



Your home, safe in our hands

Southway

Southway Housing Trust
(Manchester) Limited
2014-15
Financial Report

annual accounts 31.3.15



The Government Standard

Tenant
approved



All photographs included within this report were taken on our Community Commitment Day on 4 June 2015. We closed our offices and all of our staff worked in the community on a wide variety of practical projects, to help make a real difference.

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Board Members, Executive Directors, Advisors and Bankers

Board

Chair

Emma Richman

Vice Chair

Samantha MacWilliam

Other Members

Iain Leviston

Councillor Bev Craig

Michelle Duhaney

John Gallagher

Roger Spencer

Memuna Bangura

Councillor Joanna Midgley

Liam Murphy (until 23rd September 2014)

Jane Archer (until 2nd June 2015)

Deborah Davies (from 24th November 2014)

Councillor Jeff Smith (until 2nd June 2015)

Sean McGonigle (from 2nd June 2015)

Executive Directors

Chief Executive

Karen Mitchell

Director of Finance and Resources

Neil Botfish

Director of Neighbourhood Services

Ray Smith

Director of Regeneration and Asset Management

Jane Gant

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Manchester, M20 2SN

Registered numbers

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Society 30348R
Registered by the Homes & Communities Agency
No: L4507

External Auditors

Grant Thornton UK LLP

Registered Auditors, Chartered Accountants
4 Hardman Square, Spinningfields, Manchester,
M3 3EB

Internal Auditors

TIAA Ltd

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Aerodrome Road, Hampshire, PO13 0FQ

Solicitors

DWF (Formerly Cobbetts LLP)

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Anthony Collins LLP

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Bankers

Barclays Commercial Bank

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London, E14 5HP

Report of the Board and the Operating and Financial Review

The Board presents its Report and audited Financial Statements for the year ended 31 March 2015.

Introduction by the Chair

I am pleased to present the Board's Annual Report and audited statutory accounts for the financial year 2014/15.

2014/15 was another great year for Southway Housing Trust. We delivered improvements across a number of our core landlord services and continued to invest in improving our homes and the neighbourhoods we work in. We have continued to build strong partnerships in our neighbourhoods with our tenants and residents, voluntary and community sector partners and public agencies. It is this commitment to our role as a community based organisation and the people and places that we work with, and working in partnership with others that has been fundamental to our success and remains a key focus for the future.

We have learnt a lot about our areas and the people who live there during our first 7 years of operation, and we want to make sure that our tenants and people living in our communities benefit from the ambitious plans that are in place for the economic growth and reform of public services in Greater Manchester.

2014/15 was also an important year in setting our direction and aspirations for the future, with the adoption of our new Futures Strategy covering the period 2015 to 2020. The Strategy clearly places Southway as a key stakeholder in the wider south Manchester area and builds on our achievements thus far. As well as a continuing focus on our core purpose as a provider of affordable homes in desirable neighbourhoods, the Strategy introduces much wider plans. We will grow our development programme and also do more with the expertise we have in Age Friendly neighbourhoods and services, and we will invest further in supporting our tenants into employment.

Since adopting the Futures Strategy the government has announced a change to the national rent policy which has a significant negative impact on the financial business plan of the organisation. Southway has responded to this and put in place a revised Business Plan demonstrating our continuing financial viability and strength. We remain committed to making best use of our asset base, achieving efficiencies and realising our financial capacity and intend to continue to work toward delivering our strategic priorities over the next 5 years.

I look forward to further achievements over the coming years.

Emma Richman
Chair

“ we want to make sure that our tenants and people living in our communities benefit from the ambitious plans that are in place for the economic growth and reform of public services in Greater Manchester. ”

“The Strategy has been successfully delivered, with significant progress made towards all these commitments and our wider vision and objectives.”



Corporate Strategy

Southway Housing Trust is a community based social landlord working in south Manchester. Established in 2007 to take over the ownership, management and improvement of almost 6000 council owned homes, the Trust is ambitious for the people and communities it works with. Our aim is to work in partnership with local groups, Manchester City Council and other stakeholders to improve the quality of life our tenants and other residents and to make south Manchester a great place to live.

2014/15 was the fifth and final year of the delivery of our previous Corporate Strategy adopted in 2010. That strategy had 8 themes which clearly set out our priorities and the areas where we have focused our resources. Our commitments were to:-

1. Provide homes that meet the Southway Improvement Standard (which exceeds the “Decent Homes” Standard).
2. Deliver excellent landlord services that meet tenants needs and priorities.
3. Improve the quality of life of our older tenants.
4. Increase the supply of and access to affordable housing options for people on the housing waiting list.
5. Be an exemplary landlord in the way we support the independence of our tenants and promote our communities.
6. Achieve environmental sustainability targets.
7. Drive and contribute to the place shaping of our neighbourhoods, making the most of our position as a community focused organisation.
8. Be a strong, financially viable, well run organisation that maximises the way we use our assets to achieve social value.

The Strategy has been successfully delivered, with significant progress made towards all these commitments and our wider vision and objectives. A small selection of some of our key achievements in our services and communities in 2014/15 includes:

- (a) The delivery of 24 new homes as part of our current new build development programme which will deliver 143 homes by 2017.
- (b) The opening of a community facility and learning hub at Buckthorn House on the Arrowfield Estate.

- (c) Achieving a renewed accreditation under the Excellence in Customer Service Award scheme, including 8 areas of good practice being recognised for a compliance plus rating. This is an improvement on the last review in 2011 where 6 compliance plus ratings were achieved.
- (d) Launching the Southway Reward scheme which establishes a new relationship with our tenants and supports a rent payment culture.
- (e) Delivery of key projects as part of the Old Moat Age-friendly neighbourhood plan, a project that has received international recognition by inclusion in an OECD best practice report.
- (f) Launching our new Green Spaces Strategy and the first year of delivery of our objective to create a Southway urban park, linking all our open spaces to support quality of life, health and fitness and the unique environment of South Manchester.
- (g) Upper quartile performance and improved customer satisfaction achieved across many of our core landlord services, including continuously excellent performance in customer satisfaction, delivery and productivity and value for money indicators by our in house Repairs Team

During 2014/15 the Board has completed a strategic review and set a new Futures Strategy for the period 2015 to 2020. This sets a new direction and new aspirations for Southway, with plans to expand our area of operation into neighbourhoods close to our core area and to increase the scale of our development activity. The following priorities have been set to allow us to deliver our core purpose as a provider of affordable homes in desirable neighbourhoods, and our wider purpose to improve the prosperity and wellbeing of our communities.

1. Affordable Homes in Desirable Neighbourhoods

- (a) Transform our landlord service to be more efficient and effective
- (b) Manage our assets to ensure the long term sustainability of our homes and neighbourhoods
- (c) Improve our green spaces
- (d) Tackle anti-social behaviour

2. Social Investment

- (a) Support all working age tenants to enter employment and training
- (b) Develop and promote volunteering and volunteer networks
- (c) Invest in community buildings and support community organisations
- (d) Work in partnership to help improve the health and wellbeing of our residents

3. Age Friendly Living

- (a) Develop homes to meet the needs of older people
- (b) Deliver age friendly neighbourhoods and services
- (c) Provide consultancy and support services to other organisations

4. Priorities for Investment

- (a) Increase the supply of affordable homes in or close to south Manchester
- (b) Regenerate neighbourhoods
- (c) Deliver homes for market rent
- (d) Deliver a commercial repairs service

By 2020 we will know that we have been successful because:-

- We will have increased the proportion of our tenants who tell us that they are satisfied with our services and with their neighbourhoods
- We will have increased the proportion of working age people living in Southway homes who are in employment or are regularly volunteering in our communities
- A higher proportion of our older tenants and local residents will tell us that our services and neighbourhoods are age friendly
- We will have delivered new homes and will have firm plans in place to achieve our target of 1000 homes over the 10 year period up to 2026
- We will have generated surplus which will have been used to deliver greater levels of community outputs.

Each year the strategy will be supported by the adoption of an annual Corporate Plan, which will set out the actions that will have the greatest impact in working towards our aims. In 2015/16 there is a focus on preparing the organisation for the new direction, with work prioritised to complete a governance review, renew the funding strategy, and agree business cases for our new business streams including market rent and the development of homes across all tenures.



Investment Strategy

Southway came into being in 2007 when the former council housing stock was transferred, and its initial task was to bring those properties up to the Southway Improvement Standard (which incorporated the government's Decent Homes Standard). This achieved, it has expanded the scope of investment covering 4 areas:

- Investing in New Homes
- Investing in the Housing Stock
- Investing in the Environment
- Investing in Communities

These activities are summarised below.

Investing in New Homes

Across the two years 2013/14/15 Southway built its first new homes and has established a programme of new build through to March 2017.

The developments will all be within Southway's locality and will be let in line with the shared Manchester Allocations Policy through the Manchester Move service. The programme will seek to maximise land that is currently under-developed to both regenerate local neighbourhoods and provide homes to those in greatest need. At this stage, the focus is on providing smaller homes for affordable rent, supporting downsizers, and to increase the range of housing we can offer to older people.

A Southway priority is to bring private empty homes back into use as Affordable rented homes. This is being done in partnership with the Homes & Communities Agency (HCA) and the Association of Greater Manchester Authorities (AGMA).

Financial & Delivery Performance 2014/15

The total spend achieved to the end of March 2015 is £7.7m (excluding internal staff costs and any grant received). This substantially achieved the investment target for the year – an excellent achievement, particularly given that the Development Team was newly formed in March 2014 and this was their first full year of delivering a programme of work.

New Build and Regeneration

Spend to the end of March 2015 was £5.4m; 96% against a targeted spend of £5.6m.

There was also a target to build and have available to let 24 new build homes within the year. 6 units at Barnett and Barlow Hall are complete and let. The 18 units at Talbot Court were completed in March 2015 and all were let in the first two weeks in April, with 16 tenancies let to under occupiers moving from other Southway homes.

Southway acquired Holland Court from a national RP in August 2011. The accommodation consisted of 19 units, 11 of which were bedsits. Built in 1978 the building had little investment and was in need of major works to bring it up to current standards. Southway's Age Friendly Strategy to enable people to live independently for as long as possible fitted the criteria to support the capital investment required along with filling the need to supply affordable quality housing choices for older people currently under occupying larger family homes.

Southway worked with the contractor Emmanuel Whittaker and Architect, Pozzoni, to transform the building and has delivered an increase of flats from 19 to 21 with updated facilities including major refurbishment of internal and external communal spaces. By the end of 14/15 the work was substantially

complete with all bedsits (which were previously difficult to let) converted to 1 bed flats, and all communal spaces now provide a bright newly refurbished community area. Holland Court was completed in late May and only a few flats remain available.

Eight apprentices were engaged on site as part of the new build programme; seven with Wates and one with Emanuel Whitaker, exceeding the target of two trainees per £1m of spend.

Talbot Court was shortlisted at the Housing Excellence Awards in the “Best new Affordable Housing” category.

Property Acquisitions

Significant progress has been made on acquisitions this year, with expenditure of £2.3m being achieved; 112% against the original target with the acquisition of 14 properties.

At the end of the financial year 16 properties had been acquired: 4 leasehold properties and 12 Empty Homes. 2 further leaseholder purchases were agreed in March, but the sales will be completed and the properties let in 2015/16.

Site Acquisitions

No new sites were acquired in 14/15, although we continued to look for appropriate and viable opportunities. A significant number of sites have been identified and remain under consideration.

Community Buildings

Due to the significant needs of local tenants and residents the provision of community services in the area is a priority for Southway. £52k was invested in community buildings. The main expenditure was the acquisition and refurbishment of Buckthorn House. This facility will provide a range of services which are accessible to local people and groups.

Value for Money is a key consideration when looking to build or acquire new homes. Rates of subsidy are strictly controlled based on sector norms. To ensure that our costs are reasonable we are carrying out a thorough review of the products we use, the standards that we set and the way we procure our work with our contractors. This is about ensuring quality as well as the best cost and longer term benefits for our tenants.

To make sure our new homes are future proofed all homes are built to a high energy efficiency performance so that tenants can maximise savings on their heating bills. All New Build are currently specified to EPC Level B (rather than C). They are also built to our digital access standard, to ensure residents can have wireless access to the internet, and to Lifetime Home principles meaning that the layout and designs are able to support people as they move through their lives.

Investing in Our Housing Stock

Between 2007 and 2014 Southway had invested £116m in the stock transferred from Manchester City Council, just under £20,000 per property. This not only achieved 100% Decent Homes, but also meant that properties were advanced to the higher Southway Improvement Standard. Examples of this higher standard are:

Element	Decent Homes Standard	What We Did
Windows	Windows should be no more than 40 years old (30 in flats) and be repaired or replaced if in poor condition.	We exceeded the standard by replacing all windows with PVCu double-glazing. Three choices of design were offered.
Kitchens and Bathrooms	<p>There are two different standards for kitchens and bathrooms:</p> <p>Kitchens should be no more than 30 years old and have adequate space and layout, and bathroom facilities should be no more than 40 years old.</p> <p>Or kitchens must be no more than 20 years old and bathrooms no more than 30 years old with layout issues in the kitchen.</p>	<p>We exceeded the standard, replacing all kitchens and bathrooms that had not been improved since 2000. A range of tenant choices were made available where appropriate, for example work surfaces and units.</p> <p>Where kitchens that were improved prior to 2007 were in poor condition due to fair wear and tear, we improved to current standards.</p>
Toilets	All homes must have an inside toilet with wash hand basin.	If there was not an upstairs toilet we fitted one, subject to space and plumbing issues.
Energy Efficiency	Homes should have a reasonable degree of thermal comfort with both efficient heating and effective insulation.	We used A rated boilers and B rated windows, and installed cavity wall, loft and external insulation as required. We also fitted efficient radiator systems and carried out energy efficiency awareness to help reduce fuel poverty and save on heating bills.
Adaptations	Not part of the standard.	We ensured any necessary adaptations were carried out alongside improvements works.
Non Traditional Properties	Not part of the standard.	We exceeded the standard by providing all necessary improvements to secure the long-term future of these properties, including external insulation, render and structural work as required.

During 2014/15 Southway maintained both the Decent Homes and Southway Improvement Standards. The investment required to achieve this was modest compared to previous years, and this pattern is likely to continue for the next few years (see below regarding surveys).

