Southway Housing Trust (Manchester) Limited Group Accounts

2020/21

Co-operative and Community Benefit Society No. 30348

Regulator of Social Housing No. L4507

Contents

Board Members, Executive Directors, Advisors and Bankers

Board Members

Clare Tostevin	Chair
Tony Powell	Vice Chair
Roger Spencer	
Mark Taylor	
Memuna Bangura	
Councillor Joanna Midgley	
Nicki Buckley	
Samantha Macwilliam	resigned 22 September 2020
Fiona Worrall	resigned 22 September 2020
Justin Curley	appointed 22 September 2020
Shefali Kapoor	appointed 24 November 2020

Executive Directors

Karen Mitchell	Chief Executive
Jane Gant	Strategic Director People and Places
Matt Roberts	Strategic Director Property and Development
David Clermont	Chief Financial Officer

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Registered Number	Co-operative and Community Benefit Society: 30348R Regulator of Social Housing: L4507
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Internal Auditors	RSM Risk Assurance Services LLP, 25 Farringdon Street, London, EC4A 4AB
Principal Solicitors	Anthony Collins LLP, 134 Edmund Street, Birmingham, B3 2ES
Bankers	Barclays Bank UK PLC, 3 Hardman Street, Spinningfields, Manchester, M3 3AX

Introduction by the Chair

I am pleased to be able to introduce this 2020/21 Report of the Board, the first since my appointment as Board Chair in September 2020 when I took over the role from Samantha Macwilliam. Sam provided hard work and great leadership to the Trust and I want to thank her for all she did during the first half of the year.

2020/21 was of course an extremely challenging year. This report clearly shows the impact that Covid-19 has had on our tenants, communities, staff and the Trust.

We learnt a lot during the year about our communities; the strengths as people pulled together and supported each other; and some of the underlying inequalities and challenges.

I am proud of the way that Southway responded during the year, using our resources, capacity, experience and local knowledge to make sure we continued to deliver essential landlord services to our tenants and residents and that our homes remained safe and secure.

We saw how important our community focus was, allowing us to quickly identify what was needed, working closely in existing partnerships and with local people.

We used our financial strength to introduce new services including a check and chat service to those who were isolated or shielding, an expansion of our Quids In food offer to support local families, and support for our tenants to stay connected as we rolled out IT based landlord and social investment services.

Our staff demonstrated our corporate values of being caring, committed and successful together, as they adopted new working practices and continued to deliver services in new ways, adapting as we went along.

But the Southway year wasn't all about Covid.

At the start of 2020 we adopted our new Futures Strategy with a long term vision of Thriving Communities and a set of strategic priorities for the period up to 2025.

This was a big year for us as we planned to step up our development ambitions and put in place new funding to support the delivery of much needed new homes. During the year we started 218 new homes on site, and increased the target we set in 2015 of 1,000 new homes in the 10 years to 2025, to around 1,600 new homes in the same timeframe.

We now have the funding we need in place and are pleased that our first private placement delivered offers of 6 times the funding we needed, allowing us to secure £120m from 2 new investors at good rates. We believe that the bond is the first 100% 'sustainable use of proceeds' deal in the social housing sector, helping us achieve our sustainability goals across new and existing homes and services.

Investing in our communities is at the heart of what we do. Our Value For Money (VFM) report shows that we invested 3 times the sector median on our community investment objectives, something that we are able to do due to our clarity of vision and strong financial management, demonstrated in our performance against the sector VFM metrics and benchmarking.

We continue to lead the way in age friendly work across Greater Manchester, with innovative approaches to reducing loneliness and isolation, and valuing the positive contributions that people in mid to later life make to their local communities. We are also increasing the supply of homes and housing options including our two new housing with care schemes that will be ready for their new tenants later this year.

Our focus on addressing inequalities is strong, and will remain a key priority for us. One example in the last year, where Southway has taken a lead role with Greater Manchester Housing Providers, has been the Championing Change for BAME Leadership programme, delivered in partnership with Manchester Metropolitan University.

I would like to thank our staff, my fellow Board and Committee members, and all our partners and stakeholders for the part they have played in our achievements during 2020/21.

I would also like to thank our Southway tenants and residents for their patience and support throughout what was a difficult year. I am committed to building mutual respect and finding new ways of listening and responding to tenants views, so that we can continue to improve our services and make sure we work together towards our vision of Thriving Communities.

Clare Tostevin, Chair, Southway Housing Trust

Strategic Report and Report of the Board

Corporate Strategy and Structure

Vision and Values

Southway Housing Trust (Manchester) Limited ('Southway' or 'the Trust') is a society registered under the Co-operative and Community Benefit Societies Act 2014, and a Registered Provider with the Regulator of Social Housing. The Trust is a community based social landlord working in and around South Manchester. It was established in 2007 to take over the ownership, management and improvement of almost 6,000 ex-council homes.

Southway is ambitious for the people and communities it works with. Our vision is of **Thriving Communities**, which means a community that people are proud of with secure and good quality homes and a neighbourhood that is safe, clean, green and sustainable. People choose to live in a thriving community, equality and diversity is valued and people look out for each other.

We listen and respond to the views of our tenants and residents and work with other stakeholders who share our objectives to build strong partnerships in our neighbourhoods.

From 2020, over the next 10 years, we expect our thriving communities to be characterised by:

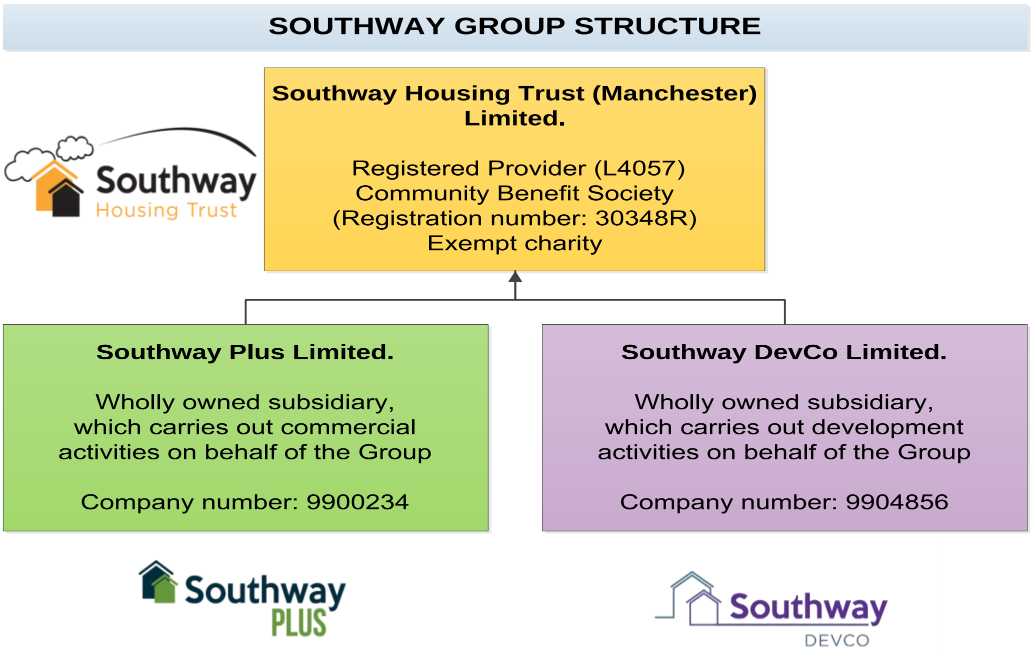
- Lower levels of child poverty;
- Lower levels of loneliness and isolation in all age groups;
- Higher levels of employment and social connectedness;
- A supply of homes that is closer to meeting needs;
- A smaller carbon footprint;
- And higher levels of satisfaction with our neighbourhoods as a place to live.

The way we do things is determined by our values: We are **Caring**, **Committed** and we will be **Successful Together**.

Structure

The Group structure is designed to facilitate the delivery of our Corporate Strategy, with the Trust owning and managing the Group's social housing assets and two subsidiaries involved in the delivery of our growth and development programme and commercial activities; Southway DevCo Ltd and Southway Plus Ltd.

The structure allows projects with a commercial risk and return to be undertaken, whilst protecting the social housing assets of the Trust. Profits generated by the subsidiaries are to be returned to Southway Housing Trust via gift aid to support its wider social objectives.



Corporate Strategy

A new Futures Strategy 2020-2025 was adopted in March 2020, setting the direction of the Group. Following the challenges faced by the Trust and our communities as a result of the Covid Pandemic, some areas of focus particularly around community support and addressing inequalities were strengthened in March 2021,setting out how we can support recovery whilst we continue to live with Covid.

Our strategic priorities reflect our interest in **People, Homes and Neighbourhoods** and making sure we are effective as a **Social Business**, ensuring:

- we are well governed and financially strong;
- we focus on efficiency and innovation, delivering more customer centred outputs from our resources, and
- our staff feel valued, are motivated by our shared vision, and are trusted to do the right thing.

Southway's strategic priorities to 2025 are summarised below.

People	Homes	Neighbourhoods
We will provide homes that are affordable for the people who most need them.	We will maintain and improve our homes so that they are safe, secure and meet up to date standards.	We will work with partners and the community to make sure our neighbourhoods are desirable and safe places to live with accessible and integrated services.
Our tenants and other customers will be at the heart of our services. We will be flexible, treat people as individuals and communicate effectively.	We will deliver our Carbon Reduction Strategy and make sure our homes are zero carbon by 2038.	We will make the most of the unique selling points of our neighbourhoods, including our green spaces.
We will invest in people and their communities to tackle poverty and promote opportunity and provide support and advice when it is needed.	We will deliver 1,340 new affordable homes in the 10 years to 2025, and generate cross subsidy from 220 private rent and sale homes delivered by Southway Plus.	We will make sure our neighbourhoods and services are age friendly, and that older people have more opportunities to stay connected and tackle loneliness and isolation.
A Social Business		
We are well governed and financially strong.	We lead and support our staff to focus on efficiency and innovation, delivering more customer centred outputs from our resources.	Our staff feel valued, are motivated by our shared vision, and are trusted to do the right thing.

The following sections provide commentary on the achievement of these objectives during 2020/21.

People

During 2020/21 we focused our people priorities and resources on supporting our customers to deal with Covid-19 and sustain their tenancies.

As a community based landlord we were able to respond quickly and effectively to the pandemic. At the start of the first lockdown we contacted over 1600 of our tenants to see if they needed assistance and support. We then developed a Community Support Offer which included;

- Extending our Quids In food offer to serve additional members. There were almost 12,000 attendees through the year and 111 tonnes of food waste was saved.
- A Check and Chat service was introduced so that anyone who was feeling lonely or isolated had someone to talk to. Around 140 people were contacted each week during lockdown. The service has continued for anyone who still needs it. The service was particularly welcomed by older people and those who were shielding.
- Moving Our Age Friendly service predominantly online. To replace face to face activities our age friendly champions delivered a number of virtual events, helping people stay connected. An example is Keeping UP in a DOWNtime, to help people develop positive thinking skills and maintain their wellbeing.

We continued to support and advise tenants on financial and employment issues. Our approach to rent collection changed and we developed a set of “Collect with Care” principles focussed on providing support and advice, rather than enforcement, as people moved onto furlough or benefits.

Our Advice Services team secured over £2.1m of additional benefits for tenants,

helping them to maximise their income. Alongside this we provided financial support for school holiday kitchens, worked with the South Manchester Credit Union to provide low cost loans and provided fuel vouchers to people who were most in need.

Our work and skills offer moved online and we held two employment fairs with CV Skills support, and businesses with vacancies in attendance. We developed an online 5-week training programme, The Time is Now, focussed on supporting people with building up their confidence and choices on employment and training. Working with the Learning Hubs we provided one to one and group skills support throughout the period with 743 people getting advice and 16 securing employment.

The pandemic, and particularly school closures, highlighted high levels of digital exclusion for some families. In response we invested £10k to fund the supply of equipment to school students living in our communities, working with local schools to identify who would benefit from this support. We partnered with Manchester Digital Skills Network on a city-wide scheme aimed at providing Wi-Fi enabled devices to local residents so that those most vulnerable and excluded could access the internet and develop their digital skills.

Providing affordable homes for those most in need remained a high priority. A total of 47 family homes were freed up for families in housing need through rightsizing existing tenants who were under occupying their homes. 32 of these moves took place at our new age friendly development, Minehead Court, in Old Moat.

We helped to reduce homelessness by letting 50 (21%) of available homes to people living in temporary and supported accommodation. We also bought five larger family homes to provide an affordable solution for bigger households who had been stuck in temporary accommodation.

Homes

Our first priority for resources is to maintain the homes that we own. Despite significant disruptions due to Covid-19, we continued to deliver emergency and urgent repairs throughout 2020/21.

Whilst the backlog of repairs increased though periods of lockdown we managed these effectively, keeping customers informed of progress. We received a satisfaction rating of 4.7 out of 5 for 2020/21, illustrating that our in-house Property Services Operational Team do a great job. We are working hard to make sure they remain competitive and are able to deliver the service that our tenants expect.

Our last major home improvement programme finished in 2013. Our homes are maintained to the Southway Standard, which is an enhanced version of the national Decent Homes Standard (as of 2020). Our next stock condition survey will take place in 2021/22 and will inform the Trust's future investment plans.

We always put safety first. We have robust processes for all main areas of property compliance – including gas, electric, fire, legionella, asbestos and lifts. This puts us in a good position as our property portfolio grows, with a more diverse range of buildings. There were challenges during the various lockdowns, but officers were able to carry out the vast majority of statutory inspections. At no point did we have more than 5 gas services outstanding, something that was recognised by Housemark as an excellent achievement. Fire Safety Compliance was included in the Internal Audit programme for 2020/21 and received a rating of Substantial Assurance.

Southway is ambitious to significantly grow its level of development to meet housing need through a balanced and mixed range of tenure and property types. We aim to build 675 new affordable homes by 2025, and generate cross subsidy from 150 private rent and sale homes delivered by Southway Plus.

During 2020/21 we commenced the building of 218 homes, 12 more than anticipated. There were 71 completions, against a target of 117. The pandemic impacted on the progress of a number of schemes.

Our Homes emit around 30,000 tonnes of carbon per year. The majority of this relates to space and water heating which are currently run by fossil fuels. Southway's strategy is to be a Zero Carbon organisation by 2038. The stock condition survey will help us to establish our investment needs.

