Southway Housing Trust (Manchester) Limited

Group Accounts 2017/18

Contents

Board Members, Executive Directors, Advisors and Bankers

Board Members

Samantha Macwilliam	Chair
Stuart Shore	Vice Chair (until 19 September 2017)
Sean McGonigle	Vice Chair (from 19 September 2017 until 3 July 2018)
Iain Leviston	
Roger Spencer	
Memuna Bangura	
Councillor Joanna Midgley	
Mark Taylor	
Clare Tostevin	

Executive Directors

Karen Mitchell	Chief Executive
Jane Gant	Strategic Director People and Places
Duncan Smith	Strategic Director Business Development and Growth (to 10 November 2017)
Matt Roberts	Strategic Director Property and Development (from 11 December 2017)
David Clermont	Chief Financial Officer

Registered office	Southern Gate, 729 Princess Road, Manchester, M20 2LT
Registered numbers	Co-operative and Community Benefit Society: 30348R Regulator of Social Housing: L4507
Website	www.southwayhousing.co.uk
External Auditors	Grant Thornton UK LLP, Registered Auditors, Chartered Accountants, 4 Hardman Square, Spinningfields, Manchester, M3 3EB
Internal Auditors	TIAA Ltd, 53-55 Gosport Business Centre, Aerodrome Road, Hampshire, PO13 0FQ
Principal Solicitors	Anthony Collins LLP 134 Edmund Street, Birmingham B3 2ES
Bankers	Barclays Bank PLC, Level 27, 1 Churchill Place, London, E14 5HP

Introduction by the Chair

Southway has completed another good year, with strong performance across the business, and the successful delivery of the third year of our ambitious corporate strategy, the Futures Strategy 2015 to 2020.

Reflecting on my 7 years as a Board member at Southway, and nearly 2 years as the Chair, I am pleased with the progress we are making. As a tenant and local resident I see the positive impact that Southway makes as a community based landlord every day. Southway has a strong and genuine commitment to our communities, to the people who live in our homes and to making a difference as part of our place shaping role with partners.

This is the second year that we are presenting a consolidated group position, combining the results from the Trust, our commercial subsidiary Southway Plus and Southway DevCo, and the first year that both subsidiaries have been fully operational. The 2017/18 Group Accounts set out a strong overall financial position which means we will be able to continue to deliver our strategic priorities in 2018/19 and beyond.

Being financially robust and well governed is extremely important to the Board, our tenants and the future of the organisation so I am very pleased to note the positive feedback from the In Depth Assessment carried out by the Regulator and that we have retained our G1 and V1 status for governance and viability.

Providing good quality homes and neighbourhoods is at the heart of our vision and purpose. Our Value for Money statement, in this report, shows that our operating costs are at the median or better when benchmarked with the sector and that we are optimising the resources available to us. We take our responsibility seriously to maximise the use of our assets and deliver much needed new homes. We have a high EBITDA MRI cover, far greater that the sector average and our gearing ratio gives much flexibility for further growth to support our development ambitions. This balance means we are able to use the strength in our financial base to invest in new homes that require subsidy to meet housing need.

We are aiming to provide homes across all tenures including shared ownership and outright sale, affordable rented homes and market rent. As we complete the second year of our Development Strategy, we're on track to deliver 750 new homes by 2021, and expect to increase this number following a refresh of our financial and corporate strategies over the next 12 to 18 months.

I am also very aware of the challenges that we and our tenants and residents face. In 2017/18 we maintained our rent collection performance with 99.7% of rent due collected from current tenants, but the roll out of Universal Credit and other welfare reforms remains a risk to us and to our tenants and residents. Experience in other areas shows that rent collection performance does decline as more people move onto UC. We will do all that we can to continue our work helping people get into employment, and support those we are living on low incomes through our range of anti-poverty, support and advice projects. I look forward to another strong year in 2018/19.

As well as being a good landlord, and delivering much needed new homes, we will continue to build on the community outcomes we've achieved including our ground breaking age friendly neighbourhoods work and rolling out our approach to delivering neighbourhoods of choice through our environmental vision, demonstrated by the Green Flag award we have achieved.

Samantha Macwilliam, Chair of the Board

Corporate Strategy and Structure

Vision, Purpose and Values

Southway Housing Trust is a community based social landlord working in and around South Manchester. The Trust was established in 2007 to take over the ownership, management and improvement of almost 6,000 ex-council homes.

The Trust 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 and community groups, public agencies across Greater Manchester and other key stakeholders in our neighborhoods.

