Southway Housing Trust

Southway Housing Trust (Manchester) Limited Group Accounts

2019/20

Co-operative and Community Benefit Society No. 30348

Regulator of Social Housing No. L4507

Contents

Board Members, Executive Directors, Advisors and Bankers

Board Members

Samantha Macwilliam	Chair
Clare Tostevin	Vice Chair
Roger Spencer	
Mark Taylor	
Memuna Bangura	
Councillor Joanna Midgley	
Tony Powell	
Fiona Worrall	
Iain Leviston	(resigned 17 September 2019)
Nicki Buckley	(appointed 17 September 2019)

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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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 very pleased to be introducing this report after another good year with strong financial and service delivery performance. As an ambitious, financially strong and well governed organisation we have made a real difference, using our local knowledge and understanding to make positive investments into our communities

We have now completed delivery of our 2015 to 2020 Futures Strategy and can demonstrate significant outcomes across all our strategic priorities.

We are well on track delivering our 10 year development ambitions and have seen a significant increase in the scale of our programme. I am delighted to see the progress we have made increasing the numbers of Age Friendly homes with two older persons schemes on site and the recent completion of the apartments at the heart of our Old Moat age friendly neighbourhood in Withington. Our commercial subsidiary, Southway Plus, is also on track to contribute profits which will help subsidise a greater number of new social and affordable homes in our core area.

In March we adopted our new 5 year strategy, setting out our aims to 2025. Our new vision of Thriving Neighbourhoods, supported by our values of being caring, committed and successful together, sets the direction and priorities for the Trust, building on what we are good at as a community based organisation, inspired by the work we do with our communities. As part of this strategy we have set a new priority to continue to build on the trust and respect we share with our tenants, and look at ways to strengthen the role of tenants and other residents in setting our priorities and shaping how we do things. I look forward to seeing this move forward.

Of course since March the world has changed. We have responded quickly and effectively to the challenges presented to us by the Covid virus. Our focus has been on the safety and wellbeing of our staff and tenants, making sure we can continue to deliver our services, and supporting the people living in our homes who are affected by the safety measures required to control the virus. At the same time we are keeping focused on the work we need to do to achieve our longer term objectives.

Finally, and very sadly, this is my last task as the Chair of the Board. I have been a Board member for 9 years and the Chair since 2016. It has been a privilege to lead the Board as we have all worked hard with our staff, partners and communities, to provide good quality affordable homes and improve the quality of life in our neighbourhoods. Southway has made a significant positive difference to the lives of many people and I will continue to support this work, providing challenge and new ideas when needed, as one of the Trust's proud tenants.

A great year all round and I look forward to the next 5 years.

Samantha Macwilliam
Chair of the Board

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 aim is to improve the quality of life of our tenants and other residents and to make South Manchester a great place to live. We do this with others where they share our objectives and build strong partnerships with local people, community groups and public agencies across Greater Manchester and other key stakeholders in our neighbourhoods.

Our vision is of **Thriving Communities**. Over the next 10 years we expect our thriving communities to be characterised by:

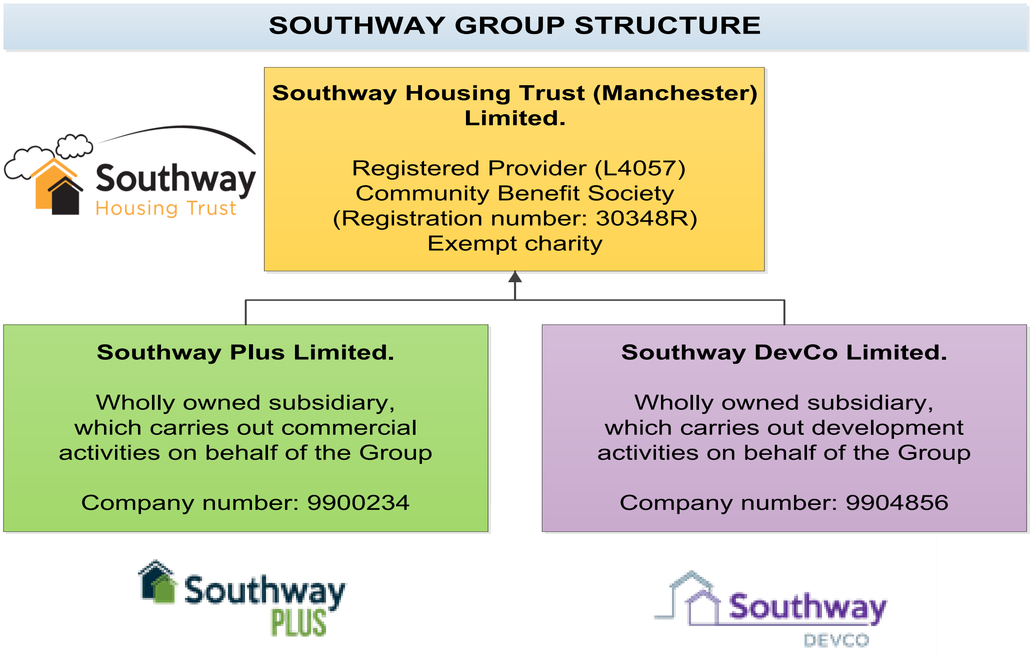
- Lower levels of child poverty
- Lower levels of loneliness and isolation in all age groups
- Higher levels of employment and social connectedness,
- A supply of homes that is closer to meeting needs,
- And higher levels of satisfaction with our neighbourhoods as a place to live.

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

Structure

The group structure facilitates the delivery of our Corporate Strategy with 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 charitable and community objectives.



<u>Corporate Strategy</u>

A new Futures Strategy 2020-2025 was adopted in March 2020 setting the direction of the Group.

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 managed and financially strong; and
- our staff feel valued, are motivated by our shared vision, and are trusted to do the right thing.

Southway's previous Futures Strategy for 2015-2020 included five themes. The following sections demonstrate our achievements against these strategic themes during 2019/20.

1. Affordable Homes in Desirable Neighbourhoods

Providing affordable homes, with a focus in and around the South Manchester area, is our core purpose. We are committed to working with our tenants, communities, public and voluntary agencies and other stakeholders to plan and deliver cost effective services that meet expectations and support a good quality of life.

During the year we strengthened relationships with other key agencies to deliver the Our Manchester strategy, and a neighbourhood approach to 'bringing services together'. This complemented work we have done to improve satisfaction and the effectiveness of our ASB service, working more closely with our communities and the Police, improved management of cases and communication with victims.

We have worked with Manchester City Council (MCC) to respond to the homelessness crisis, letting 25% of our homes to families in need. We have also bought larger family homes to provide an affordable solution for bigger households who have been stuck in temporary accommodation.

In June 2019, Southway retained its prestigious Green Flag award, in recognition of work carried out at Barlow Moor Green Space in Chorlton. This international award is given to areas that boast the highest possible environmental standards and reflects our overall approach to making good use of the green spaces, which enhance wellbeing and have a positive impact on our neighbourhoods.

An excellent result was also achieved in our annual Customer Service Excellence audit with a record number of Compliance Plus awards achieved.

Replacing affordable properties sold under the right to buy scheme is an important objective of the Trust. South Manchester is a high value and high demand area with a significant shortage of affordable homes. Our priorities for investment to deliver additional affordable homes in South Manchester are summarised in section 4.

2. Community Investment

Southway is committed to working in partnership to empower its tenants to achieve their full potential. In line with the objectives of the Futures Strategy, the Trust focuses its community investment priorities on Age Friendly neighbourhoods, Employment and Training, Community Spaces and Partnerships, Health and Well Being and promoting and supporting Volunteering.

Working with our local Learning Hubs, we have directly assisted people into work and pre-employability training. Two Jobs Fairs were held during the year, which were really successful with lots of interest from prospective employers and job hunters.

Our five ‘Quids In’ food clubs continued to grow providing members with low cost and healthy food each week. During the year 47 tonnes of food was saved from landfill and redistributed through our clubs which continue to offer the lowest cost membership in Greater Manchester.

During the year 353 Southway tenants actively volunteered, with over 9,000 Timebank hours contributed by members. Over 600 tenants accessed our Westcroft Community Centre. Over 500 attended health and well-being courses that included healthy eating, fitness and wellbeing checks.

Our dedicated Advice Services team supported tenants to access £1.7m of benefits that were unclaimed and provided over 150 families with debt advice. This advice helped support tenants to maximise their income, including 1 to 1 support for people moving onto Universal Credit.

In 2020 we launched our Beautiful South Fund, a ten year grant programme for local groups and individuals to promote neighbourliness in their community. A decision making panel of Southway tenants awarded £25k during the year to a range of projects including, a ‘community tea party’, an orchard, a story telling group and cooking sessions.

3. Age Friendly Living

Southway continues to lead the promotion and delivery of Age Friendly services and projects in Manchester and Greater Manchester. We are also looking at new models of co-housing with our strategic partner, the Manchester School of Architecture.

During 2019/20 we delivered the final year of our strategy that saw us:
- lead on rolling out the Take a Seat campaign across Greater Manchester,
- deliver 3 externally funded projects to provide a peer support network,
- support older isolated men through a community navigator scheme, and
- deliver a social eating project.

2019/20 was the final year of our lottery funded Ambition for Ageing programme in Burnage. The project, led by a Board of local people, delivered a range of activities including:
- Life and Friendship Social Group, offering peer support to bereaved people,
- International food days, and,
- Trim and Chat, where older men have a free haircut and a chance to talk.

As part of our commitment to delivering Age Friendly services we have changed the way we manage our age restricted homes, setting up an Age Friendly delivery team for 283 properties, which will grow to 500 when development is completed. In its first year tenants have received health and wellbeing visits. An Age Friendly Repairs Specialist joined the team to provide a dedicated service to our older tenants.