We are well advanced in seeking solutions to decarbonise homes, with an initial focus on the next 5 years. In 2021/22 we successfully bid for £1.9m in match funding through the European Regional Development Fund for a project that will encourage behaviour change and community driven local action alongside the introduction of renewable heating. Approximately 7% of the Trusts stock will be moved off fossil fuels.

Ensuring our new homes are Zero Carbon by 2038 is also a key priority and consideration for the design of all schemes. We have changed our heating standard to move away from the use of gas boilers in new developments well ahead of the 2025 target per legislation.

Neighbourhoods

Our aim is to make our neighbourhoods desirable and safe places to live.

At the start of the first lockdown, we saw a significant increase in anti-social behaviour. There was a rise in complaints about neighbour nuisance related to people spending more time in their homes, particularly noise and parking disputes.

Lockdown restrictions prevented all but essential home visits for much of the year so officers often had to speak to victims and perpetrators by telephone. Despite this, our levels of customer satisfaction have increased and we have worked closely with our communities and the Police to improve the management of cases and communication with victims.

Our relationships with agencies including health, other housing providers, Manchester City Council (MCC) and the Police became stronger during the year as we worked together to respond to the pandemic. New ways of working meant we could respond quickly and effectively to local issues such as emergency food, fuel supplies and providing wraparound support where needed.

We changed the way we worked with community groups. Scrutiny meetings, Tenant group meetings, Service Improvement and Hot Topic Groups moved online and we made sure all members had the IT knowledge and equipment to do so.

Whilst many volunteers had to step down during the pandemic, new volunteers did come forward to support us delivering food and other supplies to tenants. Five completed an accredited qualification in Volunteering through our community partner, Barlow Moor Community Association (BMCA).

We supported our community partners and newly formed mutual aid groups through cash donations and the Beautiful South Fund continued to provide resources for local people and groups with projects that promote neighbourliness. An outdoor shelter was supported at Burnage Library to allow community activities to be carried out safely.

We refreshed and relaunched our Age Friendly Strategy which is focussed on providing age friendly homes in age friendly neighbourhoods where people can remain socially connected and live well.

Our completed age friendly new build at Minehead and the two housing with care developments in Burnage and Gorton (162 homes on site and completing in 2021) have good quality community facilities including cafés that can be used by residents and the wider community for social events and activities.

To support older people to remain socially connected and well during the Pandemic we supported a Men's Activity Network and a neighbourhood newspaper, funded Winter Warmth Packs and provided 60 home cooked meals a week during the first lockdown.

Our green spaces are very important and a unique selling point of our neighbourhoods. Their value has been highlighted during Covid-19, as restrictions made open spaces essential to social meet ups and health and wellbeing.

We maintained contact with our Green Inspectors and Community Groups, attending virtual meetings to plan future ideas. When restrictions reduced, we piloted a number of socially distanced community events including the establishment of a wildflower meadow at Darley Avenue.

Our flagship open space at Barlow Hall retained its green flag award status following an unannounced inspection.

Social Business

The Group generated a surplus of £7.9m in the year (2020: £9.5m). The surplus adds capacity to the financial plan and aids Southway's ability to deliver our strategic objectives. Southway's financial performance and asset base both compare well to peers, evidenced by VFM metrics and sector scorecard indicators.

The Group's Budget and Business plan were revised in September 2020 and further updated in March 2021, supported by Stress Testing to evaluate the financial risks which the Group faces.

The updated financial projections were used as the basis to approach the debt capital markets in Q1 2021/22, securing a £120m Private Placement. The funds raised will finance the planned growth in the Development Programme. They also enable prepayment of the stock transfer loan and associated breakage costs, which was completed in July 2021.

The following sections in the Report of the Board and Strategic Report illustrate Southway's responsibilities as a Social Business, in terms of Value For Money, Financial Planning, Risk Management and Governance.

Value for Money

The commentary, tables and charts below provide evidence to stakeholders of Southway's plans and achievements to deliver value for money, and demonstrate compliance with the Regulator's VFM Standard.

(i) Approach to VFM

Southway's Futures Strategy 2020-2025 defines our strategic aims and priorities and sets the framework for our longer term approach to making the most of our financial capacity.

Southway's current VFM Strategy was adopted in November 2020 and comprises two main elements: A Delivery Plan to March 2022 covering the Covid recovery period and a broader strategic document to 2025.

How we manage our assets, balance cost, quality and tenant satisfaction, assess the social return on investment, derive improved value from the development programme and deliver surpluses from non-social activities are key factors which aid Southway's decision making processes when determining how to deploy resources for optimal benefit.

An annual report is prepared for consideration by Board each June, with additional commentary included in the annual accounts to summarise Southway's VFM position by:

- considering the strategic objectives set by the Board;
- demonstrating delivery of value for money to stakeholders;
- ensuring that optimal benefit is derived from resources, including returns from non-social housing activities;
- setting targets for measuring performance in achieving value for money in delivering our strategic objectives;
- monitoring delivery against these targets, including the assessment of VFM metrics and other indicators comparing performance to peers;
- outlining measurable plans where improvements are required.

During the period to March 2022 the emphasis will be on delivering Southway's Covid-19 recovery plans, reducing inefficiencies created by the virus and working towards returning to pre Covid-19 levels of spending.

After the recovery period, the position will be reassessed to establish how Southway can best get back on track with other objectives from the Futures Strategy. Efficiency Targets will be reset as part of this review.

(ii) Performance in 2020/21 and comparison vs peers

The table below presents Southway's VFM metrics:

- results for the last three years,
- relevant Business Plan projections,
- Southway's quartile position vs the sector,
- contrasting the movement from 2018/19 to 2019/20 vs the sector.

The table also shows the VFM metrics for 2019/20 reporting:

- upper quartile, median and bottom quartile for the whole sector,
- 53 landlords in England which have between 5,000-9,999 properties,
- 37 landlords with the majority of their stock in the North West.

The data sources are the Regulator's 2019/20 Global Accounts and VFM metrics which report financial performance of all Groups and individual Registered Providers (RP) with over 1,000 properties. The results of 5,000-9,999 landlords is similar to the median of the whole sector. This indicates that the whole RP sector remains a valid comparison for Southway.

	Regulator's Value for Money metrics								
	Reinvestment	**New Supply (Social)**	**New Supply (Non-Social)**	**Gearing**	**EBITDA MRI Interest Rate Cover**	**Headline Social Housing Cost per unit**	**Operating Margin (SHL)**	**Operating Margin (Overall)**	**ROCE**
	Investment in properties (existing stock and new supply) as a % of the total cost of properties.	New social poperties acquired or developed as a % of total social housing properties owned.	New supply of non-social housing as a % of all social and non-social housing.	The proportion of housing property cost funded by debt.	The level of surplus generated compared to interest payable.	Total costs per unit (£k) spent on managmenet, services/support, maintenance, major repairs and other social activities.	The profitability of social houisng activities as a % of turnover from social housing lettings.	The overall profitability of all operating activities as a % of total turnover	Operating surplus compared to total assets less current liabilities.
Forecasts from 2021 BP									
2024/25	12.4%	3.1%	0.7%	51.4%	305%	3.41	25.3%	21.9%	3.3%
2021/22	14.4%	3.9%	0.2%	45.5%	n/a[b]	3.14	24.0%	19.0%	5.1%
2020/21 results									
SOUTHWAY GROUP	**15.2%**	**1.0%**	**0.0%**	**33.1%**	**336%**	**2.78**	**28.6%**	**24.4%**	**5.8%**
vs forecast from 2018 BP	↓	↓	↓	↑	↑	↓	↑	↑	↔
Forecast from 2018 BP	17.5%	3.6%	0.8%	49.1%	290%	2.62	28.1%	22.0%	5.8%
2019/20 results									
SOUTHWAY GROUP	**12.7%**	**0.8%**	**0.7%**[a]	**28.8%**	**345%**	**2.66**	**29.1%**	**25.5%**	**7.5%**
quartile vs sector	**Q1**	**Q3**	**Q1**	**Q1**	**Q1**	**Q1**	**Q2**	**Q2**	**Q1**
SECTOR TOP QUARTILE	10.0%	2.4%	0.2%	33.0%	227%	3.34	32.3%	28.6%	4.4%
SECTOR MEDIAN	7.2%	1.5%	0.0%	44.0%	170%	3.83	25.7%	23.1%	3.4%
SECTOR BOTTOM QUARTILE	4.9%	0.7%	0.0%	54.7%	126%	4.86	20.8%	18.1%	2.6%
5000-9999 LANDLORDS	8.1%	1.5%	0.0%	46.3%	174%	3.74	27.0%	24.4%	3.8%
NORTH WEST RPs	7.3%	0.8%	0.0%	40.0%	183%	3.65	23.3%	18.5%	3.6%
2018/19 results									
SOUTHWAY GROUP	**7.8%**	**1.0%**	**0.0%**	**28.8%**	**301%**	**2.63**	**29.8%**	**23.7%**	**6.7%**
Movement 2018/19 to 2019/20									
Southway vs Sector	**better**	**less well**	**better**	**better**	**better**	**better**	**better**	**better**	**better**
			(a) including subsidiary		(b) waiver for breakage costs				

The results show:

- Southway has a strong financial position evidenced by top quartile position for gearing, interest cover and return on capital employed.
- Southway's VFM metrics are improving relative to the sector, with movements on 8 out of the 9 indicators better than the movement in sector median (contrasting the 2019/20 benchmarked results to 2018/19). This includes both Operating Margin metrics which are now in the second quartile.
- Four of the indicators in 2021 outperformed the equivalent projection from the 2018 Business Plan (gearing, interest cover and operating margins). This was due to effective financial control, unused contingencies set aside for the management of risk and improved rent collection which reduced bad debts.
- Reinvestment and new social housing supply are not yet at the higher levels projected in the 2018 Business Plan. This is due to delays in some scheme starts and completions and the impact of Covid-19.
- The 2021/22 and 2024/25 projections from the most recent Business Plan project show that improvement in these metrics will come as the development programme gathers pace. Higher gearing will also result from the planned levels of investment. Other indicators are generally maintained at, or better than, the sector median.
- The 2020/21 headline social housing cost per unit is 4.5% higher than the previous year reflecting inflation and cost pressures from Covid-19. Southway's cost pu is noticeably lower than most RPs. This is due to having fewer properties with support or service charges, and the planned timing of Home Improvement Programme spending. Benchmarking in previous years has also informed control of costs in Southway's core landlord services.
- Southway's VFM metrics are all at, or better than, the North West median.

Southway also defines and tracks performance by participating in the Sector Scorecard, a benchmarking tool which the majority of providers use, published by Housemark and the National Housing Federation.

Additional Sector Scorecard Indicators						
	Respondents very or fairly satisfied with the overall service provided	£s invested in communities per property (vs sector average)	Overheads as % of adjusted Turnover (excluding asset sales)	Ratio of responsive repairs to planned maintenance	Occupancy of stock available to be let at year end	Rent collected from current and former tenants as a % of rent due
2020/21						
SOUTHWAY HOUSING TRUST	**83%**	**£185**	**13.1%**	**1.23**	**99.3%**	**100.6%**
trend vs prior year	↑	↓	↓	↓	↔	↑
Objective	Quartile 2	Quartile 1	Quartile 2	Quartile 4*	Quartile 1	Quartile 1
2019/20						
SOUTHWAY HOUSING TRUST	**82%**	**£200**	**12.7%**	**1.10**	**99.3%**	**100.3%**
quartile vs sector	**Q3**	**3 x avg**	**Q2**	**Q4***	**Q2**	**Q2**
SECTOR TOP QUARTILE	91.1%		11.0%	0.44	99.7%	100.4%
SECTOR MEDIAN	86.9%	£67	13.9%	0.64	99.3%	99.8%
SECTOR BOTTOM QUARTILE	80.2%		17.0%	0.89	98.9%	99.2%
	[* improvement will take place alongside delivery of increased home improvement works from 2022/23]					

The results show:

- Southway is reasonably well placed.
- Southway’s investment in our communities continues to be three times the sector average on a per property basis, reflecting our strong commitment to being a community based housing provider.
- Southway’s overheads percentage remains lower than the sector median.
- Very high occupancy rates at 31.3.19, but a lower result at 31.3.20 and 31.3.21 due in part to Covid-19.
- A second consecutive year with improvement in rent collection performance, an outturn result in 2020/21 which is consistent with top quartile performance.

The outcome of the 2021 STAR tenant satisfaction survey is an improvement on the 2018 position with 83% of respondents satisfied/very satisfied. The response rate was also significantly higher than in previous surveys with 2,207 (39%) of all tenants taking part, and 45% of submissions being completed online.

(iii) Efficiency Targets

Southway's target for 2020/21 was to deliver a 2% reduction on non-maintenance expenditure. The impact of Covid-19 resulted in this being deferred to reflect the financial challenges, operational changes and new activities which Southway has undertaken to help our communities respond to the virus.

Financially, Covid-19 led to a net increase in operating costs totalling £0.9m. The majority relating to the restricted activities of the repairs team (DLO).

	£k
Furloughed staff salaries	410
Unable to deliver repairs and recover costs of DLO management, vehicles, facilities and overheads	332
DLO redirected activities	166
DLO sickness and isolating	32
Other additional operational costs	110
Subtotal (reported within other expenditure in Note 3)	**1,050**
Offset by Furlough income (reported within Government grants taken to income in Note 3)	-259
Additional accrual for holidays not taken (also reported within other expenditure in Note 3)	119
Net impact of Covid-19	**910**

During the period to March 2022 the emphasis will be on delivering Southway's Covid-19 recovery plans and returning to pre virus levels of spending. Engaging staff throughout the organisation and providing a focus on continuous improvement achieved through our Voyagers Programme will ensure the organisation achieves efficiency gains to offset in part the budgetary pressures arising from the virus.

After the recovery period the position will be reassessed to set new targets that allow Southway to continue to deliver our broader strategic priorities from the Futures Strategy 2020-2025. Efficiency Targets will be adopted as part of this review aimed at returning expenditure to pre Covid-19 levels.

(iv) Operational Performance

A summary of operational performance outcomes during 2020/21 is set out below. These KPIs are tracked quarterly by People and Places Committee and Board.

