

# **SALIX HOMES LIMITED AND ITS SUBSIDIARIES**

**Charitable Society registered under the Co-operative and Community Benefit Societies Act 2014 - Registered Number 7051**

**Registered Provider of Social Housing registered with the Regulator of Social Housing  
– Registered Number 4609**

**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020**

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## BOARD, EXECUTIVE TEAM AND OTHER INFORMATION

### **The Board**

Chair	Grainne Heselwood
Deputy Chair	Jim Battle
Other Members	James King to 31 Mar 2020 Barbara Bentham to 31 Mar 2020 Darren Quirk Margaret Bryant John Cockerham Paul Whitehead Greig Lees Khalil Rehman Aisling McCourt from 1 Apr 2020 Mark Beyer from 1 Apr 2020 Pamela Welsh from 1 July 2020

### **Audit Committee**

The Audit Committee comprised of Paul Whitehead (Chair), James King, Khalil Rehman and Greg Van Enk-Bones (Independent Committee Member)

### **Remuneration Committee**

The Remuneration Committee comprised of Jim Battle (Chair), Grainne Heselwood, Darren Quirk and Paul Whitehead.

### **Growth and Development Committee**

The Growth and Development Committee comprised of John Cockerham (Chair), James King, Greig Lees, and Greg Van Enk-Bones (Independent Committee Member)

## Executive Team

<b>Position</b>	<b>Name</b>	<b>Qualifications</b>	<b>Appointment date</b>	<b>Leaving date</b>
Chief Executive	Lee Sugden	CIHCM FCMA	1 Dec 2014	
Deputy Chief Executive	Sue Sutton	BA (Hons) MA (Social Enterprise)	1 April 2010	
Executive Director of Resources	Simon Morris	BSc (Hons) ACA	4 Nov 2013	31 Dec 19
Interim Finance Director	Andy Gladwin	BA (Hons) ACA	01 Jan 2020	16 Mar 20
Finance Director	Sara Sharrock	ACMA	29 June 2020	

## Other Information

Registered Office	Diamond House 2 Peel Cross Road Salford M5 4DT
Registered Provider Number	4609
Company Secretary	Sara Sharrock ACMA
External Auditors	Beever & Struthers St Georges House, 215-219 Chester Road Manchester, M15 4JE
Internal Auditors	BDO LLP, 3 Hardman Street, Spinningfields, Manchester, M3 3AT
Principal Bankers	NatWest, Manchester City Centre Branch, 11 Spring Gardens, Manchester, M2 1FB

## **STRATEGIC REPORT AND REPORT OF THE BOARD**

The Board is pleased to present its report and audited financial statements for the year ended 31 March 2020.

### **Principal Activities**

Salix Homes Limited is a charitable registered society under the Co-operative and Community Benefit Societies Act 2014 (Registered number 7051) and is registered with the Regulator of Social Housing (RSH) (Registered number 4609) as a Registered Provider of Social Housing as defined by the Housing and Regeneration Act 2008.

The principal activity of Salix Homes is the provision of affordable homes for rent, we currently own and manage 7917 homes for social housing which includes 297 properties specifically for older people. Salix also has a private sector leasing division, managing 237 properties on behalf of private landlords under lease arrangements. In addition, Salix Homes was contracted during 2019/20 to manage Housing Choice and Support services on behalf of Trafford Council.

### **Overview of the business and operating context**

The financial year has been successful, with a solid financial performance and excellent results across almost all performance indicators.

In June 2020 Salix Homes Limited maintained its Regulatory Judgement grade of G1/V2 following an In Depth Assessment. We are pleased that the Regulator confirmed we meet the highest regulatory standard for Governance and the viability assessment reflects our journey as a relatively recent stock transfer organisation.

Our Decent Homes investment programme met the year end target of 100% of properties at the Decent Homes standard, and also the offer transfer promise to be 100% compliant as at 23 March 2020. Decent Homes and the other stock offer transfer promises were fundamental to the existence of Salix Homes in accordance with our 5-year offer document and the promises made to tenants at the point of transfer in 2015. Each individual promise was logged and progress against each was updated six monthly and reported to Board and to a formal monitoring meeting with officers from Salford City Council throughout the 5 year offer document commitment period.

We had our stock condition data externally validated during the year, this helped to inform our long term business planning assumptions and stock investment proposals. It was reported that our stock was in good condition and had benefitted from significant investment since transfer.

We have made good progress on the Beechfarm regeneration scheme, with the first six properties built for sale successfully completed and sold during 2019/20. Overall, the four phase project will see the provision of 160 new build properties, for both sale and rent, replacing 120 properties badly affected by long term subsidence.

The project to decant the 149 properties on the High Street estate was completed in year and successfully handed back to Salford City Council.

During 2019/20 fire safety works remained a priority for the organisation across both high rise and sheltered housing. Working with our high rise customer forum, we introduced our new Building Safety Promise.

In addition, we have continued to deliver an enhanced programme of fire safety measures.

Our safety enhancement works include the following;

- Fitting of communal fire alarm systems.
- Retrofitting of sprinkler systems in high rise buildings undergoing major refurbishment work.
- Removal of gas boilers as part of heating replacement programmes in high rise buildings undergoing major refurbishment work.

Throughout 2019/20, we have continued to work with the Government's Building Safety Team through its Early Adopter Programme (one of three housing providers nationally) to support the early implementation of the Hackitt Review recommendations. We have been testing and learning from some of the proposed legislative changes ahead of the national consultation programme launched in 2019. We are currently working with the Shadow Building Safety Regulator, to test a new way of working following the outcome of national building safety consultation and the subsequent proposed changes to legislation.

A programme to replace failed Aluminium Composite Panel cladding systems on eight of our high rise buildings commenced in 2018. The replacement programme is well underway with six of the eight schemes completed by the end of May 2019, the last two blocks are programmed for completion in 2020. The replacement programme is being fully funded by the government.

Throughout 2019/20, we continued to work with partners to develop the Greater Manchester Joint Venture project. The Joint Venture is focused on delivering over 500 new homes for sale across Greater Manchester in the first five years, with profits being returned to the investor RPs to further their individual objectives. We anticipate development work to commence during 2020/21 following the identification of viable sites.

During 2019/20 we continued our investment in the Canon Green Court major refurbishment and development project, to not only refurbish Canon Green Court and its neighbouring block Westminster House, but also construct a new build block of 108 apartments on adjacent land fronting Blackfriars Road. All Decent Homes work is completed and work has commenced on the new build apartment scheme. The scheme is in a key location close to Manchester city centre, the apartments will be let at affordable rents under Homes England's rent to buy initiative, this gives customers the option to purchase the apartment at market value after five years.

In July 2019 our Board resolved to approved entering into a contract with Salford based developer, Bowsall developments Limited, to develop a 24x2-bedroom apartment scheme located in Partington, Trafford on a land inclusive package deal. The apartments will be let at social rent levels. The site was acquired in April 20 with works commencing shortly after.

In March 2020, Salix Homes secured full planning permission to develop its first extra care scheme comprising of 70 apartments plus lifestyle facilities. Work on the Arrow Street development is due to commence during the coming year, subject to any delays resulting from the current Covid-19 pandemic.

Through a series of roadshows, we have engaged our employees in the shaping of the priorities for our new Corporate Plan, promoting understanding, transparency and engagement in our future plans.

In addition, we have invested further in learning and development, in particular the launch of our accredited 'Broaden Your Horizon' leadership development programme. Part of this programme included 'The Difference You Make' workshops, which all our workforce participated in. The purpose of these sessions was to promote collaboration between teams and reiterate the importance of customer service in our approach to work.

We have also taken the opportunity to capitalise on our ICT investments and cross functional teams have been working together to refine and translate processes into online solutions that improve the efficiency and effectiveness of services. In particular, the introduction of Accuserve has transformed our management of repairs, providing us with new insights that are informing service delivery.

In October 2019, we launched our new digital offer for customers with the introduction of new online reporting tools including web chat, chat bot and online reporting and tracking facilities for repairs.

This new digital environment marks the next stage in our journey in becoming a forward-thinking housing association of the future, enabling us to implement our digital ambitions and improve our services.

## **Governance Arrangements**

### **Board**

The current Board is detailed on page 3.

The Salix Homes Board is responsible for the achievement of the organisation's Vision and Objectives set in the Corporate Plan. To do so, the Board establishes the organisation's overall policy and strategy and monitors compliance with the Values and performance targets within a clearly defined framework of delegation and system of control.

The Board meets on a bi-monthly basis and also at two formal Board Away Days during the year.

A Governance Review took place during 2019/20, supported by DTP Consultancy. This, as well as the declared intention of the current Chair, Grainne Heselwood, to stand down in September 2020, led to a number of changes in the Governance arrangements which will come into effect in 2020/21.

The Board currently consists of eleven members, all appointed following application, skills assessment and interview.

A two-stage recruitment process was undertaken during the year, facilitated by EMA Consultancy. The first stage was the recruitment of a Chair (Designate), with Jim Battle being appointed and due to take up the Chair role after the September 2020 AGM following the resignation of the current Chair. The Board also appointed three new members: Mark Beyer and Aisling McCourt (both commencing duties on 1st April 2020) and Pamela Welsh (commencing duties on 1<sup>st</sup> July 2020). Existing Salford City Council nominees Councillor Jim King and Councillor Barbara Bentham stood down from the Board on 31<sup>st</sup> March 2020.

All Board members complete a thorough induction process and, once appointed, undertake an annual appraisal.

The current Board (2019/20) had a gender mix of 70% male members and 30% female. During the 2019/20 financial year, attendance at Board meetings was 93%.

Operational management is delegated to the Executive Team (detailed on page 4) who meet weekly and attend Board and Committee Meetings. The Executive Team have no financial interest in Salix Homes.

Salix Homes has insurance policies that indemnify Board members and the Executive Team and Officers against liability when acting on behalf of Salix Homes.

## Governance Structure

Salix Homes currently has three committees. These are an Audit Committee, a Remuneration Committee and a Growth and Development Committee, each comprising of four members. The membership of these Committees is detailed on page 3.

The Audit Committee addresses internal and external audit issues and advises the Board on risk management policies and internal control matters. It also considers the financial statements and recommends their approval to the Board. It meets six times a year.

The Remuneration Committee advises the Board on non-executive member remuneration and the appointment and remuneration of the Chief Executive and Executive Directors, taking independent advice and using consultants as necessary. It meets as required, but no less than twice per annum.

The Growth and Development Committee has oversight responsibility for growth and development, monitors the performance of such activities and reviews proposals to create a pipeline of potential development schemes, advising the Board accordingly, taking due account of related risks. It meets as required, but no less than twice per annum.

During 2019/20 the Board commenced work to establish a new Customer Committee, with recruitment taking place for eight places to sit alongside the current two Tenant Board Members. This, the Salix Homes Customer Committee (SHCC) engaged in training activities and shadow form ready to commence duties from September 2020.

## Subsidiary Companies

Salix Homes has two wholly owned, private limited subsidiary companies, Salix Homes Developments Limited, and Salix Living Limited.

Salix Homes Developments Limited is currently overseeing the redevelopment of the Beechfarm scheme, and towards the end of the year became an active participant in the Greater Manchester Joint Venture of ten RPs and the GMCA. Salix Living Limited has not traded as yet, but it's focus will predominantly be on future commercial activities.

Each subsidiary has a Board of Directors, chosen for their specific area of expertise. From a regulatory point of view, the subsidiaries are not regulated by the RSH, but are constituted under the Companies Act 2006.

## Compliance with Regulatory Standards, the Code of Governance and all relevant law

The Board has adopted the recommendations of, and fully complies with, the National Housing Federation's (NHF) 2015 Code of Governance.

The Board confirms full compliance with the RSH Regulatory Standards.

The Board confirms compliance with all relevant law applicable during 2019/20.

Towards the latter part of the year, from March 20 onwards, the Board and Committees met in 'virtual' form due to the Covid-19 government restrictions.

## **Customer led scrutiny and involvement**

In September 2019, Salix Homes worked with three board members to recruit the Salix Homes Customer Committee (SHCC), this was following a high volume of applications being received from our customer base. Ten customers were appointed following an extensive process, including an open day, shortlisting and interviews. In addition, two customer board members have been appointed to the Committee.

Between January 2020 and July 2020 Salix Homes Customer Committee operated in shadow mode. Members are attending accredited training and conducting two formal meetings during the shadow mode period.

Salix Homes Customer Committee will work alongside the Board and Audit Committee to ensure the organisation is compliant with the consumer regulatory standards. The committee will work in partnership with existing engaged customers to provide assurance, through monitoring and scrutiny, where appropriate, to provide assurance to the wider customer base, the Board and the Regulator.