4. Priorities for Investment

Development activity has increased across a range of tenures. The focus of our investment is the delivery of affordable homes within our core Southway area, as well as expansion into areas within half an hour of our base, in Trafford, Tameside, Stockport, Salford and Cheshire East.

The objective from the 2015-2020 Futures Strategy is to deliver 750 new homes and have firm plans in place to achieve our target of 1,000 homes over the 10-year period up to 2026. The development programme established will exceed this.

	No. of homes
Programme as at March 2020	
Completed	243
Schemes underway	294
Ready to start	110
Funding secured	144
Sub total	**791**
Land acquired	117
Future growth programme	750
Total over 10 years	**1,658**

At the year end there were nine projects underway and four ready to start delivering in total over 400 properties: 162 older persons social rent apartments (with Southway as landlord and MCC commissioning the care provider), 136 shared ownership properties, 72 homes for social/affordable rent, 27 for market rent and 7 outright sale units.

Gecko Homes, the marketing brand for the Group's shared ownership, sales and market rent activities, is now well established. It is promoted through a new website, social media and hoardings, increasing the level of public interest in the schemes under development.

Following the Park View scheme in Gorton being awarded the Best New Development in the North 2019 at the First Time Buyer's readers awards, we also secured shortlisting for three projects at the 2020 awards.

Our commercial subsidiary Southway Plus delivered its first scheme for market rent, comprising 42 apartments in Altrincham. Southway Plus is increasing activity with the recent purchase of a site in Stockport for outright sale, a refurbishment project for sale nearing completion, and contracts exchanged for another market rent project.

Outturn results for 2019/20 showed Homes England grant take up exceeded initial forecasts. However, both completions and new start performance was below target. The impact of Covid-19 in the last month of the financial year delayed contractors planned completions and also the start of two new schemes.

Southway is one of 10 RP investors in the GMJV Hive Homes and also joined the Strategic Partnership between Homes England and Great Places Housing Group during the year as another route to secure grant funding.

Southway demonstrates commitment to good design. We build homes that will be fit for the future, are integrated into the neighbourhood, and have updated our specification in line with our Zero Carbon Strategy, incorporating ground source heat systems. We are also in the process of committing our first scheme utilising Modern Methods of Construction.

5. Well Managed and Financially Strong

The Group generated a surplus of £9.5m in the year (2019: £7.2m). The surplus adds capacity to the financial plan and aids Southway's ability to deliver its strategic objectives.

Rent collection performance was strong throughout the year with 100.02% collection from current tenants, a highly successful outcome given the continued roll out of Universal Credit for new benefit claimants.

The Trust has maintained its top G1 and V1 Governance and Viability ratings from the Regulator of Social Housing. Southway's financial performance and asset base both compare well to peers, evidenced by the VFM metrics in the following section.

The Group, Board and Committee structure guides and shapes delivery of the Futures Strategy. Loan finance has already been secured to fund the current development programme, with additional funds to be raised in the next year to finance the planned growth in the Development Programme.

Business Plan assumptions are subject to stress testing to ensure there is sufficient resilience to withstand adverse movements. Financial plans have been thoroughly evaluated and demonstrate Southway's continued viability, including the challenges faced when responding to Covid-19.

Value for Money

The commentary, tables and charts below provide evidence to stakeholders of Southway's plans and achievements to deliver value for money.

(i) Approach to VFM

One of the key themes of Southway's Futures Strategy 2015-2020 and 2020-25 is that we are 'Well Managed and Financially Strong'. The Futures Strategy 2020-2025 includes the following objectives:

"We are efficient, and productive, and our cost and performance benchmarking compares well with similar organisations in the sector. We are committed to retaining our high standing with the regulator of Social Housing, and making sure our tenants and other stakeholders have independent verification of our strong governance and delivery of value for money.

As a social business we want to make sure we focus our resources on the right things. The Board have a strong commitment to our communities, and set clear priorities. They lead and hold officers to account and oversee a corporate management framework that aligns financial, strategic, service and performance objectives."

The Group's 2018-2020 Value for Money Strategy reflects the Regulator's VFM Standard which expects Registered Providers (RPs) to

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

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.

The Group's latest financial planning information, including revised Budgets and updated Business Plans which identify Southway's response to Covid-19, is to be considered by the Board in September 2020.

A new VFM Strategy for 2020-2022 is to be adopted in November 2020. This will reflect the operational recovery plan to the virus which Southway has in place to March 2022, and restated VFM targets derived from the updated financial plans.

(ii) Performance in 2019/20 and comparison vs peers

The table below presents Southway's VFM metrics results for:

- 2019/20 and comparison to the projection from the 2018 Business Plan.
- 2018/19 and Southway's quartile position vs the sector.

The table also shows the VFM metrics for 2018/19 reporting:

- upper quartile, median and bottom quartile for the whole sector,
- 55 landlords in England which have between 5,000-9,999 properties,
- landlords completing the Sector Scorecard benchmarking return,
- 39 landlords with the majority of their stock in the North West.

The data sources are the Regulator's 2018/19 Global Accounts and VFM metrics which report financial performance of all Groups and individual RPs with over 1,000 properties, and the Sector Scorecard analysis report 2019 published by Housemark.

The results of 5,000-9,999 landlords is similar to the median of the whole sector. This indicates that the whole RP sector is a valid comparison for Southway, as it has been in previous years.

	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.
2019/20									
SOUTHWAY GROUP	**14.1%**	**0.8%**	**0.7%**	**29%**	**345%**	**2.67**	**29.1%**	**25.5%**	**7.5%**
trend vs prior year	↑	↓	↑	↔	↑	↔	↓	↑	↑
projection from 2018 BP	**25.0%**	**2.1%**	**0.7%**	**55%**	**264%**	**2.56**	**28.0%**	**21.0%**	**5.1%**
2018/19									
SOUTHWAY GROUP	**7.8%**	**1.0%**	**0.0%**	**29%**	**301%**	**2.63**	**29.8%**	**23.7%**	**6.7%**
quartile vs sector	**Q2**	**Q3**	**n/a**	**Q1**	**Q1**	**Q1**	**Q2**	**Q3**	**Q1**
Sector Top Quartile	8.7%	2.5%	0.1%	33%	238%	3.18	34.6%	30.8%	4.7%
Sector Median	6.2%	1.5%	0.0%	43%	184%	3.69	29.2%	25.8%	3.8%
Sector Bottom Quartile	4.2%	0.6%	0.0%	54%	139%	4.69	23.1%	20.0%	3.0%
5000-9999 Landlords median	6.9%	1.4%	0.0%	44%	203%	3.55	29.7%	28.5%	4.1%
Sector Scorecard median	5.4%	1.0%	0.0%	34%	198%	3.73	25.5%	27.2%	3.2%
North West RPs median	6.0%	0.7%	0.0%	37%	192%	3.50	25.9%	23.7%	4.4%

The results for 2019/20 and 2018/19 show:

- Southway has a strong financial position evidenced by top quartile results for gearing, interest cover and return on capital employed.

- Reinvestment and new social housing supply are not yet at the higher levels projected per the 2018 Business Plan. This reflects delays in scheme starts and completions. Improvement in these metrics will come as the development programme gathers pace. Higher gearing will also result from the planned levels of investment.

- A reduction was expected in the social housing lettings operating margin from 2018/19 to 2019/20 related to the final year of the -1% rent reductions. The outturn exceeded the 2018 projection due to good performance, unused contingencies set aside for the management of risk and improved rent collection performance which reduced bad debts.

- The overall operating margin increased in 2019/20, this reflects significant levels of surplus from shared ownership sales being delivered for the first time.

- The 2019/20 headline social housing result is similar to 2018/19 which reflects limited growth in operating costs linked to delivery of efficiency targets. Southway's social housing costs per unit is noticeably lower than most RPs. This relates to having fewer properties with support or service charges, and completion of the post transfer Home Improvement Programme. Detailed 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 other indicators by participating in the Sector Scorecard, a benchmarking tool which the majority of providers use.

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
2019/20						
SOUTHWAY HOUSING TRUST	n/a, surveyed every 2 years	**£200**	**12.7%**	**1.10**	**99.3%**	**100.3%**
trend vs prior year		↔	↓	↓	↓	↑
Objective	Quartile 2	Quartile 1	Quartile 2	Quartile 4*	Quartile 1	Quartile 1
2018/19						
SOUTHWAY HOUSING TRUST	**81.9%**	**£196**	**12.1%**	**0.94**	**99.7%**	**100.0%**
quartile vs sector	**Q3**	**3.2 x avg**	**Q2**	**Q4***	**Q1**	**Q2**
SECTOR TOP QUARTILE	90.4%		10.2%	0.45	99.7%	100.5%
SECTOR MEDIAN	87.4%	£61	12.7%	0.64	99.5%	99.8%
SECTOR BOTTOM QUARTILE	81.4%		15.5%	0.89	98.9%	99.1%
	[* improvement will take place alongside delivery of increased home improvement works from 2021/22]					

The results for 2019/20 and 2018/19 show:

- Southway is reasonably well placed.
- The outcome of the 2018 STAR tenant satisfaction survey indicated 82% of respondents were satisfied/very satisfied. This was 6% below the sector median and a reduction compared to 86% in 2016, reflecting performance issues in Property Services during 2018.
- Southway's investment in our communities continues to be more than three times the sector average on a per property basis, reflecting our strong commitment as a community based housing provider.
- Southway's overheads percentage was lower than the 2018/19 sector median.
- Very high occupancy rates at 31.3.19, but a lower result at 31.3.20 due in part to some delays in lettings arising from Covid-19.
- Improvement in rent collection performance in 2019/20, a result which is within 0.2% of the top quartile for 2018/19.

For the next STAR survey, due later this year, we will be reviewing our approach to both improve the response rate and to gain returns via a wider variety of channels. Despite a variety of other methods being available the majority of responses were received by post (90%). Survey results gained via a broader range of response mechanisms tend to be statistically more positive and may represent a broader demographic of customers.