The improvement works carried out during 2014/15 were;

Kitchen Renewals – 50 installed. These kitchens were installed prior to the stock transfer and, while technically still within their notional life cycle, were in poor condition and fell below the Southway Improvement Standard due to poor design and layout, doors and drawer fronts delaminating and significant customer dissatisfaction.

Boiler Renewals – 80 replaced. As part of our strategy to improve the thermal and fuel efficiency of our homes we replace with new A rated boilers from the Potterton Promax range. This approach also increases efficiency in the maintenance service with our engineers skilled and experienced in their maintenance and van material stocks fully equipped with Potterton parts to improve our 'Right First Time' repairs performance.

Electric fire suites – 259 installed. Where gas fires fail, are obsolete and the customer is agreeable, we replace with an electric fire suite. These are generally very popular with our customers as they form an attractive focal point in the customer's lounge, and they reduce our future gas servicing liability.

In addition, Southway went back to homes where tenants had declined the works in the original programme. The following were completed

- Kitchens – 36
- Rewires – 21
- Boilers – 26
- Upstairs WC – 14
- Bathrooms – 48
- Windows – 10
- Front Doors - 7

Stock Condition Survey. All investment programmes are informed by independent stock condition surveys. The 2007 survey was used to set the original investment programme, and the 2011 re-survey confirmed the progress made and set all current programmes. The budgets recommended in 2011 are fully reflected in the current Business Plan. Both surveys were performed by Savills.

A further survey will be carried out in 2015 with a representative 20% sample survey of the properties, and this will underpin future investment plans, and the next Business Plan. It will also enable us to report under the Housing Health and Safety Rating System (HHSRS), and inform a new Asset Management Strategy to be agreed with Board later this year. Whilst we are increasing our efforts to develop new properties over the coming years, we will also work hard to maintain the quality of our existing stock.

Southway has continued to work with Manchester City Council to support tenants to stay within their homes. One means of doing this is through the provision of equipment and adaptations to properties, using the Council's access to government funding (60%) and Southway's own resources (40%). From Transfer to March 2015, this has supported major adaptations to 657 homes, 57 of these in 2014/15.

Southway conducts a tenant satisfaction survey bi-annually. In 2014, the proportion of tenants expressing satisfaction with the overall quality of their home was 86% and with the general condition of their property 85%. This places Southway in the top 10% of housing organisations surveyed by Kwest on these two measures.

Investing in the Environment

We have continued to invest in our green spaces; particularly those areas already improved under the Environment Programme. Work has included the re-edging of shrub bed boundaries to improve their appearance, and the replanting of shrubs, plants and perennials which had failed since planting. Internal staff have undertaken the majority of this work, in order to develop relationships with local residents (linking to Involving Residents and Make Places Feel Safe and Secure).

We established an Environmental Service Improvement Group, and a team of volunteer Green Inspectors within our neighbourhoods. Six inspectors have been recruited and trained, and they report on a monthly basis on the condition of our green spaces. 17 green spaces are being inspected in this way.

The Environmental Service Improvement Group first met in January 2015. Those attending ranged from local tenants, Green Inspectors, local green businesses and community groups. The aims of the Group are to support each other on like-minded projects and to discuss future projects.

Southway launched an events programme and in 2014/15 held 18 events which in total were attended by 1,127 people of all ages.

Southway played a key role in the success of the Grow Wild bid, in partnership with Manchester City Council, the National Trust, Landlife Wildflowers, and Kew Garden. We are also developing a partnership with the Royal Horticultural Society; and with the Royal Society for the Protection of Birds, creating two show gardens within our stock.

Over the winter period we planted 18 semi mature trees and 1,872 plants, as our immediate contribution to preparing for climate change.

Alongside work to improve the general environment we have continued to deliver improvements within the property curtilage – completing our £12m Environment Programme and continuing new ways to improve car parking at key sites.

The delivery of our Green Spaces Strategy is an important part of the new Futures Strategy. As well as ensuring residents see our areas as desirable, the activities we will undertake will help to improve community engagement and cohesion and residents' health and wellbeing.

Investing in the Community

Community investment work has grown and evolved during 2014/15, in line with the Social Investment Plan produced in 2014. Southway's approach is now becoming increasingly embedded with core services – linking together our work supporting tenants to prepare for and find work, in the management of their personal resources, to reduce energy consumption, to facilitate increased involvement in community activity, to participate in the management of environmental space (see above), and supporting those needing specific support, including our participation in programmes for Troubled Families and those with complex dependencies.

We have continued to focus our efforts on employment, enterprise and training. We now have an Employment Support Officer - our first resource dedicated entirely to providing one-to-one support to our tenants in finding work. Our support of the Learning Hubs is ongoing. We also added staff resources to the roll-out of the Timebank volunteering arrangement.

Southway now owns three community buildings – the Barlow Centre, Westcroft Road and Buckthorn House, and remains responsible for Burnage Library on a lease from Manchester City Council. We have formal partnership agreements in place at Burnage Library and the Barlow Centre. We also continue our support, both financial and practical, for a number of other community and voluntary organisations delivering essential services in our communities.

Delivery of our Age-Friendly Strategy has also continued apace, with a considerable increase in the number of older tenants participating in projects and events, closer partnership working between our Age Friendly Project Officers and our sheltered schemes, and the delivery of several successful projects during the year.

The key strands of Southway's approach are:

- to work in partnership with a wide range of other organisations to deliver a series of Age Friendly projects to our tenants
- to develop an Age Friendly approach to all aspects of our work internally
- to facilitate entry to employment for local people
- to provide a varied range of support, advice and guidance options to help people move closer to being ready for work
- to provide apprenticeship opportunities and encourage our building and other contractors to do likewise
- to work with local groups to develop and operate community activity hubs, and make effective use of community buildings
- to play a full role in the City's strategy to widen digital access
- to engage younger residents in a range of positive activities that improve their future opportunities
- to support local people into volunteering activity through our Timebank



During 2014/15 we exceeded targets against each of the following outcomes:

- 569 tenants accessing Learning Hub provision
- 54 people supported into work through the Learning Hubs and in quarter 4, our new Employment Support Officer
- 718 older people engaged in Age Friendly projects and events
- 229 older people supported into digital access
- 17 volunteers trained and 10 referrals made to the befriending project - first client and befriender matches imminent
- 715 hours of time contributed by members of the Timebank against a target of 300 hours
- 90 local tenants and residents attended the Buckthorn House launch event on October 31st 2014, including councillors and the local MP.

Southway is now fully engaged with Manchester City Council's aim of building capacity within other agencies to deliver interventions for both (i) 1,363 Troubled Families and (ii) its wider Confident and Achieving Manchester ambition (the new name for Complex Dependency in the city).

We are providing 1.5 FTE key workers, including a seconded Neighbourhood Team Manager. Working with the neighbouring Wythenshawe Community Housing Group, we attend meetings with Manchester City Council Public Sector Reform Team to develop the assessment process, the induction, identify training requirements, and arrange review and feedback.

The impact of interventions is measured as to whether the issues presented by cases have been rectified for a defined period of time. Currently Southway's interventions have achieved 48% full successes, and 48% partial.

Southway has also introduced an affordable loan scheme for its tenants in conjunction with South Manchester Credit Union. During the 6 months from October 2014 £34k loans were issued to help 120 tenants respond to financial emergencies. The Trust supports the scheme by paying an administration fee to the credit union for each applicant and a separate fee should escalated arrears collection activity be required.

Interest is paid at an APR of 42.6%, which is substantially lower than would be available via doorstep lenders or many popular online lenders, and the interest earned is retained by the credit union to reinvest on jointly approved projects. Loan repayments are in line with expectations with £11k repaid during the first 6 months. It is proposed to increase Southway's investment from the £23k balance of loans outstanding at March 2015, Board have authorised £50k increasing to £75k following a satisfactory review at the anniversary of the affordable loan scheme.



Value for Money Statement 2014/15

1. Approach to VFM

One of the key themes of Southway's Futures Strategy 2015 – 2020 is 'Well Managed and Financially Viable', which reflects the following approach to Value For Money (VFM):

We will make best use of our resources by being efficient and effective in the way that we do things, by maintaining the Southway standard and making efficient use of the homes we provide and by delivering commercial services that complement our core business. This approach will mean that we can generate a surplus that can be used to help fund our social investment priorities.

We will set and achieve efficiency targets each year to improve our cost, performance and satisfaction levels when compared to the rest of the housing sector and we will comply with the standards set by our Regulator for Value For Money.

Southway considers the Value for Money of its services in the context of performance (see section 2 below), tenant satisfaction (section 3) and costs (sections 4 and 5). Each of these factors is assessed against trends and sector benchmarks.

The results for Property Maintenance (reported in section 6i) and Corporate Overheads (section 7) show significant improvement over the last 5 years. The results for core Housing Management activities including rent collection have not varied noticeably, and are the focus of service reviews and improvement plans which are underway (sections 6ii and 6iii provide details of these actions).

Efficiencies of £598k have been achieved in 2014/15 compared to 2013/14 (summarised in the Global Efficiency Statement in section 4). These savings are available to fund the development and acquisition of new housing and expand the range of services offered to tenants and the communities of South Manchester. How we manage our assets (section 8) and assess the Social Return on Investment (on Community Investment and Digital Inclusion, sections 9 and 10) are key factors which aid Southway's decision making processes when determining how to deploy the Trust's resources.

Each operational and back office team at Southway reviews the range of its activities and identifies a series of efficiency and VFM actions for the year ahead. Objectives are quantified and are reviewed on a quarterly basis. Efficiency Targets for 2015-2018 have been set by Board to deliver further VFM savings (see section 11).

The following tables, charts, case studies and commentary provide evidence to stakeholders as to Southway's achievements and future plans to deliver Value for Money.

2. Operational Performance

A summary of operational performance outcomes achieved in 2014/15 are set out below. This includes an assessment of Southway's quartile performance compared to other Registered Providers across the country who submit information to the Housemark benchmarking club. Commentary on the core landlord functions of Repairs, Replets and Rent Collection is included in section 6.

	2013/14 Outcome	2014/15 Target	2014/15 Outcome	2014/15 Quartile
Percentage of Repairs completed at first visit	86.4%	95.0%	92.8%	Q2
Average end-to-end time for all reactive repairs (in days)	4.3	4.3	4.7	Q1
Average Relet time for Minor Voids (in calendar days)	17	16	16	Q1
Void losses as a % of rent	0.5%	0.7%	0.5%	Q1
Average time taken to answer inbound telephone calls (in seconds)	13	19	17	Q2
Percentage of annual rent collected (current tenants)	99.1%	99.1%	99.5%	Q2
Year-end rent arrears (current tenants) as a % of year's rent	8.1%	7.9%	7.8%	Q4

Additional performance achievements in the year to March 2015:

- 100% of response repairs in the emergency and urgent categories delivered on time.
- 100% of homes remain as Decent Homes
- 99.98% of homes had an up to date gas safety certificate at the end of 2014/15. One property was outstanding due to access issues and was the subject of escalation action to gain access to the premises, which has now been given.

3. Customer Service Standards and Satisfaction

Southway aspires to the highest standards of customer service. The Trust has devised an 'Everyone Matters' framework for continuous staff and service development. Management focuses on both the speed and quality of responses to customers and has a range of measures to assess both these and the degree of customer satisfaction achieved.

Southway holds an Excellence in Customer Service accreditation. In February 2015 this award was reassessed based on extensive documentary evidence and a site visit audit. The result was very positive with the assessor concluding:

"There were high levels of consistency between the documentary, verbal and observed evidence collected and the assessor was satisfied that Southway Housing Trust continues to meet the full requirements of the Customer Service Excellence Standard".

The renewed accreditation under the Excellence in Customer Service Award scheme, included 8 areas of good practice being recognised for a compliance plus rating. This is an improvement on the last review in 2011 where 6 compliance plus ratings were achieved. (Compliance plus is when specific examples of service delivery are deemed to be innovative and outstanding examples of excellent practice, irrespective of sector.)

A general survey of tenants and residents (STAR) is carried out every two years. The 2014 survey showed an overall satisfaction rating of 86%, consistent with the 2012 survey.

Detailed below are satisfaction rates achieved in 2014/15 following specialised customer surveys:

	2013/14 Outcome	2014/15 Target	2014/15 Outcome	2015/16 Target
Connect (Customer Service Centre)	95%	95%	95.0%	95%
Repairs Service	98%	98%	98%	98%
Home Improvement Programme	95%	95%	100%	95%
Environmental Programme	98%	95%	98.0%	95%
New tenants satisfied with their home	98%	95%	97%	95%
Grounds maintenance service	96%	95%	98%	97%
Response to ASB complaints	90%	90%	87%	90%

Five of the seven measures achieved their target. The two exceptions which also had lower satisfaction ratings than the prior year were:

- Environment Programme – Satisfaction related to work carried out in the first half of the year at a bungalow site. The scope of work at the scheme was reduced as a land purchase with an owner occupier to enable additional parking bays could not be agreed.
- Response to ASB Complaints – Whilst satisfaction was slightly below both the target and the previous year's performance, this was based on a relatively small sample of complainants and would still be upper quartile based on 2013/14 benchmarking information.

4. Operating Costs

A review of total operating costs is carried out each year. This is structured as a Global Efficiency Statement which analyses, relative to inflation, how total spending (excluding major repairs) varies year on year. It shows the costs pressures on expenditure, the scale of efficiencies which have been made, and what new activities are carried out for the first time funded from savings. The table below tracks spending in 2014/15 relative to the cost base in the previous year.

Global Efficiency Statement

	2014/15 Budget £'000	2014/15 Actual £'000
Operating Cost Base b/f	11,391	11,391
Inflation (3.2% in 2014/15)	365	365
External Cost Pressures	262	259
Other Cost Issues	330	122
Savings and Efficiencies		
Reduction in voids & bad debts	-	[(116)]
Repairs and maintenance	(293)	(182)
Staff salaries	(218)	(230)
Office accommodation rent, cleaning	(35)	(50)
Printing, postage, stationary	(8)	(20)
	(554)	(598)
Operating cost base before new investment activities	11,794	11,539
New Social Investment	730	340
New Rent Incentive Scheme	150	137
New Cyclical Painting Programme	167	118
Operating cost base c/f	12,841	12,134

In 2014/15 the Trust's overall operating cost base, before new activities, was £255k lower than budget (£11,539k v £11,794k). Just under half of the planned increase in new social investment spending was delivered in the year (£340k v £730k).

