4	4 low	8 medium	12 high	16 high	20 extreme
	Moderate	3	3 low	6 medium	9 medium	12 high	15 high
	Minor	2	2 low	4 low	6 medium	8 medium	10 high
	Insignificant	1	1 low	2 low	3 low	4 low	5 medium

STRATEGIC REVIEW OF PERFORMANCE

SIGNIFICANT ACHIEVEMENTS

Despite facing several major events and challenges, over the past year, once again, Southdown has celebrated great achievements in pursuit of its strategic objectives:

Fair Funding for Fair Pay

In recognition of the acute financial and recruitment pressures facing our learning disability services, since 2021, our Chief Executive has led a campaign to achieve 'Fair Funding for Fair Pay'. This has involved substantial liaison with local commissioners, elected councillors, other care providers and trade bodies, highlighting the unsustainability of care services without adequate funding.

The campaign was a new strategy for Southdown, in that we took an honest and transparent approach to the financial and operational impact of inadequate levels of funding, including stating the consequences on services and individuals where fees do not cover costs (see Operating Environment section for further details of the impact on Southdown).

The Fair Funding for Fair Pay campaign has proved successful and in 2023/24 we achieved fee uplifts from East Sussex and West Sussex of 10%, in-line with our request. This built on 'fair' increases for 2022/23 of 6% and 8% respectively. In addition, during 2022, West Sussex offered increased hourly rates for services for more complex clients or in hard to recruit locations. This has returned services in these two areas into a non-deficit position as well as enabling us to increase pay for staff to fairer levels in line with the Real Living Wage.

In Brighton & Hove, where fees uplifts have year on year been lower than neighbouring local authorities, unfortunately, for the second year, in 2022 we have had to appeal the initial overall fee uplift offered (2%) as well as negotiate for individual placements. This appeal process has been successful with the overall fee level increasing to 6% and agreement on individual placements appeals as requested. Brighton & Hove City Council used the CareCubed tool when assessing the individual placements, which indicated that the fees requested were reasonable with one placement increasing by £600 per week. That said, Brighton & Hove City Council has again fallen behind other Sussex commissioning authorities, with a general 5% uplift for 2023/24, necessitating another appeal process.

For 2023/24, for the first time in eight years, our learning disability services are budgeted to deliver a positive margin position (albeit 0.6%). We are proud of our ability to achieve this under such challenging conditions but appreciate that we will need to continually champion and lobby for fair funding, as well as keep all activities under scrutiny for services to remain viable over our five-year plan.

Client Services

In June 2022, as part of our new 'One Southdown' design, we bought all our Client Services together under the responsibility of a single directorship. This move will enable us to better integrate and share skills and experience across all our client facing activities, with positive progress already being made in approaches to safeguarding, data collection and contract management.

Our mission is to provide exceptional support services, and we are confident that we are achieving this through the provision of a range of community-based options that enable people to overcome life challenges and thrive in their local communities. During 2022/23, Southdown provided individual packages of support to over 10,800 clients, with 91% stating in the annual client survey that support had made a positive difference to their life.

For our learning disability residential care and support services, where 450 staff support 180 clients, our biggest achievement has been the continuing recovery from the impact of the Covid pandemic. It was only in December 2022 that final restrictions on the use of PPE and testing came to an end (often overlooked by wider society), and the disruption and trauma caused by the pandemic is acknowledged as having had a significant and long-term impact on the quality of life of staff and clients in our services. That said, in addition to the positive outcomes on funding and pay outlined above, we celebrated 100% of our services being recognised as ‘Good’ by the Care Quality Commission, and we reinstated events where people were able to come together at our Summer Fiesta and Christmas Carol Concert – opportunities which fantastically showcase the brilliance of our staff and clients.

Our learning disability services have also had to contend with many challenges, which considering the stressed operating environment over recent years, is a great achievement. Staff teams have responded well to support clients with complex behaviours, and even when, after significant and coordinated multi-agency support, a placement comes to an end, it has been managed sensitively and constructively in line with best practice. Staff vacancy pressures have also had a major impact on teams although results from our recent staff survey indicated 85% of learning disability services’ staff would recommend Southdown as a great place to work.

In our housing support, we were awarded four new contracts; Worthing Supported Housing for former homeless people (utilising Homes England revenue grant); East Sussex Rough Sleeper Housing First and Outreach service, and in Brighton & Hove, two elements of the new Mental Health Housing Pathway; 20 units of supported housing and a 16-person Discharge to Assess short-term service as an alternative to hospital admission/delayed discharge. Although positive to secure the contracts, the transactional process for the supported housing units in Worthing and Brighton & Hove, necessitating decants and relets, has proved challenging for both our housing management and support teams. Although funding for housing support has significantly reduced over recent years, it is positive that we are continuing to maintain and expand provision where possible.

Our community mental health activities have seen the biggest growth and rapid expansion during 2022/23, with 30 new roles employed within Primary Care Networks (groups of GP practices) to support mental health coordination and improve access to physical health checks for people with severe mental illness (Screen and Intervene service). These new roles are aligned with the transformation of community mental health services across Sussex, with Southdown playing a leading role for the ambition to increase funding and service provision for the VCSE.

During 2022/23 Southdown saw new business gains and increased revenue funding of £958k (full year equivalent) against an initial target of £300k.

Housing Services

Led by our Director of Housing & Business Services, with involvement from our Chief Executive and Senior Housing and Property Services Manager, Southdown’s commitment to help shape and sustain the supported housing sector is a business priority and area of clear success.

This was evidenced in the successful lobbying for rents increases for 2023/24 to remain at CPI+1%. Southdown, through our engagement with the National Housing Federation, took an active and vocal position in consultation with Government, providing evidence of the specific financial pressures facing supported housing providers. The ability to increase rents by 11.1% enables Southdown to continue to deliver high quality and responsive housing and maintenance services to our 517 social tenants, whilst also investing in property safety and sustainability programmes. Although 98% of tenants are in receipt of Housing Benefit to cover accommodation costs, where tenants face specific financial issues with their rent and service charges, they can access support from our Financial Inclusion Team or apply to our Tenant Welfare Fund.

We continue to lobby for the protection of supported housing with a focus on the Private Members Bill for the regulation of the sector currently going through the Parliamentary process. Locally, our Director of Housing & Business Services is working with the Sussex Partnership NHS Foundation Trust to develop a Rehabilitation Supported Housing Model, as well as chairing an East Sussex Housing group on sustainability. To further support our own environmental sustainability programme, we were successful in a consortium bid, led by Clarion, to Wave 2 of the Social Housing Decarbonisation Fund. This will enable us to bring forward planned works towards our 2030 decarbonisation targets.

Our property and housing teams faced additional pressures during the year, supporting the launch of new housing support contracts in Worthing and Brighton & Hove, and actions linked to our Asset Management Strategy. The scale of the projects was substantial, involving decants, property disposals, refurbishments and retrofitting of improved fire safety measures and sprinkler systems. For a small, in-house team, the achievement was impressive, whilst also further improving the sustainability and quality of our property portfolio.

Fire safety, and more recently the increased regulatory focus on damp, mould, and condensation, have all placed further requirements and work requests for our teams. Although Southdown is benefiting from previous investment in a new housing database system, the new and increasing demand for data and reporting assurances from the Regulator of Social Housing and our Board will be an area of continued pressure and focus on coming years.

