Southway Housing

Review of Business Plan and Stress Testing

January 2026

Final

In Confidence

Restricted Circulation

Review of the Business Plan and Stress Testing

Note, this report is strictly confidential and must be handled as such and in accordance with our terms of reference. It must not be disclosed to any third party or named individual within the report, without the prior written consent of TIAA.

Background

Southway Housing Trust (SHT, the Trust) is registered as a social landlord with the Regulator of Social Housing (RSH) who regulate the social housing activities of social housing providers. The Trust's latest inspection by the Regulator of Social Housing, conducted in early 2025 and published in June 2025, resulted in a G2, V2 and C2 rating demonstrating that the Trust meets requirements, but improvements are needed particularly around safety, quality, transparency, influence, and accountability. The Trust has already addressed weaknesses identified in health and safety record keeping, repairs services, and tenant engagement, and is actively implementing action plans to raise all ratings in future inspections.

The Trust's Regulatory Improvement Plan refers to the requirement to include stress testing in the internal audit programme. As such, in December 2025, TIAA completed a review of the Business Plan to provide assurance that robust and effective processes are in place for the preparation and review of the Financial Business Plan.

Scope of the Review

The purpose of this independent review was to consider the arrangements in place for financial business planning, including approval of the plan, challenging underlying assumptions, assessing the appropriateness of early warning indicators, evaluating the adequacy of stress testing performed, and specifically reviewing the mitigations identified.

Scope Limitations

The review extends only to consideration of the above outlined scope, the responsibility for a sound system of internal controls rests with management and work performed by the review should not be relied upon to identify all strengths and weaknesses that may exist.

Summary of Key Findings

The review considered the business planning process, in detail, beginning with the agreement of key economic and planning assumptions and the derivation of the first-year business plan from the approved budget. The review assessed the development of investment strategies and strategic overlays that inform the long-term 30-year plan. Outputs from the base plan, including stress testing and scenario analysis, were evaluated to ensure that the business plan is robust and resilient under varying financial and operational conditions. Governance and approval processes were also considered, including the documentation, review, and challenge of assumptions, methodologies, and outputs throughout the planning cycle. Overall, the Trust can demonstrate a mature and well-structured approach to business planning. Processes are clearly defined, and controls over assumptions, modelling, and output validation are effective. A small number of recommendations have been identified; these are focused on enhancing efficiency and accuracy rather than addressing fundamental weaknesses. These include improvements in the disaggregation of cost categories, refinement of phasing for capitalised repairs and maintenance, and review of redundant Brixx Objects to maintain plan integrity.

Conclusion

Our review found that there is a thorough and well-established process in place for the preparation of the 30-year Business Plan, encompassing the agreement of key economic assumptions through to the approval and final submission of the Financial Forecast Return (FFR) to the Regulator of Social Housing (RSH). In conclusion, the Trust has a robust and comprehensive business planning framework that provides a high degree of confidence in the reliability of the financial projections and strategic decision-making. Implementation of the minor recommendations will further strengthen an already mature planning process.

A comprehensive and well-functioning control environment is in place, that supports the achievement of process objectives – as such substantial assurance can be provided.

Acknowledgement

We acknowledge the co-operation and assistance of the Association's staff during the course of our review.

Disclaimer

This report is strictly confidential and must be handled as such and in accordance with our contract. The opinions expressed within this report have been based on the documents and explanations provided to us. Should further information become available, we reserve the right to modify our opinions where necessary. The report should not be construed as expressing opinions or matters of law, although naturally it reflects our understanding of such matters presented. This report or our work should not be taken as a substitute for management's responsibilities of its practices. Our work should not be relied upon to identify all strengths or weaknesses that may exist.

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We have no responsibility to update this report for any events or circumstances occurring after the date of this report.

Release of Report

The table below sets out the history of this report.