Savings and efficiencies totaling £598k (5% of the operating cost base) have been achieved in 2014/15. This includes £230k relating to staff salaries, arising from the second year of a two year pay freeze.

The table also identifies other cost issues of £122k. This includes £76k which relates to development administration costs which were not capitalised. A review of the development service is planned in the second half of 2015, to consider the position relative to peers.

5. Social Housing Lettings Costs

With the end of the main home improvement and environment programmes the Trust's social housing lettings costs have fallen sharply. Future improvement works will be on a cyclical basis in line with its stock condition survey.

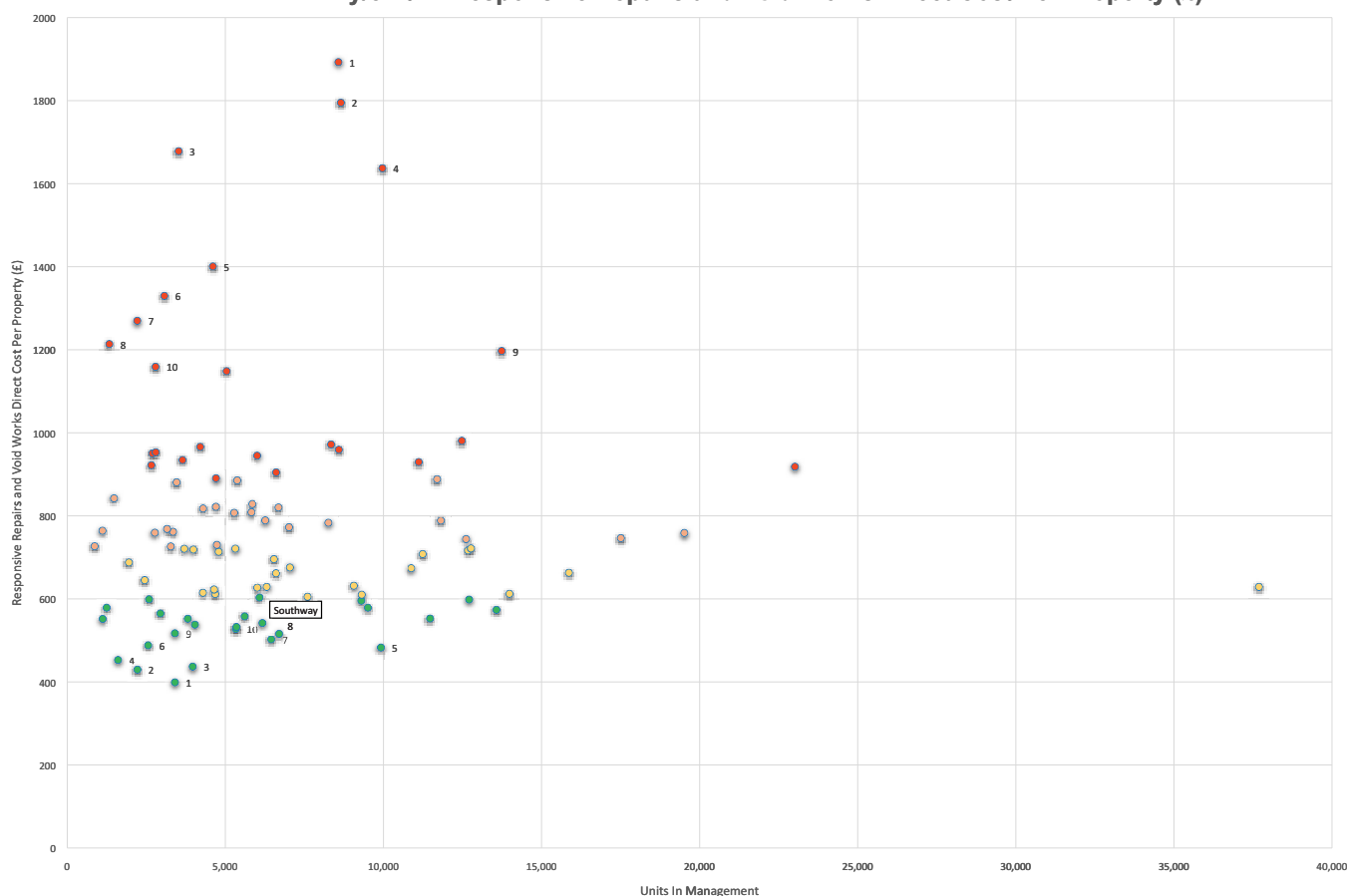
The sections below contrasts Southway's spending on Maintenance and Management:

- to the average cost of stock transfer organisations per the HCA's Global Accounts for the year end 2014
- to the Placeshapers group of Registered Providers, which is representative of 20% of the total social housing sector stock

(i) Maintenance Costs	y/e 2012 Actual	y/e 2013 Actual	y/e 2014 Actual	y/e 2015 Actual	y/e 2016 Budget
Southway	637	670	636	686	690
stock transfer sector	1,019	1,041	1,035	n/a	n/a
Southway below average of stock transfer sector by	-382	-371	-399	n/a	n/a

Southway's result for year end 2014 was £636pu, equivalent to a substantial saving of £2.3m pa compared to the stock transfer sector £1,035 per unit average. Southway's low spend per unit means it is in the top quartile of Placeshapers.

y/e 2014 Responsive Repairs and Void Works Direct Cost Per Property (£)

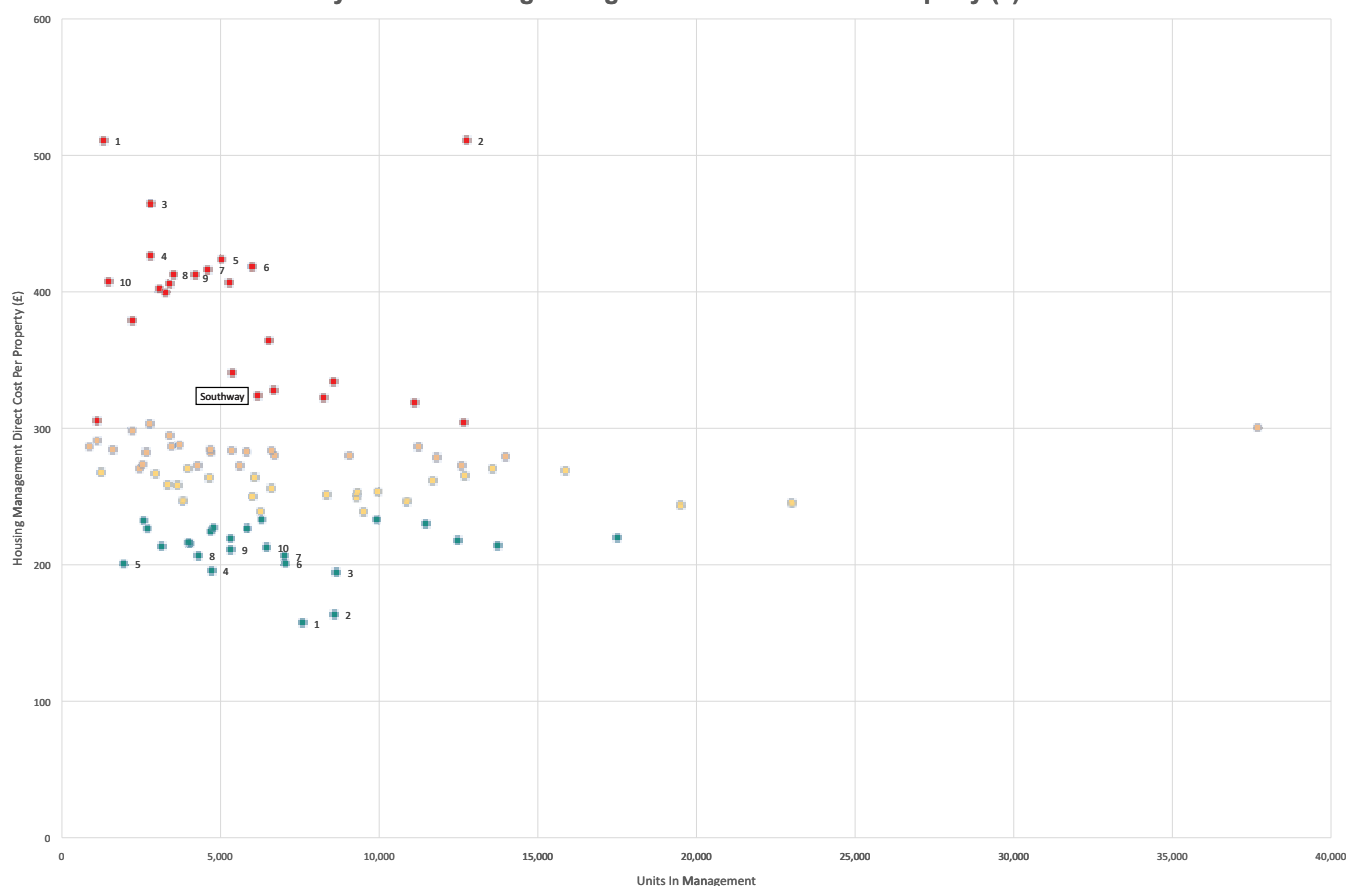


(ii) Management Costs	y/e 2012 Actual	y/e 2013 Actual	y/e 2014 Actual	y/e 2015 Actual	y/e 2016 Budget
Southway	905	991	1,013	1,000	1,061
stock transfer sector	860	876	936	n/a	n/a
Southway below average of stock transfer sector by	45	115	77	n/a	n/a

Southway's result for year end 2014 was £1,013pu, equivalent to a higher cost of £450k pa compared to the stock transfer sector £936 per unit average.

Southway's higher spend per unit means it is in the bottom quartile of Placeshapers. A large part of this relates to the higher cost of Housing Management and Rent Collection functions. The Trust's response to this is explained in sections 6 (ii) and 6 (iii) below, with the resulting efficiency targets noted in section 11.

y/e 2014 Housing Management Direct Cost Per Property (£)



6. Core Landlord Functions

(i) Repairs and Relets

Analysis of Housemark benchmarking results has been undertaken to track Southway's property maintenance costs, performance and satisfaction.

	2010 Result	2012 Result	2014 Result
Average direct cost of maintenance per property	£674	£484	£541
Repairs % right first time/visit	94%	88%	86%
Re-lets (minor voids) average time	42	21	17
Repairs average time	7	5	4
Satisfied with repairs	84%	85%	86%
Satisfied with quality of home	84%	87%	86%

The table below presents the equivalent rank out of a 100 stock transfer organisations, with the colours reflecting the quartile position. All indicators show improvement.

	2010 Rank	2012 Rank	2014 Rank
Average direct cost of maintenance per property	59	11	17
Repairs % right first time/visit	N/A	66	45
Re-lets (minor voids) average time	75	29	16
Repairs average time	35	18	6
Satisfied with repairs	44	49	35
Satisfied with quality of home	79	53	57

The Trust's in house DLO team 'Property Services' delivers repairs and maintenance services to the Southway Housing Trust stock. 2014/15 was year 1 of the services new 3 year Business Plan 2014-2017 and performance during the year remained strong.

During 2014/15, in excess of 23,800 response repairs were completed, 99.8% of which were completed on time.

Works were completed to 238 empty properties (196 Routine & 42 Major) and upper quartile performance was exceeded for turnaround times with minor voids relet in 16 days and major voids relet in 38 days. An additional 3,240 major repairs or improvements were completed during the year.

In terms of performance, of 13 repair service KPI's, 11 are achieving upper quartile performance and 8 are in the top 10% of Registered Providers.

Customer satisfaction with repairs during 2014/15 was above target at 98% and Tenant Satisfaction with the Repairs Service in the 2014 Star Survey increased to 86%.

The Key Priorities for 2015/16 are:

- Maintain the strong operational repairs and voids performance and driving the three remaining performance indicators not yet at Upper Quartile, to this level.
- Maintain 100% Gas Safety compliance.
- As part of the Repairs Service Business Plan and the aspiration to become the 'Repairs Provider of Choice' in the South Manchester area, as part of our 'Commercial Repairs' project we will make our repairs service available to leaseholders and owner occupiers within the Southway area.
- Procure a new vehicle fleet for the operational team following the expiry of the lease with the current fleet provider.
- Retender our material supply arrangements. Early indications show that efficiencies in the region of £87k per annum will be achieved.
- Use the data from the 2015 stock condition survey to inform the investment needs in the stock over the next 30 years and to further develop the cyclical maintenance plan and seek to reduce responsive repairs demand.

(ii) Rent Collection

Analysis of Housemark benchmarking results has been undertaken to track Southway's rent collection costs and performance.

	2010 Result	2012 Result	2014 Result
Current tenant rent arrears	10.8%	8.8%	8.1%
Percentage of rent collected	97.7%	99.9%	99.1%
Total direct cost per property of rent arrears and collection	£79	£84	£114

The table below presents the equivalent rank out of 100 stock transfer organisations, with the colours reflecting the quartile position.

	2010 Result	2012 Result	2014 Result
Current tenant rent arrears	99	98	99
Percentage of rent collected	96	33	59
Total direct cost per property of rent arrears and collection	84	83	97

Recognising the high cost associated with rent collection, and also seeking to achieve significant improvements in performance and cost reduction Southway has carried out a fundamental review of all its rent collection policies and practices, with particular focus on better use of technology to derive efficiency savings. The project was completed in June 2015. Additional details can be found on the Trust's website. It involves working in partnership with a large regional association building on the success of their IT systems and related rent collection procedures.

Arrears performance during 2014/15, whilst improving, continues to be affected by formal reforms to the benefits system, which includes the different benefits introduced, but also the significant increase in sanctions being applied to individuals. Southway's collection rates have moved into the second quartile of registered providers at 99.45%. Total arrears as a percentage of rent due is in the bottom quartile – which is impacted by the high level of arrears acquired from MCC on transfer.