Over the past year, we have continued to expand our Tenant Engagement and Voice initiatives, with the support and coordination of a dedicated resource. We now have in place a well embedded range of engagement and feedback activities and have undertaken considerable work to ensure that we meet the new Tenant Consumer Regulation Standards from April 2023. During the year ahead, we will be considering further improvements to the transparency of key performance data, expand opportunities for meaningful tenant involvement in decision making and be able to draw better insight on tenant voice to help shape our services going forward.

Business Services

From June 2022, we created a new functional area of Business Services, bringing together our ICT and Digital Support Teams under the responsibility of our Director of Housing & Business Services. This approach has proved to be of great immediate benefit and we have been able to make effective progress in delivery of our Digital Strategy, most notably the roll out of Microsoft 365 across Southdown, upgrading our Finance system, moving Exchange servers to the Cloud, launching a single sign-on capability and building a new SharePoint Intranet – that, for the first time, enables staff in our learning disability services to have full and flexible access.

We have bold ambitions for the next phase of our Digital Strategy, supporting business modernisation and empowering staff through increased automation and self-service. Our commitment is to develop in-house skills, knowledge and talent for our ICT and Digital teams, with both now led by individuals who gained internal promotion through the year.

To provide greater support and scrutiny to management and oversight of key Business Strategy projects, in January 2023 we recruited to a new Programme Management Office (PMO) Lead. Reporting to a Project Scrutiny and Assurance Board, chaired by our Chief Executive, the PMO function will enable Southdown to embed best practice and rigour to major strategic investments, with a clear focus on monitoring and review of benefits realised and progress to achieve strategic objective targets.

In addition to our housing portfolio, Southdown owns and manages several offices and support venues across Sussex. During 2022/23, several major projects were successfully delivered, including the relocation of our Eastbourne Wellbeing Centre and a major refurbishment of our head office in Lewes. This project has enabled us to achieve on several long-term ambitions (digitisation of all central paperwork, support for hybrid-working, increase of collaborative meeting spaces), whilst also releasing space that we have sub-let to Care for the Carers, another local VCSE partner.

People, Culture and Change

An area of specific focus and investment has been supporting initiatives that further improve colleague engagement. It should be acknowledged that Southdown is starting from a strong position, with positive base-level colleague engagement evidenced against external benchmark scores and through internal feedback mechanisms. That said, with recruitment and retention assessed as our highest strategic risk and a cost-of-living crisis placing pressures on our colleagues, this is an area where we wish to excel and put our new value ‘Brilliant with People’ to the test.

This year has been about building solid foundations - the introduction of new capabilities in the HR function, embedding functional ways of working, creating a more inclusive environment where 'voice' has genuine influence and starting to address sector wide challenges in recruitment and retention.

Our March 2023 WorkBuzz colleague survey results demonstrate that we have made really good progress, with our overall engagement score rising 9 points to 84 (6 points above the benchmark). Although we acknowledge that there are a multitude of influences, many linked to quiet innovation, personal interactions and continuous improvements, some of the activities that may have contributed include:

The launch of 'Southdown Voice' – a new approach of linked activities and initiatives (Community Voice, Southdown Assembly, Networking Groups and our EDI framework and priorities - 'This is Us'), all of which increase opportunities for colleagues' opinions to be heard and responded to, with direct involvement and accountability from Southdown's Executive Team and Board. This is supported by a planned programme of survey's which provides an alternative (anonymous) opinion channel as well as generating organisational insight to inform decision making.

The piloting of a management development programme and an associated relationship with University of East London has resulted in formal coaching (six sessions each) being provided for 16 of our managers.

The employment of graduates has enabled us to progress projects such as the Southdown Beacon and improve our social media use to drive recruitment. From February to March there has been a significant increase (over 260%) in the number of users directed from social media to our website. To improve time to recruit, we have trialed the use of text messaging to speed up reference requests and introduced online DBS checks, funded through cost savings associated with building our in-house skills to place adverts and reduce outsourcing costs.

To ensure that Southdown's design, resources allocation and ways of working are best aligned to help deliver our Business Strategy and Objectives, we have introduced Organisational Development & Design capabilities. As we move forward, by adopting this new planned and systematic approach of the involvement of our people, we aim to further improve colleague experience, opportunities, and business performance.

Finance and Business Performance

Our Finance function has benefited from redesign and the introduction of new capabilities and personnel. With the change of Finance Manager, the previous incumbent having been with Southdown for 17 years, as well as the recruitment to a new role of Finance Business Partner, a notable achievement is a successful budget setting process and auditing of annual accounts for the new post holders. In addition, there has been improvements in the engagement of operational managers in budget setting, and increased accessibility of budget statements and financial data. These are all vital to the successful management of resources at a time when we operate at such tight margins.

New capabilities are enabling us to manage contracts and income effectively, whilst also providing 'live' forecasting and greater evidence and insight to ensure we make the best decisions to protect and enhance Southdown's interests. The support provided in negotiations with commissioners, and doggedness pursuit of the timely payment of invoices, all contribute to the overall strong financial position at year end.

During the year, we have retendered our internal auditors, successfully appointing TIAA from April 2023. Previously, we have experienced a lack of interest from the market, but on this occasion received competitive quotes from several providers.

We have had to contend with the impact of inflation, with a continuing hardened insurance market and unprecedented rises in utility costs. Despite the challenges, we have been able to re-broker insurance costs reducing our renewal premiums and secured a below budget fixed price on utilities when the current terms end in October 2023.

For 2023/24, the next phase of the function's redesign will be a focus on business performance capabilities and resources. This is part of a longer-term plan to improve data reporting and insight, working with Digital

Support to increase automation and business tools such as Power BI.

With the full support of our Board, we took a bolder approach to staff pay for 2023/24, whilst continuing investment to progress key business projects, that longer-term will realise value for money benefits and reductions in overheads. We applaud our Board for the confidence and ambition that they hold in Southdown and its leadership team, gained to a considerable extent in the robustness and professionalism of our fiscal management.

Systems Leadership

As one of the largest Sussex based providers, we are committed to play an active and leading role in helping shape and support the continued viability and development of the wider VCSE sector. Championed by our Chief Executive, who represents the sector at numerous local and national forums and networks, during 2022/23 we led on several initiatives to increase VCSE engagement as a valued and respected strategic partner in the future development and provision of transformed community and health support services.

This has included the establishment of a Sussex Mental Health VCSE Strategic Leadership Group, bringing together VCSE elected representatives engaged in the transformation of community mental health services. In addition, our Chief Executive will be co-facilitating a new 2-year East Sussex VCSE Commissioning Excellence Programme, aiming to develop East Sussex as a best practice centre of excellence.

Building on experience of coordination of the UOK Brighton & Hove community mental health service (a partnership of 17 VCSE organisations, sub-contracted by Southdown since 2019), we feel confident that we have a unique ability and capability to act as an inclusive VCSE Lead Provider.

DELIVERY OF STRATEGIC OBJECTIVES

We set specific annual and longer-term targets for each Strategic Objective. To evidence progress, we have established a base year of 2022 (the starting point for our latest five-year strategy), as well as a five-year goal. Performance and progress against these are reviewed monthly by the Executive Team and quarterly by the Board.