Our primary purpose is to provide high quality affordable homes in desirable neighbourhoods where people are happy to live and have the opportunity to achieve their potential. We also have a wider purpose which is to make best use of our resources to achieve our social and community objectives.

Our Values shape how we do things. Our staff work hard to deliver our objectives and to promote our values so that as an organisation we are:

#committed #ambitious #inclusive #collaborative #accountable #productive

Group Structure

The group structure facilitates the delivery of the Futures Strategy with two subsidiaries involved in the delivery of the increased development programme and introduction of commercial activities. 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.

The Southway Group comprises:

- Southway Housing Trust (Manchester) Limited, the Parent body of the Group - also referred to as the Trust;

- Southway Plus Limited, a commercial subsidiary which undertakes commercial projects including new build market rent and outright sale projects. Plus commenced trading in July 2017;

- Southway DevCo Limited, a subsidiary which undertakes development contracts on behalf of other Group members, enabling VAT to be recovered on professional fees such as architects and surveyors. DevCo commenced trading in March 2017.

SOUTHWAY GROUP STRUCTURE

Southway Housing Trust (Manchester) Limited.

Registered Provider (L4057)
Community Benefit Society
(Registration number: 30348R)
Exempt charity

Southway Plus Limited.

Wholly owned subsidiary, which carries out commercial activities on behalf of the Group

Company number: 9900234

Southway DevCo Limited.

Wholly owned subsidiary, which carries out development activities on behalf of the Group

Company number: 9904856

Corporate Strategy

Southway adopted its Corporate Strategy in March 2015, the 'Futures Strategy 2015 to 2020,' which sets the direction of the Group. The Futures Strategy has five thematic priorities, each of which will be measured against a critical success factor:

Theme	Success measure by 2020
Affordable Homes in Desirable Neighbourhoods	We will know that we have been successful because we will have increased the proportion of our tenants who tell us that they are satisfied with our services and with their neighbourhoods.
Community Investment	We will have increased the proportion of working age people living in Southway homes who are in employment or are regularly volunteering in our communities.
Age Friendly Living	A higher proportion of our older tenants and local residents tell us our services and neighbourhoods are age friendly.
Priorities for Investment	We will have delivered 750 new homes and will have firm plans in place to achieve our target of 1,000 homes over the 10 year period up to 2026.
Well Managed and Financially Strong	We will have generated surpluses which will have been used to deliver greater levels of community outputs.

Examples of the progress made delivering outcomes in each of these thematic areas during 2017/18 are summarised below.

1. Affordable Homes in Desirable Neighbourhoods

Replacing affordable homes sold under the right to buy scheme is a high priority for the Trust. Southway supplemented its new development programme by acquiring 76 properties in Tameside from another Registered Provider; 5 ex-RTB properties were also acquired within the core area to provide access to more affordable housing.

In July 2017 Southway became only the second Housing Association in the country to receive a 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 are beautifully maintained.

An excellent result was also achieved in our annual Customer Service Excellence audit with 14 Compliance Plus awards being given and the services provided by our Connect Hub advisors being singled out for special mention. Through our digital access strategy we are encouraging customers to move online and access more of our digital services. As well as being a cost effective option for both the customer and Southway, there is also a wider social responsibility to ensure that people have the skills to apply for job opportunities and to access services such as benefit claims online.

2. Community Investment

We assisted 52 tenants into work and provided 390 with advice and training. 291 tenants accessed services at Westcroft community centre. 340 individuals and 56 organisations provided over 8,000 hours of volunteering and through our Time Bank volunteering model.

Our five 'Quids In' Food Clubs, continue to provide affordable food to over 180 households every week which provides a sustainable alternative to Food Banks. A challenge for 2018/19 is to identify other sources of food due to the substantial increase in demand for this 'pantry model' across the North West of England.

Our dedicated Advice Services team supported 659 tenants to secure £2.0m of additional benefits and provided a further 132 with debt advice. In 2018/19, they will continue to support tenants to maximise their income with a focus on people who move onto Universal Credit benefit, and facilitate tenants to access solutions offered by South Manchester Credit Union.

3. Age Friendly Living

Southway continues to take a lead on promoting and delivering Age Friendly services and projects in Manchester and we have extended our work into Greater Manchester (GM.) During 2017/18 we secured £170k grant funding over 3 years for Age-Friendly work, to develop a new peer support network in Chorlton Park and to support Age-Friendly projects across GM that will help up to 100 older men who are currently isolated.

80 older people were also supported through LINKages our social prescribing service working in partnership with 3 General Practitioners in Old Moat. We rolled out the Take-A-Seat campaign to 80 local businesses and public buildings, giving older people a comfortable place to rest, and supported the formation of a South Manchester Men in Sheds project as a place where DIY skills can be developed.