Customers who applied for a place on the committee but weren't appointed have been offered a place in Salix Homes' Scrutiny Pool. The Scrutiny Pool will be used for one off pieces of scrutiny that have been commissioned by Salix Homes Customer Committee on a task and finish basis.

## **The Salix Homes Corporate Plan – Let's Grow Together 2020**

In 2015 we set out on our five-year journey to 2020 with our corporate plan, 'Let's Grow Together' containing promises we made moving away from Salford City Council. Now 2020 has concluded we have created a new Corporate Plan 'Our Future'.

Whilst we don't forget our past, as the title alludes the new Corporate Plan is looking forward. The new Corporate Plan has been shaped to work with the modern world considering a combination of global challenges, changes in consumer behaviour and our determination to help tackle the housing crisis have informed our thinking. From the development of a carbon-neutral plan and tailored, data-informed services for customers; to creating new homes whether by building them or repurposing empty buildings.

We continue to place building safety and the customer voice at the heart of the business, ensuring our customers' safety and views are treated with the utmost importance, as we continue to raise the bar of safety for the sector.

We also prepare for our future with a new modern employee offer to ensure we continue with the right skills and passion to deliver our ambitions and a well-governed business, we are determined that our homes, business and services are fit for the future.

We have broken down the Corporate Plan into three distinct themes: Our Homes, Our Business and Our Services.

### Our Homes

This theme is about providing high quality homes for our customers, by achieving our objectives:

- Deliver our home quality standard whilst building a safer & greener future
- Delivering quality, diverse and affordable homes is at the heart of our organisation.

Some of the ways we are going to achieve this are:

- Maintain Salix Homes property standard
- Maintain 100% home safety compliance
- Develop a strategy to become carbon neutral by 2038
- Develop a contemporary standard of homes for older people
- Increase the number of affordable homes
- Be an influential partner in developing innovative solutions to help tackle the housing crisis

### Our Business

Ensuring we are fit for today and prepared for tomorrow. We will achieve this by the following objectives:

- Being viable, efficient and well governed
- A great place to work with a high performing workforce

Some of the ways we are going to achieve this are:

- Optimise our operating performance to enhance financial strength
- Ensure a strong and influential customer voice through our new customer engagement arrangements
- Develop and implement a Data Strategy that supports how we deliver customer services
- Review colleague communication and engagement channels to transform internal collaboration
- Invest in our people through the delivery of comprehensive training, including our accredited Leadership Programme
- Introduce a new more modern employee offer

### Our Services

Delivering first class services to support people and places by achieving these objectives:

- Improve the customer experience ensuring it is future ready
- Supporting people and places to achieve their potential

Some of the ways we are going to achieve this are:

- Optimise our service delivery model ensuring the right type of service is provided at the right time
- Deliver services that meet customers' needs and expectations and maximise data informed customer satisfaction
- Deliver services that provide a consistent, coherent and integrated customer journey regardless of contact channel
- Develop our social value framework to maximise positive impact of our investment
- Develop a plan to prioritise and tailor support to our most vulnerable customers
- Introduce a programme of place making to promote sustainable communities

## **Financial Performance**

The financial result for the year was an operating surplus of £6.694m after taxation, which reflects the impact of accounting for retirement benefits in accordance with Financial Reporting Standard 102 Retirement Benefits ('FRS 102')

Before the accounting treatment to reflect the actuarial adjustment, a surplus of £8.247m in 2019/20 would have been reported.

On the statement of financial position there is a provision of £78.589m which is offset by a corresponding amount in debtors and this represents the remaining ten year provision for future improvement work. The improvement work was agreed to be carried out over a fifteen year period as agreed with Salford Council as part of the March 2015 stock transfer agreement. These are the works that are then eligible for the reclaiming of VAT through the VAT shelter that has been approved by HMRC.

## **Employees**

Salix Homes' colleagues are at the heart of making things happen and our colleagues need to be engaged, equipped and empowered to perform their roles.

In 2019/20 we have focused on the delivery of our People Services Strategy. Our strategy is based on four key themes linked to our organisational vision;

### **Live - Attraction and Retention**

In 2019/20 we launched a new Recruitment and Selection Policy and introduced 'new starter packs' to welcome new recruits into our organisation. We have continued to deliver our improved corporate plan induction and extended this experience to include new Board and Committee members. We have reviewed our careers pages online and have strengthened links with online recruitment sites to make the application process simpler for candidates.

### **Grow - People Development**

We have continued to increase the scope and refine the quality of our online training offer on Buzz Learn, our e-learning system. We have also continued to work closely with the business to identify opportunities for new Apprenticeships and utilisation of the levy to upskill our existing employees.

In autumn, we launched our leadership development programme, 'Broaden Your Horizon'.

The focus of this programme is to support our leaders ensuring that are equipped to fulfil their potential and feel confident in their abilities to effectively manage relationships leading their teams to achieve high performance.

Linking to the new 'Horizon' brand for internal innovations, this bespoke programme, which we are proud to advise has been recently accredited by the Northern Council for Further Education (NCFE), is predominately being delivered inhouse.

### **Thrive - Leadership, Engagement and Wellbeing**

During this financial year we have transformed the physical appearance of our workplace as part of our 'Salix Horizon' programme. This project has now concluded and as a result we have improved the welfare facilities for all colleagues, created new purpose built training facilities and improved our meeting spaces to maximise use of our investment in technology and make the spaces more varied arrangements to better meet our diverse needs.

The establishment of a more contemporary workplace means these spaces better represent the type of organisation we have become, whilst providing better a better work environment for all colleagues. It has also enabled us to become more attractive to candidates, enhancing our employee brand as a modern employer. All our workplaces are now Covid secure.

We continue to focus on employee wellbeing, with an emphasis in supporting positive mental health. We now have in-house mental health first aider trainers and have been working with these individuals to roll our mental health awareness training. These courses have been very well received and we hope will enable early intervention with colleagues who will benefit from this support.

### **Together – Service Excellence**

We have spent time this year building on the new HR System and Payroll service we introduced, to improve current processes and introduce updates in line with legislative changes. There have been a number of legislative changes we have needed to work on with our Trade Union partners and we have successfully agreed our approaches and captured these within our new streamlined processes.

## **Treasury management**

Strong treasury management is critical to increasing our financial capacity and resilience. Our Treasury Management Policy is reviewed annually in conjunction with treasury advisors. An annual Treasury Management Strategy is produced, based on the financial business plan and approved by the Board. The Board reviews treasury performance at each meeting, including a review of compliance with financial covenants, loan drawdowns, interest rate management and liquidity projections. At 31 March 2020, Salix complied with all financial covenants in place.

### Financing

At 31 March 2020, Salix Homes had total loan facilities of £100m of which £64m had been drawn (2019: £37.5m).

### Interest rate management

In accordance with the Treasury Management Strategy and in order to mitigate the risk of increases in variable interest rates, at 31 March 2020, 70% of the drawn debt had previously been set at fixed rates with maturity dates of March 2025. Of this fixed rate debt, none was hedged under ISDA Agreements.

As at 31 March 2020, the weighted average interest rate was 3.47% (2019: 3.21%)

As at 31 March 2020, 99.5% of the Group's housing properties were charged as loan security (2019: 100%)

### Liquidity

The Treasury Management Policy dictates that the organisation's available secured facilities and cash balances must as a minimum equate to the forecast cash outflow for the next twelve months. This requirement has been met or exceeded throughout 2019/20. Salix Homes has sufficient facilities available to meet all known financial business plan requirements for the period up to March 2025.

At the year end, Salix Homes held cash balances totalling £0.403m (2019: £3.927m) of which £0.393m (2019: £3.917m) was held in an overnight deposit account at an annual interest rate of 0.20% for balances below £1m and 0.30% for balances over £1m.

### Capital and reserves

The reserves of the group at 31 March 2020 totalled £72.212m (2019: £57.858m). The financial business plan results in surpluses each year which are re-invested in existing homes, communities, services and planned new developments with some provision for contingencies. The Board is satisfied that the reserves at 31 March 2020 are at a level that is appropriate for the business.

## Performance & Value for Money

### What Value for Money means for Salix Homes

A value for money framework was produced and approved by Board in March 2018 and Salix Homes has identified the following factors as being key principles of its strategic approach to value for money:

- V1 – Providing a high quality service to our customers and colleagues
- V2 – Optimising our income and financial return on our assets
- V3 – Improving the quality of life of our customers and those who live in our communities
- V4 – Increasing the efficiency in the delivery of our services and use of resources

The above key principles all contribute to themes in our Corporate Plan.

Salix Homes has embedded value for money within a comprehensive performance framework. The framework combines corporate plan and operational indicators, and the value for money metrics set by the RSH. How we perform against the performance framework is the basis of our assessment of whether we are providing value for money in achieving our objectives.

The RSH's VFM Standard requires organisations to demonstrate that they are providing value for money in delivering their strategic objectives. Therefore, our performance framework includes specific indicators to measure the success of the 2019/20 corporate priorities, and every indicator within the framework is aligned to one of the above four principles that Salix Homes has identified as key to value for money.

The 2019/20 performance framework consisted of 23 key performance indicators, monitored by Board and the Executive team during the year. Quarterly performance clinics attended by senior managers, Directors and the Chief Executive provide on-going scrutiny and challenge for performance below expectation.

An annual value for money report was presented to Board in September 2019 which demonstrated what had been achieved in 2018/19 and the targets for 2019/20, is available on our website at [www.salixhomes.org/about-us/value-for-money](http://www.salixhomes.org/about-us/value-for-money). A report for 2019/20 will be sent to Board in July 2020 to review what was delivered during 2019/20 and to identify further targets for future business planning cycles, this document will also be available on our website.

### Performance and Value for Money in 2019/20

The tables below show our performance against the Corporate Plan targets, key performance indicators, targets for improvement and the value for money metrics with commentary.

Ambitious targets were set for the final year of the Corporate Plan, as seen below in all bar two areas, performance has met target or improved on the 2018/19 position. There are also some excellent year end positions, in particular, the collection of rent from current and former tenants and rent arrears surpassed expectations considering the continued roll out of Universal Credit, this continues to place us in a stronger position for 2020/21.

The tables below show the performance in 2019/20 against the corporate plan targets and key performance indicators:

### Corporate Plan Targets

Corporate Plan Indicator	Corporate Plan & VFM Principle	Actual 2018/19	Target 2019/20	Actual 2019/20	Above / On Target	Trend
% of customers satisfied with their most recent transaction	Customer / V1	95%	95%	93.67%		
% of self-serve transactions	Customer / V4	72%	85%	75.05%		
Institute of Customer Service – service mark accreditation	Customer / V1	Accredited	Accredited	Accredited (18/19)		
% of customers satisfied with their place to live	Communities / V3	69%	90%	73%		
Number of customers supported into work and training	Communities / V3	267	250	255		
Achieve HouseMark ASB Accreditation and Keep Britain tidy Platinum Neighbourhood Award	Communities / V3	Achieved	Achieved	Achieved		
% of colleagues satisfied with Salix Homes as an employer	Colleagues / V1	85%	90%	82.19%		
Average annual days lost due to sickness	Colleagues / V4	10.33 days	7.50 days	9.30 days		
To be recognised as an employer who values its employees	Colleagues / V4	Achieved	Achieved	Achieved (18/19)		
Maintain G1/V2	Corporate / N/A	G1/V2	G1/V2	G1/V2		
Number of homes built, acquired or in development	Corporate / V2	319	400	342		

### Key Performance Indicators

Indicator	VFM Principle	Actual 2018/19	Target 2019/20	Actual 2019/20	Above / On Target	Trend
Rent collected from current and former tenants as a percentage of the rent due (excluding arrears brought forward)	V2	99.65%	99.65%	99.66%		
% of general needs properties tenanted	V4	99.5%	99.5%	99.6%		
% of sheltered properties tenanted	V4	98.6%	98.3%	100%		

Indicator (continued)	VFM Principle	Actual 2018/19	Target 2019/20	Actual 2019/20	Above / On Target	Trend
% of homes that meet the Decent Homes standard	V2	95.81%	100%	100%	✓	↑
Average standard re-let time (days)	V4	17.2 days	14 days	9.5 Days	✓	↑

On the above two tables there are six instances where performance in 2019/20 has not achieved target. On review, four of these measures are showing improvement and the trend is moving in a positive direction. This leaves only two with a negative trend, the table below shows how we plan to address this in 2020/21:

### Targets for Improvement

Area of redress	Comment	Target for 2020/21
% of customers satisfied with their most recent transaction	This measure has consistently been above target during 2019/20. In 2020/21 we are going to increase the number of surveys conducted to gain greater insight. We will be exploring overall satisfaction pulse surveys too.	95%
% of colleagues satisfied with Salix Homes as an employer	The analysis of this year's survey has highlighted that the majority of teams within the organisation are happy. Results are being reviewed and our new Corporate Plan and People Services Strategy, along with our colleague Build Back Better programme aim to address key areas to improve satisfaction.	90%

### Value for Money Metrics

The RSH value for money standard and code of practice outlines seven key financial metrics to be measured and reported against. The table below shows the actual performance for 2019/20, expected performance for 2020/21 to 2022/23 and actuals with peer group comparison for 2018/19. The metrics for ease of reference are:

- 1 = % reinvestment – investment in properties (existing stock and new supply) as a percentage of the net book value of total properties held
- 2A = % new supply delivered (social) – social housing properties developed or acquired as a proportion of total social properties owned
- 2B = % new supply delivered (non-social) – non-social housing properties developed or acquired as a proportion of total social and non-social properties owned
- 3 = gearing – debt as a proportion of the net book value of total properties held
- 4 = % EBITDA – MRI – earnings before interest, tax, depreciation and amortisation including major repair improvement measured against interest costs. This is an indicator of our operating surplus in comparison to interest paid
- 5 = headline social housing cost per unit – social housing cost per unit
- 6A = operating margin (social housing lettings) – profitability of social activities
- 6B = operating margin (overall) – profitability overall
- 7 = return on capital employed – operating surplus to total assets less current liabilities.