Strategic Objective	Aim	Metric measure	Target 2022/23	Performance 2022/23	5 Year Target
People – Colleagues	Be an exceptional employer, maximising pay, & development opportunities	Colleague overall engagement	>78	84	>85
		Satisfaction pay is reasonable	>51%	31%	>60%
		Roles filled through promotion	new	%	>75%
		Colleague turnover	<18%	21.4%	<15%
People - Clients & Tenants	Provide exceptional services to our clients and tenants	Client stating support has made a positive difference to their lives	>90%	91%	>90%
		Client satisfaction with support service	>90%	91%	>90%
		Client complaints relative to size	<0.16% (15)	0.14% (14)	<0.2%
		% supported to maintain tenancy	99.5%	99.4%	>99.5%
		Tenant complaints relative to size	2.2% (12)	0.9% (5)	<2%
Assurance	Operate safely and meet regulatory standards	CQC 'Good' rating	100%	100%	100%
		All repairs completed in target	>90%	95.6%	>90%
		Gas safety checks in date	100%	100%	100%
		All property compliance	>99%	99.3%	>99%
Growth	Develop partnerships to expand services	Clients p.a.	>10,400	10,854	>12,000
		Homes in management	438	517	>500
		New business p.a.	£300k	£958k	>£250k
Finance	Maintain long-term financial security	Organisational margin %	>1.2%	2.6%	>3.3%
		Housing Support margin %	>7.1%	13.4%	>1.2%
		Mental Health margin %	>2.3%	3.7%	>2.7%
		Care and Support margin %	<-3.0%	-2.0%	>1.5%
		Housing margin %	>9.4%	3.1%	>11.1%
		LD income lost through voids %	<4%	6.1%	<4%
Efficiency	Modernise ways of working	Average time to recruit	<57 days	72 days	<40 days
		Central costs %	<12%	12.9%	<12%

Metric	Comments where measures have not achieved target
Satisfaction pay is reasonable	Our score of 31% ranks against a benchmark of 51%, based on the Workbuzz survey 2022. We will be undertaking a specific survey related to pay and reward later in 2023, at which point we will be able to determine if changes made for 2023/24 have had a positive impact on this metric. In the March 2023 Workbuzz survey, a question asked whether people felt other jobs pay more or have better benefits. This scored 48%, compared to 69% in 2022 – a good indicator that our bolder approach to pay is proving successful
Colleague turnover	Turnover at 21.4% is slightly better than 22% in 2021/22, and below the sector average of c25%, although remains an area where we wish to further improve towards our historic performance of c18%. Comparison between the 2022 and 2023 Workbuzz surveys does show positive indications that our approach to pay and reward will hopefully make a difference, with 71% stating they will stay working at Southdown in 12 months' time, whereas only 56% had this intention in 2022.
Homes in management	Although there has been a slower than anticipated reduction in homes against budget set; 517 current verses budget of 438 (average 2022/23 of 524), there remain longer-term risks. Since 2018, we have seen a marked drop in homes in management from 670 to 517 (23%). This has mainly been as a result of head landlords of our short-term leased properties (Independent Living Scheme) taking management of properties back in-house, primarily triggered following the loss of

	linked floating support contracts. We have also seen a loss of units resulting from Asset Management Strategy actions, including closure of learning disability services where the model of accommodation no longer met clients' needs. We retain an ambition, backed by capital reserves, to expand our property portfolio, but unfortunately have not been able to progress schemes due to high construction cost inflation (withdrawing from a 12-unit scheme in Brighton & Hove in 2021), as well as uncertainty of linked revenue support. In 2023, working with our Board, we are reviewing our Housing Strategy, with hopes to reestablish a five-year development/acquisition programme.
Housing margin	Our Housing Margin has been impacted by a mixture of higher voids (impact of decants to launch new hosing support contracts and delays in filling learning disability voids). In addition, we have chosen to undertake additional in-year investment in fire improvement and sustainability projects. The budget margin set for 2023/24 returns to 9.5%.
Learning Disability Services' income lost through voids	In addition to lost rental income from learning disability services' voids, where vacancies remain for long periods of time, we also experience a loss of placement fees to cover fixed costs (not being able to fully reduce staffing levels when fewer clients are resident). Delays in referrals are an indication of funding pressures on commissioners, but we have also had to delay accepting new clients where we have not been able to recruit to sufficient staffing levels. This is a factor impacting across the learning disability sector as indicated in the Hft and Care England Sector Pulse Report 2022. We are hopeful that with targeted actions on recruitment and processing of referrals we will be able to improve the situation in 2023/24, but in the meantime, have added this as a new specific risk on our Live Risk Register due to the significant financial impact.
Average time to recruit	It is disappointing that time from advert to post holders commencing has increased again during 2022/23, having improved in the previous year. The average during 2022/23 was 72, but for March 2023 was 91 days. Over the year we recruited 200 new individuals, which indicates the scale of our recruitment activities, but we continue to experience delays obtaining references and DBS checks. We have also seen a change in applicants' behaviours, with high dropout rates at interview and after being offered roles, necessitating repeat recruitment rounds. To address the situation, we have prioritised, as part of our new Strategic Workforce Management Programme, a comprehensive review of our onboarding systems, aiming to significantly reduce time to hire.
Central costs	In 2022/23, and continued into 2023/24, with the support of our Board, we have temporarily increased investment in our central support costs to advance a number of modernisation and improvement projects. These projects will be closely monitored via our new Programme Management Office function to ensure that we achieve required efficiency, cost, and experience benefits from the investment, with the longer-term goal to reduce costs to <12% of income.

FINANCIAL REVIEW

This year has seen significant impact on global economies, which were already impacted by labour shortages and supply chain challenges in the post pandemic period. High inflation, predominantly caused by soaring energy costs following Russia's invasion of Ukraine in early 2022 and increased borrowing costs as the Bank of England regularly raised the base rate to control inflation. This has increased labour pressures with high workforce demands to meet the rising cost of living and has impacted our operating expenditure with NLW (National Living Wage) costs rising by a record 9.7% from April 2022. Our 'Fair Funding for Fair Pay' campaign has enabled us to secure 10% fee increases from 2 of our main Learning Disability Services' commissioners, in addition to increased hourly rates in some of our West Sussex services that provide care and support to clients with more complex needs. However, Brighton & Hove City Council have again awarded a much lower fee increase of 5%, which we will again appeal to protect the viability of our services in this area.

We mitigate non-staff inflationary pressures with fixed price tariffs where appropriate and have been protected from the rising energy costs this year with a 2-year fixed price that runs through to September '23.

Our financial performance has also been impacted by 2 property disposals, which collectively resulted in a £0.5 million gain this year. We have fully reinvested this gain in progressing our strategic objectives (further detail on this is included in the Value for Money section of this report).

Total income this year was £28.6 million (2022: £28.7 million); just a £0.1 million decrease, which includes the full year impact of contract losses and LD service closures in the previous 2021/22 year. These income reductions are mostly offset by new business gains, including the expansion of mental health coordination roles within Primary Care Networks and fee increases from commissioners to fund the increased (NLW) pay pressures along with increased fee rates in some of our West Sussex services to recognise the more complex care and support needs of clients in these services. We set a £0.3 million income growth target this year and exceeded this with over £0.9 million (full year) income growth.

Like income, our total operating costs have also remained fairly constant at £28.4 million (2022: £28.4 million).

As in previous years, the largest single area of expenditure continues to be on staffing, which accounted for 77.3% of operating costs this year (2022: 77.4%). Average full time equivalent staff numbers reduced during the year: 612 to 31 March 2023 (2022: 658).

Overall, we achieved a surplus of £0.7 million (2022: £0.3 million).

Cash has reduced by £0.2 million ending the year with £5.0 million. This year we generated less cash from our operating activities (£0.9 million), which is mostly due to payment delays from Brighton and Hove City Council at year end. However, we received an additional £1.1 million cash as disposal proceeds following the sale of 2 properties and we also spent less on capital assets this year (no new property purchases). This enabled us to fully repay our bank loans (£0.9 million), which protects us from the increased borrowing costs going forward.