(iii) Efficiency Targets

The Board adopted four efficiency targets as part of Southway's VFM Strategy for 2018-2020. Commentary on the following targets is set out below.

- To reduce existing operating costs by £550k over two years (c2.5% pa).
- Deliver new stock investment in line with the Development Programme.
- Revise levels of ICT expenditure to be comparable to other providers.
- Deliver an improved result on the Property Services Trading Account with cost benchmarks assessed in line with other DLOs / external providers.

Operating Cost Reductions

The Budget report to Board in March 2019 noted cost reductions for 2018/19 had been achieved, with further reductions identified for 2019/20. When added together the total cost reductions over the two years has achieved the target of £550k.

However, significant cost increases occurred in the maintenance function during 2018/19 related to the efficiency in delivering the repairs service and moving to a five year electrical testing programme. The position was stabilised in 2019/20 with cost movements broadly in line with inflation.

As a result, net recurring savings of c£300k pa have been delivered. This has been retained in the Budget for 2020/21 as a provision against maintenance costs.

Development Programme

Over the two years to March 2020 the target was to complete 182 new social homes and 42 non-social properties. Outturn performance was 111 and 42 respectively. The number of social properties was impacted by Covid-19 which delayed the completion of a 54 home older persons' mixed tenure scheme until August 2020.

A lower number of new starts occurred in 2019/20 than forecast. This was because of delays associated with site identification, securing planning permission and Covid-19.

ICT Expenditure

Key achievements from the 2017 to 2019 ICT Plan included:

- Complete IT Infrastructure replacement (including business continuity)
- Office move – relocation to Southern Gate in June 2018
- Replacement of telephony with a hosted system
- New website and on-line services launched
- Security systems accredited to Government Cyber Essentials standard
- System improvements delivered to support efficiency in service delivery

The additional costs were provided for within Southway's Business Plan and were delivered within budget. Resulting ICT costs were benchmarked as part of adopting the new ICT Plan 2020-2022. Costs in proportion to the number of direct users was below the median for the sector.

Property Services

As noted above the financial performance of the DLO weakened in 2018/19. Following extensive assessment of relevant issues, a two-year improvement plan was put in place. This has begun to bring results with limited cost growth in 2019/20.

The new Futures Strategy recognises the importance of this area by noting we will "Use our Value for Money framework to measure and drive productivity, cost effectiveness and improvement in the Property Services operational service."

Future Efficiency Targets

Cost benchmarking of all service areas will take place via the Housemark benchmarking club. This will analyse spend in 2019/20 relative to the scale of operation of other RPs. Comparing the results to sector medians and quartiles will identify areas of the business where improvements in efficiency can be derived.

Southway's target for the current financial year was to deliver a 2% reduction on non-maintenance expenditure for 2020/21.

The impact of Covid-19 means this objective will be revised to reflect the financial challenges, operational changes and new activities which Southway will undertake to help our communities respond to the virus. The position will be reviewed by the Board in November 2020 as part of adopting the new VFM Strategy.

Revised efficiency targets will be set to reflect Southway's updated financial projections and the planned outcomes from our 'Voyagers' business improvement programme, which is intended to deliver annual efficiencies of 400 working days across the business

(v) Operational Performance

A summary of operational performance outcomes during 2019/20 is set out below. These KPIs are tracked quarterly by People and Places Committee and Board.

Key Performance Indicator	**2018/19 Outcome**	**2019/20 Target**	**2019/20 Outcome**
Rent collected from current tenants	99.6%	99%	100.02%
Customer Hub: % of calls answered	82%	90%	88%
Average relet time for minor voids (in days)	22	15	19
Repairs: % appointments made and kept	95%	99%	93.5%
Repairs: % of customers satisfied	85%	90%	92%

Additional performance outcome results at March 2020:

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

(vi) Commentary on Key Business Areas

Southway's VFM Strategy 2018-2020 defines those areas of activity to focus on to deliver improved VFM. These are grouped into the five themes aligned to the priorities of the Futures Strategy 2015 to 2020. The table below illustrates significant progress to March 2020.

	y/e 2020 position	***y/e 2019 position***
Well Managed and Financially Strong		
Staffing and Culture	Good progress	Good progress
Improvement in Business Efficiency	Good progress	Still more to do
ICT Plan	Good progress	Still more to do
Managing Our Resources	Good progress	Good progress
Affordable homes in desirable neighbourhoods		
Rent Collection	Good progress	Good progress
Housing Management	Good progress	Still more to do
Property Services	Recovery underway	Recovery plan
Asset Management	Good progress	Still more to do
Priorities for Investment		
Development - affordable homes	Impacted by virus	Good progress
Development - commercial projects	Good progress	Good progress
Community Investment	Good progress	Good progress
Age Friendly Living	Good progress	Good progress

1. Staffing and Culture

Southway employs approximately 225 staff across a wide range of roles. Our objective is that staff "are trusted to do the right thing - they are enthusiastic, skilled and willing to go the extra mile for customers."

Staff pay is set at 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 annual leave, pensions, sick pay, maternity/paternity pay, other non-pay benefits and opportunities for training and development.

The latest bi annual staff survey was carried out in December 2018, and showed good and improving engagement scores across most parts of the organisation. Actions identified have been implemented throughout 2019/20 with continued improvements in staff morale.

2. Improvement in Business Efficiency

One of the most important aspects to deliver efficiency in operating practices is the Voyagers programme. This is an organisation wide culture change process which seeks to embed continuous improvement. In 2019/20 each team identified at least one area which will lead to more efficient and leaner ways of working. Progress on the delivery of these areas is reviewed quarterly. The financial benefit which is expected to arise from the initiatives is also monitored.

3. ICT Plan

Another important aspect for improvement in business efficiency is delivery of the ICT Plan. As noted in section (iii) above the objectives of the previous plan were delivered. The ability of the organisation to respond to Covid-19 and swiftly put in place comprehensive home working arrangements is related to the investment in IT infrastructure over the last two years.

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 annual Resource Plan defines the spending parameters which the Group applies over the next few years, consistent with Business Plan assumptions. As noted in section (iii) planned efficiency targets for 2018-2020 were achieved.

The development and enhancement of productivity measures will be carried out to improve business efficiency. We already have arrangements in Property Services and the Connect Hub, and will look to assess which features can be shared with other teams to help place greater emphasis on understanding and improving productivity.

5. Rent Collection

During 2019/20 staff from across a number of different teams worked together to support tenants to claim Universal Credit, maximise peoples benefits and provide money management support. Rent collection performance at 100.02% for current tenants was the strongest since Southway was established. (Collection of former tenant arrears increases this to 100.3% reported in the Sector Scorecard.)

6. Housing Management

In 2016/17 we implemented a new structure following a fundamental review of our core service delivery model. The review reduced the cost base of housing management and broadened the remit of the Customer Hub to include the delivery of a various housing related tasks in addition dealing with customer enquiries.

Initially, the changes impacted performance around call handling. The position has gradually been improving on a yearly basis, returning close to our target of 90%. A reduction in call volumes has been a major contributory factor to this improvement. This has also been supported by generally ‘smarter’ working processes some of which have been achieved via the Southway Voyagers approach.

One of the main reasons that people wanted to speak to us was to chase repairs. A new Repairs Administration team now oversees these repairs and ensures we communicate better with our customers and improve turnaround times.

Efficiencies have been gained through channel shift and digital working - around 13% of enquiries into the Hub are now received via the website, email, social media. Savings that fall under the digital heading have also been achieved in other areas of the business. Targeted mailshots and e-news letters have significantly reduced our spend on communications and increased the level of engagement with our customers. Publications such as the Annual Report and Rent Statements are now online only which has also resulted in further savings.

Similar gains can be seen in the way we collect and react to customer feedback. In most cases we are using text messages and online surveys which are automatically triggered following the majority of interactions with customers. In addition to being a much more cost effective approach, feedback is now gathered in real time allowing us to respond quickly to any issues identified.

7. Property Services

A new three year repairs service business plan was adopted in March 2018 covering three themes: Our Customers, Our Assets and Our Business.

The in-house repairs service has historically achieved high performance outcomes, however this declined during the latter part 2017/18 and 2018/19, largely due to the availability of labour and compounded by some IT issues.

In 2019/20 the focus was on stabilising the service and improving performance to re-establish the high standards that have been delivered over the preceding years. The actions taken resulted in a more favourable position by the end of the year. New ways of managing major repairs have been introduced, alongside improved processes and procedures for responsive repairs. Levels of sickness above the organisational average and an increase in complex repairs have hampered progress.

The Board, Audit and Risk Committee and People and Places Committee have all taken a keen interest, providing leadership and challenge to officers to continue make improvements. A comprehensive ‘Resource and Risk’ report in March 2020 detailed the steps being taken to ensure continued improvements.

8. Asset Management

In 2019/20 Southway implemented an improved asset management IT module within its existing housing management system. Data cleansing has been undertaken to ensure we have good quality stock information. This will also allow better use of data to model future asset investment and influence financial decisions as part of the longer term business plan.

A 20% stock condition survey will be carried out to inform Southway’s investment plans from 2021/22. Additional emphasis has been placed on identifying the scale of costs to reach a zero carbon standard by 2038. An updated Asset Management Strategy will be prepared when the results of the next stock condition survey due to be completed this year have been analysed.

2019/20 saw a continued focus on property Health and Safety compliance with the development of a compliance performance dashboard, reported quarterly to Audit and Risk Committee, and further internal audits. An additional compliance module will also be implemented as part of the Asset Management IT solution.

9. Development

Southway's Development Strategy has two basic themes:

- Development of affordable accommodation at social/affordable rents or for shared ownership;
- 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 which require cross-subsidy are evaluated as part of an overall programme approach. The focus of Southway Plus is ensuring its activities are delivered on a sound commercial footing which evidence profitability, and achieve the expected level of returns due to the Trust.