VfM Metrics	Actual 2018/19	Peer Group 2018/19	Target 2019/20	Actual 2019/20	Target 2020/21	Target 2021/22	Target 2022/23
1	23%	8.09%	27.99%	26.72%	19.59%	13.37%	4.28%
2A	0.05%	0.52%	0.69%	0.32%	1.01%	0.69%	3.59%
2B	0.11%	0.00%	0.00%	0.11%	0.22%	0.20%	0.00%
3	28%	35%	43%	41%	43%	45%	41%
4	-788%	148.3%	-850%	-889%	-39%	37%	96%
5	£6,264	£3,510	£6,902	£7,155	£4,845	£4,383	£4,198
6A	17%	25.4%	16.66%	16.32%	14.64%	16.13%	18.26%
6B	15%	23.8%	16.84%	12.79%	15.24%	16.72%	18.41%
7	4.12%	5.14%	3.96%	3.85%	4.08%	5.06%	5.36%

The comparator peer group of 12 housing associations has been selected from more recent stock transfer organisations, also taking account of stock numbers and location to reflect similar social demographics.

Overall, the metrics very much reflect that Salix Homes has just completed the final year of delivery of offer document promises and continued significant financial investment into our existing properties to meet the Decent Homes standard, 2019/20 being the final year of significantly high investment spend. In order to demonstrate the impact of this, the projected metrics for 2020/21 to 2022/23, taken from the latest financial business plan, have been included to show a longer term comparison. The following paragraphs consider the performance against each metric.

#### Metric 1 - % reinvestment

The metric for reinvestment reflects the final stage of the Decent Homes investment programme which has resulted in us achieving 100% decency as at 31 March 2020. We are continuing our two development projects, Beechfarm and Canon Green Court, as referred to in more detail in the overview of the business on page 5 and 6. In 2019/20 we delivered over £29m of works to our existing properties to meet the Decent Homes programme and also continued with our replacement cladding and fire safety programme which is due to complete in 2020/21. This is the primary reason why the reinvestment percentage is higher than the peer group average. The targets moving forward reflect the lower level of investment required looking ahead, given that all homes are now fully decent, but remains higher than the peer average due to the development schemes and cladding mentioned above. In late March 2020 we acquired 20 properties from Great Places Group. We were also successful with two bids for land acquisitions which are projected to take place and start on site in 2020/21. When the development schemes and cladding are completed the metric drops to 4% by 2022/23.

#### Metric 2A – % new supply delivered (social)

The trends above are broadly reflected in metric 2A, relating to new social housing units delivered, subject to the slight lag in terms of the actual completion of new units versus the spend profile, our development programme is currently modelled until 2022/23.

#### Metric 2B - % new supply delivered (non-social)

This trend is in line with 2A and relates to the completion of properties for outright sale, this metric also includes our private sector letting (PSL) arm which continues to grow with conversions and property acquisitions. The extra supply in this area will continue to support our charitable aims and objectives through cross subsidy. No post 2020 assumptions have been set for our PSL portfolio.

#### Metric 3 – Gearing

In 2019/20 we drew down funds of £26.5m in order to complete our Decent Homes programme and continue with our development programme, the gearing at 41% is slightly below the budget of 43%, this is due to a higher opening cash balance than expected. Given the differing circumstances of peers it is difficult to draw comparisons to the peer average, but it is reasonable to say that our results are well within the covenant limits expected of traditional loan covenants.

#### Metric 4 - % EBITDA – MRI

Although EBITDA-MRI at -889% is slightly behind the expected performance of -850%, this is mainly due to the operating surplus being lower than expected following the re-measurement of the pension scheme under FRS17. The level of this metric reflects the final stage of our Decent Homes investment journey and our completion of the cladding programme in 2020/21. This metric returns to a positive position in 2021/22.

This metric is projected to be at 96% in 2022/23 which is moving in the direction of being more comparable to the peer group average. It should be noted that as a Large Scale Voluntary Transfer organisation, financial covenants are based on a cash flow deficit basis, rather than interest cover, but as EBITDA-MRI moves towards a positive figure then we will work with our funders to move to more traditional covenants. This supports our long term development aspirations.

#### Metric 5 – Headline social housing cost per unit

The major investment in properties to achieve the Decent Homes target by March 2020 and cladding works on some of our high rise blocks is the primary reason why the headline social housing cost per unit is high at £7,155 in 2019/20, when compared to the peer average. The major investment and cladding works contribute approximately 54% of the overall cost per unit in 2019/20 with the other social element being 3%. This other social element relates to the Trafford homelessness service which we manage on behalf of the council. This contract has now been retained in 2020/21 to continue for another year, although this was not assumed in the budget. The lower level of investment required and the assumed hand back of the homeless service results in a reduced 2020/21 target cost of £4,845 per unit, this is now moving towards the peer average.

#### Metric 6A and 6B – Operating margin (social housing lettings and overall)

The overall operating margin in 2019/20 at 12.79% is below the target of 16.84%, this is primarily due to the re-measurement of the pension scheme under FRS17. If the pension deficit movement is excluded (which is non-cash) the operating margin would increase to approximately 16.65%. Our targets moving forward show an expected increase in this margin and we are working closely with three of our peers to understand those areas of expenditure that significantly differ in our respective organisations and the reasons for this. We will consider these as part of annual budget setting and financial business planning processes, to inform future VfM metric targets.

## Metric 7 Return on capital employed

The high investment in our assets to achieve decency and the replacement cladding programme is providing a lower result in this area but we are moving to the peer average. Although homes are 100% decent as at March 2020, there is a long term debtor within the accounts to reflect the remaining 10 years of the VAT shelter agreement with the Council and as this starts to reduce in future years, the liabilities and the measure increase.

In addition to the above metrics we have implemented additional improvements to ensure we continually provide value for money and the best services within available resources. some examples of these and which principle they link to are:

- V1 – Installation of ground source heating systems that will reduce fuel bills for customers
- V1 – Supported 787 customers with switching to Universal Credit
- V2 – continued use of our asset evaluation model that demonstrates the net present value of our property assets, this was reported to Board at its away day in October 2019 and cumulated in an ongoing review of our sheltered accommodation and our longer term aims for our housing offer for older people
- V2 – Transformed derelict shops into affordable homes
- V3 – Changes to service delivery in environment, customer services, property compliance and repairs that has not only enhanced the service but, in some instances, led to reduction in service charges paid by customers
- V3 – Embedding of Social Value into the business that has led to a comprehensive Social impact report being presented to Board in May 2019
- V4 – The implementation of the new ICT environment and operating suite as reported in the section for the overview of the business
- V4 – Implemented a new HR and payroll system

In 2019/20 there have been changes and service enhancements to provide additional value for money, examples of which are:

- V1 – Implementation of a digital repairs service
- V2 – Introduction of property safety officers for high risk residential buildings
- V3 – Introduction of furniture recycling scheme and a bulk collection service
- V4 – Re-procurement of the current contracts for materials, fleet and insurance.

## Performance and Value for Money conclusion

The above sections have considered:

- Performance against the corporate plan targets, which demonstrates the delivery of strategic objectives
- Key performance indicators and areas for improvement
- The Value for Money metrics both backward and forward looking and comparison with peers

A separate report on Social value achievements in 2019/20 will be available on our website once approved by Board.

In summary these demonstrate compliance with the Value for Money standard and the expectations of the Regulator.

## Risk Management

Risk management remains integral to the formulation and delivery of our corporate objectives and financial business plan. The Board, Audit Committee and Executive Management Team has maintained its programme of risk review throughout the year and continued to improve the risk management framework through further evolution of risk appetite.

The most significant risks currently facing the organisation are shown in the table below, reviewed by the Board at each Board meeting. These, along with the other risks captured on the strategic risk register is reviewed by Audit Committee at each meeting. The Coronavirus Pandemic has impacted many of our key risks.

The Board have an approved risk appetite statement, which currently identifies future diversification, development and operational performance as its most risk hungry areas and mergers and health & safety as its most risk averse.

Risk area	Key controls and mitigations
Mitigating the effects of the Coronavirus Pandemic	<ul style="list-style-type: none"> <li>-business continuity committee</li> <li>-maintain our services and financial capacity - increased monitoring</li> <li>-mitigate any threats to the safety of our staff and customers-emergency repairs and compliance, working from home, Covid safe workplaces</li> <li>-support calls to vulnerable residents</li> <li>-regular communication to customers &amp; colleagues</li> <li>-close liaison with stakeholders</li> <li>-recovery plans</li> </ul>
Rent arrears / bad debts – managed within budgeted levels	<ul style="list-style-type: none"> <li>-early warning system to identify payment trends</li> <li>-rent arrears escalation process</li> <li>-supporting customers with UC claims/debt advice</li> <li>-signposting to key partners</li> <li>-rent collection policy &amp; procedures</li> </ul>
External environment - monitoring, anticipating and responding to changes	<ul style="list-style-type: none"> <li>-monitor &amp; report on the impact of changes in national policy and the external environment</li> <li>-monitor Brexit environment and likely impact</li> <li>-scenario analysis and stress testing conducted at least annually</li> <li>-Salix part of MHCLG's Early Adopter programme</li> </ul>
Repairs and maintenance - delivery of expected performance, efficiencies and customer service	<ul style="list-style-type: none"> <li>-revised performance mgt framework and customer digital offer</li> <li>-new integrated structure, dedicated compliance function, re-alignment of repairs, customers services/contact centre</li> <li>-new works mgt system</li> <li>-new Accuserve system</li> <li>-regular monitoring and reporting</li> <li>-increased communication via digital channels</li> </ul>

Risk area	Key controls and mitigations
Implementation of the new Building Safety Regulations	<ul style="list-style-type: none"> <li>-Salix is one of the MDCLG Early Adopters and testing / learning from the government's implementation plan proposals</li> <li>-new safety standards for contractors &amp; mandatory occurrence reporting</li> <li>-resources included in the 30-year Business Plan based on current MHCLG proposals</li> <li>-new Customer Committee</li> </ul>
Asset management - compliance with required standards and delivery of required financial /social returns	<ul style="list-style-type: none"> <li>-asset management strategy-investment replacement programme for 2020/23 (subject to COVID-19 delays)– monthly financial monitoring</li> <li>-Asset Performance Evaluation model to identify poorly performing stock</li> <li>-performance framework and reporting covering compliance</li> <li>-Sheltered housing review</li> <li>-planned delivery of safety standards and legislation changes from Hackitt Review</li> </ul>
Provision of housing management customer services that meet agreed standards within planned resources	<ul style="list-style-type: none"> <li>-Customer Committee in place – provides customer voice in shaping services</li> <li>-customer feedback policy/analysis/action</li> <li>-transactional surveys provide current feedback</li> <li>Performance monitored and reported and externally benchmarked</li> </ul>
Development programme –delivery, compliance with relevant standards within agreed resources	<ul style="list-style-type: none"> <li>-individual scheme appraisal approved by Board and incorporated into 30-year business plan/stress tested</li> <li>-Growth and Development Committee scrutinise development plans</li> <li>- Monthly monitoring and Project and Investment Group meetings</li> </ul>
Achieving the planned quality of Neighbourhoods and Communities within agreed resources	<ul style="list-style-type: none"> <li>-Continuity of ASB management and support for vulnerable people</li> <li>-Continue to feed into the Multi Agency (MARAC) agenda for domestic abuse</li> <li>-Ensuring the quality of neighbourhoods is maintained as services recover</li> </ul>

## COVID-19

As well as serious implications for people's health, COVID-19 (coronavirus) is significantly impacting businesses and the wider economy. Salix Homes has considered the principal risks and uncertainties resulting from the pandemic.