Despite the pressures in the operating environment, our business remains robust, and our operations generate sufficient cash to allow the continued investment in our planned capital programme. The cash balance on 31 March 2023 was £5.0 million (2022: £5.2 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. 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 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 regularly monitored with live actions to manage the risks 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 continue strive to be a robust, professional, and efficient business, committed to delivering Value for Money. Our strategic vision and five-year business strategy further evidence this as we aim to deliver One Southdown – an insight led, outcome focused organisation that is simple to do business with.

Value for Money within Southdown does not mean simply doing things at the lowest cost but demonstrating how we deliver our strategic vision. Our Board has set 6 strategic objectives and have agreed five-year performance targets for these priorities to monitor and report progress with our business strategy.

Our current performance against the strategic objectives is shown on page 18 of this report and form part of quarterly Board reporting for delivery of our business strategy.

Housing cost benchmarking and performance

Value for Money is 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 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 2022/23.

We are only able to compare our current year performance against the Acuity benchmarking data for 2021/22, with the 2022/23 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 2022/23, comparing this with the previous year and 2020/21.

As mentioned earlier in the Financial Review, this year we made a £0.5 million gain from property disposals and this gain has been fully reinvested in the business as follows:

• Financial pressures payment to staff	£100k
• Head office infrastructure improvements	£194k
• Property improvements to launch new social housing services	£134k
• Accelerated fire improvement works	£96k
Total property gain reinvested	**£524k**

With the main sector scorecard, two of the metrics (Operating margin % (social housing) and Headline social housing cost per unit) are calculated from our social housing profitability or expenditure, which is shown in Note 2a/2b of the Financial Statements. This note discloses our social housing operating surplus and is presented in line with the best practice format for social housing financial statements. However, this year our social housing performance is somewhat distorted as it includes the above social housing reinvestment expenditure (£230k for property improvements to launch new social housing services and the accelerated fire improvement works), but it does not include the actual gain arising from the property disposals that have been used to fund this additional social housing expenditure. In our value for money assessment (Table One, below), we have shown our actual social housing performance (per Note 2a/2b) and we have also included our adjusted social housing performance to show a comparable performance in these two metrics where this reinvested cost is removed.

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 160 smaller housing association providers (with less than 1,000 units)
- **Acuity Supported** - A subgroup of Acuity SPBM comprising of 30 specialist, supported housing providers.

- **HouseMark** – National benchmarking of larger housing association providers (over 1,000 units) made up of over 400 organisations.

Value for money headlines

We have a good track record of demonstrating year on year improvement against our own performance and our peer group comparators: typically exceeding prior year and Acuity Supported benchmarked performance (other supported housing providers) in five or six of the eight relevant sector scorecard metrics. Our target is to match or exceed prior year and the Acuity Supported benchmark performance in six of the eight sector scorecard metrics.

Of the eight relevant RSH sector scorecard metrics, we have improved or matched our headline performance in 2022/23 in five of these core metrics (which increases to six metrics in the adjusted performance where we exclude the reinvested expenditure in our social housing activities that is funded from the property gains). Our performance trends against the sector scorecard metrics and benchmarked comparisons are shown in Table One below. Commentary on each metric performance follows Table One and Two below, but in summary, our year-on-year performance has dipped in just two of the metrics (when excluding the reinvested costs). Firstly, our Reinvestment % has reduced due to increasing build costs preventing viable social housing developments and our EBITDA interest cover % has also reduced due to the increased borrowing costs. In future we will no longer report against this interest cover metric as we no longer have any borrowing or will incur any interest costs as we repaid our bank loans to protect the business from the higher borrowing costs.

Of these eight RSH sector scorecard metrics, our current year performance exceeds or matches the Acuity Supported peer group performance in six of these key metrics (we exceeded this peer group performance in four metrics last year).

We also measure our performance against other benchmarked metrics (shown in Table Two) and client/tenant satisfaction ratings. We are extremely proud that annual performance and satisfaction ratings are consistently high year on year (91% overall client satisfaction with the support received and 89% tenant satisfaction with the landlord service in 2022/23), which are both consistently above sector averages.

Of the five other metrics benchmarked, we have improved or matched our performance in 2022/23 in three of these core metrics and have matched or exceeded Acuity Supported peer group performance in four of the five key metrics.

We feel this performance, along with the progress delivering our Strategic Objectives (refer to the Strategic Review of our Performance section of this report) demonstrates our culture of delivering Value for Money through the achievement of our core priorities and these benchmarked core sector metrics.

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	**2022/23**			**2021/22**					2020/21
Acuity Sector Scorecard results Supported = 30 organisations SPBM = 160 organisations HouseMark = 400+ organisations	**Southdown**	Trend against Southdown Prior Year	Trend excluding reinvested gain	**Southdown**	Acuity Supported	Our Trend against Acuity Supported	Acuity SPBM	All HouseMark	Southdown
RSH Sector Scorecard core metrics									
Reinvestment %	**1.6%**	↓	No impact	**4.6%**	**3.3%**	↓	2.8%	7.2%	**0.4%**
New supply delivered %	**Nil**	←→	No impact	**Nil**	**Nil**	←→	**Nil**	1.5%	**Nil**
Gearing %	**(24.5%)**	↑	No impact	**(20.5%)**	**9.6%**	↑	16.5%	44.0%	**(23.6%)**
EBITDA MRI interest cover %	**2,791%**	↓	No impact	**4,020%**	**752%**	↑	249%	170%	**5,223%**
Headline social housing cost per unit	**£8,050**	↓	£7,605 ↑	**£7,861**	**£11,700**	↑	£4,774	£3,830	**£6,825**
Operating Margin % (Social housing)	**8.2%**	↑	13.3% ↑	**4.4%**	**10.6%**	↑	16.6%	25.7%	**15.5%**
Operating Margin % (overall)*	**2.6%**	↑	No impact	**1.2%**	**9.3%**	↓	16.5%	23.1%	**3.9%**
Return on capital employed (ROCE)	**2.6%**	↑	No impact	**1.2%**	**3.2%**	↑	2.4%	3.4%	**4.0%**

Table Two: Additional Acuity benchmarking metrics	**2022/23**		**2021/22**					2020/21
	Southdown	Trend against Southdown Prior Year	**Southdown**	Acuity Supported	Trend against Acuity Supported	Acuity SPBM	All HouseMark	Southdown
Value for Money								
Overheads as % of turnover*	**13.0%**	↓	**12.2%**	14.3%	↑	17.8%	13.2%	**10.2%**
Allocation and lettings								
% of rent lost to voids	**6.9%**	↓	**4.4%**	6.2%	↓	5.8%	6.0%	**2.3%**
Income management								
% rent collected supported housing	**100.4%**	←→	**100.4%**	97.9%	↑	99.1%	100.4%	**100.4%**
Quality housing experience								
Planned & cyclical repair cost per unit	**£1,250**	↑	**£1,222**	£450	↑	£729	N/A	**£631**
Quality housing experience								
Responsive & void repair cost per unit	**£881**	↑	**£910**	£1,091	↑	£806	£838	**£600**

* All value for money metrics that relate to turnover include other income

Narrative on benchmark performance – Table One RSH Sector Scorecard

Reinvestment % - Our ambition and five-year business strategy is to increase the supply of accommodation we own. However, this has not been possible this year due to rising construction costs as well as the uncertainty with linked revenue support services provided to our Housing tenants. Our Housing reinvestment is 1.6% (of property cost) this year, which is lower than last year and the benchmarked comparators. In 2023, we will work with our Board to review our Housing Strategy to re-establish our property development / acquisition strategy.