Key Performance Indicator	2019/20 Outcome	2020/21 Target	2020/21 Outcome
Rent collected from current tenants	100.02%	99.75%	99.94%
Customer Hub: % of calls answered	88%	90%	92%
Average relet time for minor voids (in days)	19	revised to 35	65
Repairs: % appointments made and kept	93.5%	97.5%	94.3%
Repairs: % of customers satisfied	4.6%	4.5%	4.7%

Additional performance results at March 2021:

- 100% of homes are at Decent Homes Standard
- 100% of homes had an up to date gas safety certificate

Void relet times were impacted by a number of factors, including:

- an increase in void property numbers, in part related to a higher number of tenant deaths,
- existing processes and controls not working as well under Covid-19 conditions,
- restrictions and social distancing adding to time periods when undertaking void repairs,
- some difficulties in securing additional contractors and the availability of materials,
- delays to property viewings and tenancy sign ups due to social distancing.

This led to higher than expected void rent loss and longer waiting times for new customers to move into their homes. Improving performance is a key priority for 2021/22.

(v) Commentary on Key Business Areas

The most prominent areas of activity which support improvements in VFM are considered in the following sections. These areas are also highlighted in the VFM Delivery Plan to March 2022.

The table below gives a high level qualitative assessment of performance in each of these areas over the last three years. The impact of the virus is clearly illustrated.

	y/e 2021	y/e 2020	y/e 2019
A Social Business			
Staffing and Culture	Virus impact	Good progress	Good progress
Improvement in Business Efficiency	Virus impact	Good progress	Still more to do
ICT Plan	Virus impact	Good progress	Still more to do
Managing Our Resources	Good progress	Good progress	Good progress
People			
Rent Collection	Good progress	Good progress	Good progress
Housing Management	Virus impact	Good progress	Still more to do
Homes			
Property Services	Recovery paused	Recovering	Recovery required
Asset Management and Environment	Virus impact	Good progress	Still more to do
Development - affordable homes	Virus impact	Virus impact	Good progress
Development - commercial projects	Virus impact	Good progress	Good progress
Neighbourhoods			
Community Investment	Changing priorities	Good progress	Good progress
Age Friendly Living	Virus impact	Good progress	Good progress

1. Staffing and Culture

Southway employs approximately 250 staff across a wide range of roles. Our objective is that our staff “feel valued, are motivated by our shared vision and are trusted to do the right thing”.

Staff pay is set around the market median, and is independently reviewed at least every three years. Market supplements can be made where there are particular recruitment and retention challenges. Other benefits benchmark well, including flexible working, annual leave, pensions, sick pay, maternity/paternity pay and other non-pay benefits.

The latest bi-annual staff survey was carried out in January 2021 and showed good and improving engagement scores across most parts of the organisation. Actions identified from the survey are being implemented during 2021/22 and are focussed on two areas; training and development, and improving the engagement of operational staff working in building trades.

2020/21 was a challenging year for staff as they adjusted to new ways of working and the Covid situation. Senior management focused on maintaining good communication and supporting their teams. A higher profile and broader range offer around Health and Wellbeing was also launched.

Nine staff members are trained as Mental Health First Aiders and have provided confidential advice, support and signposting to colleagues. Southway has also increased its offer via Healthshield, with a dedicated App that can support staff with low level mental health concerns and access to counselling and support such as Cognitive Behavioural Therapy (CBT).

2. Improvement in Business Efficiency

Our Voyagers programme, a framework for continuous improvement using lean thinking approaches, is one of the most important aspects to deliver efficiency in value to customers at the heart of the approach, also encourages staff to recognise and be accountable for their contributions to value for money.

Twelve projects commenced in 2020/21, four of which have been completed. Efficiency gains of £39k have been identified so far, based on hours of staff time saved which can now be diverted to other priorities. Targets have been increased for the next 3 years reflecting the scale and range of the programme, with over 40 staff now fully trained as Voyagers practitioners coordinated through a central Business Improvement function.

3. ICT Plan

The ability of the organisation to respond to Covid-19 and swiftly put in place comprehensive home working arrangements was directly related to the successful delivery of investment in IT infrastructure over the preceding two years.

A new HR system has been implemented enabling in house management of payroll, resulting in a saving of the payroll bureaux management fee.

A Microsoft 365 (MS365) Digital Workplace project has been launched following approval of a business case demonstrating the gains to be achieved. The first part of the project, a review of our video conference facilities, resulted in moving away from Webex to MS Teams achieving an immediate cost saving.

The ICT Plan to March 2022 will contribute a number of important improvements in business efficiency including:

- Implementing a new Document Management, intranet and electronic invoicing storage solution as part of the MS365 project.
- Development of business applications software and the main housing system.
- Reviewing telephony solutions and additional laptops to support remote working.
- Further Digital Workplace training for staff.
- A range of system improvements arising from Voyagers reviews and other business improvement activities.

4. Managing Our Resources

Southway operates robust budgeting and financial control processes. Budget holders prepare annual service plans which include VFM actions, and regular management accounts track spending and income.

A detailed Resource Plan, updated annually, defines the spending parameters which the Group over the medium term, consistent with longer term Business Plan assumptions.

Property Services and the Connect Hub have reporting in place to measure productivity. We will assess those features which can be shared with other teams as part of an improvement project during 2021.

The insurance contract was extended in November 2020 for two more years, securing a 15% discount in premiums of c£50k pa, as a result of effective management of claims during the first three years of the contract.

The Housemark cost benchmarking report for the year 2019/20 was received in January 2021. This is being used to target service areas for improvement, understanding cost drivers and areas where efficiencies can be achieved.

The refinancing project has resulted in funding in place to deliver our plans, when we need it and at good rates. This is referred to in more detail in note 21 (page 76).

5. Rent Collection

During 2020/21 staff from a number of different teams worked together to support tenants to claim Universal Credit, maximise benefit take up and provide money management support.

The service delivery approach was adapted quickly and effectively to a home working model and a focus on support and early intervention, and responding to new challenges as tenants experienced periods of reduced wages, furlough and unemployment. Rent collection performance at 99.94% for current tenants was 0.18% and £126k more than the target set. This was an excellent outcome considering the impact that Covid-19 had on many of our customers.

A new collection service for former tenant arrears commenced at the start of 2020/21. This exceeded the target for the year with £163k collected, against a target of £100k.

6. Housing Management

Our Customer Hub remained the main point of contact for tenants and residents during 2020/21 providing easy access, advice and support across all landlord services. Call handling performance in the year was strong although calls often took longer as staff provided a listening ear throughout the Covid period

Staff were encouraged to provide a friendly point of contact during periods of lock down where tenants were isolated or finding the Covid restrictions difficult. Additional staff were recruited to support Property Services to manage and deliver the service changes needed and the backlog of work created by the lockdown and social distancing restrictions.

The closure of our office reception meant a significant increase in the use of digital methods of contact, particularly email usage. 44% of our customers are now classed as Digitally Engaged, a 12% increase on 19/20.

Satisfaction and other forms of feedback have been used to identify areas for improvement. We have reviewed how we manage tenancy terminations and tenancy succession to improve processes and the service provided to customers.

We reviewed and refocussed our Complaints policy, in line with the new standards promoted by the Ombudsman. This included appointing a dedicated Complaints Officer to act as the main point of contact for customers, to streamline processes, and to make sure responses were comprehensive and within agreed timescales.

7. Property Services

A three year repairs service business plan was adopted in March 2018 with three themes: Our Customers, Our Assets and Our Business. The objective is a customer focussed, proactive service which optimises efficiency and increases productivity.

The priority in 2019/20 was stabilising the service and improving performance. The actions taken delivered a more favourable position by the end of the year, however the impact of Covid-19 during 2020/21 resulted in a reduced service provision, working restrictions and constant change through various lockdowns.

The in-house team has worked hard to maintain service delivery achieving high performance outcomes on emergency and urgent works and property compliance. Covid restrictions and safe working have resulted in inefficiencies and higher costs but the team has remained motivated and delivered high standards of customer care.

There has been a significant reduction in repairs volumes and the deferral of a number of planned works, as well as increases in cost and volume of works particularly at void properties.

Some areas of service have achieved the volumes and values anticipated at the beginning of the year. Both gas servicing and external cyclical maintenance have met performance budgets and targets.

Regular reports have been provided to the Board, Audit and Risk Committee and People and Places Committee who have provided leadership and challenge to officers, who have continued to manage the service in challenging circumstances.

A comprehensive 'Resource and Risk' report in March 2021 detailed the steps being taken to reach a business as usual position during 2021/22.

8. Asset Management

Following the implementation in 2019/20 of an improved asset management IT module, we intended to carry out a 20% stock condition survey during 2020/21 to inform Southway's investment plans. This was deferred due to the pandemic and will now be undertaken in 2021/22.

Additional emphasis has been placed on identifying the scale of costs to retrofit our hard to treat properties and achieving a zero carbon standard by 2038. An updated Asset Management Strategy will be prepared when the results of the stock condition survey have been analysed.

We continued to focus on property Health and Safety compliance during the year. An additional compliance module was implemented alongside the Asset Management module in our housing management system which provides greater automation and assurance against the key areas of compliance.

We relaunched our Environmental services team following a staffing restructure. The team maintained and improved our green spaces throughout the year, providing a pleasant outdoor environment at a time when it was needed most, and retaining our Green flag award. Opportunities for community led food growing projects have also been given a higher priority.

9. Development

Southway's Development Strategy has two basic themes:

- Development of affordable accommodation at social and affordable rents or for shared ownership in our target areas in and around South Manchester.
- Commercial activity to generate a financial return which enables further investment in core business or wider social objectives.

In the Trust, schemes that are financially viable, have a long-term secure income stream and minimise financial risk, will be delivered alongside high priority projects which may require subsidy. Opportunities, particularly within our core operating area, which require cross-subsidy are brought forward as part of an overall programme approach. The objective of Southway Plus is to ensure its activities are delivered on a sound commercial footing which evidence profitability, and achieve the expected level of returns due to the Trust.

During 2020/21 our expenditure on development was £27m, with £4m grant received from Homes England and a further £3m of shared ownership sales income.

Progress on social, affordable and shared ownership projects has been slower than planned, with contractors experiencing delays in relation to Covid-19 working practices and more recently availability of some materials. Additionally, progress on commercial projects has been met with delays, some Covid-19 related and others due to contractor performance or planning issues.

Throughout the pandemic the development market has been buoyant with a shortage of contractors tendering for works and an increase in build costs due to both lower levels of competition and other risks that the sector has faced.

Southway has reviewed our approach to procurement opting for the most appropriate process to drive efficiencies throughout the supply chain, secure early engagement and build on best practice and innovation within the sector. The selective use of frameworks will be utilised where the project size is large enough to do so.

Our governance and funding structure fully acknowledges the wider 'value creation' opportunities which arise from development. Southway maximises the social return from its investment, with schemes assessed for value added outcomes in terms of our communities and the environment.

10. Community Investment and Age Friendly Living

Delivering VFM across the business allows Southway to invest significant surpluses into our community objectives and tackle poverty.

During 2020/21, financial gains of £3.1m were made; £2.3m of which directly benefitted individual tenants. The largest gain was the take up of £2.1m of welfare benefits that were secured by our Advice Services Team, a return equivalent to nearly 8 times the cost of the service.

In June 2020 a Funding Officer was appointed to source grants for community projects; £68k of funding was secured in 2020/21. A further £267k has been secured to date in 2021/22.

11. Tenants' Voice

In 2021 we developed a new Inspired by our Communities Customer Involvement Strategy to support our vision of Thriving Communities. We want all of our customers to have an effective and influential voice. We will listen and build a relationship based on mutual respect and trust, shaping our services in the way our customers want, with customers influencing our priorities, and how we make choices about resource allocation.

Southway's Tenant Scrutiny Panel, Service Improvement and Hot Topic groups, as well as other forms of customer feedback, influence the decisions taken by the Board and People and Places Committee about how we deliver our services.

Our governance structure is significantly strengthened by having tenant members as part of our Board and Committees. Our tenants bring local knowledge and an understanding of what is important to our customers and in our neighbourhoods.

The Inspired by Communities project, launched mid-way through the Covid period into 2021/22, has seen new methods of engagement introduced which are directly influencing our thinking about how services should be delivered through the living with and post Covid periods.

Financial Planning

Financial Management

Southway operates to a financial management regime which ensures that strategy is set and monitored by the Board and its Committees.

Medium term Resource Plans are agreed annually as part of the Business Planning process to resolve how resources will be deployed, taking account of the constraints from the loan agreement and ability to raise additional finance.

The Board receives reports four times a year which set out financial performance indicators, and report actual income and expenditure results compared to the budget set at the start of the financial year.

Financial Performance

The level of net resource generated by the Group for each of the last five years is set out in the table below. This shows:

- Steady levels of rental income, with rising turnover from increasing property numbers offset by the four year -1% rent reductions to 2019/20.
- Running costs increased in 2020/21, reflecting primarily the impact of Covid-19.
- Levels of stock investment reduced in 2020/21, pending completion of the stock condition survey and identification of future programmes of work.
- Surpluses from Right to Buy/Acquire asset sales and more recently from shared ownership sales. Surpluses in 2020/21 reflect lower sale volumes.
- The excess of resources is primarily used to fund new properties and to repay debt.

£m	2016/17	2017/18	2018/19	2019/20	2020/21
Rental and other income (excl. amortised grant)	26.5	26.4	26.6	26.8	27.4
Running costs	-11.7	-10.8	-13.4	-13.5	-14.8
Investment in existing properties	-1.3	-1.4	-1.8	-1.6	-1.2
Asset sale surplus	3.0	3.1	2.8	3.6	2.3
Shared Ownership surplus			0.2	1.4	0.4
Net Interest Payable	-3.7	-3.6	-3.5	-3.4	-3.4
Net Resource	**12.8**	**13.8**	**10.9**	**13.3**	**10.7**

The table reports outcomes on an accruals basis. It includes re-investment in current properties irrespective of accounting treatment, but excludes capital spending on new property assets, actuarial pension adjustments and fair value movements in investment properties. The disclosure treatment therefore resembles the funder's EBITDA-MRI interest cover covenant.

The following table summarises the Group's assets and liabilities. Development of housing stock continues to increase significantly. It also shows investment in the new office building and the scale of loan repayments which have taken place during this time from the net resources generated.

As the development activity has progressed, the number of homes owned has increased, and is now higher than the original 2007 stock transfer total of 5,940 properties.