A separate risk in relation to Covid-19 was set up, both this and the actions being taken are reported to Audit Committee, Salix Homes Board and updates provided to Board members on a regular basis.

In partnership with Hargreaves Risk and Strategy (HRS), best practice controls were developed for 99 key concerns directly relating to Covid delay and lockdown phases of the pandemic. Salix Homes recorded 88 of these being classed as either implemented or well in progress which provides an assurance level of 89%.

<b>COVID Risk</b>	<b>Mitigating action/comments</b>
Implementation of lockdown period	Around 100 members of staff were furloughed in April/May due to the reduction in work that could be completed in customer's properties. Income from the furlough scheme will be utilised to offset additional Covid-19 related costs that may be incurred
Remote working – impact on staff	Working from home implemented successfully and started the week before the lockdown was announced
Impact on responsive works	Emergency repairs have continued as well as key compliance works
Impact on planned/improvement works delivery	The majority of works have been paused and are currently anticipated to begin again in July. Works such as roofing have continued as they are able to be completed whilst complying with social distancing rules
Impact on neighbourhood management service delivery	Maintain support and regular contact with most vulnerable customers. Multi agency meetings continuing. Essential caretaking and cleaning services provided. Physical condition of estates monitored.
Construction sites are closed down	Works on development sites were paused for a number of weeks, however once working practices could be adopted in line with social distancing rules work recommenced, albeit it at a reduced capacity
Increased costs on development sites	Due to the contracts being set at a fixed price it is not anticipated that there will be increased costs on development
Development sales	Number of homes for sale in the development programme limited. It is anticipated that there will be a delay on sales completions, however there are only a small number of properties budgeted for sale in the current financial year
Impairment trigger	Market uncertainty clause removed from formal valuations on 26 May 2020 as limited impact on EUV-SH values
Increased rent arrears	Additional monitoring of rent arrears has been introduced. Cash receipts are monitored daily and to date no material reduction in payments has been identified. This will continue to be monitored
Higher level of voids/increased relet times	Voids have continued to be let remotely and are also being offered to support GM/Salford homelessness initiatives and Salix emergency rehousing
Pension valuations	The valuation by the GMPF pension fund actuary at 31 March 2020 has been incorporated in these accounts

<b>COVID Risk</b>	<b>Mitigating action/comments</b>
Cashflow implications	Cashflow continues to be monitored on a weekly basis as there is still uncertainty in relation to the timing of the delivery of development, investment works and shared ownership sales. The delay in property sales has been offset by the reduction in repairs and maintenance costs. Salix Homes has significant cash balances and undrawn loan facilities
Impact on subsidiaries	As development works have recommended, it is not anticipated that there will be an impact on Salix Homes Developments Limited
Availability of funding	Salix Homes has in place a loan facility of £100m of which £64m had been drawn as at 31 <sup>st</sup> March, therefore has sufficient capacity in its funding arrangements
Government support	Salix Homes has drawn on the support offered through the coronavirus job retention scheme
Loan covenant compliance	The financial plans continue to be reforecast and demonstrates that all loan covenants can be met

All risks and controls will continue to be monitored and updated as further guidance is received from the government.

## **Internal Controls Assurance**

The Board is ultimately responsible for Salix Homes' system of internal control and for reviewing the effectiveness of the system. The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group and Company's assets and interests.

The Board has adopted a risk-based approach to internal controls, which have been embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Group and Company is exposed to.

The Board has reviewed the strategic risks and associated controls as part of the risk management framework during the year. The process for identifying, evaluating and managing risk has been aligned to best practice and this is verified as part of an independent annual review of risk management arrangements via external risk consultants. Assurance on the effectiveness of key risk controls has been reviewed both by Audit Committee and the Board. The new disciplines, along with a risk-based approach to stress testing, are well embedded.

Key performance indicators (KPIs), both financial and non-financial, are regularly reported to management and the Board. These KPIs are used to inform discussions at Executive Team meetings and are used to help drive improvements to the internal control framework.

The Board has a zero-tolerance policy to fraud, through its Anti-fraud Policy, and in addition to the normal checks and balances to prevent fraud the employee code of conduct clearly sets out responsibilities and standards of conduct. A whistleblowing policy is also in place and employees are encouraged to report any wrongdoing they become aware of. All suspected frauds reported or uncovered are recorded in the fraud register and reported to the Audit Committee.

Financial control is exercised through the setting of detailed budgets each year which feed into the annual financial business planning process, coupled with regular, detailed monitoring reports.

Salix Homes has a comprehensive three year programme of internal audits which is delivered by an outsourced internal audit partner. Agreed recommendations for improvements are implemented by management and progress on recommendations is monitored by the Audit Committee and reviewed by the internal audit partner.

The internal auditors report directly to each meeting of the Audit Committee and annually express an opinion on the control systems in place within Salix Homes, to give the Committee assurance on the design and operation, of risk management, controls and governance arrangements.

The Audit Committee, on behalf of the Board, has received the Director of Finances' report and has conducted its annual review of the effectiveness of the system of internal control. The Board has a number of policies and frameworks in place to support the systems of internal control. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data protection and the code of conduct.

The external auditor's management letter, which is required to report any material weaknesses in internal controls identified in the course of their audit work, has been received. There were no such weaknesses identified.

Based upon the assurances provided by the key elements of the system of internal control, opinions of internal audit and external audit, and other assurance sources, the overall opinion is that satisfactory systems of internal control existed and operated throughout the year, to ensure the proper management of the significant risks facing the Group and Company. No weaknesses were identified which have resulted in material misstatement or loss which would require disclosure in the financial statements.

## **Donations**

There have been no political donations during the year (2019: £nil).

## **Going Concern**

The Board has good expectation that Salix Homes has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the financial statements are signed. In arriving at this conclusion consideration was given to the current thirty year Financial Business Plan that has been approved by the Board.

The board considers there to be no material uncertainty to going concern in the current circumstances. The 2020/21 budget has been reviewed and the financial plan approved in March 2020 has been stress tested with a range of Covid-19 specific assumptions.

For the above reason, the Board has adopted the going concern basis in the financial statements as set out in note 2 of the financial statements.

## **Statement of Board responsibilities**

The Board is responsible for preparing this report and the financial statements in accordance with applicable law and regulations. Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board has elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and Association and of the income and expenditure of the Group and Association for that period. In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Association will continue in business.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. The Board has general responsibility for taking such steps as are reasonably open to safeguard the assets of the Group and Association and to prevent and detect fraud and other irregularities.

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

## **Disclosure of information to the auditors**

Insofar as each of the Board members is aware, at the date of preparing this report

- there is no relevant information needed by the Group and Association's auditors in connection with preparing their report of which they are unaware, and
- Board members have taken all steps that they ought to have taken as a Board member in order to make themselves aware of any relevant information needed by Group and Association's auditors in connection with preparing their report and to establish that the auditors are aware of that information.

## **Statement of Compliance**

The form and content of this strategic report and Report of the Board has been prepared in accordance with the Statement of Recommended Practice for registered social housing providers 2018.

## **External Auditors**

A resolution to approve the appointed external auditor will be put to the Annual General Meeting.

## **Annual General Meeting**

The Annual General Meeting will be held on 29 September 2020.

The Strategic Report and Report of the Board was approved by the Board on 28 July 2020 and signed on its behalf by:

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Sara Sharrock  
Company Secretary

## REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SALIX HOMES LIMITED

We have audited the financial statements of Salix Homes Limited (“the Group and Association”) and its subsidiaries for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Reserves, the Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group’s and the Association’s affairs as at 31 March 2020 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 Cooperative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

### **Basis for opinion**

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

### **Conclusions relating to going concern**

We have nothing to report to you in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board’s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the annual report, 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.

### **Opinions on other matters prescribed by the Cooperative and Community Benefit Societies Act 2014**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Board's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **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 Cooperative 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 Group and 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 Board's Responsibilities set out on page 24, 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 Group and Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intend to liquidate the Group and Association or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's web-site at <http://www.frc.org.uk/auditorsresponsibilities>.

This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the Group and the Association's members, as a body, in accordance with section 87(2) of the Cooperative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.

This report is made solely to the Group and the Association's members, as a body, in accordance with section 87(2) of the Cooperative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.

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Beever and Struthers, Statutory Auditor  
St George's House  
215/219 Chester Road  
Manchester  
M15 4JE

Date:

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

### STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDING 31 MARCH 2020

		<b>Group 2020 £'000</b>	<b>Group 2019 £'000</b>	<b>Association 2020 £'000</b>	<b>Association 2019 £'000</b>
	<b>NOTE</b>				
Turnover	3	40,188	38,883	40,188	38,883
Operating Costs	3	<u>(31,385)</u>	<u>(30,517)</u>	<u>(31,355)</u>	<u>(30,509)</u>
<b>Operating Surplus</b>		8,803	8,366	8,833	8,374
Interest receivable	8	4	3	7	3
Interest and financing costs	9	<u>(2,113)</u>	<u>(1,779)</u>	<u>(2,112)</u>	<u>(1,778)</u>
<b>Surplus for the year before tax</b>		<b>6,694</b>	<b>6,590</b>	<b>6,728</b>	<b>6,599</b>
Taxation	10	-	<u>5</u>	-	<u>5</u>
<b>Surplus for the year after tax</b>	11	6,694	6,595	6,728	6,604
Actuarial gain/(loss) in respect of pension schemes	12	<u>8,160</u>	<u>(1,882)</u>	<u>8,160</u>	<u>(1,882)</u>
<b>Total comprehensive income for the year</b>		<b><u>14,854</u></b>	<b><u>4,713</u></b>	<b><u>14,888</u></b>	<b><u>4,722</u></b>

The turnover and operating surplus are derived from continuing operations. The notes form an integral part of these accounts.

There are no recognised surpluses or deficits other than the surplus for the year as stated above.

The financial statements on pages 29 to 63 were approved and authorised for issue by the Board on 28th July 2020 and were signed on its behalf by

\_\_\_\_\_  
Chair  
Grainne Heselwood

\_\_\_\_\_  
Chair Audit Committee  
Paul Whitehead

\_\_\_\_\_  
Secretary  
Sara Sharrock

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

### STATEMENT OF FINANCIAL POSITION

AS AT YEAR ENDING AS AT 31 MARCH 2020

	NOTE	Group 2020 £'000	Group 2019 £'000	Association 2020 £'000	Association 2019 £'000
<b>Property, Plant &amp; Equipment</b>					
Tangible Assets - Housing Properties	13	153,256	115,968	153,459	115,980
Tangible Assets - Other	14	2,214	1,876	2,214	1,876
Investment		107	50	-	-
<b>Debtors due &gt; 1 year</b>	15	67,118	85,631	67,225	85,681
<b>Current Assets</b>					
Trade receivables	15	15,723	19,625	15,704	19,646
Cash and cash equivalents	16	<u>403</u>	<u>3,927</u>	<u>333</u>	<u>3,904</u>
		16,126	23,552	16,036	23,550
Creditors due < 1 year	17	<u>(10,411)</u>	<u>(11,520)</u>	<u>(10,408)</u>	<u>(11,448)</u>
<b>Net Current Assets</b>		<b>5,715</b>	<b>12,032</b>	<b>5,628</b>	<b>12,102</b>
<b>Total Assets less Current Liabilities</b>		<b>228,410</b>	<b>215,557</b>	<b>228,526</b>	<b>215,639</b>
Creditors due > 1 year	21	(74,360)	(47,253)	(74,360)	<u>(47,253)</u>
<b>Provisions for Liabilities and Charges</b>					
Provision for other liabilities	24	(78,589)	(101,091)	(78,589)	(101,091)
Pension liability	12	<u>(2,748)</u>	<u>(9,355)</u>	<u>(2,748)</u>	<u>(9,355)</u>
		<b>(81,337)</b>	<b>(110,446)</b>	<b>(81,337)</b>	<b>(110,446)</b>
<b>Total Net Assets</b>		<b><u>72,712</u></b>	<b><u>57,858</u></b>	<b><u>72,828</u></b>	<b><u>57,940</u></b>
<b>Reserves</b>					
Non-equity share capital	25	-	-	-	-
Income and expenditure reserves		72,712	57,858	72,828	57,940
<b>Total Reserves</b>		<b><u>72,712</u></b>	<b><u>57,858</u></b>	<b><u>72,828</u></b>	<b><u>57,940</u></b>

The notes form an integral part of these accounts.