New Supply Delivered % - This metric measures the development of new social housing units. In 2022 we were progressing an opportunity to create 12 new social housing flats in Brighton, along with a Wellbeing Centre for our Mental Health services. However, we withdrew from this scheme as high build cost increases made this scheme unviable and did not represent value for money. Consequently, we have not delivered any new supply this year, which is the same for both SPBM and supported peer group comparisons. Our aim is to expand our property portfolio to deliver more supported housing to vulnerable tenants.

Gearing % - This year we have generated more cash from our operating activities, mostly due to the property disposals and a lower spend on capital assets (no property purchases this year). This has enabled us to fully repay our bank borrowing to protect our business from the increasing cost of borrowing. As this gearing ratio includes the year end cash balance and with no borrowing, we therefore have negative gearing. This negative gearing has increased this year due to the additional cash generated and significantly exceeds all benchmarked comparators.

EBITDA MRI interest cover % - As predicted in our last Annual Report, our ratio of interest cover has decreased this year entirely due to the higher interest charges as bank base rates and borrowing costs have increased throughout 2022 (in an attempt to control soaring inflation). Like Gearing, our interest cover remains very strong and is over 4 times higher than the comparable sector measures.

Headline Social Housing Cost per Unit - This cost ratio has increased this year due to the additional cost reinvested in our social housing activities (funded from the property disposal gains, which are not included in this in this cost ratio). Therefore, the comparable unit cost performance is with this reinvested cost removed, which derives an adjusted social housing cost per unit of £7,605. This represents a cost reduction on last year and is significantly lower than the supported housing provider (Acuity Supported) peer group. Our unit cost will always be higher than the smaller Housing Association peer group (SPBM) as supported housing provider operating 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 where we have secured higher fee increases in non-social housing activities (causing the higher overall margin) and have a higher level of rent voids this year (the social housing benchmarked margin metric is measured before void losses) and therefore higher voids increases our social housing margin. Consequently, our adjusted social housing margin performance is higher than the Acuity Supported peer group, but value for money is demonstrated by the additional £230k investment made in social housing (reinvestment of the property gains). Value for money is also demonstrated in our overall margin performance of 2.6%, where we operate at much lower margins than our benchmarked comparators.

ROCE - Just like the margin metrics, this overall rate of return metric has also increased this year with the higher fee increases. Value is demonstrated where we continue to operate at a lower ROCE than the benchmarked peer group comparisons.

Narrative on benchmark performance – Table Two Acuity Benchmark Metrics

Overall performance overview – We have matched or improved our performance in 2022/23 in three of these five core metrics and have exceeded Acuity Supported peer group performance in four of the five key metrics. Performance is only down in areas where we have invested (causing the adverse performance or where we have targeted improvement plans in place: Overheads % of Turnover and Rent Voids.

Overheads as a % of Turnover – This cost metric has increased again this year and is likely to continue to increase as we invest in central overhead capacity to deliver improvement and efficiency, like our Programme Management resource. Our five-year plan includes a target to reduce this metric performance to 12% by 2026/27 as planned improvement initiatives are progressed. Although current performance has increased on last year, this metric is still performing better than all benchmarked comparators.

% of Rent Lost to Voids – Our rent void loses have increased further this year to 6.9% as we had 2 properties that have been void for most of 2022/23 as improvement works (like a sprinkler system) was installed ahead of reletting. This current void performance is worse than all benchmarked comparators, but we expect this metric to return to below target level (of 3%) as these voids are filled in 2023/24.

% of Rent Collected Supported Housing - We have consistently strong rent collection rates, which is in line with our last year performance and remains above benchmarked peer groups.

Planned and Cyclical Repair Costs per Unit – We have spent more on planned and major repairs (component replacements) than last year and our benchmarked comparisons. This demonstrates value for money with our investment in maintaining good quality homes with lower spend on responsive breakdown repairs.

Responsive and Void Repair Cost per Unit – Despite the higher level of voids, our responsive and void repair cost per unit has decreased this year. We expect this to continue as we aim to spend more on preventative maintenance. This performance is lower than the Acuity Supported benchmark performance.

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 2022/23, we supported 10,854 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 2022/23 will be published in July 2023 and will be available on our website.

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 £28.6 million and employing over 800 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.

We invest time and resources to support local professional networks and community initiatives as part of our corporate social responsibility.

Value for Money summary

With a strategic objective to maintain long term financial security and to improve efficiency through simplification and automation, we remain committed to continually promote and achieve business improvement across the organisation. Our current year performance against the stated value for money metrics, shows how we are achieving this in the current and challenging operating environment. This year we have exceeded our peer group comparator performance (Acuity Supported benchmark group) in five (and matched performance in the sixth) sector scorecard metrics and in four of the five other metrics measured.

We feel our consistently good performance against peer group comparators and progress with the delivery of our strategic objectives demonstrates our delivery of value for money and progress against our stated aims.

ENVIRONMENTAL SUSTAINABILITY

Southdown remains committed to addressing the climate emergency as well as maximising the quality of life for our tenants and clients by proactively addressing issues of energy poverty and affordability. Southdown continues to invest capital and people resource into efforts to improve the energy efficiency and environmental sustainability of our stock.

Much of the focus in the 2022-23 year has been in modelling the energy efficiency of our property portfolio and improving our confidence in the data we hold through site visits and, in some cases, intrusive surveys. Modelling of our stock suggests a total investment cost of £315k to achieve EPC C (SAP 69) with £1,945k investment needed to reach EPC B (SAP 81).

The improved data set and modelling capabilities proved essential in our pursuit of funding through wave 2.1 of the Social Housing Decarbonisation Fund. Joining a consortium led by Clarion, Southdown were successful in securing co-funding for works to improve the energy efficiency of 20 of our homes.

Over the year we have operated a number of small pilots for energy efficiency, focusing upon fabric-first measures, improving insulation and the thermal performance of our stock. We continue to learn from these experiences and refine our specification. Our Director of Housing and Business Services Chairs the Climate and Net Zero sub-group of the East Sussex Housing Partnership Board – seeking to build collaboration across East Sussex in addressing the challenge of decarbonisation at scale in terms of data, skills, developing shared supply chains and technologies.

STRUCTURE, GOVERNANCE AND MANAGEMENT

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.

Beneficiaries

Southdown is formed for the benefit of the community. Its objects shall be to carry on for the benefit of disadvantaged people and the community in the business of providing housing or other accommodation, assistance with the provision of housing, and care and support.

Board

The Board currently comprises of 13 members, which include 12 non-executive directors. All members of the Board are required to hold a single £1 share

On 31 March 2023, the 13 issued shares were held by the 12 existing non-executive Board members 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.

3 Board members: Jane Claxton, Greg Falvey and Caroline Hamblett left the Board in September 2022, and we are very grateful for their 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.

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 (apart from the former Board member) are all non-Execs and remunerated for their services
- The Board meets 5 times per annum including two Away Days
- Two Board sub-Committees: Audit & Risk and People, Pay and Culture (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 People, Pay and Culture Committee** – (previously called the Remuneration and Nominations Committee. Renamed to reflect the wider People remit of this Committee) with responsibility for Executive, staff and Board remuneration and benefits, as well as oversight of Board composition, including Board skills, knowledge, and recruitment. This Committee also has oversight of the People Strategy modernisation programme and Equality Diversity and Inclusion policy.