£m at year end	2016/17	2017/18	2018/19	2019/20	2020/21
Housing Properties and Investment Properties net book value less grant	94.7	99.1	96.2	106.8	122.5
Other fixed assets	1.2	7.2	8.6	8.7	9.0
Net current assets	12.2	9.2	15.1	9.6	5.3
Long term loans	-55.9	-52.9	-49.4	-43.9	-47.4
Other long term liabilities	-6.8	-6.6	-9.5	-4.6	-8.5
Reserves	45.4	56.0	61.0	76.6	80.9
Properties Owned (including market rent)	**5,852**	**5,886**	**5,914**	**5,957**	**5,997**

Cash Position, Loan Facilities and Treasury Strategy

At March 2021 the Group had cash and short term investments totalling £5m (2020 £12m). Excess funds are deposited, generating an appropriate return while limiting counterparty risk.

At March 2021 Southway had a £44.4m stock transfer loan from Barclays, due to be repaid in instalments to 2029. In June 2020 the revolving credit facilities with Barclays were renewed with £10m available to June 2022 and £25m to June 2023. These facilities can be extended for a further 1 year and 1 or 2 years respectively.

Increased on-lending provisions were also agreed, so the Trust can fund a greater level of commercial activity via Southway Plus. The intra group loan has initially been extended to June 2022 with up to £23m available for on lending. The Parent Board has assessed the interest rate and security arrangements which apply, ensuring the charitable assets of the Trust are fully protected.

Southway recognises the inherent risk arising from uncertain interest rates. It has previously adopted a policy of fixing a high proportion of its debt over time. With all of the original stock transfer loan drawn on fixed interest rates, drawings from the £35m revolving credit facilities will be on the prevailing variable rate basis. Southway does not contract for derivative instruments outside of its loan contract.

Loan Refinancing

A new funding arrangement has been put in place from July 2021 to support the delivery of the higher level of development which is an important part of the Futures Strategy.

Prior to making this decision the Parent Board considered the significant risks faced by the Group, its response to Covid-19, and assessed Southway's financial position in relation to its strong VFM metrics, high asset values and comfort in loan covenants.

A detailed assessment of the Group's borrowing requirements was undertaken, with the support of financial advisors. This included an evaluation of different options that was carried out by a delegated Funding Committee set up to oversee the project.

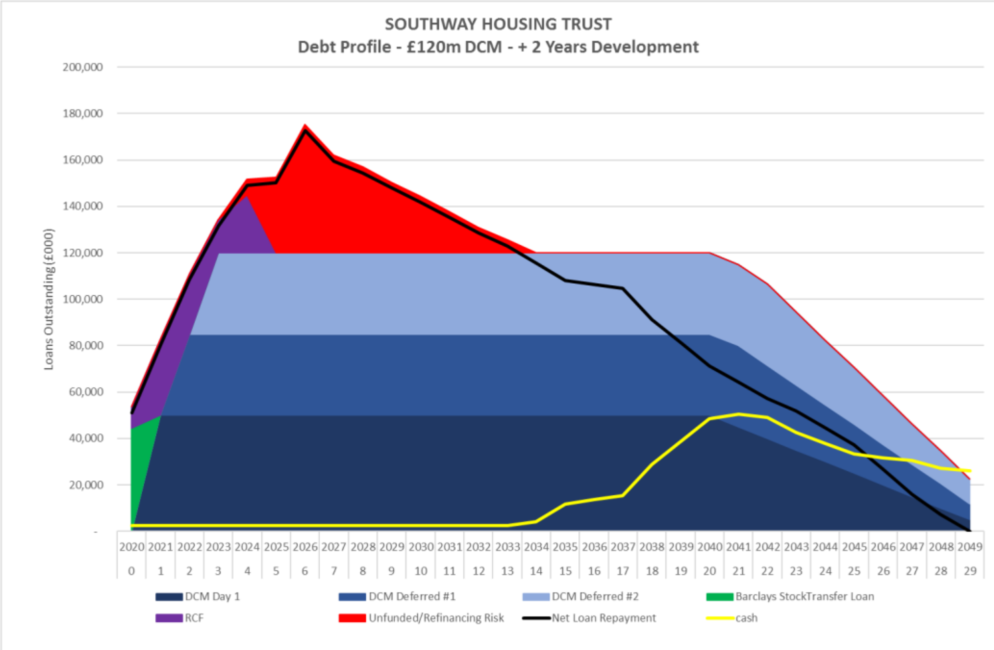
The Parent Board concluded to approach the debt capital markets in Q1 2021/22 and raise funds via a Private Placement, with the support from NatWest Markets, Savills Financial Consultants and Anthony Collins Solicitors.

£120m was successfully raised via two new investors, one UK based and another from North America. NatWest have commented they believe this to be the first private placement in the sector which includes sustainable use of proceeds. 70% of the funds are to be allocated towards refinancing and delivering green energy efficient properties and 30% social and affordable housing. Historically low interest rates were successfully achieved, these favourably benefit Southway's Business Plan, and also enabled additional funds to be secured which can support further development activity beyond the current planned programme to 2025.

It was also determined by the Board to secure funds to prepay the £44.4m stock transfer loan and £7.6m fixed interest breakage costs, which are offset by the equivalent economic benefit of securing lower rates via the bond. A waiver has been approved in relation to the lower interest cover ratio which results in 2021/22.

Note 21 (on page 76) provides additional information on the amounts and timing of the funds raised, the maturity profile and average interest rate secured. The new funding arrangement delivers a lower average interest rate, extends the average life debt, provides a balance of maturities and diversifies our lender base.

The resulting debt profile is illustrated below. The proportion of fixed interest rates (from the private placement) and variable interest rates (on revolving credit facilities) reflects the Trust's policy that a minimum 70% of borrowings are on fixed rates.



Southway has significant levels of asset cover to secure this level of borrowing, estimated at £246m on a EUVSH (Existing Use Value for Social Housing) basis, or £610m on a MVSTT (Market Value Subject To Tenancy) basis. Security was discharged from Barclays to charge to the new investors.

Risk Management

Management of Risks

Southway continuously assesses the changing pattern of risk. Particular focus is given to variations in the economic environment, government policy which may impact rents, welfare reform and the availability of grant, commercial risks attached to new markets being entered into, and the impact on the whole organisation associated with a process of growth and diversification.

Southway's Executive Group Risk Panel considers the corporate Significant Risk Map on a quarterly basis, and increased this to monthly during the early stages of the Covid period. The risk map reflects an assessment of the external risk environment, the sector risk profile and a range of internal risks. The results are reviewed by Audit and Risk Committee every quarter and reported to Board annually alongside a review of the Boards risk appetite in each function and overall. The Trust considers that it is appropriately placed to manage the consequential variations in risk profile that arise.

Covid-19 and Brexit

The financial exposures arising from Covid-19 and from Brexit are reflected in the assessment of risk as they present a real and significant challenge in the immediate short and medium term.

The impact of Covid-19 while significant has also illustrated the effectiveness of Southway's Risk Management arrangements. Budget and Business Plans were revised to take account of the impact of the pandemic. While some additional resources have been required these have been allocated by the Board from contingencies and provisions which Southway had in place to manage risk.

Regular meetings of the Senior Management Team coordinate Southway's response to Covid-19, social distancing and other legislation and guidance, to prioritise actions and retain a focus on key corporate priorities, essential service delivery and communication to staff. A weekly business critical indicator dashboard helps identify areas where performance is below standard and the steps are needed to address this.

The Significant Risk Map has been amended to include Covid impacts specific to each individual risk. The Executive has monitored the Significant Risk Map on a monthly, rather than quarterly basis and reported the changing risk profile to the Audit and Risk Committee.

A Brexit specific risk map was maintained and reported to the Audit and Risk Committee throughout the transition period. This has continued following the exit from the European Union. As reported to Audit and Risk Committee in July 2021, the top Brexit risks were supply of materials and labour, and uncertainty around regulatory changes.

Top Ten Significant Risks

1. Costs and reputational issues arising from Development Programme
2. Failure to deliver an effective property maintenance service
3. Homes not maintained to health and safety standards
4. Construction projects adversely affected due to inflation and skills shortages
5. Loss of income as Rent Collection targets are not achieved
6. Inability to deliver thriving communities due to poverty and inequality
7. Inefficient use of resources and poor Value for Money
8. Southway Plus doesn't deliver anticipated returns
9. Loss of income due to transition to Universal Credit
10. Planned sales receipts from Shared Ownership not achieved

These are as reported to Audit and Risk Committee in July 2021. Comparison to the previous year shows two risks, numbers 3 and 4, are new to the top ten.

Budget, Business Plan, Stress Testing and Mitigations

Southway routinely manages the risks it faces by adopting prudent strategies within its business planning and budgeting processes to withstand shocks. In particular:

New budgetary framework adopted in September 2020 reflecting:

- Impact of Covid-19 and recovery plan to March 2022.
- Ability to redirect spending across 2020/21 and 2021/22, with additional support for rental collection, community support and property maintenance.

Revised Business Plan adopted in September 2020 with minor amendments in March 2021 reflecting:

- Long term cost inflation of 2.8%, this is 0.8% higher than the rate of rental growth anticipated beyond 2025 (based CPI+0%).
- Contingencies against higher costs or other risks, £0.75m-£1.0m pa, equivalent to around 2.5%-3.5% of rental income.
- Provision against reduced rent collection which may arise from discontinuation of furlough, and the end of the £20pw top-up for Universal Credit.
- Higher maintenance spending and delayed Home Improvement Programme, as a result of the inability to carry out repairs during 2020/21, the resulting backlog and delays to the stock condition survey.
- Slower development, due to the restrictions imposed by Covid and the availability of labour and materials but no reduction in sales values.
- Reduced numbers of RTB/RTA sales.
- Lower inflation and interest rates.

Stress Testing is a central part of the Board's consideration of the Business Plan. It also forms part of the Boards regular assessment throughout the year with tests applied to all significant financial decisions. Key variables and a combination of sensitivities are combined into scenarios which stretch the business.

Mitigation measures are identified to aid the recovery of a stressed plan. These include an assessment of the actions that Board could take in each service area to help remedy a situation in the short term (within 6 months) or over the medium term. Potential impacts that would need to be considered are also identified.

One stress test where a significant exposure could arise would be to self-fund the full cost of all zero carbon works which may be required to Southway's properties. In this scenario, similar to the majority of the sector, support from Government would be required to ensure continued compliance with loan covenants.

A full range of financial risks were subject to Stress Testing, as reported to the Audit and Risk Committee in October 2020 and again in April 2021. This included the following scenarios, which the Business Plan can withstand through the use of contingencies:

- bad debts increasing by 5%
- 10% increase in Home Improvement Programme costs
- no returns from Plus (interest, gift aid, Joint Venture or loan repayment)

The most important finding from the suite of testing was that with the strength available to Southway, there would be sufficient time to identify and put in place suitable mitigation measures.

Financial Viability Assessment

The results of this analysis, combined with strong VFM metrics, high asset values and comfort in loan covenants, has led to the Board's judgement that Southway has a financially strong Business Plan which can:

- withstand the shock of Covid-19 and to continue to deliver the objectives of the Futures Strategy 2020-2025, as well as committing extra funds to additional community support projects in response to pandemic;
- accommodate a wider appetite to risk associated with an increased development programme.

The financial strength of the organisation has been evidenced by the level of interest from external investors in the debt capital market, with offers made 6 times that sought. Securing £120m at favourable rates further strengthens Southway's ability to withstand financial risk.

Governance

Boards and Committees

The Trust is governed by a Board who are also shareholders of the Trust. Board members receive no dividends or remuneration (other than reimbursement of expenses) reflecting their commitment to the community and social values of the organisation. The Board members of the Trust and Executive Directors who have served Southway during the year and to the date of this report are set out on page 3.

The Board has the necessary depth of knowledge and experience to provide strategic leadership to the organisation. The governance structure comprises:

- A strategically focussed Parent Board made up of five independents, two tenant members and two Local Authority members.
- A People and Places Committee made up of two representatives from the Parent Board, two Local Authority members, three tenant members and one independent. A co-optee brings a further tenant voice to the Committee. This Committee's remit covers the policies that affect Southway tenants and our communities and t performance in the delivery of our services.
- A Group Audit and Risk Committee which is made up of five members, three of whom are from the Parent Board. A co-optee brings additional skills to the Committee.
- A Funding Committee made up of four Parent Board members, which oversaw key stages of the refinancing project with delegations from the Parent Board.
- A Remuneration Committee made up of three members from the Parent Board, which sets the remuneration packages of executive directors and appraises the Chief Executive.
- Separate Boards for the subsidiary companies; Southway Plus has a five-person board, made up of three Parent Board members and two executive directors and Southway DevCo which has a five-person board comprising Parent Board members.

Board and Committee 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 also 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 Southway's conflicts of interest. All members complete an annual declaration of interest.

Insurance policies indemnify Board and Committee members and officers against liability when acting for the Trust.

Executive Directors

The four executive directors 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 Trust Board, but they attend all of its meetings.

The executive directors are engaged on permanent service contracts. They receive salaries set by the Parent Board based on its estimation of the amounts required to secure the services of appropriate personnel. The Board takes independent external advice on this. Where they choose to become pension scheme members, executive directors also benefit from contributions made by Southway. Participation is on the same terms as all other Southway employees.

Governance of Subsidiaries

Each subsidiary company has its own articles of association that define their purpose and governance. The relationship between Southway and the subsidiaries is defined via an Intra Group Agreement (IGA). The IGA sets out: which policies apply to the group as a whole and which specifically to the Trust; levels of delegation to the subsidiaries, including the setting of Budgets and Business Plans.

As the subsidiaries are reliant on Southway to provide the majority of their services each company has a Services Agreement that sets out what services are provided and how they are accounted for.

Regulatory Compliance Statements of the Board

The Regulator of Social Housing (the Regulator) issues Regulatory Judgements on Registered Providers. The Regulator introduced In Depth Assessments (IDAs). in 2016 and each Housing Association can expect to have an IDA at least every four years. Southway underwent its first IDA early in 2018, with the Regulator studying key corporate documents, observing a Board Meeting and interviewing senior members of the Board and Executive. Southway retained G1 for Governance and V1 for Financial Viability, the highest grading's available which it continues to maintain.

In line with regulatory requirements Southway confirms its continued compliance with the Governance and Financial Viability Standards.