The financial statements on pages 29 to 63 were approved and authorised for issue by the Board on 28th July 2020 and were signed on its behalf by

\_\_\_\_\_  
Chair  
Grainne Heselwood

\_\_\_\_\_  
Chair Audit Committee  
Paul Whitehead

\_\_\_\_\_  
Secretary  
Sara Sharrock

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

### STATEMENT OF RESERVES

FOR THE YEAR ENDING 31 MARCH 2020

	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>Group</b>	<b>Group</b>	<b>Association</b>	<b>Association</b>
	<b>Income</b>	<b>Income</b>	<b>Income</b>	<b>Income</b>
	<b>and</b>	<b>and</b>	<b>and</b>	<b>and</b>
	<b>expenditure</b>	<b>expenditure</b>	<b>expenditure</b>	<b>expenditure</b>
	<b>reserve</b>	<b>reserve</b>	<b>reserve</b>	<b>reserve</b>
	£'000	£'000	£'000	£'000
Balance at start of year	57,858	53,145	57,940	53,218
Surplus from Statement of Comprehensive income	6,694	6,595	6,728	6,604
Surplus/(Deficit) from Actuarial defined pension scheme	<u>8,160</u>	<u>(1,882)</u>	<u>8,160</u>	<u>(1,882)</u>
<b>Balance at 31 March</b>	<b><u>72,712</u></b>	<b><u>57,858</u></b>	<b><u>72,828</u></b>	<b><u>57,940</u></b>

The notes form an integral part of these accounts.

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

### STATEMENT OF CASH FLOWS

FOR THE YEAR ENDING 31 MARCH 2020

	<b>Group 2020 £'000</b>	<b>Group 2019 £'000</b>	<b>Association 2020 £'000</b>	<b>Association 2019 £'000</b>
<b>Net cash generated from operating activities (see Note 30)</b>	8,562	11,517	8,645	11,451
<b>Cash flow from investing activities</b>				
Purchase of tangible fixed assets	(42,310)	(27,984)	(42,501)	(27,980)
Proceeds from sale of tangible fixed assets	4,955	3,411	4,955	3,411
Investment	(57)	(50)	-	-
Grants received	840	9,066	840	9,066
Interest received	4	3	7	3
<b>Cash flow from financial activities</b>				
Interest paid and loan fees	(2,018)	(1,888)	(2,017)	(1,887)
New secured loans	<u>26,500</u>	<u>7,500</u>	<u>26,500</u>	<u>7,500</u>
<b>Net change in cash and cash equivalents</b>	<b>(3,524)</b>	<b>1,575</b>	<b>(3,571)</b>	<b>1,564</b>
Cash and cash equivalents at start year	<u>3,927</u>	<u>2,352</u>	<u>3,904</u>	<u>2,340</u>
Cash and cash equivalents at end of year	<b><u>403</u></b>	<b><u>3,927</u></b>	<b><u>333</u></b>	<b><u>3,904</u></b>

The notes form an integral part of these accounts.

## **SALIX HOMES LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDING 31 MARCH 2020

#### **1 LEGAL STATUS**

Salix Homes Group Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a Private Registered Provider of Social Housing. The registered office is Diamond House, 2 Peel Cross Road, Salford, M5 4DT.

The principal activity includes the provision of affordable homes to rent, sheltered and supported accommodation for older people and homelessness services which support vulnerable people.

The group comprises the following entities:

Salix Homes Limited is the parent of the Group.

Salix Homes Developments Limited, a non-registered subsidiary was incorporated under the Companies Act 2006. Salix Homes Developments was incorporated on 5th September 2016.

Salix Living Limited, a non-registered subsidiary incorporated under the Companies Act 2006. Salix Living Limited was incorporated on 5th September 2016 but was dormant during the period of these statements.

#### **2 PRINCIPAL ACCOUNTING POLICIES**

##### **a) Basis of Accounting**

The financial statements of the Group and Company have been prepared in accordance with applicable Accounting Standards in the United Kingdom including Financial Reporting Standard 102 (FRS102). The financial statements have also been prepared in compliance with the Statement of Recommended Practice for registered social housing providers: SORP 2018 and the Accounting Direction for Social Housing in England 2019.

The accounts are prepared for the year ending 31 March 2020.

Salix Homes Limited is a public benefit entity and has therefore applied the PBE prefixed sections of FRS102.

These financial statements are presented in sterling £ the functional currency of the group, rounded to the nearest £1k.

##### **b) Basis of Consolidation**

The consolidated financial statements incorporate the financial statements of Salix Homes Limited (parent) and its subsidiary undertakings Salix Homes Developments Limited (SHDL) and Salix Living Limited (SLL). Details of these subsidiaries are given in note 33.

##### **c) Going Concern**

The financial statements have been prepared on a going concern basis taking into account the Directors' consideration of budgets and cashflows forecast by the Company.

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

#### d) Judgements and key sources of estimation uncertainty

**COVID 19** - The lockdown commenced on the 23<sup>rd</sup> March, one week before the end of the financial year, there were no staff furlough until April onwards and due to the uncertainty of the impact of Covid 19 no assumptions were made in relation to material costs in the year-end financial statements. There has also been no material impact to cash collection levels and therefore no adjustment in relation to income levels in the 2019/20 financial statements is required.

**Development expenditure** - development expenditure is capitalised in accordance with the accounting policy described in note 2g. Initial capitalisation of costs is based on management's judgement that any development scheme is confirmed, usually when Board approval has taken place incorporating access to the appropriate level of funding. In determining whether a project is likely to proceed, management monitors the development and considers if changes have occurred that result in impairment.

**Categorisation of housing properties** - a detailed review of the intended use of all housing properties has been undertaken. In determining the intended use it has been considered if the asset is held for social benefit or to earn commercial rentals.

**Other properties** - other properties include assets such as commercial units and shops. These properties are accounted for as a fixed asset and carried at historic cost less accumulated depreciation. These are currently in at a nil value.

**Tangible Fixed Assets** - tangible fixed assets are depreciated over their useful lives in accordance with the policy described in note 2g.

**Government Grants** - Government grants are amortised over the expected life of components as described in note 2g. In relation to performance related grants these are released to the statement of comprehensive income once any relevant conditions have been met.

**Impairment of Financial Assets** - a review of potential impairment of housing properties is carried out on an annual basis and any impairment in an income generating unit is recognised by a charge to the statement of comprehensive income. Impairment is recognised where the carrying value of an income generating unit exceeds the higher of its net realisable value or its value in use. An income generating unit could be a single property, but it is normally a group of properties whose income and expenditure can be separately identified.

#### e) Turnover

Turnover represents rental and service charge income, it also represents contract income for Housing Choice, management and other fees, and revenue based grants receivable from local authorities and from the Homes and Communities Agency. This also includes recharges to tenants in relation to repairs and court costs.

#### f) Bad Debts

A provision for bad debts is made in line with our policy and is dependent on the age of the debt.

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

## 2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

### g) Housing Property Assets

#### Tangible Fixed Assets

Tangible fixed assets are accounted at cost with the transferring properties measured at fair value (i.e., EUV-SH for accounting purposes). The assets are depreciated over their useful lives.

#### Development

Development costs of properties are capitalised where the costs are directly attributable to bringing the properties into working condition for their intended use.

#### Capitalisation of interest

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents

- a) Interest on borrowings specifically financing the development programme after deduction of related grants received in advance, or
- b) a fair amount of interest on borrowings of the Association as a whole after deduction of grant received in advance to the extent that they can be deemed to be financing the development programme

#### Government grants

Government grants include grants receivable from Homes England and other government organisations. Government grants received for housing properties are recognised in comprehensive income over the useful life of the housing property structure under the accruals model.

As part of the stock transfer a scheme of 101 properties were included which had been subject to government grant of £8.126m. The fair value of the obligation to repay or recycle the government grant is reflected in the fair value of the housing properties and therefore no additional value is attributed to the government grant transferred.

A further 70 properties have been acquired from other Registered Housing providers with a grant liability of £1.696m, this is reflected in the fair value of the housing properties with no additional value attributed to the government grant transferred.

Grants relating to revenue are recognised in the SOCI over the same period as the expenditure to which they relate providing all conditions of the grant have been met.

#### Contingent Liability

If the properties with social housing grant were disposed there would be a liability to repay or recycle the grant identified above. During the period from transfer to 31<sup>st</sup> March 2020 there have been three preserved right to buy disposals and a scheme change of use which were subject to this liability. This involved a repayment of the contingent grant liability of £0.347m which was transferred to the Recycled Capital Grant Fund to be utilised accordingly, see note 20 for remaining RCGF balance

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 MARCH 2020

### 2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

#### Housing Property Assets (cont)

##### Depreciation

Completed housing properties have been split between their land and structure costs and a specific set of major components that require periodic replacement. Land is not depreciated.

Replacement of such a component is capitalised and then depreciated over the estimated useful life of the component at the following economic lives:

<b>Component</b>	<b>UEL (years)</b>
Structure Traditional	70 to 100 years straight line
Structural Non Traditional & High Rise	40 to 60 years straight line
Kitchens	20 years straight line
Bathrooms	30 years straight line
Communal Improvements	15 years straight line
Electrics	40 years straight line
Heating System	30 years straight line
Boilers Communal	30 years straight line
Boilers Domestic	15 years straight line
Pitched roofs	70 years straight line
Flat Roof (High Rise)	30 years straight line
Roofline	30 years straight line
Windows	30 years straight line
External Doors	30 years straight line
Lifts	20 years straight line
CCTV & Door Entry System	15 years straight line
External Curtilage (Parking & Fencing)	20 years straight line
Cladding & Rendering for Tower Blocks	40 years straight line
Insulation (low-rise & houses)	30 years straight line
Sprinklers	40 years straight line

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2020

#### 2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

##### h) Other Tangible Assets

Depreciation is provided on all other tangible fixed assets, at rates calculated to write off each asset evenly over its expected useful life as follows:

<b>Other Fixed Assets</b>	<b>UEL (years)</b>
Office properties & improvements to leaseholds	4 years straight line
Scheme assets	3 years straight line
Environmental equipment	3 years straight line
Computer equipment	4 years straight line
Fixtures, fittings & equipment	4 years straight line

##### i) Disposals

The surpluses or deficits arising from disposal of properties under the preserved right to buy legislation are disclosed within SOCI operating costs. The surplus amount that is held to fund future development is accounted for through the disposal proceeds fund, see note 19.

##### j) Operating Leases

Operating lease rentals paid are charged to the SOCI on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received on leases to enter into operating lease agreements are released to the Statement of Comprehensive Income over the term of the non-cancellable lease.

##### k) Pensions

The cost of defined benefit pension schemes is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. The mortality rate is based on publicly available mortality tables for the sector. Future salary increases and pension increases are based on expected future inflation rates for the sector. Further details are given in note 12.

There is also a defined contribution scheme in operation, this is based on a fixed percentage of salary. The contribution rates are 3.2% to 6% for employees with the employer contributing 1.5 times. Further details are given in note 12b. The cost of providing retirement pension and related benefits is charged to management expenses over the periods benefiting from the employee's services.

##### l) Cost Allocation

Employee costs and overheads have been apportioned to the various operating costs in proportion to the amount of time spent on those activities.

##### m) Loan Arrangement Fee

Loan arrangement fees are written off evenly over the life of the related loan. Loans are stated in the balance sheet at the amount of the net proceeds after arrangement costs, with premiums and costs of issue being accounted for in accordance with FRS102 Section 11.

## **SALIX HOMES LIMITED AND ITS SUBSIDIARIES**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020**

#### **2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**

n) Value Added Tax (VAT)

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

o) VAT Shelter

Salix Homes has an approved VAT Shelter which commenced in March 2015 and is expected to last for 15 years from that date. As a result, expenditure incurred on the Improvement Programme under this arrangement is expected to be recovered in full, with these being distributed between Salix Homes and the Council in accordance with the terms in the transfer agreement. The balance of VAT recoverable at the year-end will be included as a current asset in the statement of financial position.

p) Corporation tax

Salix Homes Limited has charitable status and therefore it is exempt from income and corporation tax on its income and gains falling within Chapter 3 Part 11 of the Corporation Tax Act 2010 or S256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects.