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.

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 continue to 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
- Primary Care Networks across Sussex
- Sussex Partnership NHS Foundation Trust
- Department for Work and Pensions

Going Concern

We continue to operate with a planned, low level of operating surplus (2.6% of Turnover achieved this year). We have also been successfully in securing fee increases that enabled us to increase staff pay to help with the cost-of-living pressures and to manage one of highest risks around our ability to recruit and retain staff. Despite the low operating margins, our five-year financial plan remains robust, and we continue to generate and hold sufficient cash to meet our medium-term liabilities and operating commitments.

We have a resilient annual budget setting process, underpinned by a risk stress tested five-year financial plan and, on this basis, Board members are confident that Southdown is financially sound and has adequate resources to continue in operational existence for the foreseeable future.

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 2022. 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.

Information for Auditors

We the members of the Board who held office at the date of approval of these Financial Statements confirm, so far as we are aware, that there is no relevant audit information of which the Association's auditors are unaware; and we have taken all the steps that we ought to have taken as Board members to make ourselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Approved by the Board and signed on its behalf by:

Pauline Ford
Chair
28 June 2023

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SOUTHDOWN HOUSING ASSOCIATION LIMITED

Opinion
We have audited the financial statements Southdown Housing Association Limited (the 'Association') for the year ended 31 March 2023 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash flows and the Statement of Changes in Reserves and notes to the financial statements, including a summary of significant accounting policies in Note 1. 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 2023 and of its surplus for the year then ended.
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and.
- Have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2022.

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, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 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 require for our audit.

Responsibilities of the Board
As explained more fully in the Statement of Responsibilities of the Board set out on pages 30-31, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board are 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 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.

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

Extent to which the audit was considered capable of detecting irregularities, including fraud
We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and addressing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of laws and regulations that affect the Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws and regulations that we identified included the Co-operative and Community Benefit Societies Act, the Statement of Recommended Practice for registered housing providers: Housing

SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2022, tax legislation, health and safety legislation, and employment legislation.

- We enquired of the Board and reviewed correspondence and Board meeting minutes for evidence of non-compliance with relevant laws and regulations. We also reviewed controls the Board have in place, where necessary, to ensure compliance.
- We gained an understanding of the controls that the Board have in place to prevent and detect fraud. We enquired of the Board about any incidences of fraud that had taken place during the accounting period.
- The risk of fraud and non-compliance with laws and regulations and fraud was discussed within the audit team and tests were planned and performed to address these risks. We identified the potential for fraud in the following areas: laws related to the construction and provision of social housing recognising the nature of the Association's activities and the regulated nature of the Association's activities.
- We reviewed financial statements disclosures and tested to supporting documentation to assess compliance with relevant laws and regulations discussed above.
- We enquired of the Board about actual and potential litigation and claims.
- We performed analytical procedures to identify any unusual or unexpected relationships that might indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud due to management override of internal controls we tested the appropriateness of journal entries and assessed whether the judgements made in making accounting estimates were indicative of a potential bias.

Due to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing fraud or non-compliance with laws and regulations and cannot be expected to detect all fraud and non-compliance with laws and regulations.

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 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.

Beever and Struthers

Beever and Struthers
Chartered Accountants
Statutory Auditor

150 Minories
London
EC3N 1LS

Date: 26 July 2023

Statement of Comprehensive Income for the year ended 31 March 2023

	Notes	**2023 £'000**	2022 £'000
Turnover	1 & 2	**28,645**	28,459
Operating expenditure	2	**(28,441)**	(28,376)
Other income	1 & 2	**-**	263
Gain/(loss) on disposal of property, plant and equipment	3	**532**	-
Operating surplus		**736**	346
Interest receivable and similar income	7	**30**	(1)
Interest payable and similar charges	8	**(34)**	(15)
Surplus and total comprehensive income for the year		**732**	330

All activities are classed as continuing.

The financial statements on pages 36 to 57 were approved by the Board of Southdown Housing Association on 28 June 2023 and were signed on behalf of the Board by:

Pauline Ford
Chair
……………………………………………….

Simon Nunan
Board Member, as Chair of the
Audit and Risk Committee
……………………………………………….

Colin Farmer
Secretary
……………………………………………….

Statement of Changes in Reserves

	Income and expenditure reserve £'000	Revaluation reserve £'000	Total £'000
Balance as of 1 April 2021	18,627	2,015	20,642
Surplus from statement of comprehensive income for the year	330	-	330
Transfer from revaluation reserve to income and expenditure reserve	11	(11)	-
Balance at 31 March 2022	18,968	2,004	20,972
Surplus from statement of comprehensive income for the year	732	-	732
Transfer from revaluation reserve to income and expenditure reserve	103	(103)	-
Balance at 31 March 2023	**19,803**	**1,901**	**21,704**

Statement of Financial Position
as at 31 March 2023

	Notes	2023 £'000	2022 £'000
Fixed Assets			
Housing properties & day centre – depreciated cost	9	**20,116**	20,362
Other tangible fixed assets	10	**3,947**	4,123
Total Tangible Fixed Assets		**24,063**	24,485
Current Assets			
Debtors	11	**3,076**	1,876
Cash at bank and in hand	12	**5,005**	5,215
		8,081	7,091
Creditors: amounts falling due within one year	13	**(3,519)**	(3,071)
Net Current Assets		**4,562**	4,020
Total Assets less Current Liabilities		**28,625**	28,505
Creditors: amounts falling due after more than one year	14	**(6,918)**	(7,530)
Net Assets		**21,707**	20,975
Capital and Reserves			
Share capital	17	**3**	3
Income and Expenditure reserve		**19,803**	18,968
Revaluation reserve		**1,901**	2,004
Total Capital and Reserves		**21,707**	20,975

The financial statements on pages 36 to 57 were approved by the Board of Southdown Housing Association on 28 June 2023 and were signed on behalf of the Board by:

Pauline Ford
Chair ………………………………………………..

Simon Nunan
Board Member, as Chair of the
Audit and Risk Committee ………………………………………………..

Colin Farmer
Secretary ………………………………………………..

Statement of Cash Flows
for the year ended 31 March 2023

	Notes	**2023** **£'000**	2022 £'000
Net cash generated from operating activities	(i)	**30**	937
Cash flow from investing activities			
Acquisition, construction and works to housing properties		**(372)**	(1,071)
Other fixed asset additions		**(104)**	(290)
Proceeds from sales of tangible fixed assets		**1,056**	-
Receipt of new grant		**100**	-
Interest received		**30**	(1)
Net cash used in investing activities		**710**	(1,362)
Cash flow from financing activities			
Repayment of borrowings		**(916)**	(101)
Interest paid		**(34)**	(15)
Net cash used in financing activities		**(950)**	(116)
Increase/(Decrease) in cash and cash equivalents		**(210)**	(541)
Cash and Cash Equivalents at beginning of year		**5,215**	5,756
Cash and Cash Equivalents at end of year	(ii)	**5,005**	5,215