4. Priorities for Investment

Development activity has increased substantially over the last 12 months. Whilst there were no new build completions during 2017/18, Southway has commenced construction contracts and acquisition of properties and sites for 210 properties, exceeding the target of 154 for the year.

The Trust's current programme comprises new build accommodation on infill sites within our core area and other parts of South Manchester. The largest project commissioned to date is the Minehead site in Old Moat. This will deliver a mixed tenure scheme of affordable rent, shared ownership houses and older person shared ownership apartments for people over the age of 55 together with a community café and health treatment room. Southway's first shared ownership scheme at Vine Street (Park View,) Gorton is under construction with high levels of enquiries from prospective purchasers.

Our commercial subsidiary company, Southway Plus, is now fully active and delivering its first new build market rent scheme of 42 apartments in Altrincham, and a 6 unit out-right sale refurbishment project in South Trafford.

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

Development activity is extending into new Local Authority areas with proposals well advanced to secure land and new construction contracts in Tameside, Stockport and Cheshire East. Two extra care schemes are also progressing well through the pre contract stages with planning approval received on both. This is another new area of activity for Southway and will provide 162 affordable rent apartments for older people seeking a new lifestyle, including those people in need of care and support.

5. Well Managed and Financially Strong

The Group generated a surplus of £9.8m in the year (2017: £8.3m). This surplus adds capacity to the financial plan and aids Southway's ability to deliver our strategic objectives. Rent collection performance has also been strong throughout the year with 99.7% collection from current tenants.

The Trust also retained its top G1 and V1 Governance and Viability ratings from the Regulator of Social Housing. Southway's financial performance and asset base compare well to peers. The Group, Board and Committee structure guides and shapes delivery of the Futures Strategy, with loan finance secured to deliver the Development Strategy.

Value for Money

(i) Approach to VFM

One of the key themes of Southway's Futures Strategy 2015-2020 is that we are 'Well Managed and Financially Viable'. Supporting this objective is the following approach:

> *"We will make best use of our resources by being efficient and effective in the way that we do things, by maintaining the Southway standard and making efficient use of the homes we provide and by delivering commercial services that complement our core business. This approach will mean that we can generate a surplus that can be used to help fund our social investment priorities.*
>
> *We will set and achieve efficiency targets each year to improve our cost, performance and satisfaction levels when compared to the rest of the housing sector and we will comply with the standards set by our Regulator for Value for Money."*

Southway considers the VFM of its services in the context of operational performance, customer satisfaction and cost. Targets are set for each of these factors, which reflect comparison to sector benchmarks.

An assessment of core functions, based on 2017/18 performance data and 2016/17 Housemark cost benchmarking for stock transfer landlords, shows:

- Rent Collection results have been maintained during the introduction of Universal Credit. Performance is in line with the median for the sector.
- There was a reduction in property maintenance KPI performance. The service continues to be delivered at a significantly lower per unit cost than the median.
- The efficiency of Housing Management functions has improved with costs reduced to below the median, while satisfaction rates remain steady.
- Corporate overhead costs are lower than the median of the sector.

The Trust's 2018-2020 Value for Money Strategy reflects the Regulator's VFM Standard issued in March 2018. The standard requires that targets are set and performance regularly monitored against the Regulator's VFM metrics and the providers own metrics, including how performance compares to peers. Measurable plans are to be set to address any areas of underperformance. VFM is to be considered across the whole business including non-social housing activity.

How we manage our assets, 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 commentary, tables and charts below provide evidence to stakeholders of Southway's achievements and future plans to deliver value for money.

(ii) ***Efficiency Targets***

Efficiency Targets and a Cost Reduction Plan to March 2018 were set by Board in December 2015 as part of adopting the Trust's previous Value for Money Strategy. This defined Southway's response to the Government's -1% rent reduction regime for the 4 years to 2020. When preparing this plan the impact on tenants and an assessment of the degree of mitigation was central. Effective budgetary control arrangements were also identified as essential to ensure the anticipated savings were achieved.

Southway's Cost Reduction Plan has been fully delivered with operational budgets reduced by £1.8m, 14% lower than the 2015/16 position. The Global Efficiency Statement below illustrates the outturn results for 2017/18.

The Board has adopted efficiency targets for 2018/19 and 2019/20 to reduce existing operating costs by £275k (c2.5%) per annum. Performance in line with the 2018/19 Budget would deliver the first of these targets. The other VFM targets adopted are:

- Delivering new stock in line with the Development Programme;
- Revising levels of ICT expenditure to be comparable to other providers;
- Delivering an improved result on the Property Services Trading Account with cost benchmarks assessed in line with other DLOs / external providers.