However, if Salix Homes incurs any income or costs that are not considered to be charitable activities, then it will be subject to corporation tax on those costs. Taxation is charged on the surpluses of SHDL and SLL, surpluses in either whole or part are transferred to the parent by gift aid. Corporation tax payable is calculated at the rates prevailing at the balance sheet date.

q) Finance costs

Finance costs are charged to the income and expenditure account in the year.

r) Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued or prepaid at the balance sheet date.

s) Provisions for Liabilities and Charges

Provisions represent Salix Homes liability to undertake the refurbishment works under the Development Agreement entered into with Salford City Council, as detailed in Note 24.

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

#### 2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

t) Service Charges

Salix Homes operates variable service charges on a scheme by scheme basis in full consultation with residents. The charges will include an allowance for the surplus or deficit from the prior year, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered, they are held as creditors or debtors in the statement of financial position.

Where periodic expenditure is required a provision may be built up over the years, in consultation with residents. Until these costs are incurred this liability is held in the statement of financial position within long term creditors.

u) Financial instruments - debt

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS102 are accounted for under an amortised cost model.

v) Investment

The investment relates to a Greater Manchester Joint Venture which is a development vehicle formed between ten registered housing providers in the North West and the Greater Manchester Combined Authority. The joint venture will develop new housing across the Greater Manchester region. There has been no assumption made for profit share on the grounds of materiality.

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 MARCH 2020

### 3 - TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

<u>Group</u>	Note	2020			
		Turnover	Operating Costs	Gain/(Loss) on Disposals	Operating Surplus
		£'000	£'000	£'000	£'000
Social Housing Lettings	4	34,201	(28,620)	-	5,581
<b>Other Social Housing:</b>					
Housing Choice		1,625	(1,500)	-	124
VAT Shelter		627	-	-	627
Development Services		-	(399)	-	(399)
Gain on disposals		-	-	3,664	3,664
Other		-	(62)	-	(62)
<b>Non-Social Housing Activities:</b>					
Other		626	(1,487)	-	(861)
Communal Heating		205	(300)	-	(95)
Managed for others		94	(139)	-	(45)
Outright Sales		956	(918)	-	38
Roof Space Income		80	(23)	-	57
Private Sector Leasing		<u>1,774</u>	<u>(1,601)</u>	-	<u>174</u>
		<b><u>40,188</u></b>	<b><u>(35,049)</u></b>	<b><u>3,664</u></b>	<b><u>8,803</u></b>

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 MARCH 2020

### 3 - TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

<u>Group</u>	Note	2019			
		Turnover	Operating Costs	Gain/(Loss) on Disposals	Operating Surplus
		£'000	£'000	£'000	£'000
Social Housing Lettings	4	34,211	(28,252)	-	5,959
<b>Other Social Housing:</b>					
Housing Choice		1,521	(1,581)	-	(59)
VAT Shelter		627	-	-	627
Development Services		-	(259)	-	(259)
Gain on disposals		-	-	2,534	2,534
Other		20	(384)	-	(364)
<b>Non-Social Housing Activities:</b>					
Other		782	(948)	-	(166)
Communal Heating		190	(231)	-	(41)
Managed for others		86	(113)	-	(27)
Roof space income		90	(30)	-	60
Private Sector Leasing		<u>1,356</u>	<u>(1,253)</u>	-	<u>102</u>
		<b><u>38,883</u></b>	<b><u>(33,051)</u></b>	<b><u>2,534</u></b>	<b><u>8,366</u></b>

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 MARCH 2020

### 3 - TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

<u>Association</u>	Note	2020			
		Turnover	Operating Costs	Gain/(Loss) on Disposals	Operating Surplus
		£'000	£'000	£'000	£'000
Social Housing Lettings	4	34,201	(28,620)	-	5,581
<b>Other Social Housing:</b>					
Housing Choice		1,625	(1,500)	-	124
VAT Shelter		627	-	-	627
Development Services		-	(369)	-	(369)
Gain on disposals		-	-	3,664	3,664
Other		-	(62)	-	(62)
<b>Non-Social Housing Activities:</b>					
Other		626	(1,487)	-	(861)
Communal Heating		205	(300)	-	(95)
Managed for others		94	(139)	-	(45)
Outright Sales		956	(918)	-	38
Roof space income		80	(23)	-	57
Private Sector Leasing		<u>1,774</u>	<u>(1,601)</u>	-	<u>174</u>
		<b><u>40,188</u></b>	<b><u>(35,019)</u></b>	<b><u>3,664</u></b>	<b><u>8,833</u></b>

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 MARCH 2020

### 3 - TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

<u>Association</u>	Note	2019			
		Turnover	Operating Costs	Gain/(Loss) on Disposals	Operating Surplus
		£'000	£'000	£'000	£'000
Social Housing Lettings	4	34,211	(28,252)	-	5,959
<b>Other Social Housing:</b>					
Housing Choice		1,521	(1,581)	-	(59)
VAT Shelter		627	-	-	627
Development Services		-	(251)	-	(251)
Gain on disposals		-	-	2,534	2,534
Other		20	(384)	-	(364)
<b>Non-Social Housing Activities:</b>					
Other		782	(948)	-	(166)
Communal Heating		190	(231)	-	(41)
Managed for others		86	(113)	-	(27)
Roof space income		90	(30)	-	60
Private Sector Leasing		<u>1,356</u>	<u>(1,253)</u>	-	<u>102</u>
		<b><u>38,883</u></b>	<b><u>(33,043)</u></b>	<b><u>2,534</u></b>	<b><u>8,374</u></b>

**SALIX HOMES LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 MARCH 2020**4 INCOME AND EXPENDITURE FROM SOCIAL HOUSING****Group & Association**

	<b>General Needs Housing £'000</b>	<b>Supported Housing £'000</b>	<b>2020 Total £'000</b>	<b>2019 Total £'000</b>
<b>Income from Social Housing Lettings</b>				
Rent Receivable	29,611	1,059	30,670	30,579
Service Charge Income	1,594	212	1,806	1,819
Amortised Grant	164	18	182	46
Government Grant taken to Income	782	-	782	929
Charges for Support Services	-	62	62	60
Other Income	<u>699</u>	<u>1</u>	<u>700</u>	<u>778</u>
<b>Total Income from Social Lettings</b>	<b><u>32,850</u></b>	<b><u>1,351</u></b>	<b><u>34,201</u></b>	<b><u>34,211</u></b>
<b>Expenditure on Social Housing Lettings</b>				
Management	11,146	331	11,477	9,961
Service Charge costs	1,487	348	1,835	1,958
Routine Maintenance	6,455	274	6,729	7,250
Planned Maintenance	3,781	193	3,973	2,434
Major Works Maintenance	1,333	1	1,334	4,157
Rent Loss from Bad Debts	116	8	124	233
Depreciation of housing properties	3,020	123	3,143	2,254
Other Costs	<u>5</u>	-	<u>5</u>	<u>5</u>
<b>Total Expenditure on Social Housing Lettings</b>	<b><u>27,342</u></b>	<b><u>1,278</u></b>	<b><u>28,620</u></b>	<b><u>28,252</u></b>
<b>Operating Surplus on Social Housing Lettings</b>	<b><u>5,509</u></b>	<b><u>72</u></b>	<b><u>5,581</u></b>	<b><u>5,959</u></b>
Void Losses	<u>134</u>	<u>14</u>	<u>148</u>	<u>200</u>

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

#### Group & Association

#### 5 STAFF NUMBERS & COSTS

	2020	2019
Average Number Employed	No	No
Directors & Board	3	3
Office, estate & operative staff	232	224
Maintenance	45	58
Caretakers and cleaners	45	40
	<u>325</u>	<u>325</u>
Part-time	25	23
Full-time	300	302
Total	<u>325</u>	<u>325</u>
Full time equivalents	<u>315</u>	<u>315</u>

Full time equivalents have been calculated using the normal hourly week of 36 hours or 38 hours for repair operatives.

Staff Costs for the Above	2020	2019
	£'000	£'000
Salaries	9,277	8,907
Social Security Costs	898	857
Other Pension Costs	<u>2,660</u>	<u>2,401</u>
	<u>12,835</u>	<u>12,165</u>

Higher paid employees in bands above £60,000 per annum

	No	No
£60,000 - £70,000	5	5
£70,000 - £80,000	1	-
£80,000 - £90,000	-	-
£90,000 - £100,000	-	2
£100,000 - £110,000	1	-
£120,000 - £130,000	-	-
£130,000 - £140,000	<u>1</u>	<u>1</u>
	<u>8</u>	<u>8</u>

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 MARCH 2020

### Group and Association

#### 6 DIRECTORS REMUNERATION

	2020 £'000	2019 £'000
The aggregate amount of emoluments payable or receivable by executive Directors and former executive directors	<u>388</u>	<u>402</u>
The aggregate amount of emoluments payable to Board of Management	<u>70</u>	<u>72</u>
The emoluments by member is as follows:		
Grainne Heselwood (Chair)	11	9
Peter Fitzhenry	-	5
Greig Lees	5	5
James King	5	5
John Cockerham	7	7
Paul Whitehead	7	7
Darren Watmough	-	2
Darren Quirk	5	5
Stephen Hesling	-	1
James Battle	9	5
Stephen Coen	-	1
Barbara Bentham	5	5
Margaret Bryant	5	5
Khalil Rehman	5	5
Greg Van Enk-Bones	<u>5</u>	<u>4</u>
	<u>70</u>	<u>72</u>
The emoluments (excluding pension contributions) of the highest paid Director (the Chief Executive) were:	<u>140</u>	<u>136</u>
Total expenses reimbursed to the Board of Management	<u>4</u>	<u>2</u>

The Chief Executive is an ordinary member of the pension scheme as detailed in note 12. The pension scheme is a career average salary scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by the employer of £27,180 (2019: £26,647) was paid in addition to the personal contributions of the Chief Executive.

Directors (key management personnel) are defined as members of the Board, the Chief Executive and any other person who is a member of the Executive Team or its equivalent.

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 MARCH 2020

### Group and Association

#### 7 SURPLUS ON SALE OF HOUSING PROPERTIES

	<b>Group</b>	<b>Group</b>	<b>Association</b>	<b>Association</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Disposal Proceeds	4,910	3,438	4,910	3,438
Carrying value of asset	(1,168)	(878)	(1,168)	(878)
Right to Acquire Grant	45	-	45	-
Recycling of Grant	(90)	-	(90)	-
Other costs associated with sale	<u>(32)</u>	<u>(42)</u>	<u>(32)</u>	<u>(26)</u>
	<u>3,664</u>	<u>2,518</u>	<u>3,664</u>	<u>2,534</u>

#### 8 INTEREST RECEIVABLE

	<b>Group</b>	<b>Group</b>	<b>Association</b>	<b>Association</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Finance income from bank deposit	4	3	4	3
Intra Group Interest receivable	-	-	<u>3</u>	-
	<u>4</u>	<u>3</u>	<u>7</u>	<u>3</u>

#### 9 INTEREST AND FINANCING COSTS

	<b>Group</b>	<b>Group</b>	<b>Association</b>	<b>Association</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Finance costs on secured housing loans	1,564	1,134	1,564	1,134
Non-utilisation fees	338	418	338	418
Amortisation of loan fees	135	135	135	135
Other associated fees	116	17	115	16
Finance costs on pension actuarial gains	<u>250</u>	<u>184</u>	<u>250</u>	<u>184</u>
	2,403	1,888	2,402	1,887
Less: interest capitalised on housing properties under construction	<u>290</u>	<u>109</u>	<u>290</u>	<u>109</u>
	<u>2,113</u>	<u>1,779</u>	<u>2,112</u>	<u>1,778</u>

During 2020 Capitalised interest was charged at 3.47%, (2019: capitalisation rate = 3.34%).

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 MARCH 2020

### Group and Association

#### 10 TAXATION

Salix Homes has charitable status and therefore it is exempt from income and corporation tax on its income and gains falling within chapter 3 Part 11 of the Corporation Tax Act 2010 or S256 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objectives. The taxation shown below relates to activities before the date of registration.