Statement of Cash Flows
For the year ended 31 March 2023

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

	2023	2022
	£'000	£'000
Operating surplus for the year	**736**	346
Adjustments for non-cash and non-operating items:		
Depreciation of tangible fixed assets	**637**	667
Reversal of Impairment charge	**-**	(57)
Carrying amount of tangible fixed asset disposals	**524**	-
(Increase)/Decrease in debtors	**(1,200)**	276
Increase/(Decrease) in creditors	**471**	(226)
Proceeds from the sale of tangible fixed assets	**(1,056)**	-
Amortisation of government grants	**(86)**	(85)
Interest paid	**34**	15
Interest received	**(30)**	1
Net cash generated from operating activities	**30**	937

ii) Cash and cash equivalent

	2023	2022
	£'000	£'000
Cash at bank and in hand	**5,005**	5,215

Analysis of movement in net debt

	At 1 April 2022	**Cash flows**	**Other non-cash changes**	**At 31 March 2023**
	£'000	**£'000**	**£'000**	**£'000**
Cash	5,215	(210)	-	5,005
Overdraft	-	-	-	-
Total cash and cash equivalents	5,215	(210)	-	5,005
Bank borrowings due within 1 year	(48)	48	-	-
Bank borrowings due in more than 1 year	(868)	868	-	-
Total borrowings	(916)	916	-	-
Net cash	4,299	706	-	5,005

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Legal Status
Southdown Housing Association is a public benefit entity incorporated under the Co-operative and Community Benefit Societies Act 2014 in the United Kingdom, registered number 20755R, and is a registered provider of social housing with the Regulator of Social Housing (RSH), registration number L1829. The registered office is 2 Bell Lane, Lewes, East Sussex, BN7 1JU.

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 2022. The financial statements are also prepared in accordance with the Co-operative and Community Benefit Societies Act 2014 and the Housing and Regeneration Act 2008.

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. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value less costs to sell or its value in use.

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 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 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 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
Most 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 debtor's 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 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 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. Rental income is recognised when the property is available for let, net of voids. Income from

property sales is recognised on legal completion. Service charge income and costs are recognised on an accruals basis. The Association operates both fixed and variable service charges on a scheme-by-scheme basis in full consultation with residents. 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

Tangible fixed assets are stated at cost, less accumulated depreciation and any recognised impairment loss. 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.

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

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 during 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).

When an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the revised carrying amount does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior periods.

Revaluation reserve
The revaluation reserve represents the difference on transition between the fair value of social housing properties and other assets and the historical cost carrying value, where deemed cost transitional relief was taken.

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.

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.

Loan interest costs
Loan interest costs are calculated using the effective interest rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument and is determined based on the carrying amount of the financial liability at initial recognition.

Loan finance issuance costs
Arrangement fees, agency fees and related legal fees payable when entering new loans are capitalised then charged to the statement of comprehensive income over the life of the loan via the effective interest method.

Operating leases
Southdown holds various operating leases for housing properties and office premises. Leases are treated as operating leases and payments are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

V**alue 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. Income from first tranche sales is recognised at the point of legal completion of the sale.

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 are held at cost. These 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.

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

Loans
All loans held by the Association are classified as basic financial instruments in accordance with FRS 102. They are measured at transaction price plus transaction costs initially, and subsequently at amortised cost using the effective interest rate method. Loans repayable within one year are not discounted

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.

On this basis and coupled with our solid liquidity and no borrowing we are confident that the preparation of the financial statements on a going concern basis remains appropriate.

2a. Social Housing Income and Expenditure

	2023		
	Turnover £'000	**Operating expenditure £'000**	**Operating surplus /(deficit) £'000**
Social Housing	4,534	(4,162)	372
Activities other than Social Housing			
Support Service Contracts	24,111	(24,279)	(168)
Other income	-	-	-
	28,645	**(28,441)**	**204**
Gain on disposal of property, plant and equipment (fixed assets)			532
Total			**736**

	2022		
	Turnover £'000	Operating expenditure £'000	Operating surplus /(deficit) £'000
Social Housing	4,391	(4,198)	193
Activities other than Social Housing			
Support Service Contracts	24,068	(24,178)	(110)
Other income	263	-	263
	28,722	(28,376)	346
Gain on disposal of property, plant and equipment (fixed assets)			-
Total			346

2b. Particulars of turnover and operating expenditure for Social Housing

	2023 Supported Housing £'000	2022 Supported Housing £'000
Income		
Rent receivable net of identifiable service charges	2,642	2,683
Service charge income	1,797	1,604
Amortised government grant	86	85
Other income from Social Housing Lettings	9	19
Total turnover from Social Housing Lettings	**4,534**	4,391
Operating expenditure		
Management	458	359
Service charge costs	1,618	1,603
Routine Maintenance	422	462
Planned Maintenance	425	213
Bad debts	43	72
Depreciation of Housing properties	353	406
Reversal of Impairment of Housing Properties	-	(57)
Lease Costs	843	953
Other Costs	-	187
Operating expenditure on Social Housing Lettings	**4,162**	4,198
Void losses	(328)	(205)

3. Gain/(Loss) on disposal of property, plant and equipment (fixed assets)

	2023	2022
	£'000	£'000
Proceeds of sales	**1,056**	-
Less: Costs of sales	**(524)**	-
Surplus	**532**	-

4. 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

	2023	2022
	£'000	£'000
Emoluments (including benefits in kind)	**496**	496
Pension Contributions	**35**	38
	531	534

Non-executive Board member emoluments

	2023	2022
	£'000	£'000
Emoluments including travel expenses		
Pauline Ford	**9**	6
Simon Nunan	**5**	2
Helen Tuddenham	**5**	2
Jane Claxton (resigned 21/09/22)	**5**	9
Graeme Allinson	**4**	3
Alysha Burrell	**4**	3
Catherine Winfield	**4**	2
Dumindu Witharana	**4**	2
Tara Osbourne-Wallace (appointed 21/09/22)	**4**	1
Greg Falvey (resigned 21/09/22)	**3**	6
Simon Anderson (appointed 21/09/22)	**2**	-
Anthony Williams (appointed 21/09/22)	**2**	-
Johanna Ellis (appointed 21/09/22)	**2**	-
Michelle Baker (appointed 21/09/22)	**2**	-
Caroline Hamblett (resigned 21/09/22)	**2**	3
Phil Cliftlands (resigned 22/09/21)	**-**	3
Beverly Hone (retired 22/09/21)	**-**	2
Craig Jones (resigned 13/10/21)	**-**	2
	57	46

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

Employer National Insurance relating to Key Management Personnel

	2023	2022
	£'000	£'000
Executive team	65	62
Non-executive Board members	-	-
	65	62

The Chief Executive's pension contribution from the employer is 10% (£12,750) 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:

	2023	2022
	£'000	£'000
Highest paid director	133	126

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

	2023	2022
	Number	Number
Salary Ranges		
£40,001 - £50,000	-	1
£50,001 - £60,000	-	-
£60,001 - £70,000	-	-
£70,001 - £80,000	-	1
£80,001 - £90,000	1	2
£90,001 - £100,000	2	1
£100,001 - £110,000	1	-
£110,001 - £120,000	-	-
£120,001 - £130,000	-	-
£130,001 - £140,000	-	1
£140,001 - £150,000	1	-

	2023	2022
	£'000	£'000
Expenses reimbursed to directors not chargeable to United Kingdom income tax	-	-

5. 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:

	2023	2022
	Number	Number
Average full time equivalent persons	**612**	658
Staff costs	**£'000**	£'000
Wages and salaries	**19,572**	19,635
Social security costs	**1,714**	1,593
Pension costs (Note 22)	**686**	737
	21,972	21,965

6. Surplus on ordinary activities

	2023	2022
	£'000	£'000
Surplus on ordinary activities is stated after charging:		
Operating lease rentals – land and buildings	**659**	756
Depreciation of other fixed assets	**280**	257
Depreciation of housing / day centre properties	**357**	410
Reversal of impairment charge	**-**	(57)
Auditors' remuneration (excluding VAT)		
In their capacity as auditors	**16**	16
In respect of other services	-	-