(iii) ***Global Efficiency Statement***

A review of operating costs is carried out each year. This is structured as a Global Efficiency Statement which analyses relative to inflation how total spending varies year on year. The operating cost base reflects the same elements as defined by the Regulator as Social Housing Costs, see section (iv).

The table below identifies cost pressures on expenditure, and the scale of savings and efficiencies which the Trust has made during the last year.

Total spending in 2017/18 was £150k lower than the previous year despite inflationary and other cost pressures. The savings and efficiencies generated, combined with the equivalent entries from 2016/17, deliver the anticipated cost reductions referred to earlier.

	£k
Social Housing Cost Base 2016/17	13,204
Add inflation (RPI average 3.8% during 2017/18)	502
<u>Cost Pressures</u>	
Increase in adaptations and home improvement programme	140
Increase in employer's pension contribution rate	60
Additional electrical testing	60
New business stream - shared ownership	49
<u>Savings</u>	
Community Investment - reduction in staff and project expenditure	(239)
Cyclical painting - reduced programme	(61)
Other cost reductions	(36)
<u>Efficiencies</u>	
Staff pay award below inflation	(221)
Development administration - all staffing costs capitalised	(139)
Insurance reprocurement	(63)
Vehicle lease reprocurement	(54)
<u>Other Adjustments</u>	
Rebate of prior year business rates	(752)
Pension service costs - increase in actuarial adjustment	605
Social Housing Cost Base 2017/18	13,054

(iv) Social Housing Costs

The table below shows the impact of cost reductions on Southway's social housing costs on a per unit (pu) basis - one of the Regulator's VFM metrics. Management, Maintenance and Other Costs are all significantly lower in 2018 than 2016.

£ per unit	y/e 2016	y/e 2017	y/e 2018	Note
Management	1,026	945	933	A
Services	35	46	47	B
Maintenance	704	677	677	C
Major Repairs	363	215	246	D
Other Costs	412	330	323	E
Total	**2,540**	**2,214**	**2,226**	

Spending on each element is compared to other landlords. Analysis has been carried out using the Regulator's two most recently published Global Accounts for y/e 2016 and 2017 for the whole sector.

The results show:

A. Southway's management costs are around the median, which reduced from £1,026 to £933 pu in y/e 2017, similar to the 8% reduction delivered by the Trust.
B. Southway has significantly fewer properties which are subject to service charges.
C. Southway's maintenance costs continue to be in the top quartile of providers. The first quartile result for y/e 2017 was £773 pu, compared to the Trust's £677 pu. This equates to Southway spending £1.4m less on maintenance than the sector's median pu rate.
D. Southway is currently spending less on major repairs, the first quartile for y/e 2017 was £456 pu. This reflects the timing of the stock transfer home improvement works being completed. Spending is due to rise from y/e 2022.
E. Although reduced Southway still spends more on other costs than the sector. The median result for y/e 2017 was £198 pu. This category comprises expenditure on community investment, age friendly, financial inclusion and other support activities and also development administration costs.

(v) ***VFM Metrics and Sector Scorecard***

Southway's 2018-2020 VFM Strategy includes targets for the Regulator's VFM metrics. These are derived from the Group's 2018 Business Plan, which reflects the existing VFM challenges faced by the organisation.

The results on the VFM metrics for 2017/18 and the previous year is set out below. Initial measurement of our performance compared to peers, based upon analysis of stock transfer landlords 2016/17 data shows Southway well placed:

- Two metrics - reinvestment and new supply - increase are projected to be better than the current sector median as a result of delivering the Development Strategy.
- Three metrics - gearing, interest cover and social housing costs per unit - are notably better than the sector and are projected to remain so (until major repair works increase).
- Two metrics - operating margin and Return on Capital Employed (ROCE) - are currently higher than the sector, but reduce to below the current median due to:

  - shared ownership sales have a lower operating margin than the base position,
  - provision for increased rent losses from Universal Credit,
  - the next phase of HIP works commencing in y/e 2022.

Targets are expressed in terms of results for the 2019/20 financial year, to coincide with the end point of the 2018-2020 VFM Strategy and the 2015-2020 Futures Strategy. It is intended to achieve the targets whilst also supporting reinvestment in other priorities, identified as the Business Plan is out-performed.