2014/15 was the second year in which tenants faced benefit reductions where deemed to be under-occupying their homes by one bedroom or more. This reduced from around one in five of Southway's tenants in 2013/14 to one in six. It had the potential to adversely impact 3% of the total rent roll. A slight reduction in collection was seen at 98.75% for under occupying tenants. This was due to the increasing difficulty to secure discretionary housing payments (DHP) for those tenants affected. In 2013/14, Manchester City council made awards for DHP where a tenant showed they had registered for rehousing or could show hardship. However, in the second year of administering the scheme, the qualifying criteria became harder, with tenants having to demonstrate active bidding for properties. We are aware that the vast majority of our tenants affected by under occupancy, do not want to move and it will become increasingly harder for them to qualify for DHP.

Performance for non under occupying tenancies was higher, with 99.59% collection against a target of 99.35% of annual rent. There was an increase in performance of 0.5% a week, from the mid year point when we launched Southway Rewards, a scheme which provides incentives for tenants with a clear rent account/agreement and no breaches of tenancy conditions. Whilst it is still early days for the three year Rewards project, it is certainly an encouraging sign that this is having a positive impact on rent collection.

Universal Credit was launched in South Manchester in December 2014 but the number of tenants affected was so small (only 23 by the end of the financial year) that this did not impact the overall collection figures.

Southway continues to develop strategies in response to welfare reforms. These are aimed at supporting the households affected through welfare and money management advice, arranging opportunities to increase work related skills, organising volunteering, and supporting those who want to move home and downsize. The cost of this 'Financial Inclusion' and related advice work increased in the most recent year, with spending totaling £281k in 2014/15.

(iii) Housing Management Service

Analysis of Housemark benchmarking results has been undertaken to track Southway's housing management costs, performance and satisfaction.

	2010 Result	2012 Result	2014 Result
Direct cost per property of Housing Management (excluding Rent Arrears)	£187	£196	£209
Satisfied with outcome of action to resolve ASB	84%	88%	90%
Satisfied that views are listened to and acted upon	72%	75%	73%
Overall satisfaction with all landlord services	86%	86%	86%
Satisfied with neighbourhood	80%	82%	82%

The table below presents the equivalent rank out of a 100 stock transfer organisations, with the colours reflecting the quartile position.

	2010 Rank	2012 Rank	2014 Rank
Direct cost per property of Housing Management (excluding Rent Arrears)	76	72	79
Satisfied with outcome of action to resolve ASB	28	24	20
Satisfied that views are listened to and acted upon	20	48	45
Overall satisfaction with all landlord services	57	67	69
Satisfied with neighbourhood	81	80	87

Recognising that the balance between cost, performance and satisfaction is not as effective as it should be, and to assist in the delivery of the new Futures Strategy, Southway is currently undertaking a review of its Core Landlord Services (Rent Collection, Tenancy Management and dealing with Anti-Social Behavior) to ensure that they are fit for purpose. Around 80 staff are directly affected, more than half of Southway's office based staff.

The title of the project is 'Shaping Southway' and its principal aim is to establish a model that enables us to deliver the most effective and efficient landlord service possible, which is focused on being flexible to the varying needs of our tenants, and delivering value services to those who will benefit from them most.

Tenant Satisfaction with Southway's Landlord Services per the bi-annual Star Survey, shows that satisfaction remained consistent between 2012 and 2014, rather than improving. These satisfaction scores, coupled with an increase in the number of tenants requiring support outside of core functions, ongoing cuts to public services and a desire to focus our approach rather than provide a blanket service to all tenants mean that now is the right time to be 'Shaping Southway'.

The core objectives for the project are to:

- Balance expectation and needs with costs and benefits
- Be accessible
- Improve tenant satisfaction
- Be cost effective
- Target our services to those who will benefit the most
- Modernise our operations and transform the landlord service
- Resolve the majority of queries at first point of contact
- Use technology and new ways of working to improve efficiency
- Improve Southway's position with Housemark (Landlord Benchmarking) for efficiency and satisfaction

The focus will be to alter the approach of frontline services, to provide a comprehensive & flexible service to our tenants, using Information Technology to work out in the community as much as possible and we will utilise and enhance our local knowledge and expertise in key areas with specialisms dedicated to effective resolution of challenging situations.

In order to create capacity to enable this increased community work, our contact centre will have an increased level of autonomy and expertise to improve first contact resolution and manage the majority of transactional activity.

The project commenced late in 2014 and the first phase, with a new structure being put in place from winter 2015. Implementation and refinement of the new model will then take place throughout the remainder of 2015/16 and into 2016/17.



7. Corporate Functions

Analysis of Housemark benchmarking results has been undertaken to track Southway's back office overhead costs.

	2010 Result	2012 Result	2014 Result
Total overhead costs % turnover	9.8%	11.7%	10.2%
Office premises cost per direct office employee	£7,065	£6,794	£5,786
IT cost per IT user	£8,753	£6,885	£6,164
Finance cost per direct employee	£3,279	£2,536	£2,463
Central cost per direct employee	£8,661	£8,156	£8,920

The table below presents the equivalent rank out of a 100 stock transfer organisations, with the colours reflecting the quartile position. All indicators show improvement.

	2010 Rank	2012 Rank	2014 Rank
Total overhead costs % turnover	N/A	52	32
Office premises cost per direct office employee	83	79	66
IT cost per IT user	81	58	36
Finance cost per direct employee	53	30	21
Central cost per direct employee	35	34	31

The commentary below provides further information on the cost of Office Accommodation (the only one of the overhead Housemark categories where cost is above the LSVT median), Communications, ICT and Insurance.

(i) Office Accommodation

The relatively high cost location of Southway's office premises in South Manchester has also been considered. Negotiations with the landlord have successfully secured an efficiency saving. The Trust has committed to retaining its existing accommodation for the next four years. This resulted in a substantial rent free period amounting to a reduction of almost £500k over the period to 2018.

The Trust's office accommodation requirements will be considered alongside the Shaping Southway project to ensure sufficient lead in time to deliver new accommodation before the summer of 2018.

(ii) Communications

Communications has been centralised via a small communications team, since 2014. Savings have been achieved via the team effectively editing, outsourcing and managing material more closely. A case study example is available on the Trust's website.

Additional value for money has been achieved via:

- Newspaper/TV coverage greatly increased with an estimated value of £10k (calculation used by comparing cost of advertising space in said media publications).
- Minimum £5k saved via website maintenance (previously outsourced).
- Minimum £5k saved due to professional level posters being produced by in-house team and professional level photography taken in-house (previously all outsourced).

In addition 60% of Leasehold statements now being emailed to residents rather than posted. We are also sending out a monthly eNews letter which has a readership of over 1,500 tenants and update our social media pages on a daily basis; all are free methods (aside from staffing time) and have greatly increased the value of our communications.

(iii) ICT

The strategic focus of the ICT team during 2014/15 has been on the development of the ICT service to support the future needs and vision of the business. A detailed service and workforce review was conducted during 2014 resulting in a redesign of the service, the recommendations of which commenced implementation towards the end of the financial year and continue into early 2015/16.

The focus now is on taking timely, relevant and cost effective action to use technology to assist in developing the business to meet the long term vision.

Core infrastructure systems due for replacement had their service life extended both to enhance return on investment (ROI) and to allow a joined up infrastructure and telephony review to take place. An updated ICT Strategy and complete infrastructure review will be delivered throughout Q1-Q3 2015-2016.

A project to enable Neighbourhood and Income officers to work more effectively in the field through easy access to relevant tenancy data, went live at the end of the year. The business case for the project indicates savings of £130k per annum allowing officer time to be allocated more effectively. The project will be continue to be developed throughout 2015/16 linking further automation enhancements and efficiencies in delivering income management and neighbourhood services.

Non cashable improvements delivered through the ICT service included, for example:

- Software system developed in-house to support the Tenant Rewards project.
- Universal Credit/ Alternative Payment Arrangement reports produced to manage and benchmark the operational services.
- Significant upgrade to the telephony system to bolster resilience and keep the hardware and software within support.
- Development and implementation of the 'Total Mobile' project for Income and Neighbourhoods to deliver an effective remote network connection to housing management systems for staff working in communities.
- Additional infrastructure to facilitate business continuity and system fail-over in the event of a major incident at Aspen House.
- The bulk of desktop computers have been replaced or upgraded, enhancing the performance experienced by users.

- Community Wi-Fi was installed in 3 of new developments, allowing Southway tenants to access the Internet, supporting our Digitally Inclusion Strategy.
- Voice recording systems were upgraded to support credit card payment methods predominantly within the Contact Centre.
- Commercial Repairs implemented, with systems designed to allow for a seamless and effective delivery across the repairs service.

A sample of the future projects scoped for 2015/16 include:

- Review of costly Lone Worker protection systems.
- Move to Insight SSRS for production of management reports, allowing better reporting services and developing a Business Intelligence approach to service delivery.
- The implementation of a unified and collaborative Customer Relations Management (CRM) and Communications Hub within the core housing management system to enhance the interface with customers and assisting all services in their continual improvement objectives.
- Review and replace the provision of the IT Service desk software to allow for effective change and problem management, service delivery management and KPI reporting.
- A business case is currently being prepared looking at upgrading the repairs team mobile working technology due to it going end-of-life and failing to meet current needs and resilience.

(iv) Insurance Claims Management

During 2014/15 Southway reviewed its insurance claims management arrangements. At financial year end the Trust has seen a real impact from its drive to improve environmental management and record keeping. We are able to now effectively defend ourselves against claims, we have paperwork which is accurate and clear and we have staff who are acting quickly to investigate and provide supporting documentation for the defense of claims. This is a major step forward in our aim to reduce premiums.

In Q4 2013/14 we had 12 new insurance claims, at the same point this financial year we have received only 1 and that was denied within 2 weeks of the claim being reported. Claims that in the past could have taken up to 12 months for insurers to investigate. This is testament to the strength of our procedures and the evidence we are able to provide.

The effective management of potential claims is also vital to save the Trust money in pay outs. In 2013/14 we had 5 reports of potential claims, information was sketchy and we weren't able to gather much information to help us prepare a defense for any claim that might come in. In 2014/15 we have had 17 reports of potential insurance claims, 8 of which have been supported by a full claims defensibility information, which will ensure that if we do get a claim in the future we will be in a very good position to defend ourselves.

We have also reduced the number of motor incidents by 70% in the last year, with 10 claims in 2013/14 down to 3 in 2014/15. In 2013/14 we paid out £33k for motor claims; in the last year this reduced down to £7k.

The Trust retendered for its insurance services in 2014/15. This resulted in a premium which was similar to the previous year. Following the implementation of the risk mitigation actions and revised claims management arrangements referred to above our insurers have indicated that a reduction in premiums should be possible in later years as Southway develops a good claims history.

8. Managing our Assets

Analysis of Housemark benchmarking results has been undertaken to track Southway's back office overhead costs.

(i) Use of Asset Base, Property Demand and Options Appraisal

The effective use of our asset base is a key issue in achieving value for money. Southway raised its social housing target rents in 2014/15 to reflect the increased value of its properties, following significant investment to achieve Decent Homes and delivery of its transfer promises. This asset value now needs to be preserved. Should it be necessary to fund future initiatives and further new build work, the strength within our asset base could be used to assist with refinancing.

While it is accepted that the Southway stock is of high demand, there is a need to develop a greater understanding of its wider value and assess whether there are better options for pockets of stock than refurbishment and maintenance, such as disposal, demolition, regeneration or conversion. To support this work the Trust's Acquisition and Disposal policy will be reviewed and a new stock modelling tool will be put in place during 2015 that will be used to assess the Net Present Value of existing and new properties.

There have been limited instances where significant intervention has been needed due to neighbourhood sustainability and our ability to let properties. Southway has previously converted a block of six flats into two 4 bedroom homes due to significant anti social behavior problems that were exacerbated by the flat designs, their lack of security and their location. At a further site; Westbrook Walk bungalows specific intervention through selective demolition and new build is underway. This is due to it being landlocked, lower demand than the remaining stock and not being appropriate accommodation for its intended older residents.

(ii) Stock Survey and Asset Management

In consultation with our tenants Southway has set its own stock improvement standard that exceeds the Government's recent homes target, providing homes that have good quality internal fittings, are wind and weather tight and energy efficient. A range of product styles and choices are provided with key considerations being product durability and ease of use.

A stock condition survey was completed in 2011. This showed that the choices made about what work to carry out and about the specifications and products used had achieved significant benefits for our tenants. Savills the firm who were commissioned confirmed that "our overall impression gained from our surveys is that the stock is in good condition and has clearly benefitted from the significant investment programme that has taken place since transfer."

A new stock condition survey is being completed in 2015. The survey results will inform the levels of investment required for the next thirty years, with a specific focus on 2016/17 to 2020/21. The basis of the survey will be to identify works required to maintain properties to current standards and protect the existing asset base value. However, standards will be reviewed to ensure they remain fit for purpose, and are aligned to wider strategies such as Age Friendly and Environmental Sustainability.

Alongside this work the existing Asset Management Strategy will be revised with a view to providing a more holistic approach, not only dealing with stock condition but also addressing issues such as demand, stock and neighbourhood sustainability, and customer needs and aspirations.

The new Asset Management Strategy will aim to continue to provide the right balance between service standards, quality, value for money and customer satisfaction, and be clearly linked to corporate objectives.

(iii) Energy Efficiency

The average SAP rating of Southway homes is 71.48. During 2015 Southway will be delivering a Solar PV scheme to over 2,000 homes. Annual individual household savings up to £300 are expected from this work with SAP ratings being significantly increased.

We will also continue to deliver our award winning Energy Doctor service providing energy efficiency and switching support to 300 tenants with overall savings of £126k targeted.

The energy ratings of our homes will be a key consideration for future investment during 2015/16 linked to the development of our new Asset Management Strategy. Key to this decision making will be the benefits that any work would have for our tenants and how this compares with the cost of the work itself.

(iv) New Build Development

Southway is investing significantly between 2015 and 2018 building 160 new homes for affordable rent both general needs and age restricted. Grant funding of £2.6M has been secured to support this work. The Trust recognises the need to achieve value for money and maximize the number of homes that we build whilst maintaining quality.

