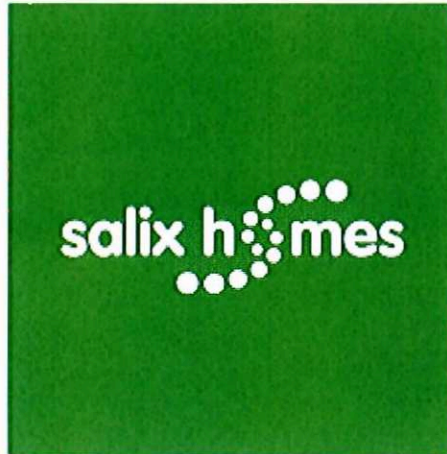


SALIX HOMES LIMITED AND ITS SUBSIDIARIES
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Charitable Society registered under the Co-operative and Community Benefit Societies Act 2014 (FCA) - Registered Number 7051

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

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ASSOCIATION INFORMATION

Members of the Board

Grainne Heselwood to 29 Sept 2020 (Chair)
Jim Battle from 29 Sept 2020 (Chair)
Jim Battle to 29 Sept 2020 (Deputy Chair)
Darren Quirk
Margaret Bryant
John Cockerham
Paul Whitehead
Greig Lees
Khalil Rehman
Aisling McCourt (appointed 1 April 20)
Mark Beyer (appointed 1 April 20)
Pamela Welsh (appointed 1 July 20)

Salix Homes Customer Committee

Margaret Bryant (Chair)
Darren Quirk
Karen Hamilton-Hulse
Cynthia Alloyda
Marta Diaz
Keri Muldoon
Charlotte Haines
Jason Marland
Rashidah Owoseni
Michael Lomas
Vicki Gallagher

Company Secretary

Sara Sharrock

Registered Office

Diamond House
2 Peel Cross Road
Salford M5 4DT

Executive Directors

Sue Sutton	Chief Executive	from 1 st January 2021 <i>(Formerly Deputy Chief Executive to 31st December 2020)</i>
Lee Sugden	Chief Executive	to 31 st December 2020
Sara Sharrock	Executive Director of Resources	from 1 st January 2021 <i>(Formerly Director of Finance from 29th June 2020)</i>
Sian Grant	Executive Director of Operations	from 1 st February 2021

Registered Numbers

Co-operative and Community Benefit Society FCA No 7051
Regulator of Social Housing No 4609

Audit Committee

Paul Whitehead (Chair)
Khalil Rehman
Mark Beyer
Pamela Welsh
Greg van Enk-Bones (Independent Member)

Remuneration & Governance Committee

Mark Beyer (Chair)
Jim Battle
Darren Quirk
Paul Whitehead

Growth & Development Committee

John Cockerham (Chair)
Greig Lees
Aisling McCourt
Greg van Enk-Bones (Independent Member)

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 2021.

Legal Structure

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.

Salix Homes has two wholly owned, private limited subsidiary companies which operate from the same registered address, Salix Homes Developments Limited reg no 10359332– primary aim provision of design and construction services and Salix Living Limited reg no 10359220, primary aim the construction of domestic buildings – currently dormant.

Principal Activities and review of the business

Salix Homes is a not-for-profit registered provider of social housing formed in 2015 after transfer from Salford City Council. We are a key delivery partner both in our native Salford and across Greater Manchester as a whole, building homes, transforming services and investing in communities. The principal activity of the Group is the management, maintenance and development of affordable homes.

We pride ourselves in putting our customers at the heart of what we do, whilst rethinking and modernising how services are delivered to improve residents' experience and tackle the key challenges facing our communities.

We own and manage around 8,000 homes across Salford, with some additional properties in neighbouring areas. We have a real mix of homes including 18 high-rise blocks, plus a wide range of medium and low-rise apartment blocks, traditional terraced streets, large housing estates and accommodation for older people. Salix also owns and manages around 250 properties on behalf of Derive, Salford Councils development company, and private landlords under management & lease arrangements. In addition, Salix Homes was contracted during 2020/21 to manage Housing Choice and Support services on behalf of Trafford Council. We are also a member of Hive Homes, a Joint Venture along with 9 other housing associations and the Greater Manchester Combined Authority (GMCA). The purpose of Hive Homes is to deliver housing for sale, with the aim of generating returns to reinvest into the housing association's core social housing business. Two sites have been acquired with developments underway on one site and negotiations and planning are progressing well across other sites.

This year has seen significant changes and challenges not least from the Covid 19 pandemic but also internally following the recruitment of our new CEO in January 2021 and a number of changes at both the Executive and Senior Management level. During the pandemic we were quickly able to comply with 'covid safe guidance' which enabled us to protect our customers and colleagues and continue to deliver the vast majority of our services to customers with limited disruption, whilst supporting our most vulnerable customers and working with our Partners to support our communities. Our colleagues have worked tirelessly during the pandemic to ensure our continued operations and we continue to support our colleagues in these new ways of working. The majority of colleagues are working from home which was quickly mobilised supported by our cloud based IT structure. Colleagues and tenants have also given their time during the pandemic to support local community groups and had recognition in the Spirit of Salford Community Action Awards 2021 one of our colleagues was awarded Volunteer of the Year in recognition of their hard work with a local community group and one of our tenants picked up the Neighbour of the Year award in recognition of all they do to support their community.

We launched our ambitious Build Back Better operating model in June 2021, this will enable the business to support the Social Housing White Paper, the Building Safety Bill and lessons learned from the Covid pandemic. In response we developed our plans which resulted in the reorganisation of our workforce to ensure that we are able to deliver future priorities, apply learning from our experiences of working during the pandemic to help inform our thinking and ensure our tenants have a voice and that we are accountable for our services and performance. We launched our customer charter 'Our Promise

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to You' which has been developed with our customer and sets out our commitment to delivering excellent services. We have also commenced engagement with our colleagues around agile working in preparation for the post covid environment.

During the year we collected several awards, at the Northern Housing awards we were awarded 'Best Resident Involvement Initiative for our Salix Homes Customer Committee and 'Best Digital Transformation', we were awarded 'Digital Landlord of the Year' status by the UK Housing Awards and 'Gold' status by Investors in People under the new more rigorous assessment criteria. We continued to develop our customer experience online through the development of MySalix during 2021 including the enhancement of our web chat, chat bot and online reporting services.

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.

Despite the challenging operating environment resulting from the Covid-19 pandemic financial performance during the year has been strong, demand for rented homes has continued although Right to Buy sales have decreased. We have seen some excellent results in performance indicators in spite of the financial, welfare and employment impact of Covid on our communities.

Our Strategy

Our Vision - "Helping communities to live, grow and thrive together" enables us to focus, ensuring everything we do as an organisation is for the benefit of our communities, customers and their homes.

Our Values - drive the attitudes and behaviours of our people in everything we do

Be Bold Creative and future-focused; our people challenge the norm improving ourselves, the organisation and others

Be Successful We're strong and committed to excellence because we know it provides the best possible value for our customers.

Be Active We do not stand by, we make things happen proactively working with our people, communities and partners

Be Inclusive Honest to the core and respectful of others; our people live and breathe Salix Homes, providing the best service in the best way for the individual.

Our Corporate Plan – Our Future 2020-2023

Our corporate plan is set around 3 key themes accompanied by actions and measures for how we will succeed.:

Our Homes Providing high quality homes for our customers:

Our Business Fit for today and prepared for tomorrow:

Our Services Delivering first class services to support people and places:

A combination of global challenges, changes in consumer behaviour and our determination to help tackle the housing crisis have informed our thinking behind our 3-year corporate plan, Our Future. 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, our plan is shaped to work with the modern world. [Salix Homes Corporate Plan](#)

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

Whilst we come to terms with the impact of Covid and the inequalities magnified our plan has put a renewed focus on how we build back better and support our communities to renew and thrive.

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Area	We will	Achieve	Success
Our Homes	Sustain out home quality standard whilst building a safer & greener future	Maintain Salix Homes Property Standard	<ul style="list-style-type: none"> • % Of homes meeting Salix Homes Property Standard
		Maintain 100% home safety compliance	<ul style="list-style-type: none"> • Compliance framework (x7 measures)
		Develop a carbon neutral strategy to become carbon neutral by 2038	<ul style="list-style-type: none"> • Savills presenting to April Away Day – Stock/Office/Fleet • Green Strategy by 2023
	Delivering quality, diverse and affordable homes	Develop a contemporary standard of homes for older people	<ul style="list-style-type: none"> • Reassessing need and approach 21/22
		Increase the number of affordable homes	<ul style="list-style-type: none"> • Number of properties newly built, acquired or in development
		Be an influential partner in developing innovative solutions to tackle the housing crisis	<ul style="list-style-type: none"> • Suite of measures inc. Willo Homes, Kara Street, Ethical Letting Agency, Next Steps Accommodation Partnership and Community Led Housing
Our Business	Viable, efficient and well governed	Optimise our operating performance to enhance financial strength	<ul style="list-style-type: none"> • Maintenance of G1V2 regulatory statement • VFM `s
		Ensure a strong and influential customer voice through our new customer engagement arrangements	<ul style="list-style-type: none"> • No. of decisions/policy developments influenced via customer voice • No. of customers who have influenced services
		Develop and implement a Data Strategy that supports how we deliver customer services	<ul style="list-style-type: none"> • Board Approved data strategy
	A great place to work with a high performing workforce	Review colleague communication and engagement channels to transform internal collaboration	<ul style="list-style-type: none"> • Internal Comms/Engagement Suite (Satisfaction/Clicks/Interaction)
		Invest in our people through the delivery of comprehensive training, including our accredited Leadership Programme	<ul style="list-style-type: none"> • Platinum Investors in People rating by 2023
		Introduce a new more modern employee offer	<ul style="list-style-type: none"> • Employee Satisfaction %
Our Services	Improve the customer experience ensuring it is future ready	Optimise our service delivery model ensuring the right type of service is provided at the right time	<ul style="list-style-type: none"> • % Of interactions completed right first time • % Of avoidable contact
		Deliver services that meet customers' needs and expectations and maximise data informed customer satisfaction	<ul style="list-style-type: none"> • % Of digital transactions via MySalix • Movement of customers to self-service transactions from phone (transition) • Repeat usage of MySalix by customer
		Deliver services that provide a consistent coherent and integrated customer journey regardless of contact channel	<ul style="list-style-type: none"> • % Of customers satisfied with their last interaction • % Of customer service officers with satisfactory or above call quality monitoring score
	Supporting people and places to achieve their potential	Develop our social value framework to maximise positive impact of our investment	<ul style="list-style-type: none"> • Social Value Suite (££s in social value generated form out contracts/partners, % of spend within GM, Skills and Works measures)

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	Develop a plan to prioritise and tailor support to our most vulnerable customers	<ul style="list-style-type: none"> • Number of successful referrals made to partners • % Of tenancy sustainability where a referral or intervention is made • Satisfaction with ASB response/case management
	Introduce a programme of place making to promote sustainable communities	<ul style="list-style-type: none"> • Satisfaction with landlord contribution to the neighbourhood associated with their home

We launched our corporate plan in 2020/21 after a six month delay due to Covid 19. We have made good progress on the delivery of our ambitious development programme of 100 homes a year with our 2 major developments remaining on site during the lockdown period with Covid safe working practices. The Beechfarm regeneration scheme continues to progress well with 113 of the 160 new homes handed over and occupied, including our first 21 homes for outright sale. The remaining 43 homes, which includes a further 19 homes for sale, will complete by the end of December 2021. The completion of the £22m scheme will be the final element of Salix Homes commitment within the transfer agreement to address the historical subsidence issues faced by many homes within the estate.