Progress on social, affordable and shared ownership projects has been slower than planned two years ago, as noted elsewhere in this report. Progress on commercial projects is good, with one scheme completed and two others nearing completion.

Southway continues to use competitive tendering to ensure the best price and quality submissions for its directly contracted schemes, and will seek the most appropriate process to drive efficiencies throughout the supply chain 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 means that Southway is able to invest significant surpluses into our community objectives and help reduce poverty.

During 2019/20, we achieved an £11.0m return (assessed via the HACT Value Insight tool) on Community Investment and Age Friendly Projects. This represents a social return of 12 times the cost of the services provided.

The Advice Services Team also secured additional benefits for tenants totalling £1.7m, a return equivalent to over six times its outlay.

11. Tenants' Voice

Southway puts customers at the heart of everything it does. We want to make sure that our tenants and other stakeholders have a voice, that they support us to make the right decisions and deliver the right services in the right way.

Southway's Resident Consultative Group (now called the Customer Voice Panel), Tenant Scrutiny Panel and Hot Topic groups, as well as other forms of customer feedback, all 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 in our neighbourhoods.

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, rising turnover from increasing property numbers was offset by the four year -1% rent reductions to 2019/20.
- Running costs have not increased in 2019/20, this reflects the good control of costs as referred to in the Value for Money section of this report.
- Levels of stock investment around £2m pa, following completion of the 2007-2013 £100m+ post transfer home improvement programme.
- Continuing surpluses from Right to Buy/Acquire asset sales and increasingly significant returns being generated from shared ownership sales.

The excess of resources is primarily used to fund new properties and to repay debt.

£m	2015/16	2016/17	2017/18	2018/19	2019/20
Rental and other income (excl. amortised grant)	26.6	26.5	26.4	26.6	26.8
Running costs	-12.6	-11.7	-10.8	-13.4	-13.5
Investment in existing properties	-2.1	-1.3	-1.4	-1.8	-1.6
Asset sale surplus	2.2	3.0	3.1	2.8	3.6
Shared Ownership surplus				0.2	1.4
Net Interest Payable	-3.4	-3.7	-3.6	-3.5	-3.4
Net Resource	**10.7**	**12.8**	**13.8**	**10.9**	**13.3**

The table reports outcomes on an accruals basis. It includes reinvestment 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 of therefore resembles the funder's EBITDA-MRI interest cover covenant.

The following table summarises the Group's assets and liabilities. Development of housing stock has steadily increased since 2015. 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	2015/16	2016/17	2017/18	2018/19	2019/20
Housing Properties and Investment Properties net book value less grant	92.6	94.7	99.1	96.2	106.8
Other fixed assets	1.1	1.2	7.2	8.6	8.7
Net current assets	8.7	12.2	9.2	15.1	9.6
Long term loans	-59.3	-55.9	-52.9	-49.4	-43.9
Other long term liabilities	-6.5	-6.8	-6.6	-9.5	-4.6
Reserves	36.5	45.4	56.0	61.0	76.6
Properties Owned (including market rent)	**5,855**	**5,852**	**5,886**	**5,914**	**5,957**

Cash Position and Treasury Strategy

At March 2020 the Group had cash and short term investments totalling £12m (2019 £19m). Excess funds are deposited, generating an appropriate return while limiting counterparty risk.

As a debt funded business, 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, it is intended drawings from the £35m revolving credit facility (referred to below) will be on the prevailing variable rate basis. Southway does not contract for derivative instruments outside of its loan contract.

Loan Facilities and Refinancing

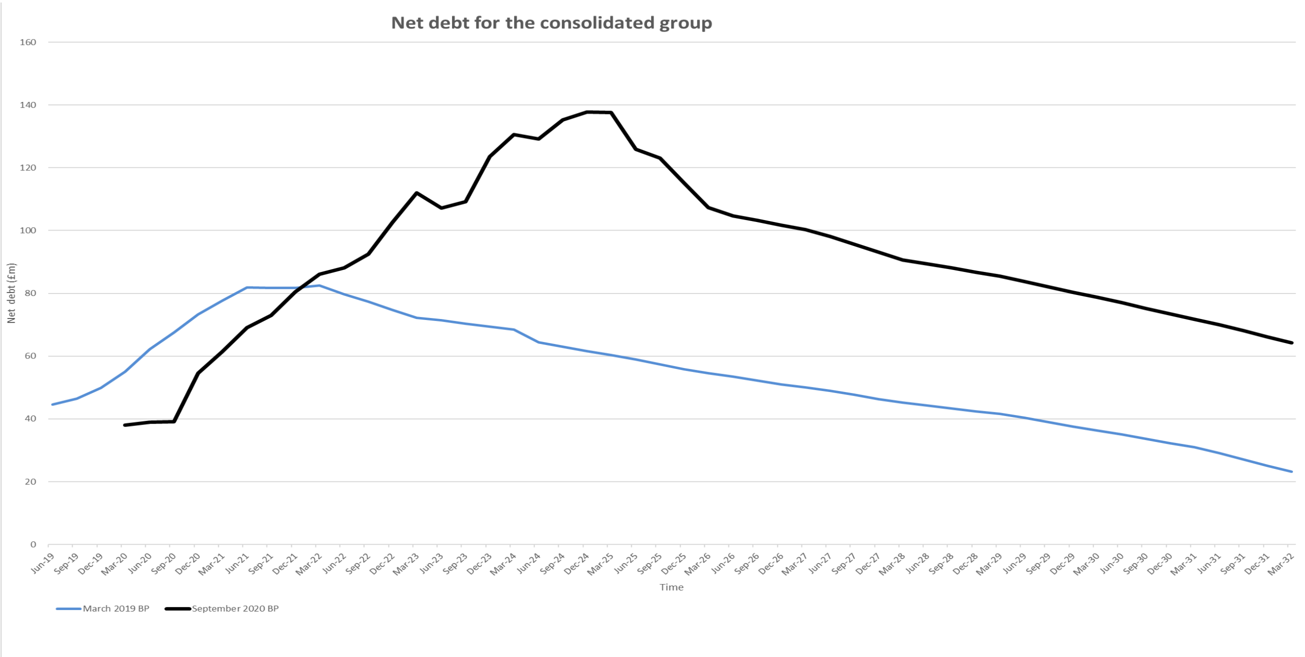
At March 2020 Southway has a £50m stock transfer loan from Barclays being repaid in instalments by 2029. In June 2020 the additional £35m revolving credit facility with Barclays was extended for a further 3 to 5 years, and restrictions removed so that Southway is able to borrow from other funders in the future.

Increased on-lending provisions were also agreed so the Trust can fund a greater level of commercial activity via Southway Plus. The Parent Board has assessed the interest rate and security arrangements which are to apply on the intra group loan, ensuring the charitable assets of Trust are fully protected.

Southway's strong financial position, evidenced by its sound VFM metrics and healthy net resource flows, enables the Group to substantially increase the level of investment in new homes, as set out in the Futures Strategy 2020-2025.

The graph below illustrates the higher level of borrowing required (the black line) compared to the previous year's plan (the blue line). This will fund the remainder of the current programme, as well as development of the land banked sites and the additional 750 property growth programme referred to earlier. It also fully reflects the funding requirements from the 30-year stock condition survey carried out in 2015.

The resulting borrowing profile is drawn from the Group's long term Business Plan prepared in September 2020. Net debt is projected to peak at £138m in March 2025, with repayment by 2045 (compared with £82m and 2035 per the previous plan).



An approach to the debt capital market will be prepared to secure the additional amounts of finance indicated. This will be informed by an assessment of the timing of the development programme, and the significant risks to the business and exposures from Covid-19 which are considered in the following section.

Loan Covenants

Southway has significant levels of asset cover to secure this level of borrowing. Housing stock charged to Barclays was valued at £200m in March 2019 on the EUVSH basis. A further £18m valuation relating to unsecured stock will have also increased given the new development completions during 2019/20.

Interest Cover (EBITDA-MRI) is substantially above the contracted 110% minimum throughout this period, with a lowest ratio of 183% forecast in 2026/27. [different to the Regulator's definition of Interest Cover which excludes surpluses from asset sales.]

Gearing (expressed as net debt as a % of historic properties at cost) increases to around 40% at March 2024, but remains well below the maximum level set per the Barclays loan agreement. [different to the Regulator's definition of Gearing which uses net book value of properties after deducting depreciation and impairment.]

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. This reflects the external risk environment and a range of internal risks. The results are reviewed by Audit and Risk Committee and reported to Board. The Trust considers that it is appropriately placed to manage the consequential variations in risk profile that arise.

Business Plan Assumptions, 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:

- Long term cost inflation of 2.8% is assumed, this is 0.8% higher than the rate of rental growth anticipated beyond 2025 (based CPI+0%).
- Long term variable interest rate for new borrowing is assumed to be 4.5%, this reflects provision against increases in LIBOR and loan margins.
- Contingencies to offset increased rent losses, which could be used as a provision against higher costs or other risks (£0.75m-£1.0m pa, equivalent to around 2.5%-3.5% of rental income).
- Planning and managing development commitments and future spending against the certainty of available funds.

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. The most recent results are reported in the Financial Viability Assessment section of this report.

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.

As a result of this analysis the Board's judgement is that Southway has a financially strong Business Plan which could accommodate a wider appetite to risk associated with an increased development programme.

Strategic Financial Risks

The financial exposures which arise from Covid-19 have been reflected in the assessment of risk as they present a real and significant challenge in the immediate short and medium term.

The top ten risks identified in the Significant Risk Map reported to Audit and Risk Committee in July 2020 are listed below. Comparison to the previous year shows four risks are new to the top ten, marked with an asterisk.

1. Costs and reputational issues arising from Development Programme
2. Ineffective treasury management
3. Rent collection targets not achieved*
4. Lack of focus on delivery of strategic objectives*
5. Exposure of shared ownership sales to market trends and adjustment
6. Impact of Universal Credit
7. Failure to deliver property services business plan
8. Failure to achieve VFM efficiency targets and cost reductions
9. Impact of poverty and related factors on our Tenants and Communities*
10. Failure of Subsidiaries or Joint Venture to deliver returns*

Southway's ability to respond to the risks and the specific impact of Covid-19 are summarised in the following sections.