During 2015 a benchmarking exercise and external review will be carried out to assess the value for money achieved to date in new build development. Using previous schemes to carry out benchmarking the following areas will be addressed;

- Methods of procurement including the use of build, design and build, frameworks and joint venture companies.
- Works Costs (unit rates, specifications, methods of working, incorporating whole life values).
- Identifying areas where there may be ways to improve in design and specification.
- Minimising on-going maintenance costs.

Areas where efficiencies can be made will be identified and implemented and will include the setting of a target unit rate for new build.

(v) Development Administration

Southway has an internal workforce managing its new build development programme. Work is monitored against a 5% fee target. Southway also commissions a variety of specialists to support its new build work; specifically architects and specialist surveyors. A fee budget for all pre and post contract work has been set at 8%.

During 2015 a benchmarking exercise will be completed that compares these fee costs, looking at trends and best practice in the delivery. The aim will be to achieve better value for money and ensure that we have the right skills and knowledge in place.

The benefits of different models of delivering development administration will be assessed including the constitution of a Development Company to enable VAT savings to be achieved on professional fees.

Target fee levels for internal and external development administration will be reset following this work.

9. Community Investment

Investing in the people who live in our homes and communities is a key priority for Southway, working in partnership with others to improve prosperity and wellbeing, particularly those who are less well off, and make sure our tenants and local residents benefit from the economic growth of Greater Manchester.

Where we can deliver commercial services that complement our core business, we will invest any surpluses achieved into our social investment priorities.

In 2014 Southway invested, along with partner organisations in the development of the Value Insight reporting tool, developed by HACT. This provides a well being valuation methodology to measure the social value of the outcomes achieved on social investment projects, with the results expressed as a cash sum.

Using this model we will measure the social value that we create through community investment. Through a range of community work we have targeted to achieve at least £2.8M of social value.

2015/16 will see significant growth in the services we deliver and the support we provide to communities with key areas being:

- Supporting at least 400 tenants a year to access pre employment training.
- Directly supporting at least 50 Southway tenants into paid employment or to set up their own businesses.
- Supporting the development of an Employers Network to engage local businesses who can actively contribute to employment and training opportunities in the Southway area.
- Developing our Timebank volunteering programme across all of our neighbourhoods
- Working with health and care providers to join up our services for older people to improve outcomes and become more efficient.
- Developing services at the newly acquired Buckthorn House community facility and developing a volunteer led partnership the Westcroft Centre.

Southway has developed strong partnerships in its communities supporting a range of organisations and providers to deliver services to residents. During 2015/16 we want to work with our key community partners to develop a longer term strategy, looking at the option of setting up a formal partnership structure. This would enable us to better define shared objectives, share our expertise and work together to establish sustainable funding arrangements. This structure could also provide a framework through which we can reinvest any surpluses available to support social investment.

10. Digital Inclusion

2015/16 will also be a key year for Digital Inclusion at Southway, building upon the foundations of 2014/15 as an organisation we are committed to:

- Recruiting 10 additional tenant Digital Champions.
- Establishing our existing Junior Digital Champions project as an extra curricular activity within local high schools.
- Assisting 250 tenants & residents to access the internet and gain digital skills.
- Continuing to run 'Internet Savvy' courses, assisting a further 50 working age tenants to gain digital skills and providing access to low cost equipment.

- Rolling out 'Silver Savvy', a tailor made 6 week computer training course for tenants who are 50+. Putting more emphasis on developing financial and social digital skills as well as providing access to low cost equipment.
- Piloting a home connectivity project in Burnage North and Ladybarn, connecting over 350 Southway homes with free internet.
- Building a Digital Skills Audit for inclusion within the Digital Induction for new Southway Tenants.

All of the digital initiatives mentioned above work towards providing 'Digital for all', each one plays its own part in helping tenants and residents to increase their confidence in using computers. They also help tenants to save money, increase their employability, and help them to pursue hobbies. A further expected benefit is where we are empowering people to assist each other. In order to ensure that we're capturing the social value and benefits to Southway tenants of them being online, we're working towards developing more effective reporting mechanisms. We'll do this by utilising the HACT SROI tool and also paying regard to the outcomes framework for measuring the benefits of Digital Inclusion that has been developed by the Government Digital Service (GDS).

11. Efficiency Targets for 2015 - 2018

Southway is committed to continuous improvement in both services and ongoing delivery of efficiency savings. In addition to these financial savings the Trust plans to complete the comprehensive assessment of its services during 2015/16 and the following two years to deliver the efficiency targets set out below.

2015-2018 VFM Strategy – Efficiency Targets

Property Maintenance

1. To achieve a consistently top quartile position on maintenance cost, performance and customer satisfaction compared to sector benchmarks.
2. New Asset Management Strategy to be adopted by y/e 2016, reflecting stock condition survey results and consideration of individual property retention/disposal options.
3. Commercial Repairs to deliver a profit, recouping start up costs by y/e 2017.

Housing Management

4. To improve customer satisfaction to Quartile 2 or above for overall landlord service and satisfaction with neighbourhoods.
5. To achieve a cost reduction of £250k pa via the Shaping Southway project –reinvesting the savings in new activities/development. This is intended to deliver a Quartile 3 cost base by y/e 2017.
6. To achieve further cost reductions of £50k pa in each of the following three years via greater use of digital platforms, totalling £150k – reinvesting the savings in new activities/development. This is intended to deliver a Quartile 2 cost base by y/e 2020.

Rent Collection

7. Performance expected to improve to Quartile 2 in y/e 2015. Achieve top quartile performance by y/e 2017.
8. Cost base to be reviewed as part of the Shaping Southway project, with savings from the Streamlining Income Management project contributing to efficiency target 5. above.

Overheads

9. To continue to deliver Finance, ICT and Central activities at a cost base in Quartile 2 or better.
10. New office accommodation requirements to be confirmed by y/e 2017, including analysis to comparable city centre RPs with 4,000 - 8,000 properties.

Development

11. VFM review of the development function in the second half of 2015. This will include consideration of Design Specification and Procurement Arrangements. Efficiency targets to be set upon completion of this evaluation.
12. Staffing review of the Development & Acquisition team in the second half of 2015 will consider the cost of the internal staffing structure, roles and responsibilities and evaluate the use of external consultants. Spending above the average cost base of peers will be explained.

Social Investment

13. To review and improve the quality of outcomes of investment into (a) Age Friendly activities, (b) Employment & Training, (c) Volunteering, (d) Health and Wellbeing, (e) Partnerships and Community Buildings and (f) Digital Inclusion services. These activities are targeted to achieve at least £2.8m social value (per Value Insight model).

Insurance

14. Re-procurement of insurance in November 2017 to result in a reduced premium compared with the general inflationary movement for the sector.

Interest

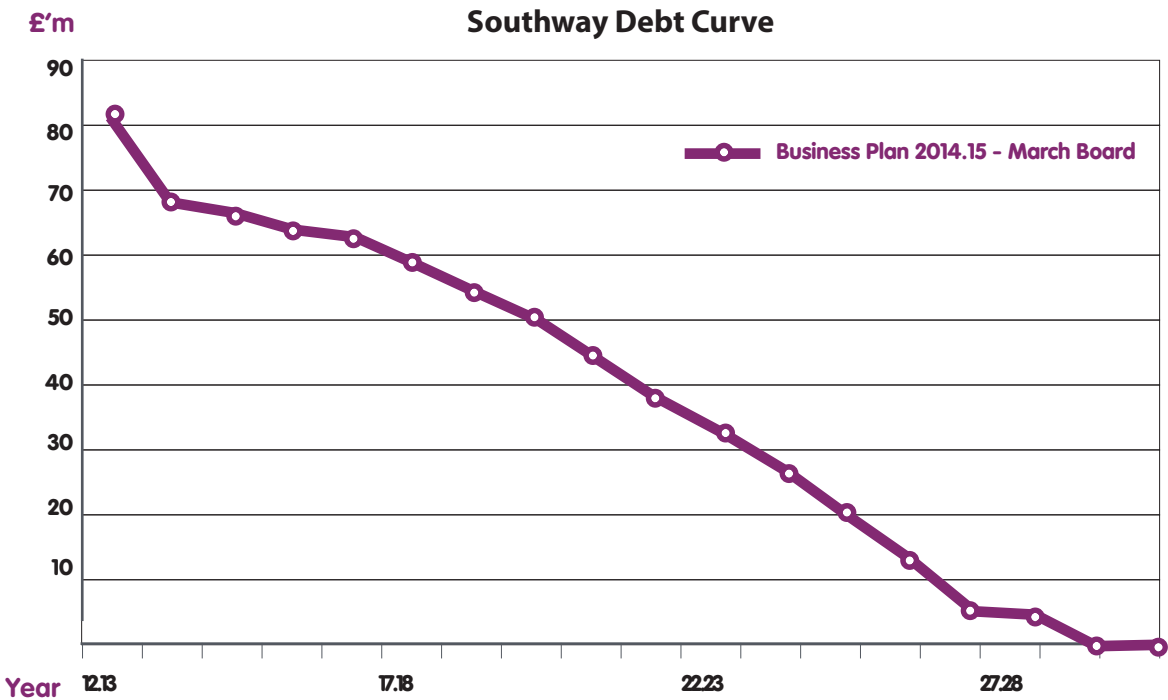
15. To consider the most appropriate treasury management solution when increasing the levels of funding available to the Trust



Loan Facility

Southway is currently funded in a manner which is standard for stock transfer landlords. A single loan facility is in place, which was drawn on in an initial period of intense investment (2007-13), and is then scheduled to be repaid against an agreed timetable.

Southway’s facility is provided by Barclays Bank plc. Borrowings peaked in March 2013 at £81m, and this will be repaid in agreed annual installments in the 16 years to March 2029.



Until the Government’s announcement on 8th July 2015 that social housing rents are to fall between 2016 and 2020, this facility provided sufficient funds to meet stock condition needs throughout this period, fund a development programme beyond the current 3 year plan, support the operating cost base and other investment plans, and provide considerable buffer for risk. The Business Plan has now been re-appraised with appropriate reductions in the long-term planned development programme, and to the operating cost base. Any changes required will not require any renegotiation of contracts, nor any variation in the lender’s current terms.

Beyond that review of the Business Plan, the new Futures Strategy (see above) aims to maximize Southway’s financial capacity, and this will require a funding strategy which significantly exceeds the current facility.

Southway’s last independent stock valuation was at March 2013, and gave a value (EUV-SH) of £148m (for 5,868 units). This compares to debt at March 2015 of £66m.

In addition, having factored in the Government’s new rent regime, its currently forecast EBITDA(MRI) shows the ratio not falling below 275% in any year, compared to a market standard and current contract requirement of 110%.

As part of developing the Futures Strategy Southway therefore began to examine its options within the limits of its financial capacity, and this process will complete during 2015/16.

Treasury Strategy

As a debt funded business, Southway recognises an inherent risk arising from uncertain interest rates. It seeks to strategically manage the risk through a heavy weighting to fixed rate finance. To 9th August 2013, this was achieved through a range of fixed tranches with varying maturity dates and rates (4.22% - 5.24%). From that date, these were consolidated into a single amortising fix such that the amount will always be 90% of the unrepaid facility. This was priced at that date at 5.07% + margins, being the fair equivalent of the various tranches it had replaced.

The balance of the reducing facility would be drawn at the prevailing LIBOR. That part of the facility is revolving which enables cash to be drawn and repaid at 48 hours notice.

At 31 March 2015 Southway had debt of £65.7m (2014: £67.7m). All of the 2015 year end debt was on the amortising fixed facility. Southway does not contract for derivative instruments outside of its loan contract.

Financial Management

Southway operates to a financial management regime which ensures that strategy is set and monitored by the Board and its committees. It takes account of the terms of the current loan agreement.

- The Business Plan is reviewed annually, and in the context of Southway's diversifying offer to its communities. The review assesses compliance with future financial commitments, and also the potential for future funding needs. It includes substantive stress testing (see "Management of Risk").
- Medium term Resource Plans are agreed annually to resolve how resources will be deployed over a 3 year time span, taking account of any constraints from the loan agreement. The Plan identifies amounts available to fund the preferred operating cost base, and the diverse investment needs of the business (see above).
- Four times in each year the Performance & Resources Committee receives reports which set out actual income and expenditure against the current Resource Plan. Differences are analysed to ensure that variances due to timing differences are distinguished from more substantive differences. Reporting includes proof of compliance with the funder's EBITDA(MRI) covenant requirement.
- High level financial and performance indicators are assessed by the Board quarterly.

The Social Housing Regulator monitors all Registered Providers and carries out in-depth analyses where required.

Management of Risk

Southway continuously assesses the changing pattern of risk. Particular regard has been made to the changing economic environment since 2008, and developments in government policy, particularly over rents and welfare reform. In addition, increasing focus is now applied to the commercial risks attached to new markets being entered into, and also of the impact on the whole organisation that comes from any process of growth and diversification.

The principle financial risks faced by the business, as identified in the Significant Risk Register, are:

- (1)** welfare reform reducing Southway's income and damaging its reputation with customers
- (2)** the volatility of government policy for social housing rents
- (3)** the potential for inflation to fall
- (4)** control systems weakened during an era of accelerated growth
- (5)** loss of resources from the increased discounts imposed for Right-to Buy sales
- (6)** delays in delivery of new homes
- (7)** increasing costs within the construction sector
- (8)** Board skills not adjusting in line with the changing balance of activities

In general, Southway manages these risks by the adoption of prudent strategies within business planning and budgeting, maximising the capacity of the business to withstand shocks. In particular, its assessment of capacity to meet obligations under the current loan agreement:

- (a)** places no reliance on any property sales
- (b)** places no reliance on further debt
- (c)** assumes cost inflation of 2.5%, but uses only 2% for CPI in the rent formula after 2020. Southway makes no assumption that rents will be allowed to rise higher than CPI after 2020.
- (d)** has fixed the majority of its debt, and has a long term LIBOR (interest rate) assumption on the remainder of 3% real (5.5% actual)
- (e)** has provisions for annual operating costs that are well above those affordable within the 110% EBITDA(MRI) constraint. Currently no year is forecast to have an outcome on this measure of less than 275%.
- (f)** makes provisions for bad debts well above its consistent outturn performance. The allowance is 4% in 2015-18 and 3% thereafter. Performance in 2014/15 was 0.9% (2014/15: 1.3%). The increased provisions reflect the increasing risk from government welfare reforms.