Stage	Issued	Response Received
Proposal / Terms of Reference:	2nd December 2025	5th December 2025
Draft Report:	21st January 2026	26th January 2026
Final Report:	28th January 2026	

Management Action Plan – Priority 1, 2 and 3 Recommendations

Rec.	Finding	Recommendation	Priority	Management Comments	Implementation Timetable (dd/mm/yy)	Responsible Officer (Job Title)
1	Within the Business Plan, DLO Repairs and maintenance expenditure and staff costs (establishment) are not disaggregated and are therefore subject to a uniform inflation assumption. This differs from current cost trends, which show these cost categories increasing at different rates.	DLO Repairs and Maintenance expenditure and staff costs (establishment) be disaggregated within the Business Plan and subject to separate, appropriate inflation assumptions. This would improve the accuracy of financial forecasting and better reflect underlying cost drivers and observed cost trends.	3	*Accepted. Modelling of separate inflation assumptions for staff and non-staff costs, compared to the blended overall rate in the BP, is carried out as part of the annual budget process.* *The recommendation will be implemented when updating the BP with audited accounts actuals for 2025/26.*	*December 2026*	*Assistant Director of Finance*
2	All future debt within the plan is currently being driven by the 'Working Capital' object, which is variable in nature. It is important to ensure that this debt remains within the parameters set out in the Treasury Management Policy (TMP).	All future debt driven by the 'Working Capital' object be reviewed regularly to ensure it remains within the limits and controls established by the Treasury Management Policy (TMP). Any deviations should be escalated and addressed promptly to maintain compliance and mitigate financial risk.	3	*Accepted. Modelling of the TMP requirement for 70% fixed rate debt is carried out when preparing the BP. It is forecast that further fixed rate debt will be raised towards the end of 2027/28.* *The recommendation will be implemented when updating the BP with audited accounts actuals for 2025/26.*	*December 2026*	*Assistant Director of Finance*

PRIORITY GRADINGS

1	**URGENT**	Fundamental control issue on which action should be taken immediately.
2	**IMPORTANT**	Control issue on which action should be taken at the earliest opportunity.
3	**ROUTINE**	Control issue on which action should be taken.

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3	Capitalised major repairs expenditure shows significant volatility over the planning period, resulting in uneven expenditure profiles. This variability increases the risk that adequate resources may not be available to deliver planned works.	Introduce clearer phasing of investment profiles, supported by regular review and challenge. This should include assessing resource capacity and funding availability to ensure planned expenditure remains deliverable across the planning period.	3	*The timing of spend in the BP derives from stock condition survey results. A review will be carried out upon completion of the new 100% survey to determine the most appropriate degree of 'smoothing' for operational delivery.* *The recommendation will be implemented when updating the BP with audited accounts actuals for 2025/26.*	*December 2026*	*Assistant Director of Finance*
4	Several redundant Brixx Objects remain in the plan, although they are currently disabled and no longer in use, there is a risk that these objects could be inadvertently re-enabled, potentially impacting the integrity of the plan.	Brixx Objects be permanently removed. This will reduce the risk of errors and maintain the integrity of the business plan.	3	*Accepted.* *The recommendation will be implemented when preparing the 2026 BP for Board approval in March.*	*March 2026*	*Assistant Director of Finance*

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Detailed Findings

Governance Framework:

The Governance Framework demonstrates robust oversight and effective approval of the key underlying business plan assumptions. These include the economic assumptions underpinning the 2025 Business Plan, which were approved by the Group Board in December 2024 and the agreed timetable for the preparation of updated financial projections. These activities were aligned with Southway's 5-Year Corporate Plan (2025–2030) and the 2025/26 Budget.

The key stages in the governance and approval process were as follows:

- December 2024 – Group Board Meeting:
  Consideration of the strategic overview, April 2025 rent increase, financial planning parameters, Q2 financial performance and the 2024/25 forecast outturn.
- January 2025 – Parent Board Away Day and Board Meeting:
  Approval of the 2025/26 pay award and the Social/Market Rent increase.
- February 2025 – Executive Meeting:
  Initial consideration of the draft budget.
- February 2025 – People & Places Committee Meeting:
  Review and feedback on anticipated budget proposals within the Committee's remit.
- February 2025 – Southway Plus Board Meeting:
  Consideration of the 2025/26 Budget, the updated Business Plan (covering Market Rent, Outright Sale and GMJV (a joint venture of other GM RPs to deliver outright sale) in line with the Funding and the revised intra-group loan arrangements.
- February 2025 – Board and Audit & Risk Committee:
  Stress testing workshop, review of sector risks and exposures, loan covenants and golden rules and feedback from validation of the Business Plan architecture.
- March 2025 – Executive Meeting:
  Review of the final draft budget.
- March 2025 – Parent Board Meeting:
  Approval of the Group Business Plans and the Trust's 2024/25 Budget and consideration of the stress testing outcomes.
- June 2025:
  Submission of the Financial Forecast Return (FFR), together with associated stress testing and Business Plan documentation, to the Regulator of Social Housing (RSH).