Operational costs and objectives (Nos. 4. 7. 8.)

Regular meetings of the senior management team coordinate Southway's response to Covid-19, to prioritise actions and retain a focus on key corporate priorities. A weekly business critical indicator dashboard has been introduced which tracks all the factors referred to below.

The focus during the initial lock down period was on essential service delivery including tenancy support and advice, and emergencies and gas safety testing. Work to void properties and new lettings slowed.

The stress tests undertaken recognise an increase in operational spending as work begins to tackle the backlog of repairs and as demand for other services increases. Updated work programmes, including delayed asset investment spending, are being prepared alongside revised budgets to March 2022 to reflect the anticipated recovery period. The resulting additional operational costs of are less than the contingencies included in the Business Plan.

Tenants and Communities (Nos. 3. 6. 9.)

Staff resources have been reallocated to rent and arrears collection and advice services to support rental payment. While there has been some adverse impact on collection levels as more tenants move into receipt of Universal Credit, this also remains well within the level of contingencies in the Business Plan.

Further pressures on rent collection may arise when the Government's furlough scheme comes to an end. The stress tests consider the impact of an extra rent loss in addition to the contingency. This is a highly prudent measure because it is expected that arrears will be collected over the next few years rather than lost entirely.

The stress tests also assume a higher level of spending on community investment. Southway has responded to Covid-19 with a new support offering for our tenants and communities. This included food supplies and projects to tackle isolation and limit the impact of poverty in our communities. An additional £250k is planned over the next two years to support this work.

Development, Sales and Funding (Nos. 1. 2. 5. 10.)

Project delays on all development sites due to the Covid lockdown were all resolved within 3 months and some new contracts have also been let. The stress tests assume increased build costs, with additional provisions being required to offset pressures on materials and labour, and the possibility of contractors getting into financial difficulty requiring higher levels of spending to complete projects.

While there has been no immediate impact on sale valuations, nor is any anticipated in the South Manchester market where Southway primarily operates, there may be a downturn in the future linked to wider economic factors. The stress tests assume a delay in sales and a sizeable reduction in house prices, affecting future shared ownership, RTB/RTA sales and the commercial sales which are planned.

Revised Investment Framework criteria are to be introduced to appraise the viability of new development schemes. These will consider the above factors and also set an appropriate rate of return for projects relative to Southway's expected cost of funds.

Cash balances are regularly tracked to reflect the take up of the development programme and new opportunities which may arise. The scale and timing of the additional amounts of new borrowing are assessed from the resulting cash flow forecasts which also reflect provision to respond to the above Covid-19 exposures.

Other risks

A Brexit risk map is regularly considered by Audit and Risk Committee. The highest risks were assessed to be: housing price reductions; rising inflation, weaker rent collection and a more challenging refinancing position. Action has been taken with key suppliers to identify their readiness to respond to Brexit. The Business Plan contingencies referred to above could also be used should a no deal situation arise that requires mitigation measures to be taken.

During 2020/21 Southway Plus plans to generate £2.4m outright sale receipts, begin investment in GMJV projects and deliver returns from two market rent schemes. Southway Plus' ability to pay interest on the loan from the Trust is closely monitored. The risk of default by Plus was assessed as part of stress testing. The impact of no sales receipts, no interest, no gift aid, no loan repayment and no GMJV returns would not result in breach of the Trust's loan covenants.

The latest Business Plan reflects the arrangements resulting from the most recent valuation of the Greater Manchester Pension Fund. Contributions reduced from 22.5% to 22.2% for the three years to March 2023. New staff are auto enrolled to the NEST scheme with an employer's contribution of 6%-10%. The risk of increased pension costs in the next 3 years is therefore assessed to be low and is mitigated by the impact of staff turnover and the Pension Policy.

Financial Viability Assessment

Covid-19 stress tests have been carried out considering the impact of:

i) Reduced rental income
ii) Later delivery of the development programme
iii) Higher build costs to complete schemes in contract
iv) Reduced sales proceeds
v) Higher operating costs

Three stress test scenarios have been modelled.

The first scenario is a **prolonged virus impact**, involving all five of the consequences (i) to (v) above. By not committing any further development activity, the Group can meet all current contractual commitments and remain in compliance with its loan covenants. This demonstrates Southway's continued financial viability under the most extreme scenario.

The second reflected an **economic blip** with disruption in rental income but things returning to normal after 6 months. This scenario involves (i) and (ii) above. In such a scenario Southway's funding requirement would continue broadly as per the March 2020 Business Plan, with an equivalent delay in borrowing from the debt capital market. Additional finance would need to be completed within the next year with additional tranches in subsequent years.

The third scenario is a prolonged virus impact stress test as above, alongside Southway **continuing to develop the remainder of its existing development programme** and land banked sites. The additional 750 properties per the growth programme would not proceed unless and until the economy returns to a level position. To fund this scenario extra finance would need to be secured during 2021/22, but no additional borrowings would be necessary beyond this.

The strong VFM metrics, high asset valuation levels and comfort in loan covenants indicate that securing additional amounts of finance would be possible under either of the latter two scenarios.

The Board has considered the situation and the results of stress testing and concluded to use the financial strength that Southway has to withstand the shock of the Covid-19 and be able 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.

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 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 contains 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 and three Tenant members. A co-optee brings additional skills to the Committee. This Committee focusses on the policies that affect Southway tenants and the performance in the delivery of our services.
- A Group Audit and Risk Committee 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 assesses the future refinancing solutions for the Group.
- 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. Southway DevCo 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 conflicts of interest and all members complete an annual declaration of interest.

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

Executive Directors

The 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, via In Depth Assessments (IDAs). These were introduced 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 gradings available.

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

In June 2020 the Board reviewed compliance with the 2015 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 current Chair to September 2020. This decision will result 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. Following an internal recruitment process approved by the Parent Board, a new Chair has been appointed to commence in September 2020.

The Regulator requires all Registered Providers to make a declaration in their annual accounts that they comply with all relevant law, legislation and regulation. In conjunction with a number of other Housing Associations, Southway has carried out an exercise whereby a list of relevant legislation and regulation was compiled and compliance with each evidenced. 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. 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.

The following actions were undertaken during 2019/20 to ensure that Internal Controls remain robust and fit for purpose:

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) Deep Dives were carried out by the Audit and Risk Committee into significant risks relating to Treasury Management, ICT Infrastructure, the Development Programme, and Brexit.

c) 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.

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

e) Review of the effectiveness of each Committee.

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

g) Review of the Group Standing Orders and Probity Statement

h) Approval of an annual Corporate Plan that derives from the Futures Strategy 2020-2025 through which the Board defines the tasks needed to achieve objectives, and monitors their delivery.

i) Approval of a Budget, Business Plan, which received external validation, and Resource Plan by Board.

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

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

l) The External Auditor's Findings Report.

m) The annual compliance review of the loan agreement.

n) 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').

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

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

q) 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.

r) 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. The conclusion reached is that an effective culture of control is in operation.

Donations

During the years ended 31 March 2020 and 2019 Southway made no political contributions and any charitable donations were made during the course of its ordinary activities.

Post Balance Sheet Events

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

Going Concern

The assessment of the significant risks faced by the Group including the exposures arising from Covid-19 are comprehensively detailed in the preceding section of this report. Also referenced are the organisation's strong VFM metrics and Business Plan assumptions and 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 22 September 2020.

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 17 September 2020 and signed on its behalf by:

Samantha Macwilliam

Chair of the Board

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

Opinion

We have audited the financial statements of Southway Housing Trust (Manchester) Limited for the year ended 31 March 2020 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Reserves, Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 society's affairs as at 31 March 2020 and of its profit 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 Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

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

Conclusions relating to going concern

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

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the society's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Board is responsible for the other information. 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.

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

We have nothing to report in this regard.

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 requires us to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement on pages 33 to 34 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 society'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 society or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

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

Crowe UK LLP

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

18th September 2020

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2020
Consolidated Statement of Comprehensive Income

	Note	2020 £'000	2019 £'000
Turnover	3	33,685	31,715
Operating expenditure	3	(21,490)	(21,300)
Cost of sales	3	(3,622)	(2,914)
Surplus on the disposal of housing properties	3	3,580	2,800
Operating Surplus	5	12,153	10,301
Interest receivable	7	99	68
Interest and financing costs	8	(3,146)	(3,210)
Movement in fair value of investment properties	14	528	-
Surplus before tax		9,634	7,159
Taxation	11	(170)	-
Surplus after tax for the year		9,464	7,159
Actuarial Gain/(Loss) in respect of pension schemes	30	7,094	(2,137)
Total Comprehensive Income for the Year		16,558	5,022

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 17 September 2020 and signed on its behalf by:

Samantha Macwilliam
Chair of the Board

Nicki Buckley
Board Member

Matthew Maouati
Secretary

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2020
Trust Statement of Comprehensive Income

	Note	2020 £'000	2019 £'000
Turnover	3	34,345	32,443
Operating Expenditure	3	(22,163)	(21,939)
Cost of sales	3	(3,622)	(2,914)
Surplus on the disposal of housing properties	3	3,580	2,800
Operating Surplus	5	12,140	10,390
Interest Receivable	7	469	293
Interest and financing costs	8	(3,370)	(3,416)
Gift aid		0	7
Surplus before tax		9,239	7,274
Taxation	11	-	-
Surplus after tax for the year		9,239	7,274
Actuarial Gain/(Loss) in respect of pension schemes	30	7,094	(2,137)
Total Comprehensive Income for the Year		16,333	5,137

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 17 September 2020 and signed on its behalf by:

Samantha Macwilliam Chair of the Board	Nicki Buckley Board Member	Matthew Maouati Secretary

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2020
Consolidated and Trust Statement of Changes in Reserves

Income and expenditure reserve	**Group £'000**	**Trust £'000**
Balance as 1 April 2017	44,973	44,973
Surplus for the year	9,817	9,901
Other comprehensive income for the year	1,191	1,191
Balance as 31 March 2018	55,981	56,065
Surplus for the year	7,159	7,274
Other comprehensive income for the year	(2,137)	(2,137)
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

The accompanying notes form part of these financial statements.