In March 2021 the Board reviewed compliance with the 2015 National Housing Federation (NHF) Code of Governance and the Regulatory Standards. The Board is able to declare its compliance with the terms of the Code and Regulatory Standards, with one minor exception.

The Board decided to extend the tenure of the previous Chair to September 2020. This decision resulted in a total tenure served of 9 years and 2 months (rather than the 9-year limit stipulated in the Code). This decision was taken in September 2018 to allow more time to identify a suitable successor. The recruitment process was concluded following the planned strategic review carried out in March 2020, with the new Chair's appointment commencing in September 2020. The Board intends to review our position against the revised 2020 NHF code during 2021, following an assessment of areas requiring change in January 2021.

The Regulator requires all Registered Providers to make a declaration in their annual accounts that they comply with all relevant law, legislation and regulation, Southway receives regular updates from retained legal advisers with Heads of Service required to account for compliance through quarterly risk certificates. As a result, the Board is able to declare that Southway complies with all relevant law, legislation and regulation. Southway also maintains a register that provides a thorough, accurate and up to date record of its assets and liabilities.

Board Statement on Internal Control

In order to comply with the Regulator's Standard for Governance and Financial Viability, Registered Providers should: 'establish and oversee a risk management framework in order to safeguard the assets and reputation of the Group.'

Southway's system of internal control is designed to manage risk and provide assurance that key business objectives and expected outcomes will be achieved, that financial and operational information is properly prepared and reliable and that the Group's assets and interests are safeguarded.

The current Board and Committee structure commenced in April 2016. The structure is assessed annually to ensure it remains fit for purpose. Southway's Board delegates the design, operation and review of these internal controls to its sub-committees, most notably the Audit and Risk Committee, and to the executive directors. The Audit and Risk Committee reports quarterly to Board so that they are informed of control weaknesses in operations and can put strategies in place to address them.

Board members have a wide range of experience of risk assessment in areas such as development and finance. The Audit and Risk Committee, including independent members, is equipped to scrutinise, challenge and improve the Trust's operational controls.

This was an exceptional year and additional checks and controls were introduced to ensure proper management of risks and that Internal Controls remain robust and fit for purpose. The following actions were undertaken:

a) Significant Risks were reviewed by the Executive Team Risk Panel on a quarterly basis, who then account to the Audit and Risk Committee on how risks are being managed. The Risk Register details the mitigations taken to manage each risk and proposed further actions.

b) In addition, the Executive reviewed the Significant Risk Map on a monthly basis during the early Covid period to remain alert to any possible problems. Specific Covid impacts were introduced and mitigations for these considered and documented.

c) The Executive continued to review and report on the Brexit Risk Map, both during the transition period and since withdrawal in January 2021.

d) Deep Dives were carried out by the Audit and Risk Committee into Officers' response to the Pandemic, Southway Plus Financial Risks, Business Plan Stress Testing and issues at the Minehead Development.

e) An assessment of compliance against regulatory standards. No major areas of concern were identified and Southway retains its G1 and V1 regulatory status for Governance and Financial Viability following the IDA.

f) An assessment of compliance with the Code of Governance.

g) Review of the effectiveness of each Committee.

h) A review of Financial Regulations to ensure they are fit for purpose.

i) Review of the Group Standing Orders.

j) Approval of an annual Corporate Plan that derives from the Futures Strategy 2020-25 through which the Board defines the tasks needed to achieve objectives, and monitors their delivery.

k) Approval by Board of a revised Budget to March 2022 and updated Business Plan and Resource Plan in response to Covid.

l) Processes for Key Performance Indicators and budget setting and quarterly monitoring of these, with outcome measures designed to identify specific variances that arise.

m) Introduction of a specific Covid dashboard detailing essential services by team. This was monitored weekly by Senior management to assess the impact on operations of Covid, lockdowns and social restrictions.

n) Internal Audit reviews conducted under a programme agreed and supervised by the Audit and Risk Committee, supplemented by the Internal Audit annual report.

o) The External Auditor's Findings Report.

p) The annual compliance review of the loan agreement.

q) 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').

r) A fully considered treasury strategy which is reviewed annually when setting the Business Plan supported by specialist external advice.

s) Assessment of the funding environment by Board and the Funding Committee, supported by external banking, financial and legal advisers which led to the decision to raise funds via a private placement.

t) A formal Investment Framework which sets clear criteria for investment decisions, and a processes for tracking the progress of each project.

u) Annual review of Health and Safety Policy and Procedures carried out by an independent Health and Safety advisor; and operating a Health & Safety Group 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.

v) Quarterly reports received by the Audit and Risk Committee covering property compliance: Gas Safety, Electrical Testing, Fire Safety, Legionella and Asbestos.

The Audit and Risk Committee has received the Executive'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.

Donations

During the years ended 31 March 2021 and 2020 Southway made no political contributions and any charitable donations were made during the course of its ordinary activities.

Post Balance Sheet Events

The Trust secured a £120m Private Placement on 19 July 2021. On the same day the £44.4m stock transfer loan was prepaid incurring £7.6m fixed interest breakage costs. Note 21 provides additional information.

Going Concern

The assessment of the significant risks faced by the Group including the exposures arising from Covid-19 is considered in the preceding sections of this report. The results of this analysis combined with strong VFM metrics, high asset values and comfort in loan covenants, has led to the Board's judgement that Southway has a financially strong Business Plan, including contingencies which indicate resilience to respond to different stress tested scenarios. The findings demonstrate Southway's ability to remain financially viable.

The Board therefore has a reasonable expectation that the Trust and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future, being a period not less than twelve months after the date on which the report and financial statements are approved. For this reason, it continues to adopt the going concern basis in the financial statements.

In reaching this view the Board fully appraised the changing business environment facing Southway, it has considered the financial projections set out in the long term Business Plan, the results of stress tests and assessed the strategic risks faced and the means available to it to mitigate these risks.

Annual General Meeting

The annual general meeting will be held on 21 September 2021.

External Auditors

Crowe UK LLP were appointed in February 2020 following a procurement tender for external audit services. A resolution to re-appoint Crowe UK LLP will be proposed at the forthcoming annual general meeting.

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

The Board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society legislation requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under the Co-operative and Community Benefit Society 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 and Group for that period. In preparing these financial statements, the Board are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2018, 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 Group and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. 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.

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

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

- 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
- The Board has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the auditors are aware of that information.

The Strategic Report and Report of the Board was approved by the Board on 3 September 2021 and signed on its behalf by:

Claire Tostevin
Chair of the Board

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

Independent Auditor's Report to the Members of Southway Housing Trust

Opinion

We have audited the financial statements of Southway Housing Trust (the "Trust") and its subsidiaries (the "Group") for the year ended 31 March 2021 which comprise the consolidated and Trust Statement of Comprehensive Income, the consolidated and Trust Balance Sheets, the consolidated and Trust Statement of Changes in Reserves, the consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and Trust's affairs as at 31 March 2021 and the Group and Trust's surplus or deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing from April 2019.

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

The Board is responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the group; or
- a satisfactory system of controls over transactions has not been maintained; or
- the financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement set out on pages 37-38, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We identified and assessed the risks of material misstatement of the financial statements from irregularities, whether due to fraud or error, and discussed these between our audit team members. We then designed and performed audit procedures responsive to those risks, including obtaining audit evidence sufficient and appropriate to provide a basis for our opinion.

We obtained an understanding of the legal and regulatory frameworks within which the Trust operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements such as the Co-operative and Community Benefit Societies Act 2014 (and related Directions and regulations), the Housing and Regeneration Act 2008 and other laws and regulations application to a registered social housing provider in England together with the Housing SORP. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statements items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the Trust's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the Trust for fraud. The laws and regulations we considered in this context for the UK operations were requirements imposed by the Regulator of Social Housing, health and safety, taxation and employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be within the timing of recognition of income and the override of controls by management. Our audit procedures to respond to these risks included enquiries of management, internal audit and the Audit and Risk Committee about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals, reviewing accounting estimates for biases, reviewing regulatory correspondence, designing audit procedures over the timing of income and reading minutes of meetings of those charged with governance.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

Use of our report

This report is made solely to the Trust's members as a body in accordance with the Co-operative and Community Benefit Societies Act 2014 and the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Trust'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 Trust and the Trust's members as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe UK LLP

Crowe U.K. LLP
Statutory Auditor
The Lexicon
Mount Street
Manchester
M2 5NT

14th September 2021

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2021
Consolidated Statement of Comprehensive Income

	Note	2021 £'000	2020 £'000
Turnover	3	32,021	33,684
Operating expenditure	3	(22,008)	(21,490)
Cost of sales	3	(2,281)	(3,622)
Surplus on the disposal of housing properties	3	2,286	3,580
Operating Surplus	5	10,018	12,152
Interest receivable	7	43	99
Interest and financing costs	8	(2,666)	(3,146)
Movement in fair value of investment properties	14	655	528
Surplus before tax		8,050	9,633
Taxation	11	(143)	(170)
Surplus after tax for the year		7,907	9,463
Actuarial (Loss)/Gain in respect of pension schemes	30	(4,575)	7,094
Total Comprehensive Income for the Year		3,332	16,557

The consolidated results relate wholly to continuing activities.
The accompanying notes form part of these financial statements.
The financial statements were approved by the Board on 3 September 2021 and signed on its behalf by:

Clare Tostevin
Chair of the Board

Tony Powell
Board Member

Matthew Maouati
Secretary

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2021
Trust Statement of Comprehensive Income

	Note	2021 £'000	2020 £'000
Turnover	3	32,311	34,344
Operating Expenditure	3	(22,473)	(22,162)
Cost of sales	3	(2,281)	(3,622)
Surplus on the disposal of housing properties	3	2,287	3,580
Operating Surplus	5	9,844	12,140
Interest Receivable	7	476	469
Interest and financing costs	8	(2,814)	(3,370)
Gift aid		-	-
Surplus before tax		7,506	9,239
Taxation	11	-	-
Surplus after tax for the year		7,506	9,239
Actuarial (Loss)/Gain in respect of pension schemes	30	(4,575)	7,094
Total Comprehensive Income for the Year		2,931	16,333

The Trust's results relate wholly to continuing activities.
The accompanying notes form part of these financial statements.
The financial statements were approved by the Board on 3 September 2021 and signed on its behalf by:

Clare Tostevin
Chair of the Board

Tony Powell
Board Member

Matthew Maouati
Secretary

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2021
Consolidated and Trust Statement of Changes in Reserves

Income and expenditure reserve	Group £'000	Trust £'000
Balance as 31 March 2019	61,003	61,202
Surplus for the year	9,464	9,239
Other comprehensive income for the year	7,094	7,094
Balance as 31 March 2020	77,561	77,535
Surplus for the year	7,907	7,506
Other comprehensive income for the year	(4,575)	(4,575)
Balance as 31 March 2021	80,893	80,466

The accompanying notes form part of these financial statements.

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2021
Consolidated Statement of Financial Position

	Note	2021 £'000	2020 £'000
Fixed Assets			
Tangible fixed assets - properties	12	146,613	130,319
Tangible fixed assets - other	13	9,012	8,671
Investment properties	14	13,181	12,338
Investment in joint ventures	16	196	107
		169,002	151,435
Current Assets			
Properties for Sale, Stock and Work in Progress	17	8,642	6,172
Trade and other debtors	18	9,710	8,555
Cash and cash equivalents		5,368	11,957
		23,720	26,684
Creditors: amounts falling due within one year	19	(18,389)	(17,018)
Net current assets		5,331	9,666
Total assets less current liabilities		174,333	161,101
Creditors: amounts falling due after more than one year	20	(84,916)	(80,056)
Provison for Liabilities			
Pension provision	30	(8,524)	(3,484)
Total Net Assets		80,893	77,561
Reserves			
Income and Expenditure reserve		80,893	77,561
Total Reserves		80,893	77,561

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 3 September 2021 and signed on its behalf by:

Clare Tostevin
Chair of the Board

Tony Powell
Board Member

Matthew Maouati
Secretary

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2021
Trust Statement of Financial Position

	Note	2021 £'000	2020 £'000
Fixed Assets			
Tangible fixed assets - properties	12	147,048	130,581
Tangible fixed assets - other	13	8,942	8,678
Investment properties	14	4,042	4,015
		160,032	143,274
Current Assets			
Properties for Sale, Stock and Work in Progress	17	6,056	3,826
Trade and other debtors due after more than one year	18	14,599	10,399
Trade and other debtos due within one year	18	5,776	8,386
Cash and cash equivalents		4,879	11,789
		31,310	34,400
Creditors: amounts falling due within one year	19	(17,749)	(16,769)
Net current assets		13,561	17,631
Total assets less current liabilities		173,593	160,905
Creditors: amounts falling due after more than one year	20	(84,603)	(79,886)
Provision for Liabilities			
Pension provision	30	(8,524)	(3,484)
Total Net Assets		80,466	77,535
Reserves			
Income and Expenditure reserve		80,466	77,535
Total Reserves		80,466	77,535

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 3 September 2021 and signed on its behalf by:

Clare Tostevin Chair of the Board	Tony Powell Board Member	Matthew Maouati Secretary

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2021
Consolidated Statement of Cash Flows

	Note	2021 £'000	2020 £'000
Net Cash generated from operating activities	25	8,478	12,196
Cash flow from Investing activities			
Purchase of tangible fixed assets Housing Properties		(21,469)	(16,318)
Purchase of tangible fixed assets Other Fixed Assets		(1,017)	(829)
Purchase of tangible fixed assets Investment Properties		(178)	(829)
Proceeds from the sale of tangible fixed assets		2,556	4,082
Grants Received		4,030	1,634
Investment in Joint Venture		(89)	(57)
Interest Received		43	99
		(16,124)	(12,218)
Cash flow from financing activities			
Interest Paid		(3,296)	(3,382)
New secured loans		9,890	-
Repayments of borrowings		(5,536)	(3,606)
		1,058	(6,988)
Net change in cash and cash equivalents		(6,589)	(7,010)
Cash and cash equivalents at beginning of the year		11,957	18,967
Cash and cash equivalents at the end of the year		5,368	11,957

The accompanying notes form part of these financial statements.

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2021

Notes to the financial statements

1 Legal status

The Trust is registered under the Co-operative and Community Benefits Societies Act 2014 and is a registered provider of social housing.