During 2020/21 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. The scheme handed over in May 2021 and is the Association's first intermediate rents development under Homes England's Rent to Buy initiative.

Our future developments include an ambitious transformation in Seedley/Langworthy providing 157 new environmentally sustainable homes for a broad mix of tenures, 91 properties being developed by Salix Homes for a range of affordable tenures.

The development of 24 x 2 bed apartments for social rent in Partington, Trafford, and the development of our ambitions for a Contemporary Older Persons offer, including obtaining planning permission for our first extra care scheme comprising of 70 apartments plus lifestyle facilities.

During 2020/21 fire safety works remained a priority for the organisation across both high rise and sheltered housing. We have continued to work with the Government's Building Safety Team (MHCLG) through its Early Adopter Programme to support the early implementation of both the Fire Safety Bill and the draft Building Safety Bill proposals. We have been testing and learning from some of the proposed legislative changes, specifically around Safety Cases, Mandatory Occurrence Reporting and have commenced an organisational building safety culture change programme. In addition to the establishment of a customer committee which will assist in developing resident engagement strategies for our buildings in scope. 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 with particular emphasis on major hazard risk identification and risk prioritisation tools. We have also completed the remediation of the failed Aluminium Composite Panel cladding systems on all our high-rise buildings, which commenced in 2018. Our work and commitment to addressing building safety was commended by Dame Judith Hackitt in May 2021.

This has been a challenging year for the delivery of our property investment programme. The Covid pandemic and Brexit delayed the programme and access to residents' properties has been problematic. However, we continued to deliver an ambitious programme which ensured we conformed to our Decent Homes Standard obligations. We also completed major projects on Fitzwarren Court providing good quality affordable accommodation to a high-rise block, that had previously been sign posted for demolition, with a new heating system and external wall insulation.

Our Colleagues

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

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In 2020/21 as well as delivering to our strategy we have supported our colleagues through the COVID pandemic. We achieved this through the relaxation and review of several policies and processes and the establishment of COVID safe working practices in conjunction with our unions ensuring that colleagues have been able to continue working safely throughout the pandemic.

The People Services Strategy is based on the four key themes linked to our organisational vision.

Live - Attraction and Retention

In 2020/21 we rolled out the e-recruitment module to continue to improve the application process for candidates and managers and we have reviewed our colleague induction process through our Learning Management System (LMS) which improves the new starter experience and compliments the corporate induction and makes the best use of technology.

Grow - People Development

We are extremely proud to have retained our Investors in People (IiP) Gold standard after re-assessment during the year.

We have successfully moved to a virtual delivery of our training offer ensuring training could continue during the pandemic, this included the Mental Health First Aider training, our leadership development programme 'Broaden Your Horizon' and the Leading Salix programme. We have continued our colleague development with four colleagues starting apprenticeship qualifications during the year and we have taken on three kickstart placements through the DWP initiative.

We have introduced the nationally recognised Level 2 Diploma in Customer Service and a further custom designed course on Effective Customer Governance which gained excellent results from a quality assurance visit from the Northern Council for Further Education (NCFE).

Thrive - Leadership, Engagement and Wellbeing

We introduced 360 feedback for our Senior Leaders, with individual feedback sessions and follow up actions. We supported our colleagues early in the pandemic by providing support sessions around the transition to a virtual way of working and managing.

We continue to focus on employee wellbeing, with an emphasis in supporting positive mental health including several wellbeing workshops and have increased the number of in-house mental health first aiders to support our colleagues.

Together – Service Excellence

We have continued to work closely with our unions in relation to legislative updates and changes to process and procedure. This was particularly successful as part of our approach to supporting colleagues during the pandemic including access to the Governments furlough scheme.

Our Build Back Better organisational review will ensure that the organisation is in the best possible place to deliver the 'Our Future' corporate plan.

Governance Arrangements

Board and Committee

Board membership is detailed on page 3.

The Salix Homes Board is responsible for the strategic direction of the organisation and ensuring the achievement of the organisation's vision and the objectives set out in the Corporate Plan. To do so, the Board establishes the organisation's overall policy and strategy and monitors compliance with its values and performance targets within a clearly defined framework of delegation and system of control. Our Board is complemented by a new Salix Homes Customer Committee, who are in place to scrutinise our services and work hand-in-hand with the Board

During 2020/21, the Board has met on nine occasions and held three formal Board away days.

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The Board currently consists of ten members, all appointed following application, skills assessment and interview. All Board members completed a thorough induction process and once appointed, undertake an annual appraisal.

The 29 September 2020 AGM saw Salix Homes' long-standing Chair, Grainne Heselwood, retire to be replaced by Jim Battle. 2020/21 also saw three new Board members take up their positions.

The current Board has a gender mix of 70% male members and 30% female. During the 2020/21 financial year, attendance at Board meetings was at 97%.

Operational management is delegated to the Executive Team (detailed on page 3) 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 its behalf.

Governance Structure

Salix Homes currently has four committees who support the Board. 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. During 2020/21, the Audit Committee has met six times.

The Remuneration and Governance 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. During 2020/21, the Remuneration and Governance Committee has met four times.

The Growth and Development Committee has oversight responsibility for growth and development and property investment, and the carbon agenda, 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. During 2020/21, the Growth and Development Committee has met five times.

The Salix Homes Customer Committee (SHCC) ensures the Regulator of Social Housing's Consumer Standards are being met and agreed local service standards are being adhered to, utilising independent internal audit and scrutiny reviews as necessary to provide assurance. At the start of 2020/21, the newly formed Committee was operating in shadow mode prior to commencing formal duties in September 2020. Since this time, the Committee has met five times and held one away day.

The Board and Committees have met in 'virtual' form throughout 2020/21 due to the Covid-19 government restrictions.

Subsidiary Companies

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

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 Regulator of Social Housing 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.

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In March 2021 the Board were presented with an assessment of compliance against the 2020 Code of Governance and approved its adoption. The table below highlights our key areas of focus during 21/22 on our route to compliance with the new Code. None of the actions captured were unexpected, with most requiring updates or amends to existing documents. For those actions requiring a greater degree of focus e.g., customer engagement, building safety and EDI work was already well underway.

Principle 1	<ul style="list-style-type: none"> • Launch of Customer Engagement Strategy. • Continued development of the Customer Engagement Strategy, specifically in relation to building safety and implementation, for the purposes of the new Building Safety and Fire Safety Regimes. • Publish annual Customer Voice Report. • Approval of EDI Strategy and action plan. • Development of the Gateway Model. • Development and approval of the Supporting Communities Strategy. • Development of a framework to evaluate, promote and report on culture.
Principle 2	<ul style="list-style-type: none"> • Development and publication of an ESG Strategy/Statement. • SHDL to submit an annual report to Board. • Salix Homes' Board to formally determine if the new code should apply to each of its subsidiaries.
Principle 3	<ul style="list-style-type: none"> • Recruit to Vice Chair position. • Draft a Board member grievance/dispute resolution policy/procedure. • Capture how the views and needs of key stakeholders, including residents and other customers, have informed decision making.
Principle 4	<ul style="list-style-type: none"> • Draft a committee specific Statement of Preferred Skills, Experience and Knowledge.

The Board confirms full compliance with the RSH Regulatory Standards.

The Board confirms compliance with all relevant law applicable during 2020/21.

Customer led scrutiny and involvement

Salix Homes has a customer committee of 11 customers, two of which are board members. The customer committee were recruited in 2019 and have attended intensive training with an optional qualification. The customer committee undertook a shadow mode period from March 2020-July 2020 and have been fully operating since September 2020.

Salix Homes Customer Committee work alongside the Board and Audit Committee to ensure the organisation is compliant with the consumer regulatory standards. The committee 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.

The customer committee have shaped Salix Homes services, including informing how we Build Back Better and a new operating model, our communities' strategy and our customer service strategy. The customer committee have shaped our customer charter, Our Promise to You, launched in June 2021 which centralises Salix Homes' approach to the consumer standards, Together with Tenants, Building a Safer Future Charter and the anticipated changes arising from the Social Housing White Paper.

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 is used for one off pieces of scrutiny that have been commissioned by Salix Homes Customer Committee on a task and finish basis.

Two scrutiny panels have been formed in the last 12 months, one focussing on the COVID-19 response from the business and the other focussing on further growing the engagement structure in light of the changes arising from the social housing white paper. The recommendations from scrutiny have been approved and are monitored by the customer committee and reported to Board. Further work is now being undertaken to deliver the recommendations.

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Health and Safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Group has a dedicated internal Health and Safety Team which oversees health and safety management across all colleague functions, and a dedicated building safety directorate that looks after all building safety and compliance, with additional external expertise where required. This includes comprehensive health and safety policies, procedures, risk assessments, training and advise.

Financial Overview

The financial statements report an operating surplus of £7.7m (£8.8m 2020) the reduction is primarily due to a reduction in surplus on disposal of properties of £1.7m due to reduced numbers of Right to Buy sales during the year as a result of the Covid pandemic, and a surplus for the year of £1.9m (£3.6m 2020). An ongoing reduction in right to buy sales for the next 4 years has been built into budgets and the business plan and further stress testing carried out in this area.

Before the accounting treatment to reflect the actuarial pension adjustment, an operating surplus of £6.3m in 2020/21 (£8.2m 2020) would have been reported.

The statements record a surplus after taxation of £5.6m (£6.7m 2020).

Group turnover of £42.1m has increased by £2m in the year and operating costs of £36.5m have increased by £1.5m mainly as a result of outright property sales and the cost of property sales at the Beechfarm development.

Turnover from social lettings increased by 2.7% in April 2021, this is the first increase since 2015 due to Government restrictions.

The statement of financial position records a provision of £56.4m which is offset by a corresponding amount in debtors, this represents the remaining nine-year provision for future improvement work as part of a fifteen-year period of work agreed with Salford Council as part of the March 2015 stock transfer agreement. These are the works eligible for reclaiming of VAT through the VAT shelter that has been approved by HMRC.

The GMPF end of year pension report has seen a substantial increase in the pension deficit of £8.732m to £11.48m, based on the position reported by the Fund's actuaries.

Total comprehensive income has reduced from £14.9m to a negative £2.4m this is as a result of the actuarial loss re the GMPF which is recognised in the income statement. The loss during the year was £7.972m (gain £8.16m 2020) reflecting the impact of accounting for retirement benefits in accordance with Financial Reporting Standard 102 Retirement Benefits ('FRS 102').

The Covid-19 pandemic and Brexit has not had a significant impact on the financial results for the year although this will continue to be closely monitored.

Gift aid payments of £87k (nil 2020) were received by Salix Homes during the year from subsidiary SHDL.

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 31st of March 2021, Salix complied with all financial covenants.

At 31 March 2021, Salix Homes had total loan facilities of £100m of which £75.5m had been drawn (£64m 2020), 99.9% of the Group's housing properties were charged as loan security (2020: 99.5%).