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2020
Consolidated Statement of Financial Position

	Note	2020 £'000	2019 £'000
Fixed Assets			
Tangible fixed assets - properties	12	130,319	118,087
Tangible fixed assets - other	13	8,671	8,612
Investment properties	14	12,338	12,546
Investment in joint ventures	16	107	50
		151,435	139,295
Current Assets			
Properties for Sale, Stock and Work in Progress	17	6,172	4,063
Trade and other debtors	18	8,555	1,835
Cash and cash equivalents		11,957	18,967
		26,684	24,865
Creditors: amounts falling due within one year	19	(17,018)	(9,790)
Net current assets		9,666	15,075
Total assets less current liabilities		161,101	154,371
Creditors: amounts falling due after more than one year	20	(80,056)	(83,844)
Provison for Liabilities			
Pension provision	30	(3,484)	(9,523)
Total Net Assets		77,561	61,003
Reserves			
Income and Expenditure reserve		77,561	61,003
Total Reserves		77,561	61,003

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 17 September 2020 and signed on its behalf by:

Samantha Macwilliam Chair of the Board	Nicki Buckley Board Member	Matthew Maouati Secretary

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2020
Trust Statement of Financial Position

	Note	2020 £'000	2019 £'000
Fixed Assets			
Tangible fixed assets - properties	12	130,581	118,207
Tangible fixed assets - other	13	8,678	8,612
Investment properties	14	4,015	5,722
		143,274	132,541
Current Assets			
Properties for Sale, Stock and Work in Progress	17	3,826	2,701
Trade and other debtors due after more than one year	18	10,399	8,099
Trade and other debtos due within one year	18	8,386	1,792
Cash and cash equivalents		11,789	18,675
		34,401	31,267
Creditors: amounts falling due within one year	19	(16,769)	(9,239)
Net current assets		17,632	22,028
Total assets less current liabilities		160,905	154,569
Creditors: amounts falling due after more than one year	20	(79,886)	(83,844)
Provision for Liabilities			
Pension provision	30	(3,484)	(9,523)
Total Net Assets		77,535	61,202
Reserves			
Income and Expenditure reserve		77,535	61,202
Total Reserves		77,535	61,202

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 17 September 2020 and signed on its behalf by:

Samantha Macwilliam Chair of the Board	Nicki Buckley Board Member	Matthew Maouati Secretary

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2020
Consolidated Statement of Cash Flows

	Note	2020 £'000	2019 £'000
Net Cash generated from operating activities	25	12,196	14,239
Cash flow from Investing activities			
Purchase of tangible fixed assets Housing Properties		(16,318)	(9,500)
Purchase of tangible fixed assets Other Fixed Assets		(829)	(2,244)
Purchase of tangible fixed assets Investment Properties		(829)	(3,239)
Proceeds from the sale of tangible fixed assets		4,082	3,225
Grants Received		1,634	11,470
Investment in Joint Venture		(57)	(50)
Interest Received		99	68
		(12,219)	(270)
Cash flow from financing activities			
Interest Paid		(3,382)	(3,505)
Repayments of borrowings		(3,606)	(3,095)
		(6,987)	(6,600)
Net change in cash and cash equivalents		(7,010)	7,369
Cash and cash equivalents at beginning of the year		18,967	11,598
Cash and cash equivalents at the end of the year		11,957	18,967

The accompanying notes form part of these 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.

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 2020 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 a 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. 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. The business plan is frequently tested against all risks to assess the Group's ability to withstand variations in economic assumptions and key operational variables. Mitigation measures are identified which enable the Group to maintain its viability and meet lenders covenants.

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

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 homes, or schemes, that have increasing void losses, are impacted by policy changes 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.

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 concluded thay they meet the definition of a basic financial instrument, and therefore are held at amortised cost.

(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 decent homes standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2020 was £52.8m.

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 (as analysed in Note 30). The liability at 31 March 2020 was £4.6m.

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. Refer to Note 14 for more details.

Turnover and Revenue Recognition
Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, 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.

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.

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.

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.

Financial Instruments
Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised cost model.

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

2020	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	27,561	-	(19,528)	8,033
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)	-
Development Services	-	-	(2)	(2)
Other Activities	36	-	(45)	(9)
	33,685	(3,622)	(21,490)	8,573
Surplus on the disposal of housing properties (note 6)				3,580
				12,153

2019	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	27,725	-	(19,467)	8,258
Other social housing activities				
First Tranche Shared Ownership Sales	3,376	(2,914)	(304)	158
Development Services	-	-	(27)	(27)
Community Investment	88	-	(666)	(578)
Financial Inclusion	-	-	(262)	(262)
Other Support Activities	19	-	(226)	(207)
Non social housing activities				
Private Rented Sector	233	-	(33)	200
Repairs for Others	181	-	(215)	(34)
Development Services	-	-	(11)	(11)
Other Activities	93	-	(89)	4
	31,715	(2,914)	(21,300)	7,501
Surplus on the disposal of housing properties (note 6)				2,800
				10,301

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

2020	**Turnover £'000**	**Cost of Sales £'000**	**Operating costs £'000**	**Operating surplus £'000**
Social housing lettings	27,561	-	(19,528)	8,033
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				
Private Rented Sector	232	-	(85)	147
Repairs for Others	234	-	(234)	-
Development Services	126	-	(124)	2
Other Activities	32	-	-	32
	34,345	(3,622)	(22,163)	8,560
Surplus on the disposal of housing properties (note 6)				3,580
				12,140

2019	**Turnover £'000**	**Cost of Sales £'000**	**Operating costs £'000**	**Operating surplus £'000**
Social housing lettings	27,725	-	(19,467)	8,258
Other social housing activities				
First Tranche Shared Ownership Sales	3,376	(2,914)	(304)	158
Development Services	719	-	(708)	11
Community Investment	88	-	(666)	(578)
Financial Inclusion	-	-	(262)	(262)
Other Support Activities	19	-	(226)	(207)
Non social housing activities				
Sale of Land	-		-	-
Private Rented Sector	233	-	(33)	200
Repairs for Others	181	-	(215)	(34)
Development Services	44	-	(44)	(0)
Other Activities	58	-	(14)	44
	32,443	(2,914)	(21,939)	7,590
Surplus on the disposal of housing properties (note 6)				2,800
				10,390

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

Income and expenditure from social housing lettings	**2020 £'000**	**2019 £'000**
Rent receivable net of identifiable service charges	25,673	25,656
Service income	300	342
Net rental income	25,973	25,998
Amortised government grants	1,290	1,292
Government grants taken to income	274	414
Other revenue grants	9	8
Other Income	15	13
Turnover from social housing lettings	27,561	27,725
Management	(6,340)	(6,120)
Services	(453)	(411)
Routine maintenance	(3,527)	(3,396)
Planned maintenance	(1,360)	(1,431)
Major repairs expenditure	(1,283)	(1,402)
Bad debts	(74)	(272)
Depreciation of housing properties	(5,524)	(5,498)
Impairment of housing properties	-	(164)
Other expenditure	(967)	(773)
Operating costs on social housing lettings	(19,528)	(19,467)
Operating surplus on social housing lettings	8,033	8,258
Void losses	132	131

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

Other expenditure includes: £812k (2019: £580k) increased service costs relating to pension obligations, £67k (2018: £193k) development expenditure treated as revenue and £88k holiday pay accrual (2019 £Nil).

4. Accommodation in mangement 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:

	2020 No. of properties	2019 No. of properties
Social housing		
General needs - social rent	5,449	5,511
General needs - affordable rent	278	239
Supported housing - social rent	63	82
Low cost home ownership	94	49
Total social managed	5,884	5,881
General needs - managed by others	5	6
Total social owned	5,889	5,887
Other accommodation		
Southway Housing Trust - Investment properties	26	27
Southway Plus - Investment properties	42	-
Southway Housing Trust - Leasehold properties	290	287
Social housing in development at the year end	295	148
	653	462
In course of construction		
Southway Housing Trust - shared ownership	49	60
Southway Housing Trust - social rent	14	-
Southway Housing Trust - affordable rent	37	40
Southway Housing Trust - Extra Care	162	-
Southway Housing Trust - investment properties	-	-
Southway Plus - investment properties	27	42
Southway Plus - outright sale	6	6
	295	148

During the year there was an increase of 2 social housing properties owned comprising:
47 Shared Ownership homes developed or acquired
13 Affordable Rent properties developed or acquired
37 Social Rent RTB/RTA disposals
19 Supported Housing properties were taken off the rent roll, pending redevelopment
2 Shared Ownership disposals
a further 26 properties were converted from Social to Affordable Rent

5. Operating surplus
Group and Trust

This is arrived at after charging:

	2020 £'000	2019 £'000
Depreciation of housing properties	5,524	5,498
Impairment of housing properties	-	164
Depreciation of other tangible fixed assets	783	830
Loss on disposal of other fixed assets	-	4
Operating lease rentals		
- office accommodation	31	28
- maintenance vehicles	203	159
- office equipment	-	-
External auditors' remuneration (excluding VAT)		-
- for audit services	27	29
- for non-audit services	-	-
Internal auditors' remuneration (excluding VAT)	24	14