Southway is also aware of the inherent risk of pension provision, particularly defined benefit schemes. Business planning models have been tested successfully for the strain of likely increases in employer contributions. Southway faces only limited risk from auto-enrolment as there is already a high take-up (around 75%) and it provides in budgets for an increase in this factor. Southway participates in the defined benefit Greater Manchester Pension Scheme, and the defined contribution NEST scheme. Southway does not participate in the Social Housing Pension Scheme (SHPS).

Stress Testing. A key means of Southway's managing risk is the performance of stress testing as a central part of evolving its Business Plan. Tests are carried out initially on single variants (to assess which factors the business is at most risk from). These are then combined to assess the overall robustness of the plan. The key combined test in the revised 2015-16 Plan:

- assumed that CPI might trend at only 1% after 2020, lowering the rent base
- allowed for a surge to 3.5% in RPI at the end of the decade, impacting all costs
- added 2% to bad debts in all years

The test revealed both Southway's capacity, and the limits of that capacity, within the constraints of the current loan.

As Southway develops its Futures Strategy, and accepts new risks, new multi-adversity scenarios will be designed and re-tested, and the outcomes will be central to decision taking.

Financial Performance

The position in each of the last five trading years is as follows:

	2010/11 £m	2011/12 £m	2012/13 £m	2013/14 £m	2014/15 £m
Rents & other income	21.2	22.5	23.9	24.6	25.7
Gap Funding	4.2	6.2	7.4	5.9	0.0
INCOME	25.4	28.7	31.3	30.5	25.7
Stock Investment (Revenue and Capital Spend)	24.7	22.2	31.8	11.0	2.4
Other Costs	11.1	9.7	11.1	11.7	12.2
OUTLAY	35.8	31.9	42.9	22.7	14.6
NET OPERATING RESOURCE	(10.4)	(3.2)	(11.6)	7.8	11.1
Sales Surplus	0.3	0.6	0.6	1.6	1.4
Net Interest	(2.0)	(2.7)	(3.3)	(3.8)	(3.1)
NET RESOURCE	(12.1)	(5.3)	(14.3)	5.6	9.4

The table provides outcomes on an accruals basis. It includes investment in the current properties (and related income) irrespective of accounting treatment, but ignores the cost (depreciation) of past investment. This disclosure therefore aligns with EBITDA(MRI), the interest cover covenant applied by the funder from 13/14 onwards.

In the period from Transfer (November 2007) to March 2013, Southway's Business Plan and funding assumed that there would be a net outflow of cash resources in each year, reflecting its initial investment programme. This position reversed in 2013/14, and surpluses are expected to continue in future years. The excess resources will primarily be used to fund new properties and to repay debt.

The reduction in stock investment levels in 2014/15 reflects the reduced need following completion of Southway's initial investment programme. Levels of investment will remain comparatively low in 2015/16, but will then increase in line with the strategy to replace components at the optimal stage based on an independent survey conducted in 2011. A fresh survey is being undertaken during 2015/16.

The pattern of sales surpluses reflects the decline in market conditions, and then, from 2012/13, the higher discounts imposed by statute available to tenants. The sales have been nearly all pursuant to tenants' statutory right-to-buy. Southway has no immediate plans to dispose of any of its properties, and there is no reliance on future sales in the Business Plan.



Governance

Southway Housing Trust (Manchester) Limited ('Southway' or 'the Trust') is a registered society under the Co-operative and Community Benefit Societies Act 2014, and a Registered Provider with the Homes & Communities Agency (HCA).

It is governed by a voluntary board. It commenced trading on 26 November 2007, following the transfer to it of Manchester City Council's stock in the wards of Burnage, Chorlton, Chorlton Park, Old Moat, Withington East Didsbury and West Didsbury. Its principal activities are the management, maintenance and development of housing, and the provision of related community services.

Board Members and Executive Team

The Board Members and executive directors who have served Southway during the year and to the date of this report are set out on page 1. The Board consists of tenants of the Trust, nominees of Manchester City Council and independent members of the local community who are selected to bring a wide range of expertise and skills to Southway's governance.

A full review of Governance arrangements is underway, to be completed by March 2016, to ensure that the Trust has the best structure possible in place to deliver the new Futures Strategy (see above).

Board Members receive no remuneration other than reimbursement of expenses. The Shareholders of the Trust are the independent and tenant Board Members, and Manchester City Council. The Trust is constituted such that no dividend or other financial distribution to Members is ever made.

Board Members conduct their affairs within an agreed Code of Conduct, which complies with all regulatory requirements. Each Member of the Board signs a Statement agreeing to adhere to the Code.

The Board has in place a Probity Statement which sets out the standards of conduct it places on itself and those working for Southway. The statement also addresses the potential for conflicts of interest.

The executive directors are the Chief Executive and the other members of Southway's Executive Leadership Team (ELT). They hold no interest in Southway shares and act as executives within the authority delegated by the Board. None of the executive directors are members of the Board, but they attend all of its meetings. All members of ELT served throughout the year.

The Chief Executive and other members of ELT are engaged on permanent service contracts. They receive salaries set by the Board based on its estimation of the amounts required to secure the services of appropriate personnel. The Board takes independent advice on this.

Where they choose to become scheme members, ELT members also benefit from contributions made by Southway to the pension scheme. The scheme available to them is the Greater Manchester Pension Fund, and ELT members participate on the same terms as all other Southway employees.

Southway's insurance policies indemnify board members and officers against liability when acting for the Trust.

Charities Commission

The Board confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Trust's aims and objectives and in planning future activities.



Code of Governance

For the duration of 2014/15 Southway complied with the principal recommendations of the NHF Code of Governance (revised 2010). In June 2015 the Trust adopted the revised 2015 Code. A requirement of the new code is that all Registered Providers will need to declare compliance as part of their annual accounts with effect from year end 2015/16.

Board designs and follows a development plan, which is regularly reviewed. All Members are required to carry out annual self-appraisals, and undertake additional training as required.

Southway has gained accreditation by the Centre for Partnerships in respect of their Governance Standard.

Regulatory Standards

The Board is subject to, and an enforcer of, regulatory standards. In April 2012 the Regulation Committee of the HCA issued standards which emphasised the co-regulatory role of Housing Association Boards.

The Board strengthened its approach in response. This includes frequent reviews of its role and delegations to committees and officers.

In April 2015 the HCA issued a revised set of standards. A requirement of the standards is that all Registered Providers will need to declare compliance as part of their annual accounts with effect from year end 2015/16.

The Board's Audit and Risk Committee carries out an annual review of its compliance with the Standards. A review of the new code will take place in October 2015.

The Regulation Committee of the Homes and Communities Agency (the Regulator) issues Regulatory Judgements on Registered Providers, and reported on Southway in 2014. It was graded for Viability at V1 and for Governance at G1, in each case this being the highest grade available.

Residents' Involvement

In line with the expectations of the HCA Southway gives opportunity for its customers and residents to become involved in its decision making process. The Customer Involvement Strategy, last reviewed in March 2015 defines the Trust's commitment to co-regulation. There are a number of ways that tenants can get involved.

Resident Consultative Group (RCG) comprises tenants and resident within the Trust's area of operation. The Board consults the Group on a range of policies and operational practices. The Group meets every 6 weeks and monitors Southway's performance against service standards and targets.

The Members of Southway's Board who are tenants can attend meetings of the RCG as nonvoting observers.

There are also a number of Service Improvement Groups that cover areas such as Complaints and Repairs, where tenants can influence policy and procedure.

The Tenant Scrutiny Panel elects areas of service that it wishes to investigate and reports its findings to the Audit & Risk Committee, who agree a programme of action and monitor implementation. The Panel reports annually to the Board.. All Panel members receive appropriate training, and can commission independent expert advice if they require. The Panel receives full administrative support.

During 2014/15 the Panel reviewed Southway's handling of concessionary services and contributed to the review of compliance against regulatory standards.

Employees

Southway employed an average of 192 employees in 2014/15 (2013/14 : 199) to deliver its services. These numbers now include employees on variable hours contracts.

All employees are made aware of the organisation's aims and objectives and are supported in the delivery of their roles as part of the Everyone Matters framework. This sets out standards, behaviours and guidance which all staff must observe.

Southway shares information with employees through monthly briefs and team meetings, and through postings on the staff intranet. It also operates a Staff Consultative Group of employee representatives which meets monthly to discuss matters in depth which affect employees.

Staff adhere to a Code of Conduct, (which was fully revised and updated in May 2013) and each employee signs to their agreement with such.

Staffing practices are conducted through a range of policies which have been set by the Board, and are available to all employees. Southway is committed to equal opportunities. It supports the employment of disabled people, both in recruitment and in the retention of employees who become disabled whilst in the employment of the Trust.

The third bi-annual staff satisfaction survey carried out in autumn 2014 showed increased levels of satisfaction amongst staff with significant increases across the majority of areas. Overall satisfaction increased from 77% in 2012 to 84% in 2014 placing Southway well above average when compared to the other providers.

Health and Safety

The Board is aware of its responsibilities on all matters relating to health and safety. Southway has prepared detailed health and safety policies and provides staff training and education on health and safety matters. The Policy and compliance with requirements was reviewed in March 2014. Southway receives specialist Health and Safety advice from Stallard Kane.

A Health & Safety Group operates which contains a range of staff representatives, and monitors the operations of the Trust with a view to ensuring that they meet standards in this respect.

Statement of the Responsibilities of the Board for the Report and Financial Statements

The Board is responsible for preparing the Report of the Board and the Operating and Financial Review and financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Societies legislation requires the Board to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Co-operative and Community Benefit Societies legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Trust for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP): Accounting by Registered Housing Providers Update 2010, 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 Trust will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2012. It is also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Board Members is aware:

- there is no relevant audit information of which the Trust's auditors are unaware; and
- Board Members have taken all steps that they ought to have taken to make themselves aware of any relevant information and to establish that the auditors are aware of that information.

The Board is responsible for the maintenance and integrity of the corporate and financial information on the Trust's website. Legislation in the United Kingdom concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Board Statement on Internal Control

Southway manages its operations through a considered development of internal control systems. The Board has ultimate responsibility for these systems and the meeting of control objectives, and operates a constant dialogue with those to whom it delegates the practical task of designing, operating and assessing such systems.

The systems are designed to ensure that policies are carried out, service standards are monitored, and that assets are applied to their intended purpose. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

Since transfer in 2007 the Board has undertaken a process of ensuring that operations are carried out in an integral fashion to meet the Board's own devised policies and objectives. Where this process identifies certain weaknesses in operations, strategies are put in place to improve the control systems.

Key elements of the control framework both in operation and under review are;

- (a)** The Board carried out an independent Governance Review in 2011, the action plan from which was delivered during 2012/13. A full review of the Governance Structure is underway, this will be concluded by March 2016.
- (b)** Board assesses its compliance with regulatory standards on an annual basis.
- (c)** A full scheme of delegations exists via formal Standing Orders. These were last reviewed in July 2015.
- (d)** A clear business planning strategy, which is subject to overall review by May of each year.

- (e) A process of budget setting by Board, and monitoring by Performance & Resources Committee, which is firmly embedded in the business planning process, with measures of outcome designed to identify the specific variances that arise from their respective risks.
- (f) A clearly laid down detailed Futures Corporate Plan, that derives from the Futures Strategy through which the Board defines the tasks needed to achieve objectives, and monitors their fulfillment.
- (g) A system of key performance indicators (KPIs) which are tied to pre-stated business objectives and compared to pre-agreed benchmarks. These KPIs were fully reviewed by the Board in March 2015.
- (h) The operation of a dynamic Significant Risk Register and Team Risk Registers. Significant Risks are reviewed by the Executive Team Risk Panel on a quarterly basis, by Audit & Risk Committee every six months, and by Board annually. The Register details the actions taken to manage each risk, and proposed further actions.
- (i) An annual compliance review of the loan agreement.
- (j) A comprehensive set of operating policies disseminated to staff, with a laid out timetable for their review at appropriate intervals. These policies include counter- fraud measures (prevention, detection and reporting of discovered fraud, and strategies for 'whistleblowing').
- (k) A fully considered treasury strategy which is reviewed every six months and on which the Performance & Resources Committee receives advice direct from both its Director of Finance and specialist external advisers. The strategy derives from a recognition of conflicting interest rate risks and the uncertainty of cash flow forecasts. Issues of counterparty risk are addressed.
- (l) Formal recruitment policies, and both a programme of systematic performance appraisal of all staff, and a Learning and Development Plan, each constructed around objectives in the Futures Strategy.
- (m) A formal Development Appraisal Procedure which sets a clear timetable for each project relating to property development and land acquisition and outlines the risks associated and the controls in place to mitigate those risks.

Within its ultimate responsibility for internal control systems, the Board has delegated authority to the Audit & Risk Committee to regularly review the effectiveness of the system of internal control. This includes their establishment of a risk-based programme of internal audit reviews carried out by an independent firm appointed by the Board, and conducted pursuant to the Board's Audit Policy. The Committee reports quarterly to the Board.

The Audit and Risk Committee has received the Executive Leadership Team's Annual Review of the Effectiveness of the System of Internal Control, and the Annual Report of the Internal Auditor, and has reported its findings to the Board.

The process for identifying, evaluating and managing the significant risks faced by Southway is ongoing, and has been in place throughout the year ended 31 March 2015 and up to the date of approval of the report and financial statements.

Fraud and Gift Registers are maintained and are reviewed regularly. Southway has policies for the prevention of fraud, and for the action to be taken in the case of detection of fraud. Any instances of Fraud are reported to the regulator on an annual basis.

Donations

During the year donations were made to a range of local charitable and community groups, and also as small tokens of respect in the event of the bereavement or serious illness of a party connected to Southway. The total of such donations was £9,376 (2014 £3,230).

Post balance sheet events

No events since the year-end have had a significant effect on the Trust's financial position.

Going Concern

After making enquiries, the Board has a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

In reaching this view the Board has fully appraised the changing business environment facing Southway, and assessed the strategic risks faced and the means available to it to mitigate these risks.

Statement of Compliance

This Report of the Board includes an Operating and Business Review, and complies with the principles set out for such in the SORP 2010.