The Regulator's VFM Metrics					
Metric	**What it Measures**	**2016/17 Sector Median**	**2016/17 Southway Group**	**2017/18 Southway Group**	**2019/20 Southway Target**
1. Reinvestment %	Investment in properties (existing stock and new supply) as a percentage of the total cost of properties held.	n/a	3.8%	3.2%	25%
2. New supply delivered %	**a)** The number of new social housing units that have been acquired or developed in the year as a proportion of total social housing units owned at period end. **b)** A similar measure is calculated for new supply of non-social housing units as a % of SH&NSH.	1.0% n/a	0.7% nil	nil nil	2.1% 0.7%
3. Gearing %	The proportion of housing property cost funded by debt.	54%	37%	39%	55%
4. EBITDA MRI Interest Cover %	The level of surplus generated compared to the interest payable. This differs from Southway's loan covenant as the metric excludes RTB sales and includes Impairment expenditure.	237%	323%	353%	264%
5. Headline social housing cost per unit	The headline social housing cost per unit, as defined by the Regulator [section (iv) above provides further details]	£3.2k	£2.2k	£2.2k	£2.6k
6. Operating Margin %	The profitability of operating activities in relation to turnover. Separate measures for: **a)** social housing lettings; **b)** overall activities.	34% 32%	37% 33%	41% 37%	28% 21%
7. Return on Capital Employed	Operating surplus compared to total assets less current liabilities.	5.5	9.2	9.6	5.1

Southway will also set and track some other VFM metrics by participating in the Sector Scorecard benchmarking tool. Analysis of stock transfer landlords 2016/17 data shows Southway well placed.

Additional VFM Metrics on Sector Scorecard				
Indicator	**2016/17 Sector Median**	**2016/17 Southway Hsg Trust**	**2017/18 Southway Hsg Trust**	**2019/20 Southway Target**
8. % of respondents very or fairly satisfied with the overall service provided [*next STAR survey Autumn 2018]	88%	86%	n/a*	Quartile 2
9. £s invested in communities for every £100 generated	£2	£8	£5	Quartile 1
10. Overheads as % of adjusted Turnover (excluding asset sales)	10.8%	10.3%	10.4%	Quartile 2
11. Ratio of responsive repairs to planned maintenance [*improvement will take place alongside delivery of increased home improvement works from 2021/22]	0.66	1.14	1.01	Quartile 4*
12. Occupancy of stock available to be let at y/e)	99.5%	99.8%	99.7%	Quartile 1
13. Rent collected from current and former tenants (excl. arrears b/f) %	99.7%	100.1%	100.0%	Quartile 1

(vi) ***<u>Operational Performance and Customer Satisfaction</u>***

Southway aspires to the highest standards of customer service through a framework for continuous staff and service development. Management focuses on the speed and quality of responses to customers and measures both these and the degree of customer satisfaction achieved.

A full census satisfaction survey of tenants and residents (STAR) is carried out every two years. The next survey will take place in Autumn 2018. The 2016 survey indicated 86% overall satisfaction with the services provided by the landlord (the same outcome as in 2014). The target for 2020 is 89%.

A summary of operational performance outcomes during 2017/18 is set out below. These KPIs are tracked quarterly by People and Places Committee and Board.

Key Performance Indicator	2016/17 Outcome	2017/18 Target	2017/18 Outcome
Rent collected from current tenants	99.8%	99.6%	99.7%
Average number of telephone contacts per property	10	8	9.9
Average relet time for minor voids (in days)	17	15	26
Percentage of repairs completed on time	98.8%	99.8%	95.4%
Combined social value of all social investment projects	£5.3m	£8.4m	£7.4m
Overall satisfaction with Housing Management services	89%	90%	85%

Additional performance outcome results at March 2018:

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

Rent collection performance remains strong. Analysis of Housemark benchmarking results for 2017/18 indicates Southway is at the median for the sector (data as at 30 August, from 55 stock transfer landlords).

It is intended to reduce the number of telephone calls per property by increasing the proportion of services accessed digitally. During 2017/18 repairs transactions on line increased from 6% to 10%. The target for 2018/19 is 25%.

The minor voids and repairs indicators show a decline in Property Services performance this is commented upon in the Key Business Areas section below.

While there was an increase in Social Value outcomes compared to 2016/17, the return in 2017/18 was lower than target mainly in relation to Advice Services. Significant delays in appeal and tribunal hearings of up to 12 months and the tightening of benefit rules are resulting in cases remaining open for longer and are therefore not included in the calculation for the relevant financial year.

Overall Satisfaction is a combination of measures relating to inbound communications, repairs and new tenants satisfaction. Performance has dipped partly because of a change in methodology to automated text surveying; respondents are generally more honest and critical when an officer is not present during the survey. The main areas of complaint are about repairs, call waiting times and the condition of the property and garden for new tenants. The qualitative data gathered via satisfaction surveying is acted upon immediately and negative feedback is responded to within 24 hours.