The principal activity of the Trust during the year was to provide high quality affordable homes in desirable neighbourhoods and make best use of its resources to deliver social and community objectives.

The Trust has two wholly owned subsidiaries registered under the Companies Act: Southway Plus Limited and Southway DevCo Limited. Both are UK companies limited by shares, and not registered providers.

The principal activity of Southway Plus Limited is development of residential units for outright sale and market rent.

The principal activity of Southway DevCo Limited is delivering design and build contracts for the development of residential properties. Southway DevCo's trading is with Southway Housing Trust and Southway Plus Limited.

2 Accounting policies

Basis of accounting

The financial statements of the Group and Trust are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

The Trust is a Public Benefit Entity in accordance with FRS102.

The financial statements are presented in Sterling (£).

Basis of consolidation

The Group accounts consolidate the accounts of the Trust and all its subsidiaries at 31 March 2021 using the purchase method.

The consolidated financial statements incorporate the financial statements of the Trust and entities (including special purpose entities) controlled by the Group (and its subsidiaries). Control is achieved where the Group has power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition up to the effective date of disposal, as appropriate, using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Disclosure exemption

The individual accounts of the Trust have adopted the following disclosure exemption:
- the requirement to present an individual statement of cash flows and related notes.

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report from the Board. The Group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants. Additional information is included in the Report of the Board and Strategic Report.

On this basis, the Board continues to adopt the going concern basis in the financial statements.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

(i) Significant management judgements
The following are the significant management judgements made in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Impairment:
As part of the group's continuous review of the performance of their assets, management identify any impairment triggers which may affect any homes, or schemes. Such triggers include increasing void losses, government policy changes (such as welfare reform changes or rent reductions), Covid-19 and Brexit aspects, any significant damage or repairs are required to any homes, or where the decision has been made to dispose of the properties. These factors are considered to be an indication of impairment.

Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any impairment losses are charged to operating surpluses.

As a result, we estimated the recoverable amount of our housing properties as follows:

(a) determined the level at which recoverable amount is to be assessed (ie, the asset level or cash generating unit (CGU) level). The CGU level was determined to be an individual scheme
(b) estimated the recoverable amount of the cash-generating unit
(c) calculated the carrying amount of the cash-generating unit and
(d) compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

Based on this assessment, we calculated the Depreciated Replacement Cost (DRC) of each new social housing scheme, using appropriate construction costs and land prices. Where DRC is lower than the carrying amount an impairment is taken to reduce the carrying amount to the DRC.
As a result of this assessment no impairment charge has been made in the year to 31 March 2021 (note 12).

Classification of loans as basic:
The Trust has a loan which has a two way break clause which is applicable where the loan is repaid early and could result in a break cost or a break gain. The loan in question is a fixed rate loan. In a prepayment scenario that results in a break gain, the loan agreement provides for the repayment of the capital at par. Any break gain payable by the lender would be in relation to future interest periods only.

Management have considered the terms of the loan agreement and the timing when it was determined to prepay the stock transfer loan (taken in April 2021), and concluded this loan meets the definition of a basic financial instrument at 31 March 2021, and has therefore been held at amortised cost at this date.
Note 21 reports the raising of Private Placement bond and pre-payment of the stock transfer loan and breakage cost which arose during 2021/22.

Intra Group Loan:
It was reported to and acepted by the Boards of Southway Housing Trust and Southway Plus (in March 2021 and February 2021 respectively) that the intra group loan would be extedned to June 2022 pending completeion of the Private Placement. The intra group loan of £14.6m (note 18) has therefore been assessed as being for more than one year at 31 March 2021. The documentation extending the loan was completed in April 2021.

(ii) Estimation uncertainty
Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Useful lives of depreciable assets:
Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates include changes to future decent homes standards may require more frequent replacement of key components. Accumulated depreciation at 31 March 2021 was £55.7m housing properties (note 12) and £3.0m other fixed assets (note 13).

Defined benefit obligation (DBO):
Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases.
Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses. The calculation of the obligation also incorporates the impact of the various High Court rulings; namely McCloud and GMP rulings where appropriate.
The defined benefit obligation pension liability at 31 March 2021 was £8.5m (note 30).

Fair value measurement:
Upon completion of a market rent scheme a professional valuation is obtained using the market approach to valuation in accordance with the RICS Valuation – Professional Standards and International Valuation Standards. At the end of the accounting period management bases the assessment of fair value on observable data. If this is not possible management uses the best information available. Estimated fair values may vary from actual prices.
During 2020/21 the fair value of investment properties was assessed to have increased by £0.7m (note 14).

Turnover and Revenue Recognition
Turnover comprises rental income receivable in the year, service charge income, income from shared ownership first tranche sales, support services and other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and 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, net of any voids. Service charge income is recognised in the period to which it relates net of losses from voids.

Income from first tranche sales is recognised at the point of legal completion of the sale. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

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

Employee benefits
Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Pensions
The Group participates in a funded multi-employer defined benefit scheme, the Greater Manchester Pension Fund (GMPF).

For the GMPF, scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the Group through reduced contributions or through refunds from the plan.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income.

The Group also participates in the government's NEST pension scheme which is a defined contribution scheme. Any liabilities relating to the scheme are shown as accrued liabilities.

Interest payable
Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents:
a) interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or
b) a fair amount of interest on borrowings of the association as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.
Other interest payable is charged to income and expenditure in the year.

Gift aid donations
Charitable donations to the Trust from its wholly owned subsidiaries are accounted for as income in the statement of comprehensive income for the year, and is eliminated on consolidation.

Taxation
Current tax is recognised for the amount of income tax payable in respect of the taxable surplus for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred Taxation
Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the statement of financial position date.

Deferred tax relating to investment property that is measured at fair value is measured using the tax rates and allowances that apply to the sale of the asset, except for investment property that has a limited useful life and is held in a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the statement of financial position date. Deferred tax is measured on an undiscounted basis.

Housing properties
Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period.

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.

Shared Ownership properties and staircasing
Expenditure on shared ownership properties is split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover, and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Under low cost home ownership arrangements, the Trust disposes of a long lease on low cost home ownership units for a share of value. The buyer has the right to purchase further proportions up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

Sales of subsequent tranches are treated as a part disposal of housing properties. Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

Donated land and other assets
Land and other assets donated by local authorities and other government sources is added to cost at the fair value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between fair value and consideration paid is treated as a non-monetary government grant and recognised on the statement of financial position as deferred income within liabilities. Where the donation is from a non-public source, the value of the donation is included as income.

On disposal of an asset for which non-monetary government grant was received by the social landlord any unamortised grant remaining within liabilities in the statement of financial position is derecognised and recognised as income in the statement of comprehensive income.

Depreciation of housing properties
The Group 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 estimated useful economic life.

The Group depreciates the major components of its housing properties over the following useful economic lives:

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

Impairment
Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the scheme is written down to its recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where a scheme is currently deemed not to be providing service potential to the Trust, its recoverable amount is its fair value less costs to sell.

Other tangible fixed assets
Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The assumed useful economic lives are:

Asset	Useful Economic Life
Freehold land	Not depreciated
Freehold Buildings	50 years
Long Leasehold Property	Over life of lease
Community Shops	7 years
Community Centre (structure)	80 years
Furniture, fixtures and fittings	7 years
IT infrastructure (new)	5 years
Computers and related equipment	3 years
Commercial vehicles	4 years

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

Investment properties

Investment properties consist of market rent and other commercial properties not held for social benefit or for use in the business. Investment properties are initially measured at cost and subsequently at fair value as at the year end, with changes in fair value recognised in the Statement of Comprehensive Income.
It is not considered possible to accurately measure the value of properties that are under construction. Where this is the case the properties are measured at cost and revalued on completion.

Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Investments in joint ventures - Fixed asset investment

Investments in jointly controlled entities are held at cost less impairment.
Southway Plus Limited has entered into a joint venture arrangement with 9 other registered providers to create GMJV FundCo LLP. GMJV FundCo LLP, together with the Greater Manchester Combined Authority have invested in Hive Homes (Greater Manchester) LLP ("Hive Homes") which is a delivery vehicle to build homes for outright sale. This is a financial arrangement where Plus will be investing up to £3m as a mix of debt and equity into Hive Homes.

Properties for sale

Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Where deferral of payment terms have been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Government grants

Government grants include grants receivable from Homes England, local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with Homes England. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

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 income and expenditure. Upon disposal of the associated property, the Trust is required to recycle these proceeds and recognise them as a liability.

Other grants
Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as deferred income.

Leases
Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Provisions for liabilities
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Reserves
The revenue reserves are unrestricted and available for use within the Group's activities.

3. Turnover, operating cost and operating surplus
Group

2021	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	28,323	-	(20,296)	8,027
Other social housing activities				
First Tranche Shared Ownership Sales	2,890	(2,281)	(238)	371
Development Services	-	-	(40)	(40)
Community Investment	8	-	(619)	(611)
Financial Inclusion	-	-	(266)	(266)
Other Support Activities	17	-	(214)	(197)
Non social housing activities				
Private Rented Sector	609	-	(156)	453
Repairs for Others	163	-	(140)	23
Development Services	-	-	-	-
Other Activities	11	-	(39)	(28)
	32,021	(2,281)	(22,008)	7,732
Surplus on the disposal of housing properties				2,287
				10,019

2020	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	27,561	-	(19,528)	8,032
Other social housing activities				
First Tranche Shared Ownership Sales	5,353	(3,622)	(341)	1,390
Development Services	-	-	(25)	(25)
Community Investment	103	-	(712)	(609)
Financial Inclusion	-	-	(266)	(266)
Other Support Activities	21	-	(199)	(178)
Non social housing activities				
Private Rented Sector	377	-	(138)	239
Repairs for Others	234	-	(234)	(0)
Development Services	-	-	(2)	(2)
Other Activities	36	-	(45)	(9)
	33,684	(3,622)	(21,491)	8,572
Surplus on the disposal of housing properties				3,580
				12,152

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

2021	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	28,323	-	(20,296)	8,027
Other social housing activities				
First Tranche Shared Ownership Sales	2,890	(2,281)	(221)	388
Development Services	603	-	(537)	66
Community Investment	8	-	(619)	(611)
Financial Inclusion	-	-	(266)	(266)
Other Support Activities	17	-	(214)	(197)
Non social housing activities				
Private Rented Sector	226	-	(54)	172
Repairs for Others	163	-	(140)	23
Development Services	70	-	(126)	(56)
Other Activities	11	-	-	11
	32,311	(2,281)	(22,473)	7,557
Surplus on the disposal of housing properties (note 6)				2,287
				9,844

2020	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	27,560	-	(19,527)	8,034
Other social housing activities				
First Tranche Shared Ownership Sales	5,353	(3,622)	(342)	1,389
Development Services	683	-	(673)	10
Community Investment	103	-	(712)	(609)
Financial Inclusion	-	-	(266)	(266)
Other Support Activities	21	-	(199)	(178)
Non social housing activities				
Sale of Land	-		-	-
Private Rented Sector	232	-	(85)	147
Repairs for Others	234	-	(234)	(0)
Development Services	126	-	(124)	2
Other Activities	32	-	-	32
	34,344	(3,622)	(22,162)	8,560
Surplus on the disposal of housing properties (note 6)				3,580
				12,140

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

Income and expenditure from social housing lettings	**2021 £'000**	**2020 £'000**
Rent receivable net of identifiable service charges	26,262	25,673
Service income	283	300
Net rental income	26,545	25,973
Amortised government grants	1,352	1,290
Government grants taken to income	405	274
Other revenue grants	6	9
Other Income	15	15
Turnover from social housing lettings	28,323	27,561
Management	(6,704)	(6,340)
Services	(407)	(453)
Routine maintenance	(3,552)	(3,527)
Planned maintenance	(1,318)	(1,360)
Major repairs expenditure	(1,180)	(1,283)
Bad debts	87	(74)
Depreciation of housing properties	(5,442)	(5,524)
Impairment of housing properties	-	-
Other expenditure	(1,780)	(967)
Operating costs on social housing lettings	(20,296)	(19,528)
Operating surplus on social housing lettings	8,027	8,032
Void losses	239	132

The number of supported housing and shared ownership properties owned is not significant, hence no segmental reporting.

Other expenditure includes: £1,051k (2020: £Nil) for Covid related costs, £380k (2020: £812k) increased service costs relating to pension obligations, £230k (2020: £67k) development expenditure treated as revenue and £119k holiday pay accrual (2020 £88k).

4. Accommodation in management and development Group and Trust

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

	2021 No. of properties	2020 No. of properties
Social housing		
General needs - social rent	5,425	5,449
General needs - affordable rent	317	278
Supported housing - social rent	59	63
Low cost home ownership	123	94
Total social managed	5,924	5,884
General needs - managed by others	5	5
Total social owned	5,929	5,889
Other accommodation		
Southway Housing Trust - Investment properties	26	26
Southway Plus - Investment properties	42	42
Southway Housing Trust - Leasehold properties	307	290
Social housing in development at the year end	397	295
	772	653
In course of construction		
Southway Housing Trust - shared ownership	179	49
Southway Housing Trust - social rent	14	14
Southway Housing Trust - affordable rent	3	37
Southway Housing Trust - Extra Care	162	162
Southway Housing Trust - investment properties	-	-
Southway Plus - investment properties	27	27
Southway Plus - outright sale	12	6
	397	295

During the year there was an increase of 40 social housing properties owned comprising:

30 Shared Ownership homes developed or acquired
39 Affordable Rent properties developed or acquired
22 Social Rent RTB/RTA disposals
4 Supported Housing properties were taken off the rent roll, pending redevelopment
2 GN properties were taken off the rent roll, pending demolition
1 Shared Ownership disposals

5. Operating surplus
Group and Trust

This is arrived at after charging:

	2021 £'000	2020 £'000
Depreciation of housing properties	5,442	5,524
Impairment of housing properties	-	-
Depreciation of other tangible fixed assets	729	783
Loss on disposal of other fixed assets	-	-
Operating lease rentals		
- office accommodation	33	31
- maintenance vehicles	145	203
- office equipment	-	-
External auditors' remuneration (excluding VAT)		
- for audit services	27	27
- for non-audit services	-	-
Internal auditors' remuneration (excluding VAT)	23	24

6. Surplus on sale of fixed assets - housing properties

	Group		Trust	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Disposal Proceeds	2,755	4,351	2,755	4,351
Carrying value of fixed assets	(229)	(377)	(229)	(377)
Other costs of sale	(252)	(404)	(252)	(404)
RTB/RTA disposals	2,274	3,570	2,274	3,570
Proceeds from other property sales	53	135	53	135
Carrying value of other property disposals	(40)	(125)	(40)	(125)
Other cost of sales	-	-	-	-
Total surplus on sale of fixed assets	2,287	3,580	2,287	3,580

7. Interest receivable and other income

	Group		Trust	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Interest receivable	43	99	476	469
Other finance income	-	-	-	-
	43	99	476	469

8. Interest and financing costs

	Group		Trust	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Loans and bank overdrafts	3,287	3,372	3,287	3,372
Capitalised development interest Amortisation	(846)	(576)	(698)	(352)
of initial loan costs	130	98	130	98
Loan security trustee	10	9	10	9
Other finance costs	85	243	85	243
	2,666	3,146	2,814	3,370
Capitalisation rate used to determine the amount of development interest capitalised	4.25%	5.34%	4.25%	5.34%

9. Employees
Group and Trust

Average monthly number of employees expressed in full time equivalents (standard hours 35 hours per week)	**2021 No.**	**2020 No.**
Administration	43	42
Maintenance Service & Home Improvement	77	80
Neighbourhood Services & Community Investment	55	54
Call Centre & Customer Response	27	32
Development and Property Acquisition	19	18
	221	226

Employee costs	**2021 £'000**	**2020 £'000**
Wages and salaries	7,233	6,999
Social security costs	745	655
GMPF Pension contributions	894	968
Nest Pension contributions	195	133
	9,067	8,755

The above staffing costs breakdown includes all those contracted under Southway Housing Trust's employment. This does not include any temporary staff employed via agency.