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The Group manages the risk of fluctuations in interest rate through a mixture of variable and fixed rate debt. As at 31 March 2021 the Group had 72.3% fixed rate debt (70.3% 2020) with maturity dates of March 2025. The treasury management strategy approved in July 2021 specifies that the minimum proportion of fixed rate/hedged borrowings is a minimum of 70%. Fixed rate loans are on an embedded basis and the Group has no standalone derivatives.

As at 31 March 2021, the weighted average interest rate was 2.84% (3.47% 2020)

The RSH's requirements identify that 18 months' capital liquidity should be available. This requirement has been met or exceeded throughout 2020/21. 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 Group held cash balances totalling £404k (2020: £403k) of which £394k (2020: £393k) was held in an overnight deposit account at an annual interest rate of 0.01%.

The reserves of the group at 31 March 2021 totalled £70.0m (2020: £72.7m). 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 2021 are at a level that is appropriate for the business.

We are working with our funders and our newly appointed treasury advisors, Savills, to ensure that our fixed rate loans are converted from Libor to Sonia in line with specified deadlines.

Performance & Value for Money

Salix Homes is committed to ensuring Value for Money (VfM) in the delivery of services which underpin our corporate priorities to provide high quality homes and first-class services to support people and places.

As part of our new corporate plan "Our Future" we will be reviewing and aligning our VFM and Procurement strategies to ensure they support our services particularly in the current climate. Our current VFM framework contains 4 key principles:

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

The framework combines VfM metrics set by the Regulator of Social Housing (RSH) supported by our Key Operational indicators. We closely monitor how we perform against the framework to assist in assessing how we are providing VfM in achieving our objectives.

Procurement remains central to the achievement of value for money and aligned to our corporate plan we will launch our 2021/23 strategy in the year ahead. We are working with our Customer Committee to expand resident involvement in our procurement processes building on the recommendations in the social housing white paper.

As we transition from a stock transfer organisation, we are developing a financial strategy to focus on our costs and performance over the next 3 years ahead of refinancing. A key priority is to improve our financial strength building resilience and creating headroom within the business plan to ensure we have capacity to withstand shocks and have choices to address the challenges ahead including possible further austerity post Covid-19, Brexit, investment in our homes for building safety, carbon reduction and energy efficiency in our existing and new homes and to increase the number of affordable homes. We have started this journey by reviewing how we deliver our services as part of our Build Back Better (BBB) programme. We will use benchmarking results to gain a deeper understanding of our costs and inform priority areas for review in order to improve our cost per unit.

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The following VFM targets have been included within the 21/22 budget and business plan.

Area	Saving per annum	Duration
BBB colleague and related costs - operations	£414k yr. 1 then £497k	recurring
Routine maintenance – procurement/reduced use of sub-contractors & Managed Store	£150k	recurring
Overheads – back-office costs	£100k	Recurring from year 2
Major repairs/investment & Gas Servicing procurement savings	£250k	Yrs. 1 & 2

We utilise the PAVE asset evaluation tool to calculate the return on our asset investment, this is a net present value (NPV) based asset grading system which classifies our properties as red, amber or green (RAG rating), based on stock condition, neighbourhood and other performance and financial data. This helps inform our decisions, with a view to improving performance across all our properties. These results have supported a review of our older persons housing offer which is now an action in our new corporate plan.

We are committed to improving social returns in our communities both directly by supporting our tenants into employment, training and apprenticeship opportunities and by working with our suppliers as part of our procurement process and through our involvement in the Greater Manchester Housing Providers (GMHP) social value projects. Please see our Social Impact report which will be available on our website once published.

Performance and Value for Money 2020/21

The tables below show our operational performance during the year compared to previous year and target indicators, including commentary on our areas for improvement and our value for money principles.

Value for money principles key:

- 1 - Providing a high-quality service to our customers and colleagues
- 2 - Optimising our income and financial return on our assets
- 3 - Improving the quality of life of our customers and those who live in our communities
- 4 - Increasing the efficiency in the delivery of our services and use of resources

Indicator	VFM Principle	19-20 Actual	20-21 Target	20-21 Actual	Above/ On Target	Trend
% Of customers satisfied with their most recent transaction	1	93.67%	95%	88.62%	✗	↓
% Of customers satisfied with their overall repair service	1	N/A	99%	87.3%	✗	↑
% Of customers satisfied with the outcome of their ASB complaint	3	100%	95%	100%	✓	▬
% Of employees who are happy working for Salix Homes	1	82%	90%	n/a	?	?
% Of environmental services rated as excellent	3	72.7%	75%	73.7%	✗	↑

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Indicator	VFM Principle	19-20 Actual	20-21 Target	20-21 Actual	Above/ On Target	Trend
% Of repairs completed in a single visit	4	98.9%	90%	91.8%	✓	↓
% Of repairs appointment kept	4	99.3%	99%	99.4%	✓	↑
% Of emergency repairs completed within timescale	1	100%	100%	100%	✓	▬
% Of properties that meet the Decent Homes standard	2	100%	100%	100%	✓	▬
% Of phone calls answered by call centre in 60 seconds	1	93.8%	90%	71.6%	✗	↓
Number of Customers supported into work, training or volunteering	3	255	150	103	✗	↓
Average annual days lost per employee due to sickness absence	4	9.30 days	8.50 days	5.10 days	✓	↑
Average managed re-let time	4	9.5 days	14 days	9.1 days	✓	↑
% General needs properties currently tenanted	4	99.6%	99.5%	99.6%	✓	▬
% Of sheltered properties currently tenanted	4	100%	98.3%	99%	✓	↓
Rent arrears of current tenants as a percentage of rent due	2	1.68%	1.68%	1.62%	✓	↑
Current and former rent and service charge collection rate (exc. arrears brought forward)	2	99.66%	99.66%	99.61%	✗	↓
% Of self-service transactions	4	75.04%	85%	80.77%	✗	↑
Number of properties newly built acquired or in development by 2020	2	342	100	115	✓	↓
Current Salix Homes regulatory status	N/A	G1V2	G1V2	G1V2	✓	▬

Our performance overall is good, but we always strive to improve.

There are six measures where we have missed the target and one unreportable measure, we detail below why this has occurred and what we are doing to improve going forwards.

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Area of redress	Comment	Future Target
% Of customers satisfied with their most recent transaction	<p>Last year we changed how we carried out these surveys, moving from a telephone survey towards an email/ SMS survey. The new survey methodology is more economical to run and provides a greater level of detail and analysis. As part of this change, we carried out a benchmarking exercise with our GMHP partners to see where performance should be targeted. This benchmarking showed that a target of 80% satisfaction was the standard across GMHP.</p> <p>Based on our performance from 2019/20, the benchmarking exercise and the impact the change of methodology will have on satisfaction, we have revised our target to 85%. This is above the standard for GMHP but is a reduction on our previous target of 95% to take into account the impact the change of methodology will have on the satisfaction score (lower satisfaction is generally reported through email/SMS surveys due as the respondent is not talking directly to a person). The new survey methodology enables performance to be reported against individual operatives, we use this to improve how we perform.</p>	85%
% Of customers satisfied with their overall repair service	<p>We have changed how we carry out this survey moving from collecting survey responses from telephone surveys to email/SMS survey. We have developed a new target for this based on an average percentage of the pervious months' performance. The survey allows us to analyse performance against individual operatives so this information can be used to improve quality of repairs..</p>	87%
% Of environmental services rated as excellent	<p>This measure has struggled to meet target throughout the year. In order to better understand trends and to more easily carry out analysis on the survey we will be moving the survey to the CX Feedback platform used in repairs and customer service. This will provide us more information to better understand the issues driving dissatisfaction.</p> <p>In order to improve the service, as part of Build Back Better, we have expanded the service to address both customer feedback and to align with the focus of the white paper.</p>	75%
% Of phone calls answered by call centre in 60 seconds	<p>This measure is being removed from the corporate suite as we move away from speed of answering to focus on quality of call handling (which will be a new target for 2021/22). This also supports our transition to digital services.</p> <p>This measure met target for 9 months but during the last quarter staffing issues due to Covid, long term sickness and our transition towards our digital services impacted performance.</p>	N/A
Number of Customers supported into work, training or volunteering	<p>Performance has been impacted by covid, work in this area has changed during the year with a focus on partnership work with a view to succeeding in the medium to long term rather than the year 20/21. This measure has also been removed for 2021/22 and will be reported in the Social Value report.</p>	N/A
Current and former rent and service charge collection rate (exc. arrears brought forward)	<p>Performance narrowly missed target by £17k. Performance was impacted by covid in the earlier months of the financial year. however, almost recovered to meet target by year end. Performance has started 21/22 strongly being better than target for all months in the first quarter of the year</p>	99.44%
% Of self-service transactions	<p>Performance against this measure has remained static through the year and our ability to increase the number of customers using self-service was impacted by Covid and providing emergency repairs only during certain periods of lock down</p> <p>In order to increase the number of customers transacting with us digitally, we have improved our MySalix offer including upgrades to the chat bot and other functionality. This will be launched in July 21 and</p>	74%

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	we will be proactively pushing our customers to transact with us digitally to improve performance in this area.	
% Of employees who are happy working for Salix Homes	During 2020/21 we had employee surveys, one for the Institute of Customer Services with excellent results and the other for the Investors in People retaining Gold status. We also conducted several Covid related surveys and therefore we decided not to complete an additional annual survey. In 2021/22 we will be carrying out regular pulse surveys which will form part of our colleague satisfaction indicators.	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 each year along with comparisons against our peer's performance. The table below shows our actual performance for 2020/21, actuals with peer group comparison for 2019/20 and our business plan targets for the next 3 years.

VfM Metrics	Actual 2019/20	Peer Group 2019/20	Target 2020/21	Actual 2020/21	Target 2021/22	Target 2022/23	Target 2023/24
1. reinvestment in properties	26.72%	19.23%	19.59%	15.18%	11.65%	11.30%	3.7%
2A. new supply delivered (social)	0.32%	0.64%	1.01%	0.70%	3.36%	0.79%	1.07%
2B. new supply delivered (non-social)	0.11%	0.00%	0.22%	0.19%	0.25%	0.36%	0%
3. gearing	41%	41%	43%	44%	43%	44%	39%
4. % EBITDA – MRI	-889%	99.8%	-39%	29%	14%	122%	218%
5. headline social housing cost per unit	£7,155	£3,583	£4,845	£4,418	£4,334	£3,928	£3,773
6A. operating margin (social housing lettings)	16.32%	22.19%	14.64%	16.75%	14.21%	19.04%	20.02%
6B. operating margin (overall)	12.79%	18.4%	15.24%	13.53%	13.84%	14.53%	19.10%
7. return on capital employed	3.85%	5.41%	4.08%	3.36%	4.06%	4.24%	4.94%

The comparator peer group of 10 housing associations has been selected from more recent stock transfer organisations, also taking account stock numbers and location to reflect similar social demographics.

Overall, the metrics very much reflect the journey of Salix Homes from the completion of the offer document promises in March 2020 and our continued commitment to provide quality homes and services. We continue to provide significant financial investment into our existing properties to maintain the Decent Homes standard and to ensure our properties maintain the highest level of safety for our customers. In order to demonstrate the impact of this, the projected metrics for 2021/22 to 2023/24, taken from the latest financial business plan, have been included to show a longer-term comparison.

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The following paragraphs consider the performance against each metric.