6. Surplus on sale of fixed assets - housing properties

	Group		Trust	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Disposal Proceeds	4,351	3,589	4,351	3,589
Carrying value of fixed assets	(377)	(397)	(377)	(397)
Other costs of sale	(404)	(379)	(404)	(379)
RTB/RTA disposals	3,570	2,813	3,570	2,813
Proceeds from other property sales	135	15	135	15
Carrying value of other property disposals	(125)	(28)	(125)	(28)
Other cost of sales	-	-	-	-
	3,580	2,800	3,580	2,800
Carrying value of components replaced	-	-	-	-
Total surplus on sale of fixed assets	3,580	2,800	3,580	2,800

7. Interest receivable and other income

	Group 2020 £'000	Group 2019 £'000	Trust 2020 £'000	Trust 2019 £'000
Interest receivable	99	68	469	293
Other finance income	-	-	-	-
	99	68	469	293

8. Interest and financing costs

	Group 2020 £'000	Group 2019 £'000	Trust 2020 £'000	Trust 2019 £'000
Loans and bank overdrafts	3,372	3,496	3,372	3,496
Capitalised development interest	(576)	(580)	(352)	(374)
Amortisation of initial loan costs	98	98	98	98
Loan security trustee	9	9	9	9
Other finance costs	243	187	243	187
	3,146	3,210	3,370	3,416
Capitalisation rate used to determine the amount of development interest capitalised	5.34%	5.40%	5.34%	5.40%

9. Employees
Group and Trust

Average monthly number of employees expressed in full time equivalents (standard hours 35 hours per week)	2020 No.	2019 No.
Administration	42	43
Maintenance Service & Home Improvement	80	77
Neighbourhood Services & Community Investment	54	48
Call Centre & Customer Response	32	26
Development and Property Acquisition	18	15
	226	209

Employee costs	2020 £'000	2019 £'000
Wages and salaries	6,999	6,609
Social security costs	655	643
GMPF Pension contributions	968	955
Nest Pension contributions	133	86
	8,755	8,293

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:

	2020 No.	2019 No.
£60,001 - £70,000	2	3
£70,001 - £80,000	1	1
£80,001 - £90,000	1	1
£90,001 - £100,000	2	1
£100,001 - £110,000	0	1
£110,001 - £120,000	1	0

10. Key management personnel
Group and Trust

None of the Board Members received emoluments (2019 nil). Board members expenses totalled £923 in the year to 31 March 2020 (2019: £4,831).

The emoluments of the highest paid Director, the Chief Executive, excluding pension contributions was £113k (2019: £108k).

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	**2020** **£'000**	**2019** **£'000**
Basic salary	390	365
Social Security Costs	49	46
Pension contributions	88	77
Benefits in kinds	-	-
Compensation for loss of office	-	-
	527	488

11. Tax on profit on ordinary activities

	Group 2020 £'000	Group 2019 £'000	Trust 2020 £'000	Trust 2019 £'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	130	-	-	-
Adjustments in respect of prior periods	36	-	-	-
Effect of tax rate change on opening balance	4	-	-	-
	170	-	-	-
Tax on profit on ordinary activities	170	-	-	-
Movement in deferred tax provision				
Provision at start of period	-	-	-	-
Deferred tax charged in the Profit and loss account for the period	170	-	-	-
Tax on results on ordinary activities	170	-	-	-
Profit on ordinary activities before tax	9,634	7,159	9,239	7,274
Tax on profit on ordinary activities at standard CT rate of 19% (2019: 19%)	1,830	1,360	1,755	1,382
Income not taxable for tax purposes	(1,885)	(1,358)	(6,615)	(1,382)
Capital gains/(losses)	130	-	-	-
Fixed asset differences	-	(32)	518	-
Expenses not deductible for tax purposes	29	-	4,341	-
Deferred tax not recognised	31	34	-	-
Adjustments in respect of prior year periods (deferred tax)	36	(7)	-	-
Adjust opening deferred tax to average rate	(1)	(2)	-	-
Adjust closing defered tax to average rate	-	5	-	-
Tax charge/(credit) for the period	170	-	-	-

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 2019	152,370	3,048	5,686	2,764	163,868
Development of new properties			12,516	3,202	15,718
Interest capitalised			138	198	336
Schemes completed	1,545	2,650	(1,545)	(2,650)	-
Works to existing properties	559				559
Other Additions	29	16			45
Reclassification	167		787	766	1,720
Disposals	(1,263)	(126)			(1,389)
At 31 March 2020	153,407	5,588	17,582	4,280	180,857
Depreciation and impairment					
At 1 April 2019	(45,476)	(44)	(261)	-	(45,781)
Depreciation charged in year	(5,405)	(119)			(5,524)
Impairment charged in year					-
Released on disposal	765	2			767
At 31 March 2020	(50,116)	(161)	(261)	-	(50,538)
Net book value					
At 31 March 2020	103,291	5,427	17,321	4,280	130,319
At 31 March 2019	106,895	3,004	5,425	2,764	118,087

Housing properties At 31 March 2020 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, there was no impairment in this category of assets.

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 2019	152,370	3,101	5,724	2,793	163,988
Development of new properties			12,080	3,780	15,860
Interest capitalised			138	198	336
Schemes completed	1,553	2,691	(1,553)	(2,691)	-
Works to existing properties	559				559
Other Additions	29	16			45
Reclassification	167		787	766	1,720
Disposals	(1,263)	(126)			(1,389)
At 31 March 2020	153,415	5,682	17,176	4,846	181,119
Depreciation and impairment					
At 1 April 2019	(45,476)	(44)	(261)	-	(45,781)
Depreciation charged in year	(5,405)	(119)			(5,524)
Impairment charged in year					-
Released on disposal	765	2			767
At 31 March 2020	(50,116)	(161)	(261)	-	(50,538)
Net book value					
At 31 March 2020	103,299	5,521	16,915	4,846	130,581
At 31 March 2019	106,894	3,057	5,463	2,793	118,207

Housing properties at 31 March 2020 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, there was no impairment in this category of assets.

12. Tangible fixed assets - properties (continued)

Expenditure on works to existing properties	Group 2020 £'000	Group 2019 £'000	Trust 2020 £'000	Trust 2019 £'000
Components capitalised	559	789	559	789
Amounts charged to income and expenditure account	1,283	1,402	1,283	1,402
	1,842	2,191	1,842	2,191

Finance Costs	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Aggregate amount of capitalised interest included in the cost of housing properties	1,124	784	1,124	784

Social Housing Assistance	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Total accumulated grants received or receivable at 31 March				
Recognised in Statement of Comprehensive Income	18,648	17,358	18,648	17,358
Held as Deferred Grant Income (note 22)	36,996	35,677	36,996	35,677
	55,644	53,035	55,644	53,035

13. Tangible fixed assets - other
Group and Trust

	Furniture fixtures and fittings £'000	Computers and related equipment £'000	Community assets £'000	Office accommodation £'000	Total £'000
Cost					
At 1 April 2019	43	926	1,084	8,008	10,061
Reclassification of Assets	365	1,177		(1,542)	-
Adjusted balance at 1 April 2019	408	2,103	1,084	6,466	10,061
Additions	6	202	601	33	843
Disposals	-	-	-	-	-
At 31 March 2020	414	2,305	1,685	6,499	10,903
Depreciation					
At 1 April 2019	(39)	(764)	(138)	(508)	(1,449)
Reclassification of Assets	(52)	(263)		315	-
Adjusted balance at 1 April 2019	(91)	(1,027)	(138)	(193)	(1,449)
Charged in year	(7)	(231)	(34)	(511)	(783)
Disposed in year	-	-	-	-	-
At 31 March 2020	(98)	(1,258)	(172)	(704)	(2,232)
Net book value					
At 31 March 2020	316	1,047	1,513	5,795	8,671
At 31 March 2019	369	1,339	946	5,958	8,612
Aggregate amount of capitalised interest	-	-	17	-	17

14. Investment properties

	Group 2020 £'000	Group 2019 £'000	Trust 2020 £'000	Trust 2019 £'000
At 1 April	12,546	9,134	5,722	5,642
Additions	984	3,412	13	80
Disposals	-	-	-	-
Increase in value	528	-	-	-
Transfer to social housing properties under construction	(1,553)	-	(1,553)	-
Transfer to social housing properties for letting	(167)	-	(167)	-
At 31 March	12,338	12,546	4,015	5,722
Aggregate amount of capitalised interest	422	268	56	58

There are 26 market rent investment properties in the Trust. Research into the property values at 31 March 2020 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.

The Group also 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 valued by Roger Hannah Chartered Surveyors on 24 January 2020 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 then applied their professional judgement, and believe that in light of the Covid-19 the fair value has fallen to £7.5m, a reduction of £0.18m on the January valuation.

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 2019	1	1
Additions	-	-
Disposal	-	-
At 31 March 2020	1	1

16. Investment in joint ventures

	Group		Trust	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Investment in Joint Venture	107	50	-	-
	107	50	-	-

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. Southway Plus made a £107k investment in 2019/20, (2019: £50k) with future investments over 7 years of £3m, which will be funded by an intra-group loan from Southway Housing Trust.

17. Properties for sale, stock and work in progress

	Group 2020 £'000	Group 2019 £'000	Trust 2020 £'000	Trust 2019 £'000
Shared ownership properties				
Completed for sale	81	670	81	670
Under construction	3,641	1,927	3,641	1,927
Properties for outright sale				
Completed for sale	-	-	-	-
Under construction	2,346	1,362	-	-
Maintenance materials	104	104	104	104
	6,172	**4,063**	**3,826**	**2,701**
Aggregate amount of capitalised interest	109	43	-	-

18. Debtors

	Group 2020 £'000	Group 2019 £'000	Trust 2020 £'000	Trust 2019 £'000
Due within one year				
Rent and service charges receivable	3,161	3,140	3,161	3,140
Less: Provision for bad and doubtful debts	(2,684)	(2,694)	(2,684)	(2,694)
	477	446	477	446
Grant receivable	1,275	6	1,275	6
VAT incurred and recoverable	105	78	14	-
Amounts due from group companies	-	-	172	38
Other debtors	5,898	1,080	5,877	1,079
Prepayments and accrued income	800	225	571	224
	8,555	1,835	8,386	1,792
Due more than one year				
Amounts due from group companies over one year	-	-	10,399	8,099
Total Debtors	8,555	1,835	18,785	9,891

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 the period 31st March 2020. The loan is repayable in April 2021.