10a Taxation for the current year is zero	<b>Group 2020 £000</b>	<b>Group 2019 £000</b>	<b>Association 2020 £000</b>	<b>Association 2019 £000</b>
Tax on profit on ordinary activities				
<b>Analysis of tax credit for the period</b>				
Current Tax				
UK Corporation tax at 19% (2019: 19%)	-	(5)	-	(5)
Deferred Tax	-	-	-	-
Effect of Tax rate change	-	-	-	-
Origination and reversal of timing differences	-	-	-	-
Total Deferred Tax charge	-	-	-	-
<b>Tax on profit on ordinary activities</b>	-	<u>(5)</u>	-	<u>(5)</u>
	<b>Group 2020 £000</b>	<b>Group 2019 £000</b>	<b>Association 2020 £000</b>	<b>Association 2019 £000</b>
<b>11 Surplus on ordinary activities</b>	6,694	6,595	6,728	6,604
<b>Stated after charging:-</b>				
Depreciation - Housing Properties	3,143	2,254	3,143	2,254
Depreciation - Other Fixed Assets	654	284	654	284
Amounts due in respect of operating leases:-				
- Land & Buildings	1,191	1,154	1,191	1,154
- Other	258	284	258	284
Auditor's remuneration:-				
- in their capacity as auditors	17	17	15	15
- other than as auditors	12	11	12	11

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 MARCH 2020

### Group & Association

#### 12 PENSION OBLIGATIONS:

##### Local Government Pension Scheme

The Organisation participates in the Greater Manchester Pension Fund, a defined benefit career average pension scheme. The assets of the scheme are invested and managed independently of the finances of the organisation. Contributions to the fund are made in accordance with valuations made by professionally qualified independent actuaries. The total contributions made for the year ended 31 March 2020 were £1.680k, of which employer's contributions totalled £1,242k and employees contributions totalled £439k. The agreed contribution rates for future years are 19.7% for employers and range from 5.5% to 11.4% for employees on the 100% scheme and half for the 50% members, depending on salary.

##### Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund 31 March 2016 updated to 31 March 2020 by a qualified independent actuary.

	2020	2019
Rate of increase for pensions in payment / inflation	1.8%	2.4%
Rate of increase in salaries	2.6%	3.2%
Discount rate for scheme liabilities	2.3%	2.5%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations at retirement age of 65 are:

	2020	2019
<i>Retiring today</i>		
Males	20.5 years	21.5 years
Females	23.1 years	24.1 years
<i>Retiring in 20 years</i>		
Males	22.0 years	23.7 years
Females	25.0 years	26.2 years

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 MARCH 2020

### Group & Association

#### 12 PENSION OBLIGATION (CONTINUED)

Local Government Pension Scheme (continued)

#### Analysis of the amount charged to operating costs in the Statement of Comprehensive Income

	<b>2020</b>	<b>2019</b>
	£'000	£'000
Employer service cost (net of employee contributions)	2,739	2,656
Past service cost	-	-
<b>Total operating charge</b>	<b>2,739</b>	<b>2,656</b>

#### Analysis of pension finance income/(costs)

Expected return on pension scheme assets	867	826
Interest on pension liabilities	<u>(1,117)</u>	<u>(1,010)</u>
<b>Amounts charged/credited to financing costs</b>	<b>(250)</b>	<b>(184)</b>

#### Movement in Assets and Obligations for the year

Pension Scheme Assets	38,043	33,887
Scheme obligations	<u>(40,791)</u>	<u>(43,242)</u>
<b>Net Actuarial (obligation)/asset on scheme recognised</b>	<b>(2,748)</b>	<b>(9,355)</b>

#### Movement in (deficit)/surplus during year

	<b>2020</b>	<b>2019</b>
	£'000	£'000
Deficit in scheme at beginning of year	(9,355)	(6,321)
Movement in year:		
Employer service cost (net of employee contributions)	(2,739)	(2,656)
Employer contributions	1,436	1,688
Past service cost	-	-
Net interest/return on assets	(250)	(184)
Re-measurements	<u>8,160</u>	<u>(1,882)</u>
<b>Deficit in scheme at end of year</b>	<b>(2,748)</b>	<b>(9,355)</b>

#### 12b. AVIVA PENSION SCHEME

The Aviva Pension Scheme is a defined contribution scheme and is Salix Homes' auto enrolment scheme. Contributions are based on a fixed percentage of salary. Participation as an employer in the scheme commenced on 1st April 2017. The total contributions for the year ending 31st March 2020 were £194.3k (2019: £73.5k), made up of £116.2k employer and £78.1k employee contributions. The employer contribution rates are 1.5 times the employee rates, the latter ranging between 3.2% minimum to 6% maximum.

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 MARCH 2020

### 13- PROPERTY, PLANT AND EQUIPMENT

	Properties Held for Letting	Properties under construction	Property Held for Letting Non- Social Housing	Association 2020 Total Properties £'000	Group 2020 Total Properties £'000
<b>Cost</b>					
At start of year	111,787	9,033	847	121,667	121,655
Addition of properties	-	11,511	-	11,511	11,321
Addition of components	29,334	-	-	29,334	29,334
Interest Capitalised	-	290	-	290	290
Disposals	(1,339)	-	-	(1,339)	(1,339)
Acquisition from another RP	663	-	-	663	663
Transferred on completion	<u>2,533</u>	<u>(2,533)</u>	<u>-</u>	<u>-</u>	<u>-</u>
At end of year	<u>142,978</u>	<u>18,301</u>	<u>847</u>	<u>162,126</u>	<u>161,924</u>
<b>Less: Depreciation</b>					
At start of year	5,672	-	15	5,687	5,687
Charge for year	3,148	-	4	3,152	3,152
Disposals	<u>(171)</u>	<u>-</u>	<u>-</u>	<u>(171)</u>	<u>(171)</u>
At end of year	<u>8,649</u>	<u>-</u>	<u>19</u>	<u>8,668</u>	<u>8,668</u>
<b>Net Book Value</b>					
At start of year	106,115	9,033	832	115,980	115,968
At end of year	<u>134,329</u>	<u>18,301</u>	<u>829</u>	<u>153,459</u>	<u>153,256</u>

Additions to properties during the period include capitalised interest and finance costs of £0.290m (2019:£0.109m) and capitalised staff costs of £0.620m (2019: £0.628m). Works to existing properties totalled £42.603m for 2020 (2019:£37.085m), of which £29.334m (2019:£22.271m) was capitalised and the remainder expensed to operating costs.

#### 13.1 - MAJOR REPAIRS EXPENDITURE ON EXISTING PROPERTIES

Group & Association	<b>2020</b>
	<b>£'000</b>
Capitalised major repair works	29,334
Revenue major repair works	<u>1,334</u>
	<u>30,668</u>

**SALIX HOMES LIMITED AND ITS SUBSIDIARIES**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 MARCH 2020**Group and Association****14 - OFFICES AND EQUIPMENT**

	<b>Office Properties &amp; Improvements to Leaseholds £'000</b>	<b>Computer Equipment £'000</b>	<b>Scheme Assets £'000</b>	<b>Furniture, Fittings and Equipment £'000</b>	<b>2020 Total £'000</b>
<b>Cost</b>					
At start of year	403	2,055	23	167	2,648
Additions	517	424	-	51	992
Disposals	-	-	-	-	-
At end of year	<u>920</u>	<u>2,478</u>	<u>23</u>	<u>218</u>	<u>3,639</u>
<b>Less Depreciation</b>					
At start of year	324	371	14	63	772
Charge for year	73	535	4	41	653
Disposals	-	-	-	-	-
At end of year	<u>397</u>	<u>906</u>	<u>18</u>	<u>104</u>	<u>1,425</u>
<b>Net Book Value</b>					
At start of year	<u>79</u>	<u>1,684</u>	<u>9</u>	<u>104</u>	<u>1,876</u>
At end of year	<u>523</u>	<u>1,572</u>	<u>5</u>	<u>114</u>	<u>2,214</u>

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

<b>15 TRADE RECEIVABLES</b>	<b>Group 2020 £'000</b>	<b>Group 2019 £'000</b>	<b>Association 2020 £'000</b>	<b>Association 2019 £'000</b>
Arrears of rent, service charges and other debt	2,245	2,250	2,245	2,250
<b>Less : Provision for bad and doubtful debts</b>	<u>(1,107)</u>	<u>(1,133)</u>	<u>(1,107)</u>	<u>(1,133)</u>
	1,138	1,117	1,138	1,117
 HMRC	 324	 582	 302	 576
Prepayments	697	680	697	680
Trade receivables	738	870	738	870
Amounts due from Group undertakings	-	-	3	27
Other receivables	1,354	916	1,354	916
Prepayment of improvement contract	<u>11,471</u>	<u>15,460</u>	<u>11,471</u>	<u>15,460</u>
	<b><u>15,723</u></b>	<b><u>19,625</u></b>	<b><u>15,704</u></b>	<b><u>19,646</u></b>
<b>Due after more than one year</b>				
Inter Company Loan	-	-	107	50
Prepayment of Improvement Contract	<u>67,118</u>	<u>85,631</u>	<u>67,118</u>	<u>85,631</u>
	<b><u>67,118</u></b>	<b><u>85,631</u></b>	<b><u>67,225</u></b>	<b><u>85,681</u></b>
 <b>16 CASH AND CASH EQUIVALENTS</b>				
	<b>Group 2020 £'000</b>	<b>Group 2019 £'000</b>	<b>Assoc 2020 £'000</b>	<b>Assoc 2019 £'000</b>
Cash at bank	<u>403</u>	<u>3,927</u>	<u>333</u>	<u>3,904</u>
	<b><u>403</u></b>	<b><u>3,927</u></b>	<b><u>333</u></b>	<b><u>3,904</u></b>

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 MARCH 2020

### 17 TRADE PAYABLES - AMOUNTS FALLING DUE WITHIN ONE YEAR

	<b>Group</b>	<b>Group</b>	<b>Association</b>	<b>Association</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	£'000	£'000	£'000	£'000
Finance costs payable	125	135	125	<b>135</b>
Rent received in advance	1,625	1,655	1,625	1,655
Accruals	1,424	2,248	1,192	2,246
Amounts due to contractors	4,801	4,701	4,316	4,427
Amounts due to Group undertakings	-	-	714	204
Corporation Tax	-	-	-	-
Deferred Grant	363	403	363	403
Disposal Proceeds Fund	-	553	-	553
General payables	1,337	902	1,337	902
Grant received in advance	-	-	-	-
HMRC	221	214	221	214
Recycled Capital Grant Fund	89	-	89	-
Trade payables	<u>426</u>	<u>709</u>	<u>426</u>	<u>709</u>
	<b><u>10,411</u></b>	<b><u>11,520</u></b>	<b><u>10,408</u></b>	<b><u>11,448</u></b>

### 18 DEFERRED GRANT INCOME

	<b>Group</b>	<b>Group</b>	<b>Association</b>	<b>Association</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	£'000	£'000	£'000	£'000
<b>Opening Balance</b>	10,877	1,499	10,877	1,499
Grants received during the year:				
Purchase/development of properties	59	3,922	59	3,922
Grant Cladding	-	5,144	-	5,144
Disposal Proceeds utilised in the year	553	285	553	285
Grants Recycled in the year	-	73	-	73
Grant disposal due to change of use	(94)	-	(94)	-
Released to income in year	<u>(182)</u>	<u>(46)</u>	<u>(182)</u>	<u>(46)</u>
	<b><u>11,213</u></b>	<b><u>10,877</u></b>	<b><u>11,213</u></b>	<b><u>10,877</u></b>
To be released to the statement of comprehensive income				
Within one year	363	403	363	403
Greater than one year	<u>10,850</u>	<u>10,474</u>	<u>10,850</u>	<u>10,474</u>
	<b><u>11,213</u></b>	<b><u>10,877</u></b>	<b><u>11,213</u></b>	<b><u>10,877</u></b>

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 MARCH 2020

### 19 DISPOSAL PROCEEDS FUNDS

	<b>Group</b> <b>2020</b> £'000	<b>Group</b> <b>2019</b> £'000	<b>Association</b> <b>2020</b> £'000	<b>Association</b> <b>2019</b> £'000
<b>Opening Balance</b>	553	836	553	836
Proceeds recycled	-	-	-	-
Proceeds utilised	(553)	(285)	(553)	(285)
Notional finance costs charged	:	<u>2</u>	:	<u>2</u>
<b>Closing Balance</b>	-	<b><u>553</u></b>	:	<b><u>553</u></b>
Due in less than one year	-	553	-	553
Due in greater than one year	:	:	:	:
	:	<b><u>553</u></b>	:	<b><u>553</u></b>

Withdrawals from the disposal proceeds fund were used as follows:  
Acquisition of Rakes Lane and property buy backs

### 20 RECYCLED CAPITAL GRANT FUND

	<b>Group</b> <b>2020</b> £'000	<b>Group</b> <b>2019</b> £'000	<b>Association</b> <b>2020</b> £'000	<b>Association</b> <b>2019</b> £'000
<b>Opening Balance</b>	89	162	89	162
Proceeds recycled	185	-	185	-
Proceeds utilised	-	(73)	-	(73)
Notional finance costs charged	:	:	:	:
<b>Closing Balance</b>	<b><u>274</u></b>	<b><u>89</u></b>	<b><u>274</u></b>	<b><u>89</u></b>
Due in less than one year	89	-	89	-
Due in greater than one year	185	89	185	89
	<b><u>274</u></b>	<b><u>178</u></b>	<b><u>274</u></b>	<b><u>178</u></b>

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 MARCH 2020

### Group & Association

#### 21 TRADE PAYABLES - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<b>2020</b>	<b>2019</b>
	£'000	£'000
Housing property loans	63,325	36,690
Deferred Grant (note 18)	10,850	10,474
Disposal Proceeds Fund (note 19)	-	-
Recycled Grant Fund (note 20)	185	89
	<u>74,360</u>	<u>47,253</u>

Housing Property Loans are repayable as follows:-

In 5 years or more	64,000	37,500
Less Loan arrangement fees	675	810
	<u>63,325</u>	<u>36,690</u>

**Housing Loans were advanced by :-**

	<b>2020</b>	<b>2019</b>
	£'000	£'000
Banks	64,000	37,500
	<u>64,000</u>	<u>37,500</u>

As at 31 March 2020 all loans were in respect of Housing Properties.