The Group's employees are members of the Greater Manchester Pension Fund (GMPF) or the Government's NEST defined contribution scheme. Further information is given in Note 30.

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

	2021 No.	**2020 No.**
£60,001 - £70,000	5	2
£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	1	1

10. Key management personnel
Group and Trust

None of the Board Members received emoluments (2020 nil). Board members expenses totalled £677 in the year to 31 March 2021 (2020: £923).

The emoluments of the highest paid Director, the Chief Executive, excluding pension contributions was £115k (2020: £113k).

The aggregate remuneration for key management personnel, disclosed as Executive Directors on page 3, in the year is shown below. All Directors, including the Chief Executive, are ordinary members of the Greater Manchester Pension Scheme and no enhanced or special terms apply.

Executive Directors	**2021** **£'000**	**2020** **£'000**
Basic salary	399	390
Social Security Costs	50	49
Pension contributions	-	-
Benefits in kinds	89	88
Compensation for loss of office	-	-
	538	527

11. Tax on profit on ordinary activities

	Group 2021 £'000	Group 2020 £'000	Trust 2021 £'000	Trust 2020 £'000
The tax charge/(credit) is based on the profit for the year and represents:				
Current tax				
UK corporation tax at 19.00% (PY: 19.00%)	-	-	-	-
Deferred tax				
Origination and reversal of timing differences	150	130	-	-
Adjustments in respect of prior periods	(7)	36	-	-
Effect of tax rate change on opening balance	-	4	-	-
	143	170	-	-
Tax on profit on ordinary activities	143	170	-	-
Movement in deferred tax provision				
Provision at start of period	170	-	-	-
Deferred tax charged in the Profit and loss account for the period	143	170	-	-
Tax on results on ordinary activities	313	170	-	-
Profit on ordinary activities before tax	8,051	9,634	7,507	9,239
Tax on profit on ordinary activities at standard CT rate of 19% (2019: 19%)	1,530	1,830	1,426	1,755
Income not taxable for tax purposes	(6,354)	(1,885)	(6,230)	(6,615)
Amounts (charged)/credited directly to the STRGL or otherwise transferred	(5)	-		
Capital gains/(losses)	135	130	-	-
Fixed asset differences	725	-	736	518
Expenses not deductible for tax purposes	4,103	29	4,068	4,341
Deferred tax not recognised	16	31	-	-
Adjustments in respect of prior year periods (deferred tax)	(7)	36	-	-
Adjust opening deferred tax to average rate	-	(1)	-	-
Adjust closing defered tax to average rate	-	-	-	-
Tax charge/(credit) for the period	143	170	0	-

12. Tangible fixed assets - properties
Group

	Social housing properties for letting £'000	Shared ownership properties completed £'000	Social housing properties under construction £'000	Shared ownership properties under construction £'000	Total £'000
Cost					
At 1 April 2020	153,407	5,588	17,582	4,280	180,857
Development of new properties	-	-	12,598	8,479	21,077
Interest capitalised	-	-	323	367	690
Schemes completed	5,538	2,432	(5,538)	(2,432)	-
Works to existing properties	392	-	-	-	392
Other Additions	-	-	-	-	-
Reclassification	-	-	-	-	-
Disposals	(680)	(41)	-	-	(721)
At 31 March 2021	158,657	7,979	24,965	10,694	202,295
Depreciation and impairment					
At 1 April 2020	(50,116)	(161)	(261)	-	(50,538)
Depreciation charged in year	(5,344)	(98)	-	-	(5,442)
Impairment charged in year	-	-	-	-	-
Released on disposal	297	1	-	-	298
At 31 March 2021	(55,163)	(258)	(261)	-	(55,682)
Net book value					
At 31 March 2021	103,494	7,721	24,704	10,694	146,613
At 31 March 2020	103,291	5,427	17,321	4,280	130,319

Housing properties At 31 March 2021 are comprised entirely of freehold land and buildings.

Southway Housing Trust considers individual new development schemes to be separate cash generating units (CGUs) when assessing for impairment in accordance with the requirements of FRS102 and SORP 2014. Stock transferred from MCC is assumed to be one distinct CGU.

12. Tangible fixed assets - properties (continued)
Trust

	Social housing properties for letting £'000	Shared ownership properties completed £'000	Social housing properties under construction £'000	Shared ownership properties under construction £'000	Total £'000
Cost					
At 1 April 2020	153,415	5,682	17,176	4,846	181,119
Development of new properties	-	-	12,703	8,547	21,250
Interest capitalised	-	-	323	367	690
Schemes completed	5,538	2,432	(5,538)	(2,432)	-
Works to existing properties	392	-	-	-	392
Other Additions	-	-	-	-	-
Reclassification	-	-	-	-	-
Disposals	(680)	(41)	-	-	(721)
At 31 March 2021	158,665	8,073	24,664	11,328	202,730
Depreciation and impairment					
At 1 April 2020	(50,116)	(161)	(261)	-	(50,538)
Depreciation charged in year	(5,344)	(98)	-	-	(5,442)
Impairment charged in year	-	-	-	-	-
Released on disposal	297	1	-	-	298
At 31 March 2021	(55,163)	(258)	(261)	-	(55,682)
Net book value					
At 31 March 2021	103,502	7,815	24,403	11,328	147,048
At 31 March 2020	103,299	5,521	16,915	4,846	130,581

Housing properties at 31 March 2021 are comprised entirely of freehold land and buildings.

Southway Housing Trust considers individual new development schemes to be separate cash generating units (CGUs) when assessing for impairment in accordance with the requirements of FRS102 and SORP 2018. Stock transferred from MCC is assumed to be one distinct CGU.

12. Tangible fixed assets - properties (continued)

Expenditure on works to existing properties	Group 2021 £'000	Group 2020 £'000	Trust 2021 £'000	Trust 2020 £'000
Components capitalised	392	559	392	559
Amounts charged to income and expenditure account	1,180	1,283	1,180	1,283
	1,572	1,842	1,572	1,842

Finance Costs	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Aggregate amount of capitalised interest included in the cost of housing properties	1,814	1,124	1,814	1,124

Social Housing Assistance	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Total accumulated grants received or receivable at 31 March				
Recognised in Statement of Comprehensive Income	20,000	18,648	20,000	18,648
Held as Deferred Grant Income (note 22)	38,375	36,996	38,375	36,996
	58,375	55,644	58,375	55,644

13. Tangible fixed assets - other
Group

	Furniture fixtures and fittings £'000	Computers and related equipment £'000	Community assets £'000	Office accommodation £'000	Total £'000
Cost					
At 1 April 2020	414	2,305	1,685	6,499	10,903
Reclassification of Assets	59	-	-	(15)	44
Adjusted balance at 1 April 2020	473	2,305	1,685	6,484	10,947
Additions	56	243	722	5	1,026
Disposals	-	-	-	-	-
At 31 March 2021	529	2,548	2,407	6,489	11,973
Depreciation					
At 1 April 2020	(98)	(1,258)	(172)	(704)	(2,232)
Reclassification of Assets	(54)	(263)		317	-
Adjusted balance at 1 April 2020	(152)	(1,521)	(172)	(387)	(2,232)
Charged in year	(63)	(438)	(34)	(194)	(729)
Disposed in year	-	-	-	-	-
At 31 March 2021	(215)	(1,959)	(206)	(581)	(2,961)
Net book value					
At 31 March 2021	314	589	2,201	5,908	9,012
At 31 March 2020	316	1,047	1,513	5,795	8,671
Aggregate amount of capitalised interest	-	-	24	-	24

13. Tangible fixed assets - other
Trust

	Furniture fixtures and fittings £'000	Computers and related equipment £'000	Community assets £'000	Office accommodation £'000	Total £'000
Cost					
At 1 April 2020	414	2,305	1,685	6,499	10,903
Reclassification of Assets	15	-	-	(15)	-
Adjusted balance at 1 April 2020	429	2,305	1,685	6,484	10,903
Additions	4	243	735	5	987
Disposals	-	-	-	-	-
At 31 March 2021	433	2,548	2,420	6,489	11,890
Depreciation					
At 1 April 2020	(98)	(1,258)	(172)	(704)	(2,232)
Reclassification of Assets	(54)	(263)	-	317	-
Adjusted balance at 1 April 2020	(152)	(1,521)	(172)	(387)	(2,232)
Charged in year	(50)	(438)	(34)	(194)	(716)
Disposed in year	-	-	-	-	-
At 31 March 2021	(202)	(1,959)	(206)	(581)	(2,948)
Net book value					
At 31 March 2021	231	589	2,214	5,908	8,942
At 31 March 2020	316	1,047	1,513	5,795	8,671
Aggregate amount of capitalised interest	-	-	24	-	24

14. Investment properties

	GROUP				TRUST			
	2021 £'000 Properties completed	2021 £'000 Properties under construction	2021 £'000 Total Investment Properties	2020 £'000 Total Investment Properties	2021 £'000 Properties completed	2021 £'000 Properties under construction	2021 £'000 Total Investment Properties	2020 £'000 Total Investment Properties
At 1 April	11,468	870	**12,338**	12,546	4,015	-	**4,015**	5,722
Reclassification to Other Tangible Fixed Assets	-44	-	**-44**	-	-	-	**-**	-
Restated b/f	11,424	870	**12,294**	12,546	4,015	-	**4,015**	5,722
Additions	-21	253	**232**	984	27	-	**27**	13
Increases/Decreases in value	655	-	**655**	528	-	-	**-**	-
Complete	-	-	**-**	-	-	-	**-**	-
Transfer to affordable housing	-	-	**-**	-1,720	-	-	**-**	-1,720
Disposals	-	-	**-**	-	-	-	**-**	-
At 31 March	12,058	1,123	**13,181**	12,338	4,042	-	**4,042**	4,015
Aggregate amount of capitalised interest	-	-	476	422	-	-	-	56

There are 26 market rent investment properties in the Trust. Research into the property values at 31 March 2021 was carried out by the Directors and was not judged to be materially different to their carrying value. Directors have knowledge and skill to undertake such a valuation assessment.

The Group includes two developments which are under construction and are held at carrying value. In addition, the Group includes a completed scheme of 42 market rented properties owned by Southway Plus Ltd, which were independently valued by Roger Hannah Chartered Surveyors on 15 April 2021 using the market approach to valuation in accordance with the RICS Valuation – Professional Standards and International Valuation Standards. The RICS Valuation – Global Standards 2017, defines Market Value as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgably, prudently and without compulsion". The Directors have been guided by the independent valuation and applied their professional judgement in valuing the property at £8.07m, which results in a revaluation gain of £655k during 2020/21.

The reclassification reported above relates to furniture costs.

15. Investment in subsidiaries -Trust

As required by statute, the financial statements consolidate the results of Southway Housing Trust, Southway DevCo Ltd and Southway Plus Ltd.

Southway Plus Ltd and Southway DevCo are wholly owned subsidiaries of the Trust. Both are non-regulated subsidiaries of the Trust. The registered office is the same for all group entities.

Southway Housing Trust is the ultimate parent undertaking and exercises control over the subsidiaries. The Trust's fixed asset investment in the subsidiaries is as follows:

	Southway Plus Limited £	**Southway DevCo Limited £**
Cost		
At 1 April 2020	1	1
Additions	-	-
Disposal	-	-
At 31 March 2021	1	1

The dormant subsidiary of Southway Plus, Weavers Manco Ltd. was incorporated on 21st January 2021. It is a company limited by guarantee, the company number is 13147845. Southway Plus is registered as the entity with significant control. The two directors are Karen Mitchell and Matt Roberts, both of whom are Directors of Southway Plus. The company was established to demise car parking spaces at the Weavers Cottages development (six in total). Once all units and the associated car park spaces have been sold, Southway Plus' interest in the company will end and the company will be wound down.

16. Investment in joint ventures

	Group		**Trust**	
	2021 £'000	**2020 £'000**	**2021 £'000**	**2020 £'000**
Investment in Joint Venture	196	107	-	-
	196	107	-	-

Southway Plus is part of a consortium comprising 10 members of Greater Manchester Housing Providers and the Greater Manchester Combined Authority who have invested in a joint venture, GMJV Fundco LLP, with the intention of increasing housing supply and providing a competitive return to investors. At 31 March 2021 southway Plus' interest totals £297k (2020: £107k), comparising the above equity investment and a loan of £101k (2020: £nil) due over more than one year (reported in note 18).