Collation of the Financial Plan

The collation of the Financial Plan followed a structured, iterative and well-governed process designed to ensure consistency with the Group's strategic objectives, risk appetite and regulatory requirements. The process brought together approved strategic, economic and operational assumptions to produce a coherent and robust set of financial projections.

The starting point for the Financial Plan was the approval by the Group Board in December 2024 of the key underlying business planning assumptions, including macro-economic parameters, rent-setting assumptions and financial planning principles. These assumptions provided a consistent foundation for the development of the 2025 Business Plan, the 2025/26 Budget and the updated medium-term financial projections aligned with Southway's 5-Year Corporate Plan (2025–2030).

Financial projections were prepared by the Finance Team using agreed modelling methodologies and were updated iteratively to reflect emerging information, including updated performance data, changes to cost assumptions and policy decisions such as rent increases and pay awards. The Financial Plan incorporated the approved April 2025 rent increase, the 2025/26 pay award and updated assumptions in relation to inflation, interest rates, and development activity.

The collation process included the integration of subsidiary and non-core activity forecasts, including Market Rent, Outright Sale and GMJV activities, ensuring alignment with the Funding Prospectus and revised intra-group loan arrangements. This ensured that the Group Financial Plan reflected the full range of operational and financial exposures across the Group structure.

Throughout the process, the Executive Team provided oversight and challenge, reviewing draft iterations of the Financial Plan and Budget to ensure internal consistency, affordability and deliverability. Relevant committees, including the People & Places Committee and the Audit & Risk Committee, provided scrutiny within their respective remits, including workforce cost assumptions, service delivery impacts and financial resilience.

Stress testing formed an integral part of the collation process, with scenarios designed to assess the resilience of the Financial Plan against adverse movements in key variables such as interest rates, inflation, rent policy changes and development performance. The outputs of stress testing informed further refinement of the Financial Plan and were reviewed by the Board and Audit & Risk Committee to ensure compliance with loan covenants, golden rules and risk appetite.

The final Financial Plan and associated Business Plans were approved by the Parent Board in March 2025, providing assurance that the Plan was robust, aligned to strategy and supported by appropriate governance and challenge. The approved Financial Plan formed the basis of the Financial Forecast Return (FFR), which was submitted to the Regulator of Social Housing in June 2025, together with supporting stress testing and Business Plan documentation.

Testing of Methodology, Assumptions, and Financial Information

Audit testing was undertaken to assess the accuracy and consistency of the methodology, assumptions and financial data used in the preparation of the 2025 Financial Plan. The testing was designed to provide assurance that the Financial Plan was prepared on a sound basis, supported by reliable data and subject to appropriate controls and review.

Methodology Testing

The audit reviewed the financial modelling used to produce the Business Plan, aligned to approved financial planning principles and appropriate for the Group's complexity and risk profile. Brixx model structure, calculation logic and forecast time horizons were assessed to ensure they reflected the requirements of the Business Plan, Funding and regulatory submissions.

Testing of Key Assumptions

Key financial and operational assumptions were tested for consistency with Board-approved parameters and supporting evidence. These included assumptions relating to rent increases, pay awards, inflation, interest rates, development activity and asset investment. Assumptions were traced to relevant Board papers, Committee approvals, external indices or management calculations, as appropriate. Sensitivity to key assumptions was also considered through review of stress testing outputs.

Testing of Financial Data and Calculations

Detailed testing was performed on selected forecast figures to confirm the accuracy of calculations and the integrity of data flows within the financial model. This included re-performance of calculations, review of formulae and validation of aggregation across entities and activities.

Reconciliations and Consistency Checks

Reconciliation testing was carried out to confirm consistency between the Financial Plan, Budget and supporting schedules. This included reconciliation of opening balances to the latest approved forecast outturn, alignment between subsidiary forecasts and the Group model and consistency between financial statements, covenant calculations, and stress testing outputs.

Review and Challenge Controls

The audit also considered the effectiveness of management review controls applied during the collation and finalisation of the Financial Plan. Evidence of review, challenge and approval at Executive, Committee and Board level was examined to confirm that key judgements and estimates were subject to appropriate scrutiny prior to approval.

Overall, the testing performed provided assurance that the methodology, assumptions, and financial information underpinning the Financial Plan were reasonable, consistently applied, and supported by appropriate governance and control processes.