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

19. Creditors: amounts falling due within one year

	Group		Trust	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Loans due in less than one year (note 21)	5,549	3,605	5,549	3,605
Deferred grant income (note 22)	1,290	1,292	1,290	1,292
Recycled capital grant fund (note 23)	10	10	10	10
Rent and service charges received in advance	696	674	696	674
Leasehold sinking funds	301	290	298	290
Other taxes and social security costs	177	162	177	162
VAT incurred and recoverable	-	-	-	126
Trade creditors	1,279	474	314	236
Other creditors	5,821	1,093	5,821	1,093
Amounts due to group companies	-	-	1,498	717
Accruals and deferred income	1,895	2,190	1,116	1,035
	17,018	9,790	16,769	9,239

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

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

	Group 2020 £'000	Group 2019 £'000	Trust 2020 £'000	Trust 2019 £'000
Loans due in more than one year (note 21)	44,394	49,944	44,394	49,944
Loan arrangement fees to be amortised	(447)	(545)	(447)	(545)
Deferred Grant income (note 22)	35,706	34,385	35,706	34,385
Recycled capital grant fund (note 23)	138	60	138	60
Capital proceeds fund	26	-	26	-
Homelessness Equity share	69	-	69	-
Deferred taxation (note 11)	170	-	-	-
	80,056	83,844	79,886	83,844

21. Debt analysis
Group and Trust

	2020 £'000	2019 £'000
Bank loans - Due within one year		
Repayable within one year	5,549	3,605
Bank loans - due after more than one year		
Repayable more than one year but less than two years	6,586	5,536
Repayable more than two years but less than five years	17,525	17,683
Repayable more than five years	20,283	26,725
	44,394	49,944
Total Debt	49,943	53,549

Amounts due all relate to a single facility from Barclays Bank PLC. All amounts drawn are repayable by March 2029. Interest is payable on a fixed rate basis (see note 29). The loan is secured by fixed charges over the Trust's housing properties.

At 31 March 2020 the Trust had an undrawn loan facility of £35m (2019: £35m).

22. Deferred grant income
Group and Trust

	2020 £'000	2019 £'000
At 1 April	35,677	25,673
Grant received in the year	2,738	11,400
Grant disposed in year	(122)	(104)
Addition from RCGF	20	-
Transfer to RCGF - Staircasing	(27)	-
Released to income in the year	(1,290)	(1,292)
At 31 March	36,996	35,677

Of which:		
Amounts to be released within one year	1,290	1,292
Amounts to be released in more than one year	35,706	34,385
	36,996	35,677

23. Recycled capital grant fund
Group and Trust

	2020 £'000	2019 £'000
At 1 April	70	-
Grants recycled:		
Right to Acquire Grant	70	70
Grant recycled from Staircasing	27	-
Interest accrued	1	-
Recycling of Grant:		
Development of properties	(20)	-
At 31 March	148	70
Of which:		
Due within one year	10	10
Due greater than one year	137	60
	147	70

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	2020	2019
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

	2020 £'000	2019 £'000
Surplus for the year	9,464	7,159
Adjustments for non cash items:		
Depreciation of housing properties	5,524	5,498
Depreciation of other fixed assets	783	830
Amortised government grants	(1,290)	(1,292)
Impairment of housing properties	-	164
Surplus on revaluation of properties	(528)	-
Pension costs less contributions payable	812	580
Changes in working capital:		
Increase in properties for sale, stock and work in progress	(2,043)	(1,157)
Decrease/(Increase) in debtors	(5,451)	1,850
Increase in creditors	5,287	261
Adjustments for investing or financing activities:		
Surplus on the disposal of housing properties	(3,580)	(2,800)
Loss on the disposal of other fixed assets	-	4
Interest payable and other financing costs	3,146	3,210
Interest receivable	(99)	(68)
Taxation		
Deferred tax charged in the Profit and loss account for the period	170	-
Net Cash Generated From Operating Activities	12,196	14,239

26. Capital commitments

	Group 2020 £'000	Group 2019 £'000	Trust 2020 £'000	Trust 2019 £'000
Expenditure contracted for but not provided in the accounts	29,372	36,268	24,969	34,836
Expenditure authorised by the board, but not contracted	58,346	34,627	54,973	33,341
	87,718	70,895	79,942	68,177

The above commitments will be financed primarily through borrowings (£53,222k), which are available for draw-down under existing loan arrangements, with the balance (£14,008k) funded through social housing grant and (£20,488k) property sales.

27. Leasing commitments
Group and Trust

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

	2020 £'000	2019 £'000
Within one year		
Office accommodation	32	5
Vehicles	183	175
	215	180
Between one and five years		
Office accommodation	112	36
Vehicles	22	203
	134	239

28. Contingent liabilities
Group and Trust

The Group and Trust had no contingent liabilities to disclose at 31 March 2020 (2019: nil).

29. Financial assets and liabilities

On 22 April 2016 the Trust restructured it's loan finance agreement. An additional £35m revolving credit facility from Barclays Bank PLC was secured with a five year term.

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	
	2020 £'000	2019 £'000	2020 £'000	2019 £'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	18,437	20,598	18,420	20,341
Financial liabilities measured at amortised cost	8,098	2,531	8,628	3,010
Loan commitments measured at cost	49,943	53,549	49,943	53,549
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	11,000	11,000	11,000	11,000
Cash at bank	957	7,967	789	7,675
Total	11,957	18,967	11,789	18,675
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	-	-	-	-
Fixed rate	49,943	53,549	49,943	53,549
Total borrowings	49,943	53,549	49,943	53,549

The fixed rate financial liabilities have a weighted average interest rate of 6.01% (2019: 5.98%) and the weighted average period for which it is fixed is 9 years (2019: 10 years). Debt maturity profile is shown in note 20.

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 2016 and rolled forward to 31 March 2020 by a qualified independent actuary.

The employers' contributions to the fund by the Trust for the period ended 31 March 2020 were £974k (2019: £958k) at a contribution rate of 22.5% of pensionable salaries (2019: 21.2%).

Financial assumptions	**31 March 2020 % per annum**	**31 March 2019 % per annum**
Major categories of plan assets as a percentage of total plan assets		
Equities	66%	69%
Bonds	17%	15%
Property	8%	8%
Cash	9%	8%
	100%	100%

	% per annum	% per annum
Pension increase rate	1.8	2.5
Salary increase rate	2.6	3.3
Discount rate	2.3	2.4

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 2020	**Number of Years 2019**
Retiring today:		
Males	20.5	21.5
Females	23.1	24.1
Retiring in 20 years:		
Males	22.0	23.7
Females	25.0	26.2

30. Pensions (continued)
Group and Trust

Changes in fair value of scheme assets	2020 £'000	2019 £'000
Opening fair value of plan assets	47,334	43,700
Expected return	1,151	1,184
Contributions by members	304	321
Contributions by employer	974	958
Actuarial gains	(3,922)	2,076
Benefits paid	(1,015)	(905)
Closing fair value of scheme assets	44,826	47,334

Changes in present value of scheme liabilities	2020 £'000	2019 £'000
Opening scheme liabilities	56,857	50,319
Service cost	1,760	1,538
Interest cost	1,394	1,371
Contributions by members	304	321
Actuarial losses/(gains)	(11,016)	4,213
Past service costs	-	-
Losses on curtailments	26	-
Benefits paid	(1,015)	(905)
Closing scheme liabilities	48,310	56,857

Movement in net liabilities during the year	2020 £'000	2019 £'000
Scheme liabilities less assets at start of year	(9,523)	(6,619)
Current service cost	(1,760)	(1,538)
Past service costs	-	-
Losses on curtailments	(26)	-
Contributions	974	958
Other finance costs	(243)	(187)
Actuarial movement	7,094	(2,137)
Scheme liabilities less assets at end of year	(3,484)	(9,523)

30. Pensions (continued)
Group and Trust

Amounts recognised in the statement of financial position	**2020 £'000**	**2019 £'000**
Present value of funded obligations	(48,310)	(56,857)
Fair value of plan assets	44,826	47,334
	(3,484)	(9,523)
Present value of unfunded obligations	-	-
Net liability	(3,484)	(9,523)

Analysis of the amount charged to operating surplus	**2020 £'000**	**2019 £'000**
Current service cost	1,760	1,538
Losses on curtailments	26	-
Total operating charge	1,786	1,538

Analysis of the amount charged to other finance costs	**2020 £'000**	**2019 £'000**
Expected return on pension scheme assets	1,151	1,184
Interest on pension scheme liabilities	(1,394)	(1,371)
Net interest	(243)	(187)

31. Transactions with related parties

	2020 £'000	2019 £'000
Southway Housing Trust		
Amounts due to Southway DevCo	1,498	717
Amounts due from Southway Plus	172	38
Loan due from Southway Plus	10,399	8,099
Purchases from group companies		
Design and build contracts from Southway DevCo	14,333	8,453
Sales to group companies		
Project management services to Southway DevCo	1,398	717
Project management services to Southway Plus	-	9
Corporate support to Southway DevCo	24	29
Corporate support to Southway Plus	26	35
Land sale and related fees to Southway Plus	-	-
Interest on loan to Southway Plus	370	225
Donations from group companies		
Gift aid from Southway DevCo	-	7

Other transactions

There were two 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 2020	167	-

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 £20k (2019: £17k), the balance due at the year end was £5k (2019: £2k).

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 2019/20 (2019: £7k)..

The Trust's Strategic Director Property & Development is also a board member of Bolton at Home. There have been payments made of £6k to this company in 2019/20 (2019: £5k).

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 £8k to this company in 2019/20 (2019:£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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