Metric 1 - % reinvestment

The metric for reinvestment / investment in properties (existing stock and new supply) reflects our continued investment in our properties to ensure we maintain 100% decency. We invested in 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 2020/21 we delivered over £8m of works to our existing properties to meet the Decent Homes programme and completed our replacement cladding and fire safety programme in March 2021. This is the primary reason why the reinvestment percentage is higher than the peer group average. 2020/21 investment is slightly behind target due to Covid delays and realignment of programmes. The targets moving forward reflect the lower level of investment required, given that all homes are now fully decent.

Metric 2A – % new supply delivered (social)

This metric relates to new social housing units and shows we are performing above the peer group average. This highlights our development aspirations and our continued commitment to provide much needed homes in Salford and Greater Manchester. 2020/21 supply is slightly behind target due to Covid delays which will be caught up in 2021.

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. During 2020/21 we received grant subsidy of £700k from the Ethical Lettings project, this will see further homes becoming available for affordable rent. The extra supply in this area will continue to support our charitable aims and objectives.

Metric 3 – Gearing

Gearing is debt as a proportion of the net book value of total properties. In 2020/21 we drew down funds of £11.5m in order to continue our Decent Homes programme and development programme, gearing at 44% is slightly above the budget of 43%, this is due to a lower opening cash balance than assumed in the business plan. Given the differing circumstances of peers it is difficult to draw comparisons to the peer average, our results are well within the covenant limits expected of traditional loan covenants.

Metric 4 - % EBITDA – MRI

This metric measures 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. Following completion of the offer document promises EBITDA-MRI is starting to come more in line with our peers and has increased to a positive position of 29% in 2020/21.

This metric is projected to be at 122% in 2022/23 at which time we are looking to move away from our cash-based covenants into more traditional covenant, this will alleviate the need for the bank's annual approval of our Business Plan. We are working alongside our funders to ensure a smooth transition to new covenants which supports our long-term investment and development aspirations.

Metric 5 – Headline social housing cost per unit

Following the completion of our stock transfer promises and achieving decency in March 2020 we can see a significant reduction in our headline costs per unit as our major repairs investments have reduced. In line with our financial strategy, we are focussing on our costs and performance which will inform priority areas for review in order to improve our cost per unit.

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

This measures profitability of social activities and has improved marginally in 2020/21. We forecast further improvements as a result of our Build Back Better (BBB) programme, further efficiencies resulting from our cost review will be built into future business plans.

Metric 7 Return on capital employed

This metric measures operating surplus to total assets less current liabilities. Performance for 2020/21 is behind target as a result of reduced operating surplus due to lower number of Right to Buy sales than budget. Our high cost per unit will also impact on performance in comparison to our peers.

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Streamlined Energy & Carbon Reporting (SECR)

We continue to invest in areas that have a positive impact on the environment, this will support the development of our carbon neutral strategy which we are developing in 2021//22. During the year we have invested in the following areas which resulted in an improvement in our SECR scope 1 & 2 emissions (including energy consumption at offices and communal areas of properties, waste, employee commuting, fleet mileage/fuel, grey fleet mileage and water supply). We will use this information as a baseline to better understand the potential impact of our activities (and those of our tenants) on the environment and to support our strategy.

- installed ground source heat pumps at 136 properties
- built a further 56 properties to Energy Rating B
- installed 390 new combi boilers which have replaced older inefficient models
- installed 143 doors which have replaced older inefficient models

Risk Management

Salix has an established risk management framework which is aligned to our business activities and supports the achievement 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 updating risk reporting and frequency.

Our risk management framework (approved by Board in March 2021) is in place to identify, evaluate and manage the significant risks faced by the Group, arising from our corporate priorities, the wider Sector Risk Profile and the economic operating environment. The Coronavirus Pandemic has impacted many of our key risks.

The Board have an approved risk appetite statement, which currently identifies, development, innovation and use of technology and working in partnership with others as its most risk hungry areas and health & safety and mergers as its most risk averse. Risk appetite indicators are monitored and reported to Board via our performance reporting framework.

Our key risks are reviewed at least ½ yearly by Board including changes to risk profile, and controls in place to mitigate risks. Audit Committee review the strategic risk register in detail each quarter and gains assurance that risks are being appropriately managed.

Risk appetite and risk-based stress testing is an integral part of our financial planning process to understand how change impacts on financial viability, this is considered alongside identified mitigations. The most significant risks currently facing the organisation, along with their reference to the 2020 Sector Risk Profile, are shown in the table below,

Risk area	Key factors and mitigations	Link to Sector Risk Profile 2020
Net zero carbon	<p>Our highest risk, reflecting the work and financial investment required to achieve zero carbon by 2050 or sooner.</p> <p>Property portfolio net carbon assessment March 21 presented to Board. Strategy to be developed by March 22. Currently average band C Energy Performance Certificate rating. Installed ground source heat pumps and insulation/cladding to high rise buildings, developed Eco pods, new development schemes have low carbon measures and technologies. Financial plans stress tested to with estimated costs of meeting net zero carbon. New team established with responsibility for building safety and carbon neutrality.</p>	<p>a) Strategic choices b) Stock quality</p>
Rent collection /arrears	<p>Roll out of UC, impact of the pandemic, ending of Furlough high unemployment leading to reduced rental income.</p> <p>Rent collection policy & procedures in place. Income team trained to support customers with UC claims/ advice. Employment and training</p>	<p>d) Service delivery and accountability to tenants</p>

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	support. Signposting to key partners. Early warning system to identify payment trends. Monitored via performance framework.	
Changes in the external environment	Economic risks, impact of Brexit and Covid pandemic. Monitoring & report on national policy and external environment, monitor impact of Brexit e.g., on costs, customers, availability of goods, working with contractors and suppliers. Updated, stress test & multivariate scenarios tested on business plan, developed mitigation strategies.	a) Strategic choices c) Health and safety d) Service delivery and accountability to tenants
Financial impact of Right to Buy	Change in budgeted/forecast sales and impact on financial plan. Reduction in RTB in 2021 as a result of initial Covid lockdown. Revised business plan prudent assumptions and further stress testing of lower sales.	f) Financing
Repairs and maintenance service upper quartile and efficient	Delivery of customer focussed cost effective service. Covid safe working practices introduced in Mar 20. Emergency, urgent disrepair and safe routine repairs i.e., external completed, backlog caught up at each phase. Some materials delivered to site. No significant impact on materials & labour due to Brexit. Customer satisfaction with the service is good, use of subcontractors to deliver certain services increased costs. Build Back Better review refocuses how we deliver services going forwards, including channel shift to our digital customer offer	d) Service delivery and accountability to tenants
Coronavirus	See detailed section below	a) Strategic choices c) Health and safety d) Service delivery and accountability to tenants
Development programme delivery - including sales	Failure to deliver the approved development programme, to time, standard and within budget, in line with corporate priorities. A number of projects delayed due to Covid. Close monitoring and increased costs minimised due to maintaining some contractor presence on site in a Covid safe environment. Update business plan and further stress testing to reflect delays and potential changes to sales market. Individual scheme appraisal approved by Board Growth and Development Committee scrutinise development plans. Monthly monitoring and Project and Investment Group meetings	e) New supply
Building Safety Compliance	Ensuring all our buildings are safe and compliant, possible Intervention by regulator and HSE. Delivery expectations this year have been fully achieved. We are actively Working with HSE and MHCLG on mandatory occurrence reporting as an early adopter. We are testing the safety case and safety case report proposals and new ways of working in complex buildings. The Building a Safer Future (BSF) audit with the BFS Charter organisation, worked with the MHCLG on the definition of a Responsible Person and Duty Holders in Fire Safety and we expect new safety standards for contractors & mandatory occurrence reporting. Additional resources to support building safety compliance have been included in the 30-year Business Plan based on current MHCLG proposals. In addition, the new Customer Committee in place to represent the customer voice. We are also developing a programme to promote culture change both within the organisation and to external contractors. Established dedicated Building Safety team .	c) Health and Safety d) Service delivery and accountability to tenants
Asset management -	Compliance with required standards and delivery of required financial /social returns. New decent homes standard, link to net zero	b) stock quality

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	carbon risk. Compliance regularly monitored & reported. High % SCS. Programme delays due to Covid managed within future programme. Strategy in place. NPV model identifies poorer performing stock. Regular reporting to Growth & Development Committee	d)Service delivery and accountability to tenants
Loan Covenant compliance	Breach of financial loan covenant due to unforeseen significant expenditure. Incorrect financial planning assumptions and therefore covenant calculations which don't reflect actual requirements. Breach of non-financial covenants. Treasury and business planning advisors review financial planning assumptions and validate business plan. Business plan stress tested. Internal statutory reporting records compliance with covenants. Monthly management accounts and covenant monitoring & reporting. Regular liaison with funders.	f) Financing
Failure to prevent fraud including cyber-attack	Risk of ineffective internal / financial controls and policies and procedures. Lack of strict security controls around the ICT and data protection infrastructure. Segregation of duties payments & payroll. Enhanced penetration testing. Multi Factor Authentication implemented. Additional audit of remote processing. Recruitment controls. Procedures to mitigate tenancy fraud.	a)Strategic choices d)Service delivery and accountability to tenants

COVID-19

A separate risk in relation to Covid-19 was put in place to include the impact of the pandemic, and aid mitigation. Existing risks were reviewed, and the profile of several key risks was increased to reflect the potential impact of Covid. The key areas of risk within the Covid register include.

COVID Risk	Mitigating action/comments
Implementation of lockdown period	Approximately 100 colleagues were furloughed in April/May 2020 Income from the furlough scheme (£168k) was utilised to offset additional Covid-19 related costs.
Remote working – impact on colleagues	Working from home implemented successfully. Covid safe working practices introduced. Trained 20 mental health first aiders, introduced wellbeing courses to support colleagues. Regular team and companywide virtual updates, and interactive colleague events. Focus groups and surveys for Build Back Better.
Impact on responsive works	Emergency urgent and disrepair works have continued as well as key compliance works in line with Covid safe working practices Return to normal capacity working is being implemented.
Impact on planned/improvement works delivery	External works such as roofing have continued as they are able to be completed whilst complying with social distancing rules. The planned programme has been rephased.
Impact on development/growth	Works on development sites on the whole continued in line with social distancing rules, albeit it at a reduced capacity. Increased costs have been minimal due to fixed price contracts. Impact on property sales has been minimal.
Impact on neighbourhood management service delivery	Throughout the pandemic we have continued to maintain support and regular contact with our most vulnerable customers. Essential caretaking and cleaning services provided. Voids have continued to be let remotely and are also being offered to support GM/Salford homelessness initiatives and Salix emergency rehousing
Financial impact of reduced income and increased cost of service provision	Financial impact primarily from reduced RTB sales has impacted on financial performance, future sales forecasts have been revised and further stress testing carried out. Rental income collection is excellent. Additional cashflow monitoring in place, particularly rent arrears. Overdraft facility put in place. Significant undrawn facility. Covid stress testing of financial plan Mar 20, reforecast financial plan Sept 20 – submitted to Funder and

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	Regulator. Increased monitoring of costs and development/investment works and financial covenants, enhanced forecasting.
Business continuity	Established Covid specific business continuity group to maintain services and financial capacity, ensure Covid safe work practices in line with Government guidelines. Liaison with key stakeholders. Recovery plans implemented

All risks and controls continue to be monitored and updated as the pandemic unfolds, in line with government guidance.

Internal Controls Assurance

The Board has ultimate responsibility for establishing and maintaining an effective system of internal control and risk management framework that is appropriate to the various business environments in which it operates and for reviewing its effectiveness.