17. Properties for sale, stock and work in progress

	Group		Trust	
	2021 £'000	**2020 £'000**	**2021 £'000**	**2020 £'000**
Shared ownership properties				
Completed for sale	831	81	782	81
Under construction	5,170	3,641	5,170	3,641
Properties for outright sale				
Completed for sale	-	-	-	-
Under construction	2,537	2,346	-	-
Maintenance materials	104	104	104	104
	8,642	**6,172**	**6,056**	**3,826**
Aggregate amount of capitalised interest	203	109	-	-

18. Debtors

	Group 2021 £'000	Group 2020 £'000	Trust 2021 £'000	Trust 2020 £'000
Due within one year				
Rent and service charges receivable	2,611	3,161	2,611	3,161
Less: Provision for bad and doubtful debts	(2,134)	(2,684)	(2,134)	(2,684)
	477	477	477	477
Grant receivable	-	1,275	-	1,275
VAT incurred and recoverable	99	105	39	14
Amounts due from group companies	-	-	138	172
Other debtors	4,603	5,898	4,499	5,877
Prepayments and accrued income	4,430	800	623	571
	9,609	8,555	5,776	8,386
Due more than one year				
Amounts due from group companies over one year	-	-	14,599	10,399
Other debtors due over one year	101	-	-	-
Total Debtors	9,710	8,555	20,375	18,785

The amount due over one year within the Trust represents an intra-group loan to Southway Plus Limited. There is a floating charge over Southway Plus's assets for the loan; the interest rate charged on the loan is 4.27% to 15 April 2021 and 3.8% following extension of the loan to 1 June 2022.

Other debtors includes £3.05m (2020: £4.3m) relating to the Homelessness Fund (see also Note 19 - Other Creditors), £314k (2020: £292k) relating to Leasehold sinking funds and £47k (2020: £53k) held on behalf of the Strategic Housing Partnership.

Prepayments in the Group includes £3.7m paid by Southway Plus immediately prior to the year end to solicitors to release in April 2021 upon the completion of an Investment Property refurbishment project.

19. Creditors: amounts falling due within one year

	Group		Trust	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Loans due in less than one year (note 21)	6,586	5,549	6,586	5,549
Deferred grant income (note 22)	1,352	1,290	1,352	1,290
Recycled capital grant fund (note 23)	-	10	-	10
Rent and service charges received in advance	702	696	702	696
Leasehold sinking funds	387	301	387	298
Other taxes and social security costs	211	177	211	177
VAT incurred and recoverable	-	-	-	-
Trade creditors	1,621	1,279	693	314
Other creditors	4,606	5,821	4,606	5,821
Amounts due to group companies	-	-	1,618	1,498
Accruals and deferred income	2,924	1,895	1,594	1,116
	18,389	17,018	17,749	16,769

Other creditors includes £3.05m (2020: £4.3m) relating to the Homelessness Fund (see also Note 18 - Other Debtors)
Other potential further commitments of £359k (2020: £315k) arise in relation to the Manchester Service for Independent Living fund.

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

	Group		Trust	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Loans due in more than one year (note 21)	47,822	44,394	47,822	44,394
Loan arrangement fees to be amortised	(426)	(447)	(426)	(447)
Deferred Grant income (note 22)	37,023	35,706	37,023	35,706
Recycled capital grant fund (note 23)	89	138	89	138
Capital proceeds fund	26	26	26	26
Homelessness Equity share	69	69	69	69
Deferred taxation (note 11)	313	170	-	-
	84,916	80,056	84,603	79,886

21. Debt analysis
Group and Trust

	2021 £'000	2020 £'000
Bank loans - Due within one year		
Repayable within one year	6,586	5,549
Bank loans - due after more than one year		
Repayable more than one year but less than two years	15,267	6,586
Repayable more than two years but less than five years	19,342	17,525
Repayable more than five years	13,213	20,283
	47,822	44,394
Total Debt	54,408	49,943

All loans are secured on housing stock, which covers the value of outstanding liabilities.

The loans reported at 31 March 2021 comprise a £44.4m fixed interest rate loan (to be repaid by installments by 2029), and a £10m variable interest rate revolving credit facility. A further £25m revolving credit faclitity was undrawn. All loans were from Barcalys Bank PLC.

The fixed rate loan has a weighted average interest rate of 6.48% (2020: 6.01%) and the weighted average period for which it is fixed is 8 years (2020: 9 years).

On 19 July 2021 Southway prepaid its £44.4m loan with Barclays PLC. Fixed interest rate breakage costs of £7.6m were incurred, to be offset by the lower interest rates secured on a £120m Private Placement whch comprises:
£50m issued on 19 July 2021 with redemptions dates between 2041 to 2051
£35m will be issued on 25 May 2022 with redemption date 25 May 2044
£35m will be issued on 25 May 2023 with redemption date 25 May 2053

The Private Placement has a weighted average of interest rate of 2.7%, with a weighted average maturity of 26 years.

22. Deferred grant income
Group and Trust

	2021 £'000	2020 £'000
At 1 April	36,996	35,677
Grant received in the year	2,725	2,738
Grant disposed in year	(84)	(122)
Addition from RCGF	116	20
Transfer to RCGF - Staircasing	(26)	(27)
Released to income in the year	(1,352)	(1,290)
At 31 March	38,375	36,996
Of which:		
Amounts to be released within one year	1,352	1,290
Amounts to be released in more than one year	37,023	35,706
	38,375	36,996

23. Recycled capital grant fund
Group and Trust

	2021 £'000	2020 £'000
At 1 April	148	70
Grants recycled:		
Right to Acquire Grant	30	70
Grant recycled from Staircasing	26	27
Interest accrued	1	1
Recycling of Grant:		
Development of properties	(116)	(20)
At 31 March	89	148
Of which:		
Due within one year	-	10
Due greater than one year	89	138
	89	148

Policy

On the occurrence of certain relevant events, primarily the sale of dwellings, Homes England can direct the Group to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period (or as otherwise agreed), it will be repayable to Homes England with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

24. Non-equity share capital
Trust

Shares of £1 each issued and fully paid	2021	2020
At 1 April	9	9
Shares issued during the year	2	-
Shares surrendered during the year	(2)	-
At 31 March	9	9

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.

25. Cash flow from operating activities

Group

	2021 £'000	2020 £'000
Surplus for the year	7,907	9,464
Adjustments for non cash items:		
Depreciation of housing properties	5,442	5,524
Depreciation of other fixed assets	729	783
Amortised government grants	(1,352)	(1,290)
Impairment of housing properties	-	-
Loss on replacement of components	70	-
Surplus on revaluation of properties	(655)	(528)
Pension costs less contributions payable	380	812
Changes in working capital:		
Increase in properties for sale, stock and work in progress	(2,376)	(2,043)
Increase in debtors	(2,430)	(5,451)
Increase in creditors	283	5,287
Adjustments for investing or financing activities:		
Surplus on the disposal of housing properties	(2,286)	(3,580)
Loss on the disposal of other fixed assets	-	-
Interest payable and other financing costs	2,666	3,146
Interest receivable	(43)	(99)
Taxation		
Deferred tax charged in the Profit and loss account for the period	143	170
Net Cash Generated From Operating Activities	8,478	12,195

26. Capital commitments

	Group		Trust	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Expenditure contracted for but not provided in the accounts	42,603	29,372	41,639	24,969
Expenditure authorised by the board, but not contracted	33,269	58,346	29,954	54,973
	75,872	87,718	71,593	79,942

The above commitments of the Group at 31 March 2021 will be financed primarily through borrowings (£33.4m), which are available from existing loan facilities and Private Palcement funds, with the balance funded through social housing grant (£15.0m) and property sales (£27.5m).

All loans are secured on housing stock, which covers the value of outstanding liabilities. Refer to note 21 for further disclosure of the Group's debt arrangements.

27. Leasing commitments Group and Trust

The future minimum lease payments of leases are as set out below.

	2021 £'000	2020 £'000
Within one year		
Office accommodation	33	32
Vehicles	189	183
	222	215
Between one and five years		
Office accommodation	113	112
Vehicles	-	22
	113	134

28. Contingent liabilities Group and Trust

The Group and Trust had no contingent liabilities to disclose at 31 March 2021 (2020: nil).

29. Financial assets and liabilities

On 1 June 2020 the Trust restructured it's loan finance agreement. £35m revolving credit facilities from Barclays Bank PLC were renewed with £10m extended to June 2022 and £25m to June 2023. The former facility can be extended for a further additional year, the second facility for an additional one or two years. On 23 March 2021 Southway drew down £10m from its £35m loan facility with Barclays PLC leaving £25m undrawn at 31 March 2021 (2020: £35m). Refer to note 21 for other refinancing activities.

Surplus cash during the period was deposited in UK financial institutions as deposits with all amounts either at call or at notice of periods not exceeding twelve months.

The Board's policy on financial instruments is explained in the Board Report as are references to financial risk.

	Group		Trust	
	2021	**2020**	**2021**	**2020**
	£'000	**£'000**	**£'000**	**£'000**
Categories of financial assets and financial liabilities				
The realisable value of all financial assets and liabilities was equal to book value at all times.				
Financial assets that are measured at amortised cost	10,552	18,437	10,097	18,420
Financial liabilities measured at amortised cost	7,316	8,097	8,007	8,628
Loan commitments measured at cost	54,408	49,943	54,408	49,943
Financial assets				
Financial assets held as short term cash deposits and cash at bank. They attract interest at variable rates and amounts held by the Trust were:				
Short term cash deposits	1,649	11,000	1,649	11,000
Cash at bank	3,719	957	3,230	789
Total	5,368	11,957	4,879	11,789
Financial liabilities excluding trade creditors				
The Trust's financial liabilities are sterling denominated. The interest rate profile of the financial liabilities at 31 March was:				
Floating rate	10,000	-	10,000	-
Fixed rate	44,408	49,943	44,408	49,943
Total borrowings	54,408	49,943	54,408	49,943

All loans are secured on housing stock, which covers the value of outstanding liabilities. Refer to note 21 for further details.

30. Pensions
Group and Trust

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. The results of both schemes have been 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 2019 and rolled forward to 31 March 2021 by a qualified independent actuary.

The employers' contributions to the fund by the Trust for the period ended 31 March 2021 were £892k (2020: £974k) at a contribution rate of 22.2% of pensionable salaries (2020: 22.5%).

Financial assumptions	**31 March 2021 % per annum**	**31 March 2020 % per annum**
Major categories of plan assets as a percentage of total plan assets		
Equities	72%	66%
Bonds	12%	17%
Property	7%	8%
Cash	9%	9%
	100%	100%

	% per annum	% per annum
Pension increase rate	2.8	1.8
Salary increase rate	3.55	2.6
Discount rate	2.05	2.3

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 2021	**Number of Years 2020**
Retiring today:		
Males	20.5	20.5
Females	23.3	23.1
Retiring in 20 years:		
Males	21.9	22.0
Females	25.3	25.0

30. Pensions (continued)
Group and Trust

Changes in fair value of scheme assets	2021 £'000	2020 £'000
Opening fair value of plan assets	44,826	47,334
Expected return	1,030	1,151
Contributions by members	290	304
Contributions by employer	892	974
Actuarial gains	8,926	(3,922)
Benefits paid	(1,131)	(1,015)
Closing fair value of scheme assets	54,833	44,826

Changes in present value of scheme liabilities	2021 £'000	2020 £'000
Opening scheme liabilities	48,310	56,857
Service cost	1,260	1,760
Interest cost	1,115	1,394
Contributions by members	290	304
Actuarial losses/(gains)	13,501	(11,016)
Past service costs	-	-
Losses on curtailments	12	26
Benefits paid	(1,131)	(1,015)
Closing scheme liabilities	63,357	48,310

Movement in net liabilities during the year	2021 £'000	2020 £'000
Scheme liabilities less assets at start of year	(3,484)	(9,523)
Current service cost	(1,260)	(1,760)
Past service costs	-	-
Losses on curtailments	(12)	(26)
Contributions	892	974
Other finance costs	(85)	(243)
Actuarial movement	(4,575)	7,094
Scheme liabilities less assets at end of year	(8,524)	(3,484)

30. Pensions (continued)
Group and Trust

Amounts recognised in the statement of financial position	2021 £'000	2020 £'000
Present value of funded obligations	(63,357)	(48,310)
Fair value of plan assets	54,833	44,826
	(8,524)	(3,484)
Present value of unfunded obligations	-	-
Net liability	(8,524)	(3,484)

Analysis of the amount charged to operating surplus	2021 £'000	2020 £'000
Current service cost	1,260	1,760
Losses on curtailments	12	26
Total operating charge	1,272	1,786

Analysis of the amount charged to other finance costs	2021 £'000	2020 £'000
Expected return on pension scheme assets	1,030	1,151
Interest on pension scheme liabilities	(1,115)	(1,394)
Net interest	(85)	(243)

31. Transactions with related parties

	2021 £'000	2020 £'000
Southway Housing Trust		
Amounts due to Southway DevCo	1,618	1,498
Amounts due from Southway Plus	138	172
Loan due from Southway Plus	14,599	10,399
Purchases from group companies		
Design and build contracts from Southway DevCo	17,473	14,333
Sales to group companies		
Project management services to Southway DevCo	1,065	1,398
Project management services to Southway Plus	-	-
Corporate support to Southway DevCo	36	24
Corporate support to Southway Plus	31	26
Land sale and related fees to Southway Plus	-	-
Interest on loan to Southway Plus	433	370
Donations from group companies		
Gift aid from Southway DevCo	-	-

Other transactions

There were three 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 personal advantage.

	Weekly Rent £	Amount Due £
Aggregate tenancy transactions as at 31 March 2021	256	-

During the year one member of the Board served as a Councillor with Manchester City Council, and one Board members was a senior manager 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.

Southway Housing Trust has a Board member in common with Barlow Moor Community Association. During the year Southway had transactions with the association totalling £3.3k (2020: £20k), the balance due at the year end was £1.7k (2020: £5k).

The Trust's Chief Executive is also a board member of Manchester Athena Ltd. There have been payments made of £7k to this company in 2020/21 (2020: £7k).

The Trust's Strategic Director Property & Development is also a board member of Bolton at Home. There have been payments made of £0k to this company in 2020/21 (2020: £6k).

The Trust's Chief Financial Officer and Strategic Director Property & Development are Directors of ICO Didsbury Point Ltd, a management company which administers a piece of land which the Trust owns. There have been payments made of £4k to this company in 2020/21 (2020:£4k).

During the year Southway Plus and Bolton at Home invested in GMJV Fundco LLP. The Trust's Chief Executive is also a Director of this company. Further details are in note 16.

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