7. Interest receivable and similar income

	2023	2022
	£'000	£'000
Bank and unlisted investments	**30**	(1)

8. Interest payable and similar charges

	2023	2022
	£'000	£'000
Interest on loans and overdrafts	**34**	15

9. 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 2022	21,394	104	1,820	931	24,249
Additions – Components	368	-	-	4	372
Disposals	(233)	-	(93)	-	(326)
At 31 March 2023	**21,529**	**104**	**1,727**	**935**	**24,295**
Depreciation and Impairment at					
1 April 2022	3,549	104	160	74	3,887
Charge for year	353	-	12	10	375
Eliminated on disposal	(78)	-	(5)	-	(83)
At 31 March 2023	**3,824**	**104**	**167**	**84**	**4,179**
Net book value at 31 March 2023	**17,705**	**-**	**1,560**	**851**	**20,116**
Net book value at 31 March 2022	17,845	-	1,660	857	20,362

The net book value of Housing Properties comprise: Freeholds £13,370,000 (2022: £13,435,000) and Long Leaseholds £4,335,000 (2022: £4,410,000). The total expenditure on repairs to existing properties charged to the Statement of Comprehensive Income in the year was £213,000 (2022: £335,000). An amount of £372,000 (2022: £233000) was capitalised in the year, representing the value of component replacements and other building work.

10. Other tangible fixed assets

	Offices	Computer Equipment	Furniture and Fittings	Motor Vehicles	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost at					
1 April 2022	3,749	2,072	518	232	6,571
Additions	-	57	10	37	104
Disposals	-	(60)	(6)	(45)	(111)
At 31 March 2023	**3,749**	**2,069**	**522**	**224**	**6,564**
Depreciation at					
1 April 2022	404	1,446	456	142	2,448
Charge for year	32	190	28	30	280
Eliminated on disposal	-	(60)	(6)	(45)	(111)
At 31 March 2023	**436**	**1,576**	**478**	**127**	**2,617**
Net book value at 31 March 2023	**3,313**	**493**	**44**	**97**	**3,947**
Net book value at 31 March 2022	3,345	626	62	90	4,123

Offices includes one Freehold office £368,000 (2022: £371,000) and one Leasehold office £2,945,000 (2022: £2,974,000)

11. Debtors

	2023	2022
	£'000	£'000
Amounts falling due within one year		
Rent arrears	**331**	327
Less: Provision for bad and doubtful debts	**(177)**	(186)
Net rent arrears	**154**	141
Prepayments	**615**	553
Other debtors	**2,307**	1,182
	3,076	1,876

12. Cash at bank and in hand

	2023	2022
	£'000	£'000
Current and deposit accounts	**4,722**	4,905
Corporate appointee – client accounts	**283**	310
	5,005	5,215

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.

13. Creditors: amounts falling due within one year

	2023	2022
	£'000	£'000
Corporate appointee – client accounts	**283**	310
Trade creditors	**920**	652
Other creditors	**498**	442
Rent and Service charge paid in advance	**17**	32
Other taxation and social security	**569**	386
Housing loans repayable	**-**	48
Other accruals and deferred income	**937**	929
Deferred capital grant (Note 15)	**90**	85
Annual Leave accrual	**205**	187
	3,519	3,071

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

	2023	2022
	£'000	£'000
Housing loans	**-**	868
NHS Pension creditor	**49**	71
Deferred capital grant (note 15)	**6,554**	6,591
Recycled capital grant (note 16)	**315**	-
	6,918	7,530

	2023	2022
	£'000	£'000
The Housing loans are repayable by instalments as follows:		
Less than one year	**-**	48
Between one and two years	**-**	104
Between two and five years	**-**	243
In five years or more	**-**	521
	-	916

The loan of £0.9m in place with National Westminster Bank were fully repaid by 31st March 2023

15. Deferred capital grant

	2023	2022
	£'000	£'000
At 1 April	**6,676**	6,761
Released to income in the year	**(86)**	(85)
Recycled grant in the year	**(46)**	-
New grant received in the year	**100**	-
At 31 March	**6,644**	6,676

	2023	2022
	£'000	£'000
Amounts to be released within one year	**90**	85
Amounts to be released in more than one year	**6,554**	6,591
	6,644	6,676

Total accumulated government grant and financial assistance received or receivable (before amortisation) at 31 March 2023 was £8,307,000

16. Recycled capital grant fund

	2023	2022
	£'000	£'000
At start of the year	-	-
Inputs to fund:		
Grants recycled	315	-
At 31 March	315	-

	2023	2022
	£'000	£'000
Amounts to be released within one year	-	-
Amounts to be released in more than one year	315	-
At 31 March	315	-

17. Share capital

	2023	2022
	£	£
Allotted, issued and fully paid during the year		
At 1 April	11	10
Issued during the year	5	4
Cancelled during the year	(3)	(3)
At 31 March	13	11

Each Board member of Southdown holds one £1 share, which carries no dividend rights. The remaining £1 share is 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 Statement of Financial Position relates to accumulated share capital reserves of Southdown.

18. Capital commitments

Capital expenditure authorised by the Board but not contracted for: None (2022: None).

19. Contingent liabilities

There are no contingent liabilities (2022: £nil)

20. 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:

	2023	2022
	Land and Buildings	Land and Buildings
	£'000	£'000
Less than one year	**121**	154
Between one and five years	**27**	66
After five years	**510**	536
	658	756

21. Accommodation in management

Number of units	**Supported Housing**	**Care Homes**	**Low-Cost Home Ownership**	**Total in Management**
At 1 April 2022	480	32	22	534
Net movement	(16)	-	(1)	(17)
At 31 March 2023	**464**	**32**	**21**	**517**

22. 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 monthly. 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. Employees pay contributions of between 5.6% and 9.3% of their pensionable pay. No other employees of the Association are eligible to join the Scheme.

It is an unfunded, multi-employer final salary pension scheme that covers NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. It is not possible for the Association to identify its share of the underlying assets and liabilities of the Scheme. The last formal actuarial valuation of the scheme was completed as at 31st March 2016.

The Government Actuary's estimate of scheme liabilities at 31st March 2022 was £869.9 billion (2021: £757.1 billion). This liability is underwritten by the Exchequer. As at 31 March 2023, the Association had 18 (2021/22: 21) employees in the Scheme compared to a total Scheme contributing membership of 1.7 million at 31st March 2022.

The employer's contribution amounted to £685,756 in the year ended 31 March 2023 (2022: £736,624). At this year end, accrued pension charges amounted to £116,924 (2022: £112,762).

23. 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.

24. Controlling parties

There are no controlling parties connected with Southdown.

25. Related parties

There are no related party transactions, other than as disclosed in note 4.

26. Reserves

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

27. Financial Instruments

The Association's financial instruments may be analysed as follows

	2023	2022
	£'000	£'000
Financial assets		
Financial assets measured at cost		
Cash and Cash Equivalents	**5,005**	5,215
Financial assets measured at amortised cost		
Rent and Service Charge Debtors	**331**	327
Total financial assets	**5,336**	5,542
Financial liabilities		
Financial liabilities measured at amortised cost		
Trade Creditors	920	652
Other Creditors	515	474
Housing Loans Payable	-	916
	1,435	2,042

Southdown is an exempt charity registered with the Regulator of Social Housing (L1829) and committed to the National Housing Federation's code of governance. Southdown is also a registered society under the Co-operative and Community Benefits Societies Act 2014 (20755R)