The Audit Committee is responsible for monitoring this system and reporting on its effectiveness to the Board.

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 is embedded within the day-to-day management and governance process and the wider control environment. 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 effectiveness of the system of internal control and has improved the risk reporting framework during the year. The Board reviews the strategic risks and associated controls as part of this framework at least every 6 months and more frequently if the risk profile changes. An annual review of the Regulators Sector Risk Profile compared to Salix risks is reported to Board along with a gap analysis.

The Audit Committee are provided with assurance that key risks are being managed in line with the risk management framework every quarter. Annually, as part of the annual accounts process, the Audit Committee reviews the effectiveness of the internal control system on behalf of the Board. All Board members receive minutes from every Audit Committee meeting.

The Senior Management Team are responsible for the identification and evaluation of key risks applicable to their areas of business and working closely with operational managers in the design and operation of suitable internal controls.

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.

Financial control is exercised through the setting of detailed budgets each year which feed into the annual financial business plan, which is approved by the Board, coupled with regular, detailed monitoring reports. Risk-based stress testing is well embedded and forms part of the internal controls assurance.

The Board and management also regularly review key performance indicators (KPIs), both financial and non-financial to assess progress towards the achievements of key corporate priorities, targets and outcomes, these also inform discussions at Executive Team meetings and are used to help drive improvements to the internal control framework.

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Salix Homes has a comprehensive 3-year programme of internal audits which is discussed and approved by Audit Committee on an annual basis in line with new and emerging risks and 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 Executive Director of Finances' report and has conducted its annual review of the effectiveness of the system of internal control, the Audit Committee has taken account of any changes needed to maintain the effectiveness of risk management and the internal controls process. The Board has approved policies and frameworks in place to support the systems of internal control.

Annual forward agendas for Board and sub committees are approved by Board to ensure that they have key information providing Board with the necessary assurance to ensure their governance, business planning, risk management and control framework is effective.

The work of the external auditor partner Beevers and Struthers provides independent assurance over the adequacy of the internal control. The external auditor's management letter, which is required to report any material weaknesses in internal controls identified during their audit work, has been received and reviewed by Board and Audit committee and there were no such weaknesses identified.

An Anti-fraud Policy is in place, 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. Information with respect to frauds and losses reported or uncovered are recorded in the fraud register and reported to the Audit Committee at each meeting. There have been no reported actual frauds during the period.

The Board have reviewed the effectiveness of the system of internal control, including risk management, for the year to 31 March 2021, and up to the date of signing these financial statements, based on the assurances provided by the key elements of the system of internal control, opinions of internal audit and external audit, and other assurance sources and has not identified any weaknesses 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 (2020/21: £nil).

Going Concern

The Board has a reasonable expectation that the Group 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 particular, assurance is provided by the Group's latest Business Plan including sensitivity analyses and stress testing together with a range of Covid-19 specific assumptions (approved by Board March 2021).

Therefore, the Board has adopted the going concern basis 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

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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 re-appoint Beaver & Struthers as external auditors will be put to the Annual General Meeting.

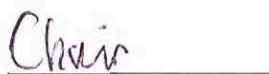
Annual General Meeting

The Annual General Meeting will be held on 28th September 2021.

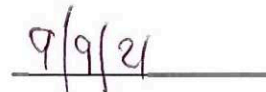
The Strategic Report and Report of the Board was approved by the Board on 27th July 2021 and signed on its behalf by:



Jim Battle



Position



Dated

SALIX HOMES LIMITED AND ITS SUBSIDIARIES
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REPORT OF THE INDEPENDENT AUDITORS TO SALIX HOMES LIMITED

Opinion

We have audited the financial statements of Salix Homes Limited (the Association) and its subsidiaries (the Group) for the year ended 31 March 2021 which comprise the Consolidated and Association Statement of Comprehensive Income, Consolidated and Association Statement of Financial Position, Consolidated Statement of Reserves, Association Statement of Reserves, Consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies in note 2. 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 of the Association's affairs as at 31 March 2021 and of the Group's income and expenditure and the Association's income and expenditure for the year then ended.
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, 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 Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Strategic 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 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

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determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- the Association has not maintained a satisfactory system of control over transactions; or
- the Association has not kept proper accounting records; or
- the Association's financial statements are not in agreement with 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 20, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities 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 website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

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

- We obtained an understanding of laws, regulations and guidance that affect the Group and Association, focusing on those that had a direct effect on the financial statements or that had a fundamental effect on its operations. Key laws, regulations and guidance that we identified included the Co-operative and Community Benefit Societies Act 2014, the Statement of Recommended Practice for registered housing providers: Housing SORP 2018, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2019, tax legislation, health and safety legislation, and employment legislation.


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

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

Use of our report

This report is made solely to the Association, in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and Section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association for our audit work, for this report, or for the opinions we have formed.



Signed by

16 September 2021

Dated

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

SALIX HOMES LIMITED AND ITS SUBSIDIARIES
ANNUAL ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2021

STATEMENT OF COMPREHENSIVE INCOME

		Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
	NOTE				
Turnover	3	42,150	40,188	42,237	40,188
Gain/(Loss) on Disposals	3	1,920	3,664	1,920	3,664
Operating Costs	3	<u>(36,446)</u>	<u>(35,049)</u>	<u>(36,471)</u>	<u>(35,019)</u>
Operating Surplus		7,623	8,803	7,685	8,833
Interest receivable	8	7	4	7	7
Interest and financing costs	9	<u>(2,028)</u>	<u>(2,113)</u>	<u>(2,023)</u>	<u>(2,112)</u>
Surplus for the year before tax		5,602	6,694	5,670	6,728
Taxation	10	<u>(22)</u>	<u>0</u>	<u>(22)</u>	<u>0</u>
		-	-	-	-
Surplus for the year after tax	11	5,580	6,694	5,648	6,728
Actuarial (loss)/gain in respect of pension schemes	12	<u>(7,972)</u>	<u>8,160</u>	<u>(7,972)</u>	<u>8,160</u>
Total comprehensive income for the year		<u>(2,392)</u>	<u>14,854</u>	<u>(2,324)</u>	<u>14,888</u>

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

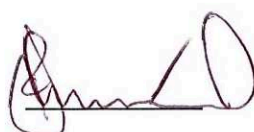
There are no recognised surpluses or deficits other than the surplus for the year as stated above.

The financial statements on pages 3 to 56 were approved and authorised for issue by the Board on 27th July 2021 and were signed on its behalf by



Chair of the Board

Jim Battle



Chair of the Audit Committee

Paul Whitehead



Secretary

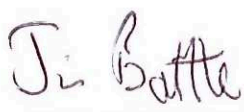
Sara Sharrock

SALIX HOMES LIMITED AND ITS SUBSIDIARIES
ANNUAL ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2021

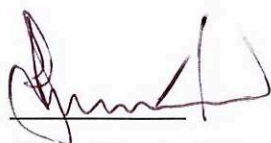
STATEMENT OF FINANCIAL POSITION

	NOTE	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Property, Plant & Equipment					
Tangible Assets - Housing Properties	13	170,776	153,256	171,115	153,459
Tangible Assets - Other	15	1,637	2,214	1,637	2,214
Investment	16	196	107	-	-
Debtors due > 1 year	17	53,056	67,118	53,112	67,225
Current Assets					
Stock & work in progress	14	471	-	471	-
Trade receivables	17	10,481	15,723	10,472	15,704
Cash and cash equivalents	18	<u>404</u>	<u>403</u>	<u>294</u>	<u>333</u>
		11,357	16,126	11,237	16,035
Creditors due < 1 year	19	<u>(9,962)</u>	<u>(10,411)</u>	<u>(9,856)</u>	<u>(10,408)</u>
Net Current Assets		1,394	5,715	1,381	5,627
Total Assets less Current Liabilities		227,059	228,410	227,244	228,525
Creditors due > 1 year	23	<u>(88,877)</u>	<u>(74,360)</u>	<u>(88,877)</u>	<u>(74,360)</u>
Provisions for Liabilities and Charges					
Provision for other liabilities	26	(56,383)	(78,589)	(56,383)	(78,589)
Pension liability	12	<u>(11,480)</u>	<u>(2,748)</u>	<u>(11,480)</u>	<u>(2,748)</u>
		(67,863)	(81,337)	(67,863)	(81,337)
Total Net Assets		<u>70,320</u>	<u>72,712</u>	<u>70,503</u>	<u>72,828</u>
Reserves					
Non-equity share capital	25	-	-	-	-
Income and expenditure reserves		70,320	72,712	70,503	72,828
Gift Aid distribution to Salix Homes		-			
Total Reserves		<u>70,320</u>	<u>72,712</u>	<u>70,503</u>	<u>72,828</u>

The financial statements on pages 3 to 56 were approved and authorised for issue by the Board on 27th July 2021 and were signed on its behalf by



Chair of the Board
Jim Battle



Chair of the Audit Committee
Paul Whitehead



Secretary
Sara Sharrock

SALIX HOMES LIMITED AND ITS SUBSIDIARIES
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STATEMENT OF RESERVES

	2021	2020	2021	2020
	Group	Group	Association	Association
	Income	Income	Income	Income
	and	and	and	and
	expenditure	expenditure	expenditure	expenditure
	reserve	reserve	reserve	reserve
	£'000	£'000	£'000	£'000
Cost				
Balance at start of year	72,712	57,858	72,828	57,940
Surplus from Statement of Comprehensive income	5,580	6,694	5,648	6,728
(Deficit)/Surplus from Actuarial defined pension scheme	<u>(7,972)</u>	<u>8,160</u>	<u>(7,972)</u>	<u>8,160</u>
Balance at 31 March	<u>70,320</u>	<u>72,712</u>	<u>70,503</u>	<u>72,828</u>

The notes on pages 3 to 56 form an integral part of these accounts.

SALIX HOMES LIMITED AND ITS SUBSIDIARIES
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STATEMENT OF CASHFLOWS

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Net cash generated from operating activities (see Note 31)	9,944	8,562	9,957	8,645
Cashflow from investing activities				
Purchase of tangible fixed assets	(26,307)	(42,310)	(26,451)	(42,501)
Proceeds from sale of tangible fixed assets	3,704	4,955	3,704	4,955
Outright Sales	2,552	-	2,552	-
Investment	(50)	(57)	(50)	-
Ethical Lettings Grant	(700)	-	(700)	-
Ethical Lettings Expenditure	175	-	175	-
Grants received	1,557	840	1,557	840
Interest received	3	4	7	7
Cashflow from financial activities				
Interest paid and loan fees	(2,377)	(2,018)	(2,377)	(2,017)
New secured loans	<u>11,500</u>	<u>26,500</u>	<u>11,500</u>	<u>26,500</u>
Net change in cash and cash equivalents	1	(3,524)	(39)	(3,572)
Cash and cash equivalents at beginning of the year	<u>403</u>	<u>3,927</u>	<u>333</u>	<u>3,904</u>
Cash and cash equivalents at end of the year	<u>404</u>	<u>403</u>	<u>294</u>	<u>333</u>

NOTES TO THE ACCOUNTS

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 Group entity.

- 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 2021.