(vii) Commentary on Key Business Areas

The following areas underpin Southway's VFM framework. The notes below present an assessment of the current position. This information shows how VFM is embedded across the organisation and drives improvement.

1. Staffing and Culture

Southway employs approximately 200 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, 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, sick pay, pensions, maternity and paternity pay, opportunities for training and development and other non-pay benefits.

A staff survey in early 2018 showed that satisfaction levels have significantly increased since 2016 and performance across most areas of the business is good.

During 2018/19 the People Strategy will be reviewed and staffing structures in Property Services back office and ICT staffing will be completed to ensure we have the necessary skills and capacity. A values and behaviours business transformation programme will also be delivered. The main improvement target is to reduce the sickness absence rate from 4.55% in 2017/18 to a target of 2.65%,

2. Investment in Business Efficiency

Southway launched the Voyagers Programme in 2017/18. This is a new approach to managing change and continuously improving efficiency in operational processes, using 'lean' principles. The customer is at the centre of our considerations and we should focus on adding value from the customer's perspective.

Leaders, all staff and a team of fully trained Voyagers are delivering this programme, with the impact measured in staff time cost savings.

3. ICT

The ICT Plan to December 2019 identifies five core objectives:

a) Supporting business efficiency through automation and effective technology.
b) Maintaining fit for purpose infrastructure and equipment.
c) Supporting customer self-service, including the launch of a new website and development of on line services.
d) ICT Governance- incorporating effective management of Information Security and ICT resource.
e) Educating staff in the use of relevant IT systems.

Analysis of benchmarking information shows ICT costs have been below the sector median since 2012. The new ICT Plan recognises the importance of increased investment to support delivery of the above objectives, including £1.2m renewing the infrastructure and providing equipment as part of the 2018 office move. As a result, it is likely Southway's ICT costs will increase to be higher than the median. One of the efficiency targets adopted in the budget is to review the position so that Southway's spending on ICT returns to levels comparable with other providers.

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. Business planning assumptions are subject to stress testing to ensure there is sufficient capacity to withstand an adverse movement.

Southway's financial capacity will be reviewed in 2019 as part of an updated Financial Strategy. This will define how resources are deployed, alongside an assessment of the Group's refinancing requirements, including VFM in future treasury arrangements.

Southway adopted a new Procurement Policy in June 2017. E-procurement software will be introduced during 2018/19 which will automate the procurement process and make it easier for staff to follow the correct route when tendering for work.

5. Housing Management and Rent Collection

Throughout 2017/18, officers continued to evolve and embed the service model that was introduced in April 2016. The new structure has enabled us to achieve better value for money and has freed up officer time to work with those tenants that need the most support.

There was an improvement in call answering during the year from 65% in 2016/17 to 80% in 2017/18. Satisfaction with the service remained high and first call resolution was at 90%.

Rent collection performance has been strong throughout the year. This has been as a result of the Trust investing in additional resources, training and system improvements to mitigate the threats from the Universal Credit roll out.

Southway continues to develop strategies in response to welfare reforms, supporting those affected through money management and budgeting advice, increasing work related skills, supporting people into employment and assisting those who want to move home and downsize.

6. Digital Access Strategy

Southway, through its Digital Access Strategy, is encouraging its customers to move online and access more of our digital services. The Strategy has three broad themes: Digital Inclusion, Channel Shift and Staff Training.

Our new web site, launched spring in 2018 gives customers access to repairs, rent payments and other customer services. We will also continue to support our tenants to access ICT equipment and learn new skills to enable them to access services more easily.

Compared with two years ago, we now receive 17% less inbound contacts from our customers. This equates to over 18,000 fewer calls. By 2020 we aim to have 80% of tenants regularly transacting with us on line, reducing inbound calls by a similar proportion.

7. Property Services

The in-house repairs service has historically achieved high performance outcomes, however this declined during 2017/18, largely due to the availability of labour.

A new service Business Plan was adopted in March 2018 setting a vision statement, key objectives and revised targets to address both current performance and longer term efficiencies. The objectives for the new plan reflect the VFM requirements and are:

Our Customers
Deliver a proactive property maintenance service that provides the right solution, on time and avoids future inconvenience and risk of harm.

Our Assets
Adopt a holistic approach to repairs and investment, managing existing and new assets efficiently and cost effectively, and using good quality information to inform future programmes of work.

Our Business
Provide an intelligent, cost effective, efficient service where proactive maintenance reduces reactive repairs and drives down the cost of the overall service.