The loan portfolio is based on the following:

Fixed Facility at fixed rate of 3.29% (inc margin of 1.6%)	15,000	15,000
Fixed Facility at fixed rate of 3.40% (inc margin of 1.6%)	15,000	15,000
Fixed Facility at fixed rate of 4.18% (inc margin of 1.6%)	15,000	7,500
Revolving Facility at variable rate plus 1.6% margin	10,000	-
Fixed Term Facility at variable rate plus 1.6% margin	9,000	-
	<u>64,000</u>	<u>37,500</u>

Total facilities undrawn at 31st March 2020 were £36m.

**Loan Facility Undrawn**

Term	36,000	52,500
Revolving facility	-	10,000
	<u>36,000</u>	<u>62,500</u>

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 MARCH 2020

### 22 ANALYSIS OF CHANGES IN LONG TERM FINANCING DURING THE YEAR

	2020	2019	2020	2019
	Group		Association	
	Housing Loans		Housing Loans	
	£'000	£'000	£'000	£'000
Balance at start of year	37,500	30,000	37,500	30,000
Shares issued	-	-	-	-
Shares surrendered	-	-	-	-
Changes in financing within one year	-	-	-	-
Cash inflow from financing	26,500	7,500	26,500	7,500
Loan repayments	-	-	-	-
Balance at end of year	<u>64,000</u>	<u>37,500</u>	<u>64,000</u>	<u>37,500</u>

### 22a RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Group	Group	Association	Association
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Opening Cash	3,927	2,352	3,904	2,340
(Decrease)/Increase in cash in the period	(3,524)	1,575	(3,571)	1,564
Repayment of loans	-	-	-	-
Loans received	<u>(26,500)</u>	<u>(7,500)</u>	<u>(26,500)</u>	<u>(7,500)</u>
Changes in net debt	(30,024)	(5,925)	(30,071)	(5,936)
Net debt at 1 April 2019	<u>(33,573)</u>	<u>(27,648)</u>	<u>(33,596)</u>	<u>(27,660)</u>
Net debt at 31 March 2020	<u>(63,597)</u>	<u>(33,573)</u>	<u>(63,667)</u>	<u>(33,596)</u>

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

#### Group and Association

#### 23 OPERATING LEASES

As at 31 March 2020 Salix Homes Group had total commitments under non-cancellable operating leases as set out below:

		<b>2020</b>	<b>2019</b>
		£'000	£'000
Land & Buildings	<i>Lease period ending:</i>		
	within 1 year	613	777
	2-5 years	726	1,269
	5 + years	-	-
		<b><u>1,339</u></b>	<b><u>2,046</u></b>
Other Operating Leases	within 1 year	193	277
	2-5 years	319	522
	5 + years	-	-
		<b><u>512</u></b>	<b><u>799</u></b>

#### 24 PROVISIONS

	<b>2020</b>	<b>2019</b>
<b>Balance Sheet</b>	£'000	£'000
Opening balance	101,091	114,776
Provision for improvement works	-	-
Utilised	<u>(22,502)</u>	<u>(13,685)</u>
	<b><u>78,589</u></b>	<b><u>101,091</u></b>

The provision for future improvement work is part of an agreement with Salford City Council to improve properties within the Salford Stock Transfer. The agreement commenced on 23rd March 2015 and is for a fifteen year period. This provision is offset by a prepayment trade receivable disclosed in note 15.

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

25 NON-EQUITY SHARE CAPITAL	Group	Group	Association	Association
	2020	2019	2020	2019
<b>Shares of £1 each Issued and Fully Paid</b>	£	£	£	£
At beginning of year	10	9	10	9
Issued during the year	-	2	-	2
Surrendered during the year	-	<u>(1)</u>	-	<u>(1)</u>
At end of year	<b><u>10</u></b>	<b><u>10</u></b>	<b><u>10</u></b>	<b><u>10</u></b>

The shares are not transferable or redeemable. The shares provide members with the right to vote at general meetings but do not provide any rights to dividends or distributions. Each member's liability is limited to £1 on a winding up of the Company.

### 26 FINANCIAL ASSETS AND LIABILITY

	Group	Group	Association	Association
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Cash and cash equivalents	403	3,927	333	3,904
Financial instruments measured at amortised cost	4,252	4,165	4,233	4,186
Financial liabilities at amortised cost	<u>(84,771)</u>	<u>(58,772)</u>	<u>(84,768)</u>	<u>(58,700)</u>
	<b><u>(80,115)</u></b>	<b><u>(50,680)</u></b>	<b><u>(80,202)</u></b>	<b><u>(50,610)</u></b>

### 27 GRANT AND FINANCIAL ASSISTANCE

	Group	Group	Association	Association
	2020	2019	2020	2019
	£'000	£'000	£'000	£'000
Total accumulated government grant and financial assistance received or receivable	12,085	1,881	12,085	1,881
Recognised as income in statement of Comprehensive income	782	1,137	782	1,137
Held as deferred capital grant	<u>59</u>	<u>9,067</u>	<u>59</u>	<u>9,067</u>
	<b><u>12,925</u></b>	<b><u>12,085</u></b>	<b><u>12,925</u></b>	<b><u>12,085</u></b>

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 MARCH 2020

#### 28 CAPITAL COMMITMENTS

	<b>Group 2020 £'000</b>	<b>Group 2019 £'000</b>	<b>Association 2020 £'000</b>	<b>Association 2019 £'000</b>
a) Capital expenditure that has been contracted for but not provided for in the financial statements	<u>21,629</u>	<u>46,905</u>	<u>21,629</u>	<u>34,113</u>
Proposed method of financing:-				
Cashflow	3,848	9,778	3,848	3,186
Grant	2,507	2,717	2,507	2,717
Property Sales	5,838	9,318	5,838	3,118
Agreed Loans	<u>9,435</u>	<u>25,092</u>	<u>9,435</u>	<u>25,092</u>
	<u>21,629</u>	<u>46,905</u>	<u>21,629</u>	<u>34,113</u>
b) Capital expenditure that has been authorised by the Board of Management but not contracted for	<u>39,993</u>	<u>58,434</u>	<u>39,993</u>	<u>58,434</u>
Proposed method of financing:-				
Cashflow	2,848	-	2,848	-
Property Sales	7,990	17,670	7,990	17,670
Grant	8,883	11,020	8,883	11,020
Agreed Loans	<u>20,273</u>	<u>29,745</u>	<u>20,273</u>	<u>29,745</u>
	<u>39,993</u>	<u>58,434</u>	<u>39,993</u>	<u>58,434</u>

#### 29 CONTINGENT LIABILITY

As at 31 March 2020 Salix Homes Limited has a contingent liability in respect of properties which were subject to government grant of £9.823m. The fair value of the grant is reflected in the fair value of the housing properties. If the properties with social housing grant were disposed of there would be a liability to recycle or repay the grant. To date there have been three property disposals and a scheme change of use trigger which has resulted in £0.347m being recycled leaving a balance of £9.476m.

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 MARCH 2020

### NOTE 30 - CASH FLOW FROM OPERATING ACTIVITIES

	<b>Group</b>	<b>Group</b>	<b>Association</b>	<b>Association</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
	£'000	£'000	£'000	£'000
Surplus for the year	6,694	6,595	6,728	6,599
<b>Adjustments for non cash items:</b>				
Depreciation of tangible fixed assets	3,797	2,537	3,797	2,537
Decrease in trade and other debtors	(87)	(457)	(103)	(532)
(Decrease)/increase in trade and other creditors	(556)	2,704	(487)	2,710
Amortised government grants	(182)	(46)	(182)	(46)
Pension cost less contributions payable	1,303	968	1,303	968
Carrying amount of tangible fixed asset disposals	1,168	878	1,168	878
Cost of properties for outright sale	918	-	918	-
<b>Adjustments for investing or financial activities</b>				
Proceeds from the sale of tangible fixed assets	(4,865)	(3,438)	(4,865)	(3,438)
Proceeds from the sale of outright sales	(955)	-	(955)	-
Government grants utilised in year	(782)	-	(782)	-
Interest and financing costs	2,113	1,779	2,112	1,778
Interest received	<u>(4)</u>	<u>(3)</u>	<u>(7)</u>	<u>(3)</u>
	<u>8,562</u>	<u>11,517</u>	<u>8,645</u>	<u>11,451</u>

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 MARCH 2020

### Group and Association

#### 31 ACCOMMODATION OWNED & MANAGED

<b>Social housing accommodation in management</b>	<b>2020</b>	<b>2019</b>
Social rent	7,283	7,397
Affordable Rent	11	4
Housing for Older Persons (HOPS)	297	297
Keyworker Accommodation	26	26
Temporary Accommodation	57	54
Temporary Accommodation managed for others	46	46
<b>Total Units</b>	<b>7,720</b>	<b>7,824</b>

#### **Social housing managed by Tenant Management Organisation**

Social rent	197	199
<b>Total Units</b>	<b>197</b>	<b>199</b>

#### **Non social housing accommodation in management**

Asylum Seekers	9	9
Non Residential	34	36
Other	13	10
Managed for others	237	209
Leaseholders	453	429
<b>Total Units</b>	<b>746</b>	<b>693</b>

Units in Development	65	81
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Garages	165	165
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#### **Social Units in Ownership**

Social Housing Accommodation	7,720	7,824
Temporary Accommodation managed for others	-46	-46
Tenant Management Organisation (TMO)	197	199
	<b>7,871</b>	<b>7,977</b>

**The social housing owned units have reduced by 106 units which is due to the following:**

<b>Reason for movement</b>	<b>Unit Nos</b>
Development of newbuild properties	15
Hand back of High Street to Salford as per terms of transfer agreement	-35
Preserved right to buy sales	-84
Demolitions	-32
Acquisition of properties	30
<b>Total movement in year</b>	<b>-106</b>

## SALIX HOMES LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDING 31 MARCH 2020

### Group and Association

#### 32 LEGISLATIVE PROVISIONS

Salix Homes Limited is incorporated under the Co-operative and Community Benefit Societies Act 2014.

#### 33 GROUP UNDERTAKINGS

The consolidated financial statements incorporate the financial statements of Salix Homes Limited (parent) and Salix Homes Developments Limited and Salix Living Limited,

	<b>2020</b>	<b>2019</b>
	£'000	£'000
Amounts contracted for with Salix Homes Developments Limited	5,660	1,887
Amounts charged to Salix Homes Developments Limited for management and administration	92	89

Salix Living Limited is currently dormant.

These companies are non-registered entities and are incorporated under the Companies Act 2006.

These transactions are not included within the Group as they are netted off on consolidation.

A parent guarantee was issued for the initial phase of Beech Farm that has been contracted for by Salix Developments Limited, the remaining sum is £953k which is disclosed in note 28a.

#### 34 RELATED PARTIES

The Company retains a register of Directors interest. During the year there were no interests in related parties that require to be declared.

Salix Homes Limited has one board member who is a tenant, they have a tenancy agreement that is on the Company's normal terms and they cannot use their position as a Board Member to their advantage. Rent charged to the tenant board member was £4,435 (2019: £4,696). There were no arrears on the tenancy at the reporting period end 31st March 2020 (2019: Nil).

No other transactions took place with Directors.

Transactions with entities in which Board directors had declared an interest are summarised below:

	<b>2020</b>	<b>2019</b>
	£'000	£'000
Housing Diversity Network	5	-
Northern Housing Consortium	-	7
National Housing Federation	64	-
Salford City Council	2,979	3,011
Salford Credit Union	10	12
Salford Royal Foundation Trust	18	-
Unite Union	<u>4</u>	<u>3</u>
	<b><u>3,080</u></b>	<b><u>3,033</u></b>