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 £, 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 taking into account the Directors' consideration of budgets and cash flows forecast by the Company.

d) Judgements and key sources of estimation uncertainty

COVID - The lockdown commenced on the 23rd March 2020, one week before the end of the previous financial year. There were 89 staff furloughed during the early part of the financial year, ranging between 27th April and 7th August 2021. All teams are now back at full complement. There has also been no material impact to cash collection levels and therefore no adjustment in relation to income levels in the 2020/21 financial statements is required.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 deterring 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 assets 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 2h.

Government Grants - Government grants are amortised over the expected life of components as described in note 2h. 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 and includes final insurance settlement in relation to flood works.

f) Bad Debts

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

g) Housing Fixed Assets

Tangible Fixed Assets

Tangible fixed assets are accounted for 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.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 income and expenditure 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 31st March 2021 there has been three preserved right to buy disposals and a scheme change of use. The grant liability of £0.347m was transferred to the Recycled Capital Grant Fund to be utilised accordingly, see note 22 for remaining RCGF balance.

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:

Component	UEL (years)
Structure Traditional	70 to 100 years straight line
Structural Non Traditional & High Rise	40 to 60 years straight line
Kitchens	25 years straight line
Bathrooms	35 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	80 years straight line
Flat Roof (High Rise)	30 years straight line
Roofline	35 years straight line
Windows	35 years straight line
External Doors	35 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

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:

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.

j) Operating Leases

Operating lease rentals paid are charged to the income and expenditure account 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 Association participates in 2 pension schemes

1. A Local Government Pension Scheme (LGPS), multi-employer defined benefit scheme administered by The Greater Manchester Pension Fund (GMPF). The pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The difference between the fair value of the assets held in the group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method is recognised in the group's statement of financial position as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The net surplus or deficit is presented separately from other net assets on the Statement of Financial Position. The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Actuarial gains and losses are reported in other comprehensive income. Actuarial valuations are obtained at least triennially and are updated at each reporting date. The scheme is now closed to new entrants.
2. A defined contribution scheme operated by Aviva where contributions payable in the year are charged to the Income statement in the period to which they relate. Judgements & Estimation uncertainty in a/c policies the cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about rates of inflation, discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty and have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.

SALIX HOMES LIMITED AND ITS SUBSIDIARIES
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2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at the 31 March 2021	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	13%	7,951
0.5% increase in the Salary Increase Rate	2%	927
0.5% increase in the Pension Increase Rate (CPI)	12%	6,850

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 accounting for in accordance with FRS102 Section 11.

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.

2 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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 25.

t) Service Charges

Salix Homes operates variable service charges on a scheme-by-scheme basis in 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 Group has approved a £3m investment into Hive Homes which is a Greater Manchester Joint Venture, there is currently no assumption made for profit share due to no schemes developed and completed as yet.

SALIX HOMES LIMITED AND ITS SUBSIDIARIES
ANNUAL ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2021

3 - TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

<u>Group</u>	Note	2021			
		Turnover	Operating Costs	Gain/(Loss) on Disposals	Operating Surplus
		£'000	£'000	£'000	£'000
Social Housing Lettings	4	33,968	(28,280)	-	5,688
Other Social Housing					
Services Managed for others		1,651	(1,744)		(92)
VAT Shelter		620	-		620
Development Services		-	25		25
Furlough Colleagues		169	(223)		(54)
Gain on disposals		-	-	1,920	1,920
Other		-	(28)		(28)
Non-Social					
Other		658	(1,521)		(863)
Communal Heating		261	(276)		(15)
Managed for others		279	(381)		(102)
Outright Sales		2,552	(2,307)		244
Roof Space Income		150	(88)		62
Private Sector Leasing		1,842	(1,623)		219
		42,150	(36,446)	1,920	7,623
<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
Other Social Housing					
Services Managed for others		1,625	(1,500)		125
VAT Shelter		627	-		627
Development Services		-	(399)		(399)
Gain on disposals		-	-	3,664	3,664
Other		-	(62)		(62)
Non-Social					
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		1,774	(1,601)		173
		40,188	(35,049)	3,664	8,803

3 - TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

SALIX HOMES LIMITED AND ITS SUBSIDIARIES
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		2021			
<u>Association</u>	Note	Turnover	Operating Costs	Gain on Disposals	Operating Surplus
		£'000	£'000	£'000	£'000
Social Housing Lettings	4	33,968	(28,280)		5,688
Other Social Housing					
Services Managed for others		1,651	(1,744)		(92)
VAT Shelter		620	-		620
Development Services		-	(0)		(0)
Furlough Colleagues		169	(223)		(54)
Gain on disposals		-		1,920	1,920
Gift Aid Receivable		87	-		87
Other			(28)		(28)
Non-Social Housing Activities:					
Other		658	(1,521)		(863)
Communal Heating		261	(276)		(15)
Managed for others		279	(381)		(102)
Outright Sales		2,552	(2,307)		244
Roof space income		150	(88)		62
Private Sector Leasing		<u>1,842</u>	<u>(1,623)</u>		<u>219</u>
		<u>42,237</u>	<u>(36,471)</u>	<u>1,920</u>	<u>7,685</u>
		2020			
<u>Association</u>	Note	Turnover	Operating Costs	Gain on Disposals	Operating Surplus
Social Housing Lettings	4	34,201	(28,620)		5,581
Other Social Housing					
Services Managed for others		1,625	(1,500)		124
VAT Shelter		627	-		627
Development Services		-	(369)		(369)
Gain on disposals				3,664	3,664
Other			(62)		(62)
Non-Social Housing Activities:					
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>
		<u>40,188</u>	<u>(35,019)</u>	<u>3,664</u>	<u>8,833</u>

SALIX HOMES LIMITED AND ITS SUBSIDIARIES
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4. INCOME AND EXPENDITURE FROM SOCIAL HOUSING

Group & Association

	General Needs Housing	Supported Housing	2021 Total	2020 Total
	£'000	£'000	£'000	£'000
Income from Social Housing Lettings				
Rent Receivable	29,808	1,014	30,822	30,670
Service Charge Income	1,618	193	1,811	1,806
Amortised Grant	190	-	190	182
Government Grant taken to Income	336	-	336	782
Charges for Support Services	0	61	61	62
Other Income	747	-	747	700
	<u>32,700</u>	<u>1,268</u>	<u>33,968</u>	<u>34,201</u>
Total Income from Social Lettings				
Expenditure on Social Housing Lettings				
Management	10,620	281	10,901	11,477
Service Charge costs	1,622	271	1,893	1,835
Routine Maintenance	7,037	300	7,337	6,729
Planned Maintenance	3,039	95	3,135	3,973
Major Works Maintenance	1,019	-	1,019	1,334
Rent Loss from Bad Debts	148	9	157	124
Depreciation of housing properties	3,256	94	3,350	3,143
Impairment	376	-	376	-
Component Disposals	106	-	106	-
Other Costs	5	-	5	5
	<u>27,229</u>	<u>1,051</u>	<u>28,280</u>	<u>28,620</u>
Total Expenditure on Social Housing Lettings				
Operating Surplus on Social Housing Lettings				
	<u>5,471</u>	<u>217</u>	<u>5,688</u>	<u>5,581</u>
Void Losses				
	<u>148</u>	<u>16</u>	<u>165</u>	<u>148</u>

SALIX HOMES LIMITED AND ITS SUBSIDIARIES
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Group & Association
5 STAFF NUMBERS & COSTS

	2021	2020
Average Number Employed	No	No
Directors & Board	3	3
Office, estate & operative staff	235	232
Maintenance	45	45
Caretakers and cleaners	40	45
	<u>323</u>	<u>325</u>
	-	-
Part-time	26	25
Full-time	297	300
Total	<u>323</u>	<u>325</u>
	-	-
Full time equivalents	<u>312</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	2021	2020
	£'000	£'000
Salaries	9,704	9,277
Social Security Costs	938	898
Other Pension Costs	<u>2,032</u>	<u>2,660</u>
	<u>12,674</u>	<u>12,835</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	1	-
£100,000 - £110,000	1	1
£120,000 - £130,000	-	-
£130,000 - £140,000	1	1
	<u>8</u>	<u>8</u>

6. DIRECTORS REMUNERATION

SALIX HOMES LIMITED AND ITS SUBSIDIARIES
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	2021	2020
	£'000	£'000
The aggregate amount of emoluments payable or receivable by executive Directors and former executive directors	<u>420</u>	<u>388</u>
The aggregate compensation paid to or receivable by Directors (key management personnel)	<u>43</u>	<u>0</u>
The aggregate amount of emoluments payable to Board of Management	<u>119</u>	<u>70</u>
The emoluments by member is as follows:		
Grainne Heselwood (Chair)	5	11
James Battle (New Chair)	8	9
Aisling McCourt	5	0
Peter Fitzhenry	0	(0)
Greig Lees	5	5
James King	0	5
John Cockerham	7	7
Jane Hamilton	0	0
Helen Calder	0	0
Paul Whitehead	7	7
Darren Watmough	0	0
Darren Quirk	5	5
Stephen Hesling	0	0
Stephen Coen	0	0
Barbara Bentham	0	5
Margaret Bryant	6	5
Khalil Rehman	5	5
Greg Van Enk-Bones	5	5
Charlotte Haines	5	0
Cynthia Alloyoa	5	0
Jason Marland	5	0
Karen Hamilton - Hulse	5	0
Keri Lee Muldoon	5	0
Maddison Stacey Wheeldon	3	0
Mark Beyer	6	0
Marta Diaz	5	0
Michael Lomas	5	0
Pamela Welsh	4	0
Rashida Owoseni	5	0
Victoria Gallagher	5	0
	<u>119</u>	<u>70</u>
The emoluments (excluding pension contributions) of the highest paid Director (the Chief Executive) were:	<u>186</u>	<u>140</u>
Total expenses reimbursed to the Board of Management	<u>1</u>	<u>4</u>

The 20/21 emoluments paid to the CEO included the compensation payment to the outgoing CEO of £43k, as disclosed above. The outgoing CEO left the Association on 31st December 2020 and our new CEO commenced on 1st January 2021.

SALIX HOMES LIMITED AND ITS SUBSIDIARIES
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The current and former Chief Executives are an ordinary member of the pension scheme as detailed in note 30. 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 £27,838 (£20,856 former, £6,982 current), (2020: £27,180) was paid in addition to the personal contributions of the Chief Executives.

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

7 SURPLUS ON SALE OF HOUSING PROPERTIES

	Group	Group	Association	Association
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Disposal Proceeds	3,704	4,955	3,704	4,955
Carrying value of asset	(1,770)	(1,168)	(1,770)	(1,168)
Repayment of Grant	-	(90)	-	(90)
Other costs associated with sale	<u>(14)</u>	<u>(32)</u>	<u>(14)</u>	<u>(32)</u>
	<u>1,920</u>	<u>3,664</u>	<u>1,920</u>	<u>3,664</u>

8 INTEREST RECEIVABLE

	Group	Group	Association	Association
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Finance income from bank deposit	3	4	3	4
Intra Group Interest receivable	4	-	4	3
Other finance income	-	-	-	-
	<u>7</u>	<u>4</u>	<u>7</u>	<u>7</u>

9 INTEREST AND FINANCING COSTS

	Group	Group	Association	Association
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Finance costs on secured housing loans	2,092	1,564	2,092	1,564
Non-utilisation fees	226	338	226	338
Amortisation of loan fees	135	135	135	135
Other associated fees	64	116	59	115
Finance costs on pension actuarial gains	<u>71</u>	<u>250</u>	<u>71</u>	<u>250</u>
	2,588	2,403	2,583	2,402
Less: interest capitalised on housing properties under construction	<u>560</u>	<u>290</u>	<u>560</u>	<u>290</u>
	<u>2,028</u>	<u>2,113</u>	<u>2,023</u>	<u>2,112</u>

During 2021 Capitalised interest was charged at 3.47%, (2020: capitalisation rate = 3.47%).