In Year 1 of the Plan the focus is on improvements in performance to establish the high standards that have been delivered over the preceding years and put in place a stable and effective service to drive further improvement.

By the end of Year 3, the service will have changed from being demand driven to being data-driven. Data will be captured about our properties and will be integral to the decision making process, and the approach to managing our assets, releasing capacity by reducing business waste and moving from inefficient and reactive working.

8. Asset Management

In 2016/17 we commissioned consultants to work with us to assess the performance of our stock. The overall position for Southway's housing stock is very positive, with high demand for properties, good stock condition, lower than average costs of maintenance, above comparative energy efficiency and overall sustainability of most of the stock, with very few properties generating a loss.

A new Asset Management Strategy was adopted in September 2017 setting objectives, goals, and targeted investment priorities to ensure effective management and maintenance of all property and land assets, delivering the best service while ensuring value for money and customer satisfaction. The strategy is supported by an action plan.

9. Development

The Development Strategy sets out Southway's objective to deliver 750 new homes by 2021. It has two basic themes:

a) Development of sub-market rented accommodation or other forms of 'affordable housing' such as Shared Ownership;
b) Commercial activity to generate a financial return which enables further investment in core business or wider social objectives.

Schemes that are financially viable, have a long-term secure income stream and minimise financial risk will be delivered alongside priority projects which may require subsidy. Opportunities which require cross-subsidy are evaluated as part of an overall programme approach. Our governance and funding structure fully acknowledges the wider 'value creation' opportunities, but also the risks when undertaking commercial activities. Commercial activities will be assessed to ensure they generate expected returns, with reinvestment of profits into the core area.

Southway continues to use competitive tendering to ensure the best price and quality submissions for its directly contracted schemes, where appropriate, 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.

Irrespective of the procurement process Southway will continue to maximise the amount of social value this level of investment can produce. Each scheme will explore value added investment in terms of our communities and our environment.

10. Commercial Repairs

New opportunities were taken during 2017/18 including the delivery of major adaptations and repairs to market rent properties. Both offer a positive income stream providing we operate in an efficient manner. Work is planned to allow us to understand the related costs and capacity, to inform further decisions about other commercial activities in the future.

11. Community Investment and Age Friendly Living

Southway is committed to working in partnership to empower Southway tenants to achieve their full potential. In line with the objectives in the Futures Strategy, the Trust focuses its community investment priorities around Age Friendly, Employment and Training, Community Buildings and Partnerships, Health and Well Being and Volunteering. Delivering VFM across the business means that we are able to invest surplus into our community objectives.

We assess the impact of the resources we spend on community investment using the HACT Value Insight Tool, a specific package developed for the sector. This approach provides a well-being valuation methodology to measure the social return on investment (SROI) achieved with the results expressed as a monetary amount.

During 2017/18, we achieved a £7.4m return assessed via HACT. This represents a social return of over 10 times the outlay of the services provided. The Advice Services Team has secured additional benefits for tenants totaling £2.0m, a return equivalent to eight times its outlay.

During 2018/19 and 20019/20, we will be investing an additional £600k in community and age friendly investment, with funds secured via a substantial rebate of prior year business rates.

12. Customer Involvement

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

Our new 3 year Customer Involvement Strategy: ‘The Customer Voice’ covers the period to March 2021, and sets out our commitments and priorities to:

a. Develop and deliver an inspirational customer involvement brand
b. Develop a culture of ownership within Southway
c. Expand our neighbourhood, community based and digital feedback
d. Review the offer for involved customers
e. Increase our customer satisfaction

By 2021 we plan to achieve the following targets:

- Increase the number of tenants who feel they have a voice - from 67% to 80%
- Increase the number of feedback questionnaires - from 3,550 to 4,500
- Increase the number of involved customers - from 750 to 1,000

Co-regulation remains at the heart of our formal customer involvement structures. The Resident Consultative Group, Tenant Scrutiny Panel and new Hot Topic groups, as well as other forms of customer feedback, all influence decisions taken by the Board and People and Places Committee.

Financial Resilience

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 over a 3-4 year time span, taking account of the constraints from the loan agreement.

Four times in each year the Board receives reports which set out actual income and expenditure against the current Resource Plan, and financial performance indicators.

Financial Performance

The Group's financial performance has steadily improved over the last five years. The level of net resource generated is set out below. The results show:

- a significant reduction in running costs during the last two years, as noted in the Value for Money section of this report
- lower stock investment following completion of the home improvement programme,
- increasing surpluses from Right to Buy sales.