External Auditors

A resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming annual general meeting. This follows a full competitive re-procurement exercise which concluded in February 2015.

Annual General Meeting

The annual general meeting will be held on 22 September 2015.

The Report of the Board was approved by the Board on 18 September 2015 and signed on its behalf by:

Emma Richman
Chair of the Board



Independent auditor's report to the members of Southway Housing Trust (Manchester) Limited

We have audited the financial statements of Southway Housing Trust (Manchester) Limited for the year ended 31 March 2015 which comprise the income and expenditure account, statement of total recognised surpluses and deficits, reconciliation of movements in the Trust's funds, balance sheet, cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the board and the auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 45, the board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the society's affairs as at 31 March 2015 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance 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 2012.

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants
Manchester
22 September 2015



Income and Expenditure Account

For the year to 31 March 2015

	Note	2015	2014
		£'000	£'000
Turnover: continuing activities	3	25,753	25,806
Operating costs: continuing activities	3	(17,512)	(20,495)
Operating surplus: continuing activities	3	8,241	5,311
Surplus on sale of fixed assets: housing properties	6	1,412	1,647
Interest receivable and other income	7	305	34
Interest payable and similar charges	8	(3,405)	(3,880)
Surplus for the year	20	6,553	3,112

The notes on pages 56 to 77 form part of these financial statements.

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

The financial statements were approved by the Board on 18 September 2015 and signed on its behalf by:

Emma Richman
Chair of the Board

Iain Leviston
Board Member

Matthew Maouati
Secretary

Statement of Total Recognised Surpluses and Deficits

For the year to 31 March 2015

	Note	2015	2014
		£'000	£'000
Surplus for the year		6,553	3,112
Actuarial (loss)/gain relating to pension scheme	28	(4,263)	2,268
Total recognised surplus for the year		2,290	5,380

Reconciliation of movements in the Trust's funds

For the year to 31 March 2015

	2015	2014
	£'000	£'000
Opening funds	24,237	18,857
Total recognised surplus for the year	2,290	5,380
Closing total funds	26,527	24,237

Balance Sheet

For the year to 31 March 2015

	Note	2015	2014
		£'000	£'000
Fixed assets			
Housing properties	11	91,150	87,777
Net cash inflow from	12	684	718
		91,834	88,495
Current assets			
Stock of materials	13	94	94
Debtors	14	2,242	3,175
Investments			
Cash at bank and in hand		10,677	7,778
		13,013	11,047
Creditors: amounts falling due within one year	15	(6,563)	(5,173)
Net current assets		6,450	5,874
Total assets less current liabilities		98,284	94,369
Creditors: amounts falling due after one year	17	62,477	65,017
Net Pension Liability	28	9,280	5,115
Cash inflow before use of			
liquid resources and financing		71,757	70,132
Capital and reserves			
Non-equity share capital	19	-	-
Reserves	20	26,527	24,237
Trust's funds		26,527	24,237
		98,284	94,369

The notes on pages 56 to 77 form part of these financial statements.

The financial statements were approved by the Board on 18 September 2015 and signed on its behalf by:

Emma Richman
Chair of the Board

Iain Leviston
Board Member

Matthew Maouati
Secretary

Cash Flow Statement

For the year to 31 March 2015

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2014 - 2015

	Note	2015		2014	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	24	14,415		15,810	
Returns on investments and servicing of finance					
Interest received		63		34	
Interest paid		(3,517)		(3,689)	
			(3,454)		(3,655)
Capital expenditure					
Purchase, improvement and construction of housing properties		(8,892)		(8,711)	
Gap Funding received		-		11,036	
Other capital grant received		1,093		92	
Purchase of other fixed assets		(276)		(479)	
Sale of housing properties		2,097		2,222	
			(5,978)		4,160
Cash inflow before use of liquid resources & financing			4,983		16,315
Management of liquid resources					
Cash transferred from money market deposit accounts			-		-
Financing					
Loans repaid			(2,084)		(13,266)
Share capital			-		-
Increase in cash	25	2,899		3,049	

The notes on pages 56 to 77 form part of these financial statements.

Notes To The Financial Statements

1. Legal Status

The Trust is registered under the Co-operative and Community Benefits Societies Act 2014 and is registered with the Homes and Communities Agency (HCA) as a housing provider.

2. Accounting Policies

(a) Basis of accounting

The Financial Statements are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice: Accounting by Registered Social Providers Update 2010 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012.

(b) Going Concern

The Trust's business activities, its current financial position and factors likely to affect its future development are set out within the Report of the Board and the Operating and Financial review. The Trust has in place long term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Trust's day to day operations. The Trust also has a long term business plan which shows that its is able to service these debts facilities while continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

(c) Turnover and revenue recognition

Turnover comprises rental income receivable in the year, other services supplied in the year at the invoiced value (excluding VAT where recoverable), and revenue grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

(d) Corporation Taxation

The Trust has charitable status. The directors do not consider any of the Trust's activities to be subject to Corporation Tax.

(e) Value Added Tax (VAT)

The Trust charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. VAT incurred which is not recoverable is included within these financial statements within the cost to which it relates. The balance of VAT payable or recoverable at the period-end is included as a current liability or asset.

(f) Housing Properties

Housing properties are principally properties available for rent and are stated at cost less depreciation. In accordance with the requirements of the SORP, transferred properties were initially included at Existing Use Value (Social Housing) at the date of transfer.

Housing properties under construction are stated at cost less related social housing and other capital grants. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

(g) Gap Funding

Gap Funding is received from the Homes and Communities Agency in respect of a proportion of the expenditure incurred by Southway to repair and improve its properties. Such funding is accounted for by reference to the accounting treatment of the actual costs so funded, and in direct proportion thereto. The funding of revenue costs is regarded as revenue income within Turnover, and the funding of capitalised additions to Housing Properties shown as a deduction from the cost of housing properties on the Balance Sheet.

(h) Social housing grant

Social housing grant (SHG) is receivable from the Homes and Communities Agency (the HCA) and is utilised to reduce the capital costs of housing properties, including land costs. It is allocated to the land and structure components in proportion to their cost. Grant receivable in respect of identifiable components is allocated to those components.

SHG due from the HCA or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the HCA. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the income and expenditure account. Upon disposal of the associated property, the group is required to recycle these proceeds, as such a contingent liability is disclosed to reflect this.

(i) Other grants

Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

(j) Interest Payable

Interest is capitalised on borrowings specifically to finance the development programme to the extent that it accrues in respect of the period of development if it represents either:

- interest on borrowings specifically financing the development programme after deduction of social housing grant received in advance, or
- a fair amount of interest on borrowings of the Trust as a whole after the deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the year.

(k) Development Agreement

Southway performs its Home Improvement Programme under a Development Contract with Manchester City Council. Under this contract the value of the housing properties paid by Southway to Manchester City Council at the time of acquisition was deemed to be equal to the income paid in advance by Manchester City Council to Southway in respect of that contract of works. Under FRS 5, the substance of these transactions is regarded as being one single transaction with a nil effect. Further details are given at Note 30.

(l) Depreciation – Housing Properties

The Trust separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write down the cost of each component to its estimated residual value, on a straight line basis, over its expected useful economic life shown below.

Where Grant Funding, SHG or other grants have been allocated to a component, the depreciable amount is arrived at on the basis of original cost, less the proportion of the grants attributable to the component, less residual value.

Component	Useful Economic Life
Freehold land	Not depreciated
Kitchens	20 years
Bathrooms	30 years
Doors and windows	30 years
Heating system	15 years
Electrical system and lifts	30 years
Cladding - non traditional properties	30 years
Roofs and chimneys	50 years
Off road parking - tarmac/paved drives	10 to 30 years
Structure - traditional build properties	80 years
Structure - non traditional properties	30 years

(m) Impairment

Housing properties, including those with individual components which are depreciated over a period in excess of 50 years are subject to annual impairment reviews. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to their recoverable amount, being the higher of the net realisable value or the value in use to the Trust. Any such write down is charged to operating surplus.

(n) Depreciation – other tangible fixed assets

Depreciation of other fixed assets is provided so as to write them down to their estimated residual values over their expected useful lives on a straight-line basis. The assumed useful lives of other assets are:

Asset	Useful Economic Life
Freehold land	Not depreciated
Freehold buildings	50 years
Long leasehold property	Over life of lease
Community Centre (structure)	80 years
Furniture, fixtures and fittings	7 years
Computers and related equipment	3 years
Commercial vehicles	4 years

(o) Pensions

The Trust participates in the Greater Manchester Pension Fund, part of the Local Government Pension Scheme.

The operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any other changes in fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits.

Pension scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs. Actuarial gains and losses are reported in the statement of total recognised surpluses and deficits.

(p) Supporting people

Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with administering authorities.

(q) Leased assets

Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

(r) Liquid resources

Liquid resources are readily disposable current asset investments. They include some money market deposits, held for more than 24 hours, that can only be withdrawn without penalty on maturity or by giving notice of more than one working day.

(s) Amortisation of Loan Issue Costs

Loan issue costs are capitalised and written off over the term of the loan.

(t) Rental Arrears

Arrears of rent are carried on the Balance Sheet at estimated realisable value. Reductions in estimated realisable value occurring since trading and operations commenced are written off to Operating Surplus and treated as a normal cost of Bad Debts.

3. Turnover, Operating Cost and Operating Surplus

Continuing activities

2015	Turnover £'000	Operating Costs £'000	Operating Surplus £'000
Social housing lettings	25,729	(16,199)	9,530
Other social housing activities			
Community Investment	24	(873)	(849)
Financial Inclusion	-	(281)	(281)
Other Support Costs	-	(122)	(122)
Non social housing activities	-	(37)	(37)
	25,753	(17,512)	8,241

2014	Turnover £'000	Operating Costs £'000	Operating surplus £'000
Social housing lettings	25,801	(19,607)	6,194
Other social housing activities			
Social Investment	5	(628)	(623)
Financial Inclusion	-	(260)	(260)
	25,806	(20,495)	5,311

3. Turnover, operating cost and operating surplus (continued)

Income and expenditure from social housing lettings	2015 £'000	2014* £'000
Rent receivable net of identifiable service charges	25,530	24,449
Service income	143	132
Net rental income	25,673	24,581
Gap Funding revenue grant	-	1,176
Other revenue grants	10	19
Other Income	46	25
Turnover from social housing lettings	25,729	25,801
Management	(5,868)	(5,963)
Services	(213)	(191)
Routine maintenance	(2,846)	(2,585)
Planned maintenance	(1,179)	(1,163)
Major repairs expenditure	(1,453)	(5,948)
Bad debts	(231)	(329)
Depreciation of housing properties	(3,833)	(2,925)
Other expenditure	(576)	(503)
Operating costs on social housing lettings	(16,199)	(19,607)
Operating surplus on social housing lettings	9,530	6,194
Void losses	130	134

4. Accommodation in management

At the end of the year accommodation in management for each class of accommodation was as follows:

Social housing owned and managed

	2015 No.	2014 No.
General housing	5,738	5,793
Supported housing and housing for older people	38	41
Affordable Housing	84	44
Total owned and managed	5,860	5,878

In addition the Trust managed 271 leasehold properties (2014: 269).

5. Operating Surplus

This is arrived at after charging:

	2015 £'000	2014 £'000
Depreciation of housing properties	3,833	2,925
Depreciation of other tangible fixed assets	310	320
Operating lease rentals		
- office accommodation	232	266
- maintenance vehicles	175	191
- office equipment	12	13
External auditor's remuneration (excluding VAT)		
- for audit services	21	21
- for non-audit services	-	-
Internal auditor's remuneration (excluding VAT)	19	24

6. Surplus on sale of fixed assets - housing properties

	2015 £'000	2014 £'000
Disposal Proceeds	2,617	2,805
Carrying value of fixed assets	(586)	(575)
Other costs of sale	(520)	(583)
	1,511	1,647
Carrying value of properties demolished	(99)	-
	1,412	1,647

7. Interest receivable and other income

	2015 £'000	2014 £'000
Interest receivable	63	34
Other finance income	242	-
	305	34

8. Interest payable and similar charges

	2015 £'000	2014 £'000
Loans and bank overdrafts	3,509	3,681
Capitalised Development Interest	(154)	-
Amortisation of initial loan costs	42	30
Other finance costs	8	169
	3,405	3,880
Capitalisation rate used to determine the amount of development interest capitalised	5.18%	-

9. Employees

Average monthly number of employees expressed in full time equivalents

	2015 No.	2014 No.
Administration	55	55
Maintenance Service & Home Improvement	71	85
Neighbourhood Services & Community Involvement	40	39
Call Centre	16	15
Development and Property Acquisition	10	5
	192	199

Employee costs

	2015 £'000	2014 £'000
Wages and salaries	5,928	6,067
Social security costs	491	491
Other pension costs	801	1,142
	7,220	7,700

10. Board Members and Executive

None of the Board Members received emoluments. Board members expenses totalled £4,430 in the period to 31 March 2015 (2014: £3,945).

The emoluments including pension contributions and benefits in kind paid to the Chief Executive and the other three Executive Directors are set out below. All four Directors are ordinary members of the Greater Manchester Pension Scheme and no enhanced or special terms apply. The Trust does not make any additional contribution to individual pension arrangements of any of the Executive Directors.

Emoluments in the year to 31 March

	2015 £'000	2014 £'000
Chief Executive	123	123
Director of Finance & Resources	90	89
Director of Neighbourhood Services	97	95
Director of Asset Management & Regeneration	97	95
	407	402

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £104k (2014: £104k).