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 object. The taxation shown below relates to non-social activities classed as non-charitable trading activities.

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10a Taxation for the current year is £22k	Group 2021 £000	Group 2020 £000	Association 2021 £000	Association 2020 £000
Tax on profit on ordinary activities				
Analysis of tax credit for the period				
Current Tax				
UK Corporation tax at 19% (2020: 19%)	22	-	22	-
Deferred Tax	-	-	-	-
Effect of Tax rate change	-	-	-	-
Origination and reversal of timing differences	-	-	-	-
Total Deferred Tax charge	-	-	-	-
Tax on profit on ordinary activities	<u>22</u>	<u>0</u>	<u>22</u>	<u>0</u>
	Group 2021 £000	Group 2020 £000	Association 2021 £000	Association 2020 £000
11 Surplus on ordinary activities	5,580	6,694	5,648	6,728
Stated after charging:-				
Depreciation - Housing Properties	3,350	3,143	3,350	3,143
Depreciation - Component Disposals	106	-	106	-
Depreciation - Impairment	376	-	376	-
Depreciation - Other Fixed Assets	760	654	760	654
Amounts due in respect of operating leases:-				
- Land & Buildings	1,125	1,191	1,125	1,191
- Other	377	258	377	258
Auditor's remuneration:-				
- in their capacity as auditors	21	17	19	15
- other than as auditors	7	12	7	12

12 PENSION OBLIGATIONS:

Local Government Pension Scheme

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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 2021 were £1.594k, of which employer's contributions totalled £1.184k and employees contributions totalled £410k. The agreed contribution rates for future years are 19.7% for employers and range from 5.5% to 12.5% 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 2021 by a qualified independent actuary.

	2021	2020
Rate of increase for pensions in payment / inflation	2.8%	1.8%
Rate of increase in salaries	3.6%	2.6%
Discount rate for scheme liabilities	2.1%	2.3%

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

	2021	2020
<i>Retiring today</i>		
Males	20.5 years	20.5 years
Females	23.3 years	23.1 years
<i>Retiring in 20 years</i>		
Males	21.9 years	22.0 years
Females	25.3 years	25.0 years

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

	2021	2020
	£'000	£'000
Employer service cost (net of employee contributions)	1,870	2,739
Past service cost	<u>0</u>	<u>0</u>
Total operating charge	1,870	2,739

Analysis of pension finance income / (costs)

Expected return on pension scheme assets	888	867
Interest on pension liabilities	<u>(959)</u>	<u>(1,117)</u>
Amounts charged/credited to financing costs	(71)	(250)

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Movement in Assets and Obligations for the year

Pension Scheme Assets	47,829	38,043
Scheme obligations	<u>(59,309)</u>	<u>(40,791)</u>
Net Actuarial (obligation)/asset on scheme recognised	(11,480)	(2,748)

Movement in (deficit) / surplus during year	2021	2020
	£'000	£'000

(Deficit)/Surplus in scheme at beginning of year	(2,748)	(9,355)
Movement in year:		
Employer service cost (net of employee contributions)	(1,870)	(2,739)
Employer contributions	1,181	1,436
Past service cost	-	-
Net interest/return on assets	(71)	(250)
Re-measurements	<u>(7,972)</u>	<u>8,160</u>
(Deficit)/Surplus in scheme at end of year	(11,480)	(2,748)

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 2021 were £264k (2020: £194.3k), made up of £158k employer and £106k employee contributions. The employer contribution rates are 1.5 times the employee rates, the latter ranging between 3.2% minimum to 6% maximum.

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13- PROPERTY, PLANT AND EQUIPMENT

	Properties Held for Letting	Properties under construction	Properties Held for Letting Non- Social	Association 2021 Total Properties	Group 2021 Total Properties
	Social Housing £'000	Social Housing £'000	Social Housing £'000	£'000	£'000
Cost					
At start of year	142,978	18,301	847	162,126	161,924
Addition of properties	-	16,834	-	16,834	16,728
Addition of components	8,644	-	-	8,644	8,644
Interest Capitalised	-	560	-	560	560
Reclassification to Outright Sale	-	(2,778)	-	(2,778)	(2,778)
Disposals	(1,824)	-	-	(1,824)	(1,824)
Component Disposals	(127)	-	-	(127)	(127)
Transferred on completion	<u>7,219</u>	<u>(7,219)</u>	-	-	-
At end of year	<u>156,890</u>	<u>25,698</u>	<u>847</u>	<u>183,435</u>	<u>183,127</u>
Less Depreciation					
At start of year	8,649	-	19	8,668	8,668
Charge for year	3,453	-	4	3,457	3,488
Disposals	(54)	-	-	(54)	(54)
Component Disposals	(127)	-	-	(127)	(127)
Impairment	<u>376</u>	-	-	<u>376</u>	<u>376</u>
At end of year	<u>12,297</u>	<u>0</u>	<u>23</u>	<u>12,320</u>	<u>12,351</u>
Net Book Value					
At start of year	134,329	18,301	829	153,459	153,256
At end of year	<u>144,593</u>	<u>25,698</u>	<u>825</u>	<u>171,115</u>	<u>170,776</u>

Additions to properties during the period include capitalised interest and finance costs of £0.560m (2020:£0.290m) and capitalised staff costs of £0.690m (2020: £0.620m). Works to existing properties totalled £21.451m for 2021 (2020:£42.603m), of which £8.644m (2020:£29.334m) was capitalised and the remainder expensed to operating costs. An impairment charge of £376k (nil 2020) was made in the year relating to a general let scheme in Salford

13.1 - MAJOR REPAIRS EXPENDITURE ON EXISTING PROPERTIES

Group & Association	2021 £'000	2020 £'000
Capitalised major repair works	8,644	29,334
Revenue major repair works	1,019	1,334
	<u>9,663</u>	<u>30,668</u>

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14 - STOCK & WORK IN PROGRESS

	2021 £'000
Outright Sale properties	
Under construction	<u>471</u>
/	<u>471</u>

15- OFFICES AND EQUIPMENT

	Office Properties & Improvements to Leaseholds £'000	Computer Equipment £'000	Scheme Assets £'000	Furniture, Fittings and Equipment £'000	2021 Total £'000
Cost					
At start of year	920	2,478	23	218	3,639
Additions	(3)	159		30	186
Disposals				(28)	(28)
At end of year	<u>917</u>	<u>2,637</u>	<u>23</u>	<u>221</u>	<u>3,798</u>
Less Depreciation					
At start of year	397	906	18	104	1,424
Charge for year	159	559	3	39	761
Disposals				(25)	(25)
At end of year	<u>556</u>	<u>1,465</u>	<u>21</u>	<u>118</u>	<u>2,160</u>
Net Book Value					
At start of year	<u>523</u>	<u>1,572</u>	<u>5</u>	<u>114</u>	<u>2,214</u>
At end of year	<u>361</u>	<u>1,172</u>	<u>2</u>	<u>102</u>	<u>1,637</u>

16 – INVESTMENTS IN JOINTLY CONTROLLED INTERESTS

In the consolidated accounts, interests in jointly controlled entities are accounted for using the equity method of accounting. Under this method an equity investment is initially recognised at the transaction price (including transaction costs).

Active trading joint ventures, all established in the UK, as at 31 March 2021 were as follows:

Joint venture entity	Partner(s)	Interest %	Equity investment £'000	Loans provided to JV £'000
GMJV Fundco LLP	Salix Homes Development Limited and nine other Greater Manchester Registered Providers	10%	196	101

Salix Homes Development has entered into a joint venture arrangement with nine other Registered Providers to create GMJV Fundco LLP. GMJV Fundco LLP, together with the Greater Manchester Combined Authority, have invested in Hive Homes (Greater Manchester) LLP (Hive Homes) which is a

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delivery vehicle to build homes for outright sale. This is a financial arrangement where Salix Homes Developments will be investing up to £3m as a mix of debt and equity into Hive Homes.

17 TRADE RECEIVABLES	Group	Group	Association	Association
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Arrears of rent, service charges and other debt	2,214	2,245	2,214	2,245
Less : Provision for bad and doubtful debts	<u>(1,089)</u>	<u>(1,107)</u>	<u>(1,089)</u>	<u>(1,107)</u>
	1,125	1,138	1,125	1,138
HMRC	337	324	327	302
Prepayments	624	697	624	697
Trade receivables	310	738	310	738
Amounts due from Group undertakings	7	-	7	3
Social Housing Grant receivable	2,461	-	2,461	-
Other receivables	2,190	1,354	2,190	1,354
Prepayment of improvement contract	<u>3,427</u>	<u>11,471</u>	<u>3,427</u>	<u>11,471</u>
	<u>10,481</u>	<u>15,723</u>	<u>10,472</u>	<u>15,704</u>
Due after more than one year				
Inter Company Loan	-	-	157	107
Prepayment of Improvement Contract	52,956	67,118	52,956	67,118
Loan to Joint Venture (note 16)	<u>101</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>53,056</u>	<u>67,118</u>	<u>53,112</u>	<u>67,225</u>
18 CASH AND CASH EQUIVALENTS	Group	Group	Assoc	Assoc
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Cash at bank	<u>404</u>	<u>403</u>	<u>294</u>	333
	<u>404</u>	<u>403</u>	<u>294</u>	<u>333</u>
19 TRADE PAYABLES - AMOUNTS FALLING DUE WITHIN ONE YEAR	Group	Group	Association	Association
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Finance costs payable	106	125	106	125
Rent received in advance	1,657	1,625	1,657	1,625
Accruals	1,704	1,424	1,333	1,192
Amounts due to contractors	4,242	4,801	3,690	4,316
Amounts due to Group undertakings	7	-	965	714
Investment due in GMJV	141	-	-	-
Corporation Tax	22	-	22	-
Deferred Grant	294	363	294	363
Disposal Proceeds Fund	-	-	-	-
General payables	782	1,337	782	1,337
Grant in Advance (Ethical Lettings)	525	-	525	-

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	HMRC	221	221	221	221
	Recycled Capital Grant Fund	39	89	39	89
	Trade payables	221	426	221	<u>426</u>
		<u>9,962</u>	<u>10,411</u>	<u>9,856</u>	<u>10,408</u>
20	DEFERRED GRANT INCOME				
		Group	Group	Association	Association
		2021	2020	2021	2020
		£'000	£'000	£'000	£'000
	Opening Balance	11,213	10,877	11,213	10,877
	- Grants received during the year				
	Purchase/development of properties	620	59	620	59
	Grant Cladding	2,260	0	2,260	-
	Disposal Proceeds utilised in the year	-	553	-	553
	Grants Recycled in the year	50	-	50	-
	Grant disposed in year	72	(94)	72	(94)
	Released to income in year	<u>(190)</u>	<u>(182)</u>	<u>(190)</u>	<u>(182)</u>
		<u>14,025</u>	<u>11,213</u>	<u>14,025</u>	<u>11,213</u>
	To be released to the statement of comprehensive income				
	Within one year	294	363	294	363
	Greater than one year	<u>13,731</u>	<u>10,850</u>	<u>13,731</u>	<u>10,850</u>
		<u>14,025</u>	<u>11,213</u>	<u>14,025</u>	<u>11,213</u>
21	DISPOSAL PROCEEDS FUNDS				
		Group	Group	Association	Association
		2021	2020	2021	2020
		£'000	£'000	£'000	£'000
	Opening Balance	-	553	-	553
	Proceeds recycled	-	-	-	-
	Proceeds utilised	-	(553)	-	(553)
	Notional finance costs charged	-	-	-	-
	Closing Balance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	Due in less than one year	-	553	-	553
	Due in greater than one year	-	<u>0</u>	-	<u>0</u>
		<u>0</u>	<u>553</u>	<u>0</u>	<u>553</u>
The DPF fund was de-regulated from 6th April 2017 with all outstanding balances to be utilised by 6th April 2020.					
22	RECYCLED CAPITAL GRANT FUND				
		Group	Group	Association	Association
		2021	2020	2021	2020
		£'000	£'000	£'000	£'000
	Opening Balance	274	89	274	89
	Proceeds recycled	-	185	-	185
	Proceeds utilised	(50)	-	(50)	-
	Notional finance costs charged	0	-	0	-
	Closing Balance	<u>224</u>	<u>274</u>	<u>224</u>	<u>274</u>
	Due in less than one year	39	89	39	89
	Due in greater than one year	185	185	185	185

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224 274 224 274

Withdrawals from the RCGF were used for a conversion of 1a Fitzwarren Court communal into residential dwelling

23 TRADE PAYABLES - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2021	2020
	£'000	£'000
Housing property loans	74,960	63,325
Deferred Grant (note 20)	13,731	10,850
Disposal Proceeds Fund (note 21)	-	-
Recycled Grant Fund (note 22)	185	185
	<u>88,876</u>	<u>74,360</u>
	-	-
Housing Property Loans are repayable as follows:-		
In 5 years or more	75,500	64,000
Less Loan arrangement fees	540	675
	<u>74,960</u>	<u>63,325</u>

	2021	2020
	£'000	£'000
Housing Loans were advanced by :-		
Banks	75,500	64,000
	<u>75,500</u>	<u>64,000</u>

As at 31 March 2021 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	15,000
Fixed Facility at fixed rate of 1.7995% (inc margin of 1.6%)	10,000	0
Revolving Facility at variable rate plus 1.6% margin	10,000	10,000
Fixed Term Facility at variable rate plus 1.6% margin	10,500	9,000
	<u>75,500</u>	<u>64,000</u>

Total facilities undrawn at 31st March 2021 were £24.5m.
WACC 2.84%

Loan Facility Undrawn		
Term	65,500	54,000
Revolving facility	10,000	10,000
	<u>75,500</u>	<u>64,000</u>

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**23a ANALYSIS OF CHANGES IN LONG TERM FINANCING
DURING THE YEAR**

	2021	2020	2021	2020
	Group Housing Loans		Association Housing Loans	
	£'000	£'000	£'000	£'000
Balance at start of year	64,000	37,500	64,000	37,500
Shares issued	-	-	-	-
Shares surrendered	-	-	-	-
Changes in financing within one year	-	-	-	-
Cash inflow from financing	11,500	26,500	11,500	26,500
Loan repayments	-	-	-	-
Balance at end of year	<u>75,500</u>	<u>64,000</u>	<u>75,500</u>	<u>64,000</u>

**23b RECONCILIATION OF NET CASHFLOW
TO MOVEMENT IN NET DEBT**

<u>Group & Association</u>	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Opening Cash at 1 April	403	3,927	333	3,904
Increase/(Decrease) in cash in the period	1	(3,524)	(39)	(3,571)
Closing Cash	404	403	294	333
Repayment of loans	-	-	-	-
Loans received	(11,500)	(26,500)	(11,500)	(26,500)
Changes in net debt	(11,499)	(30,024)	(11,539)	(30,071)
Net debt at 1 April	<u>(63,597)</u>	<u>(33,573)</u>	<u>(63,667)</u>	<u>(33,596)</u>
Net debt at 31 March	<u>(75,096)</u>	<u>(63,597)</u>	<u>(75,206)</u>	<u>(63,667)</u>

24 OPERATING LEASES

As at 31 March 2021 Salix Homes Group had total commitments under non-cancellable operating leases as set out below:

	2021	2020
	£'000	£'000
Land & Buildings		
<i>Lease period ending:</i>		
within 1 year	577	613
2-5 years	417	726
5 + years	-	-
	<u>994</u>	<u>1,339</u>

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Other Operating Leases	within 1 year	358	193
	2-5 years	695	319
	5 + years	-	-
		<u>1,052</u>	<u>512</u>

25 PROVISIONS

	2021	2020
Balance Sheet	£'000	£'000
Opening balance	78,589	101,091
Reforecast of Development Agreement	(6,926)	-
Provision for improvement works	-	-
Utilised	<u>(15,280)</u>	<u>(22,502)</u>
	<u>56,383</u>	<u>78,589</u>

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 17.

26 NON-EQUITY SHARE CAPITAL

	Group 2021	Group 2020	Association 2021	Association 2020
Shares of £1 each Issued and Fully Paid	£	£	£	£
At beginning of year	10	10	10	10
Issued during the year	3	-	3	-
Surrendered during the year	<u>(3)</u>	-	<u>(3)</u>	-
At end of year	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>

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.

27 GRANT AND FINANCIAL ASSISTANCE

	Group 2021	Group 2020	Association 2021	Association 2020
	£'000	£'000	£'000	£'000
Total accumulated government grant and financial assistance received or receivable	12,925	12,085	12,925	12,085
Recognised as income in statement of Comprehensive income	336	782	336	782
Held as deferred capital grant		<u>59</u>	<u>0</u>	<u>59</u>
	<u>13,261</u>	<u>12,925</u>	<u>13,261</u>	<u>12,925</u>

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28 REVENUE & CAPITAL COMMITMENTS

	Group	Group	Association	Association
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
a) Revenue & Capital expenditure that has been contracted for but not provided for in the financial statements	<u>7,122</u>	<u>21,629</u>	<u>7,402</u>	<u>24,322</u>
Proposed method of financing:-				
Cashflow	2,048	3,848	2,096	3,849
Grant	1,812	2,507	2,044	2,507
Property Sales	3,262	5,838	3,262	5,838
Agreed Loans	<u>0</u>	<u>9,435</u>	<u>0</u>	<u>12,128</u>
	<u>7,122</u>	<u>21,629</u>	<u>7,402</u>	<u>24,322</u>
b) Capital expenditure that has been authorised by the Board of Management but not contracted for	<u>21,951</u>	<u>39,993</u>	<u>22,594</u>	<u>37,300</u>
Proposed method of financing:-				
Cashflow	-	2,848	2,927	2,848
Property Sales	7,177	7,990	7,177	7,990
Grant	7,835	8,883	7,835	8,882
Agreed Loans	6,939	20,273	4,655	<u>17,580</u>
	<u>21,951</u>	<u>39,993</u>	<u>22,594</u>	<u>37,300</u>

29 CONTINGENT LIABILITY

As at 31 March 2021 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 has 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.

30 GRANT AND FINANCIAL ASSISTANCE

	Group	Group	Association	Association
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Total accumulated government grant and financial assistance received or receivable	12,925	12,085	12,925	12,085
Recognised as income in statement of Comprehensive income	336	782	336	782
Held as deferred capital grant	<u>0</u>	<u>59</u>	<u>0</u>	<u>59</u>
	<u>13,262</u>	<u>12,925</u>	<u>13,262</u>	<u>12,925</u>

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NOTE 31 - CASHFLOW FROM OPERATING ACTIVITIES

	Group	Group	Association	Association
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Surplus for the year	5,580	6,694	5,648	6,728
Adjustments for non cash items:				
Depreciation of tangible fixed assets	4,247	3,797	4,217	3,797
Impairment of tangible fixed assets	376	-	376	-
Decrease/(increase) in trade and other debtors	(342)	(87)	(397)	(103)
(Decrease)/increase in trade and other creditors	(470)	(556)	(433)	(487)
Amortised government grants	(190)	(182)	(190)	(182)
Corporation tax	22	-	22	-
Pension cost less contributions payable	689	1,303	689	1,303
Carrying amount of fixed asset disposals	1,770	1,168	1,770	1,168
Cost of properties for outright sale	2,307	918	2,307	918
Adjustments for investing or financial activities				
Ethical Lettings	525		525	
Government grants utilised in year	(336)	(782)	(336)	(782)
Proceeds from the sale of tangible fixed assets	(3,704)	(4,865)	(3,704)	(4,865)
Proceeds from the sale of outright sales	(2,552)	(955)	(2,552)	(955)
Interest and financing costs	2,028	2,113	2,023	2,112
Interest received	(7)	(4)	(7)	(7)
	<u>9,944</u>	<u>8,562</u>	<u>9,957</u>	<u>8,645</u>

32 ACCOMMODATION OWNED & MANAGED

Social housing accommodation in management	2021	2020
Social rent	7,266	7,283
Affordable Rent	11	11
Housing for Older Persons (HOPS)	297	297
Keyworker	26	26
Temporary Accommodation	60	57
Temporary Accommodation managed for others	44	46
Total Units	<u>7,704</u>	<u>7,720</u>
 Social housing managed by tenant management organisation	 2021	 2020
Social rent	197	197
Total Units	<u>197</u>	<u>197</u>
 Non social housing accommodation in management		
Asylum Seekers	9	9
Non Residential	34	34
Other	12	13
Managed for others	227	237

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Leaseholders	460	453
Total Units	<u>742</u>	<u>746</u>
Units in Development	<u>19</u>	<u>65</u>
Garages	<u>165</u>	<u>165</u>
Social Units in Ownership		
Social Housing Accommodation	7,704	7,720
Temporary Accommodation managed for others	-44	-46
Tenant Management Organisation (TMO)	197	197
	<u>7,857</u>	<u>7,871</u>

The social housing owned units movement is as follows:

Reason for movement	No's	No's
Development of newbuild properties	55	15
Hand back of High Street to Salford as per terms of transfer agreement	0	-35
Preserved right to buy sales	-39	-84
Demolitions	-31	-32
Acquisition of properties	1	30
Total movement in year	<u>-14</u>	<u>-106</u>

33 LEGISLATIVE PROVISIONS

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

34 GROUP UNDERTAKINGS

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

	£'000 2021	£'000 2020
Amounts contracted for with Salix Homes Developments Limited	5,148	5,660
Amounts charged to Salix Homes Developments Limited for management and administration	121	92
Amounts charged for interest payable	4	3

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 Group as they are netted off on consolidation.

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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 £319k which is disclosed in note 28.

35 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 & services charged to the tenant board member was £4,581 (2020: £4,435). There were no arrears on the tenancy at the reporting period end 31st March 2021 (2020: Nil).

No other transactions took place with Directors.

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

	2021	2020
	£'000	£'000
Housing Diversity Network	-	5
Northern Housing Consortium	-	-
National Housing Federation	6	64
Salford City Council	-	2,979
Salford Credit Union	-	10
Salford Royal Foundation Trust	-	18
Unite Union	3	4
	<hr/>	<hr/>
	9	3,080
	<hr/>	<hr/>