The full time equivalent number of staff and Directors who received emoluments:

	2015 No.	2014 No.
£60,001 - £70,000	4	4
£70,001 - £80,000	1	1
£80,001 - £90,000	0	1
£90,001 - £100,000	3	2
£100,001 - £110,000	0	0
£110,001 - £120,000	0	0
£120,001 - £130,000	1	1

11. Tangible fixed assets - properties

Social housing properties	Properties For Letting £'000	Properties Under Construction £'000	Total £'000
Cost			
At 1 April 2014	132,885	2,138	135,023
Works to existing properties	957	-	957
Additions	1,549	6,540	8,089
Schemes completed	3,535	(3,535)	-
Disposals	(1,185)	-	(1,185)
At 31 March 2015	137,741	5,143	142,884
Gap Funding			
At 1 April 2014	(30,851)	-	(30,851)
Additions	-	-	-
Released on disposal	284	-	284
At 31 March 2015	(30,567)	-	(30,567)
Other capital grant			
At 1 April 2014	(1,331)	-	(1,331)
Additions	(462)	(631)	(1,093)
Released on disposal	6	-	6
At 31 March 2015	(1,787)	(631)	(2,418)
Depreciation and impairment			
At 1 April 2014	(15,064)	-	(15,064)
Charged in year	(3,833)	-	(3,833)
Released on disposal	148	-	148
At 31 March 2015	(18,749)	-	(18,749)
Net book value			
At 31 March 2015	86,638	4,512	91,150
At 31 March 2014	85,639	2,138	87,777

Housing properties at 31 March 2015 and 31 March 2014 are comprised entirely of freehold land and buildings.

11. Tangible fixed assets - properties (continued)

Expenditure on works to existing and acquired properties	2015 £'000	2014 £'000
Components capitalised	957	5,126
Amounts charged to income and expenditure account	1,453	5,948
	2,410	11,074

Finance Costs	2015 £'000	2014 £'000
Aggregate amount of capitalised interest included in the cost of housing properties	154	-

Social Housing Assistance	2015 £'000	2014 £'000
Total accumulated grants received or receivable at 31 March		
Gap Funding - capital grant	30,567	30,851
Other capital grant	2,418	1,331
Gap Funding - revenue grant	6,259	6,259
	39,244	38,441

12. Tangible fixed assets - others

	Furniture fixtures and fittings £'000	Computers and related equipment £'000	Community Centre £'000	Total £'000
Cost				
At 1 April 2014	661	2,002	338	3,001
Additions	103	140	33	276
At 31 March 2015	764	2,142	371	3,277
Depreciation				
At 1 April 2014	(516)	(1,767)	-	(2,283)
Charged in year	(109)	(196)	(5)	(310)
At 31 March 2015	(625)	(1,963)	(5)	(2,593)
Net book value				
At 31 March 2015	139	179	366	684
At 31 March 2014	145	235	338	718

13. Stock of Materials

	2015 £'000	2014 £'000
Maintenance materials	94	94

14. Debtors

Due within one year	2015 £'000	2014 £'000
Rent and service charges receivable	2,930	2,792
Less: Provision for bad and doubtful debts	(2,303)	(2,175)
	627	617
VAT incurred and recoverable	-	218
Other debtors	1,082	1,380
Prepayments and accrued income	533	960
	2,242	3,175

15. Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Loans due in less than one year (note 18)	2,582	2,084
Rent and service charges received in advance	413	414
Leasehold sinking funds (note 16)	227	312
Other taxes and social security costs	143	142
Trade creditors	1,029	366
Other creditors	466	373
Accruals and deferred income	1,703	1,482
	6,563	5,173

16. Leaseholder Sinking Funds

	2015 £'000	2014 £'000
At 1 April	312	367
Additions during period	34	15
Incurred on works during period	(101)	(59)
Reclassified as debtors/works	(18)	(11)
At 31 March	227	312

Funds are held on behalf of leaseholders to fund their share of works carried out. As there is no contractual right to defer payment beyond 31 March 2016, this balance is held in amounts falling due within one year on the balance sheet.

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

	2015 £'000	2014 £'000
Loans due in more than one year (note 18)	63,068	65,650
Loan arrangement fees to be amortised	(591)	(633)
	62,477	65,017

18. Loans

Bank loans - due after more than one year	2015 £'000	2014 £'000
Bank loans - due within one year		
Repayable within one year	2,582	2,084
Bank loans - due after more than one year		
Repayable more than one year but less than two years	3,104	2,582
Repayable more than two years but less than five years	10,020	9,518
Repayable more than five years	49,944	53,550
	63,068	65,650
Total Debt	65,650	67,734

Amounts due all relate to a single facility from Barclays Bank PLC. All amounts drawn are repayable by March 2029. The bank loan is secured by fixed charges over the Trust's housing properties. At the Balance Sheet date all loans drawn were arranged on a fixed interest rate of 5.07% plus margin. A further £7.3m loans were available on variable interest rates but undrawn at 31 March 2015.

19. Non-equity share capital

Manchester City Council possess one third of the share capital of the Trust. The balance of the shares are held by tenant and independent Board members as set out below.

Shares of £1 each issued and fully paid	2015	2014
At 1 April	8	8
Shares issued during the year	1	2
Shares surrendered during the year	(1)	(2)
At 31 March	8	8

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up.

20. Reserves

Revenue Reserves	2015 £'000	2014 £'000
At 1 April	24,237	18,857
Surplus for the year	6,553	3,112
Actuarial (loss)/gain relating to pension scheme	(4,263)	2,268
At 31 March	26,527	24,237

21. Financial commitments

Capital expenditure commitments	2015 £'000	2014 £'000
Expenditure contracted for but not provided in the accounts	2,299	2,713
Expenditure authorised by the board, but not contracted	14,832	19,406
	17,131	22,119

The above contracted for commitments are to be funded by surplus cash holdings at the balance sheet date plus undrawn loan facilities and cash generated from operations. Based on the terms of the loan facility, and independent property valuations, Southway possessed sufficient cover to support all the commitments disclosed above.

22. Operating leases

The payments which the Trust is committed to make in the next year under non-cancellable operating leases are as follows:

	2015 £'000	2014 £'000
Office Accommodation lease expiring one to five years	232	234
Maintenance vehicles leases expiring within one year	110	123
Office equipment lease expiring one to five years	12	12

23. Contingent liabilities

The Trust had no contingent liabilities at 31 March 2015 (2014: £nil).

24. Reconciliation of operating surplus to net cash inflow from operating activities

	2015 £'000	2014 £'000
Operating surplus	8,241	5,311
Depreciation of tangible fixed assets	4,143	3,245
Loss on the disposal of components	62	24
Gap Funding revenue grant receivable	-	(1,176)
Pension contributions paid	(779)	(784)
Pensions operating charge	923	1,147
	12,590	7,767
Working capital movements		
Increase in stock	-	(25)
Decrease in debtors	933	7,952
Increase in creditors	892	116
Net cash inflow from operating activities	14,415	15,810

25. Reconciliation of net cash flow to movement in net funds

	2015 £'000	2014 £'000
Increase in cash	2,899	3,049
Reduction in debt	2,042	13,236
Increase in net funds from cash flows	4,941	16,285
Opening net debt	(59,323)	(75,608)
Net debt at 31 March	(54,382)	(59,323)

26. Analysis of net funds

	1 April 2014 £'000	Cash flow £'000	Non cash movements £'000	31 March 2015 £'000
Cash at bank and in hand	7,778	2,899	-	10,677
Bank overdraft	-	-	-	-
Changes in cash	7,778	2,899	-	10,677
Changes in debt	(67,101)	2,084	(42)	(65,059)
Changes in net debt	(59,323)	4,983	(42)	(54,382)

27. Financial assets and liabilities

Throughout the period the Trust did not acquire any derivative instruments to support its loan funds or for any other purpose.

Surplus cash during the period was deposited in UK financial institutions as deposits and money market transactions, with all amounts either at call or at notice of periods not exceeding two months.

The realisable value of all financial assets and liabilities was equal to book value at all times.

28. Pensions

Greater Manchester Pension Fund

Southway participates in two Greater Manchester Pension Fund schemes. One scheme is for staff which transferred from the Council; the other is for new employees. Both schemes operate under the same assumptions, this has led to the results being amalgamated in the notes which follow.

Both Greater Manchester Pension Fund schemes are multi-employer schemes, administered by Tameside Metropolitan Borough Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2013 and rolled forward to 31 March 2015 by a qualified independent actuary.

The employers' contributions to the fund by the Trust for the period ended 31 March 2015 were £779k (2014: £784k) at a contribution rate of 18.6% of pensionable salaries (2014: 18.6%).

Financial assumptions	31 March 2015 % per annum	31 March 2014 % per annum
Pension increase rate	2.4	2.8
Salary increase rate	3.6	3.9
Expected return on assets	3.2	5.9
Discount rate	3.2	4.3
Breakdown of expected return on assets:		
Equities	5.7	6.6
Bonds	2.7	3.8
Property	3.9	4.8
Cash	2.6	3.7

Major categories of plan assets as a percentage of total plan assets	31 March 2015	31 March 2014
Equities	73%	72%
Bonds	17%	17%
Property	6%	6%
Cash	4%	5%
	100%	100%

Mortality assumptions

Within the past three years, investigations have been carried out by the scheme actuaries into the mortality experience of the association's scheme. These investigations concluded that the current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

Number of Years	2015	2014
Retiring today:		
Males	21.4	21.4
Females	24.0	24.0
Retiring in 20 years:		
Males	24.0	24.0
Females	26.6	26.6

Amounts recognised in the balance sheet	2015 £'000	2014 £'000
Present value of funded obligations:	(41,860)	(34,014)
Fair value of plan assets	32,580	28,899
	(9,280)	(5,115)
Present value of unfunded obligations	-	-
Net liability recognised in balance sheet	(9,280)	(5,115)

Analysis of the amount charged to operating (deficit)/surplus	2015 £'000	2014 £'000
Current service cost	906	1,062
Past service cost	11	11
Losses on curtailments	3	3
Transfers	71	71
Total operating charge	991	1,147

28. Pensions (Continued)

Analysis of the amount charged to other finance costs	2015 £'000	2014 £'000
Expected return on pension scheme assets	1,714	1,319
Interest on pension scheme liabilities	(1,472)	(1,480)
Net interest	242	(161)

Analysis of amount recognised in statement of total recognised surpluses and deficits (STRSD)	2015 £'000	2014 £'000
Actual return less expected return on pension scheme assets	1,654	1,217
Changes in assumptions underlying the present value of scheme liabilities	(5,917)	1,051
Total actuarial (loss)/gain recognised in STRSD	(4,263)	2,268
Cumulative actuarial loss recognised in STRSD	(8,661)	(4,398)

Movement in net liabilities during the year	2015 £'000	2014 £'000
Scheme liabilities less assets at start of year	(5,115)	(6,859)
Current service cost	(906)	(1,062)
Past service costs	-	(11)
Losses on curtailments	(17)	(3)
Transfers	-	(71)
Contributions	779	784
Other finance income/(costs)	242	(161)
Actuarial movement	(4,263)	2,268
Scheme liabilities less assets at end of year	(9,280)	(5,115)

Changes in present value of scheme liabilities	2015 £'000	2014 £'000
Opening scheme liabilities	34,014	32,461
Service cost	906	1,062
Interest cost	1,472	1,480
Contributions by members	291	285
Actuarial losses/(gains)	5,917	(1,051)
Past service costs	-	11
Losses on curtailments	17	3
Transfers	-	626
Benefits paid	(757)	(863)
Closing scheme liabilities	41,860	34,014

Changes in fair value of scheme assets	2015 £'000	2014 £'000
Opening fair value of plan assets	28,899	25,602
Expected return	1,714	1,319
Contributions by members	291	285
Contributions by employer	779	784
Actuarial gains	1,654	1,217
Transfers	-	555
Assumed on transfer of staff from MCC	-	-
Benefits paid	(757)	(863)
Closing fair value of scheme assets	32,580	28,899

Amounts for the current and previous four accounting periods	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Fair value of scheme assets	32,580	28,899	25,602	21,183	20,654
Present value of scheme liabilities	(41,860)	(34,014)	(32,461)	(26,335)	(22,895)
Deficit on scheme	(9,280)	(5,115)	(6,859)	(5,152)	(2,241)
Experience gains/(losses) on assets	1,654	1,217	2,269	(1,072)	387
Experience gains/(losses) on liabilities	114	1,062	2	(35)	(1,363)

28. Pensions (Continued)

Sensitivity Analysis at 31 March 2015	Approximate increase to employer obligation	Approximate monetary amount (£000)
0.5% decrease in Real Discount Rate	12%	4,842
1 year increase in member life expectancy	3%	1,256
0.5% increase in Salary Increase Rate	5%	1,816
0.5% increase in the Pension Increase Rate	7%	2,904

29. Related parties

There were up to five tenant Members of the Board during the year. Their tenancies are on normal commercial terms and they are not able to use their position to their advantage.

Three members of the Board were Councillors with Manchester City Council, and two Board members were senior managers at the same organisation. That local authority has nomination rights over tenancies for most of Southway's properties. All such lettings and all other transactions with the Council are on normal contractual/commercial terms and the Members concerned are not able to use this relationship to personal advantage.

30. Stock transfer obligations

Immediately prior to entering into the Stock Transfer Agreement between Manchester City Council ('the Council') and the Trust, the Council contracted with the Trust to perform the refurbishment works required to bring the properties into an agreed state. The contract was for a fixed sum equal to the expected cost of the works i.e. £155million. At transfer the Trust contracted with the Council to acquire the benefit of the agreed refurbishment works (£155million) plus the housing properties at a price equal to the agreed value of the property in its unenhanced condition. The nature of the works under the initial agreement has not been specified and a right of set off exists between the contracts. These contracts have enabled the Trust to recover VAT on repair/improvement costs that would otherwise have been expensed.

At the time of the transfer the Trust paid over a net cash amount of £nil to the Council, representing the acquisition of the properties in their unenhanced condition and the value of the Council's obligation to carry out the refurbishment works (£155million), less the amount due to be incurred by the Trust under the development agreement in relation to the anticipated cost of the repairs/improvements (£155million).

The impact of these two transactions is that whilst the Council has a legal obligation to the Trust to complete the refurbishment works, this work has been contracted back to the Trust who are also legally obligated. The underlying substance of the transaction is therefore that the Trust has acquired the properties in their existing condition at their agreed value, and will complete certain repairs/improvements in line with guarantees to Tenants. In the opinion of the Board, the commercial effect of these transactions when viewed as a whole does not, in practice, create separate assets and liabilities for reporting purposes. Therefore, in accordance with FRS5 the resulting debit and credit balances, relating to the legal obligation of the Council to complete the refurbishment works for the Trust and the equal and opposite legal obligation of the Trust to perform the refurbishment works for the Council, have been offset and are not recorded in the balance sheet.

At 31 March 2015 refurbishment works to the value of £141.1 million had been completed (2014: £139.4 million.)