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

£m	2013/14	2014/15	2015/16	2016/17	2017/18
Income (excl. amortised grant)	25.8	25.8	26.6	26.5	26.4
Running Costs	-11.4	-12.1	-12.6	-11.7	-10.8
Investment in existing properties	-6.3	-2.4	-2.1	-1.3	-1.4
Sales Surplus	1.6	1.4	2.2	3.0	3.1
Net Interest Payable	-3.6	-3.5	-3.4	-3.7	-3.6
Net Resource	**6.1**	**9.2**	**10.7**	**12.8**	**13.8**

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

The following table summarises the Group's assets and liabilities. Investment in housing stock has steadily increased since 2014. It also shows investment in the new office and the scale of loan repayments which have taken place during this time.

£m at year end	2013/14	2014/15	2015/16	2016/17	2017/18
Property net book value less grant	87.8	91.2	92.6	94.7	99.1
Other fixed assets	0.7	0.7	1.1	1.2	6.6
Net current assets	5.9	6.4	8.7	12.2	9.9
Long term loans	-65.0	-62.5	-59.3	-55.9	-52.9
Other long term liabilities	-5.1	-9.3	-6.5	-6.8	-6.6
Reveres	24.2	26.5	36.5	45.4	56.0
Properties Owned	**5,878**	**5,860**	**5,855**	**5,852**	**5,886**

The number of properties owned is now higher than 2014, indicating that the scale of Southway's development and acquisition programme over the last 4 years has exceeded the number of Right to Buy Sales which have taken place

Loan Facility, Development Strategy and Business Plan

Southway's housing stock was valued at £200m in March 2016, demonstrating that the Trust has considerable levels of asset cover available. In April 2016 Southway's loan facility with Barclays was renegotiated. An additional five year revolving credit facility of £35m was secured.

This additional facility, combined with the strong net resource flows reported above enables Southway to substantially increase the level of investment in new homes. A new Development Strategy was adopted by Board in March 2016. This is intended to deliver 750 properties by 2021.

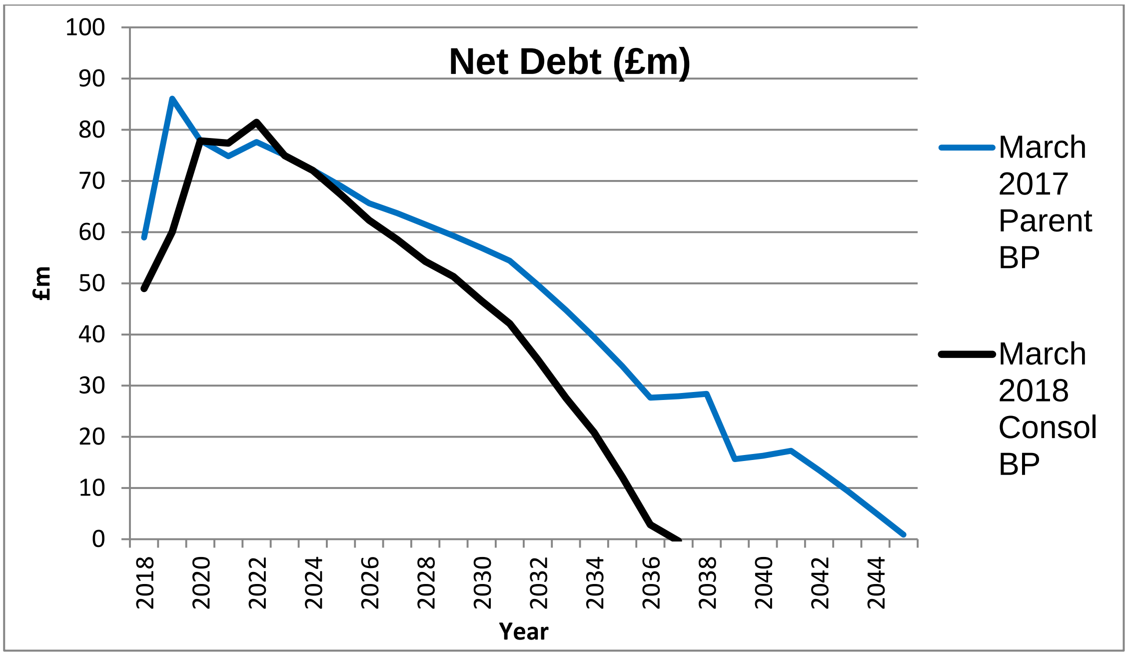
The geographic area of activity includes the neighbouring boroughs of Stockport, Tameside, Trafford and Salford, and the northern part of Cheshire East. The Group's 2018 Business Plan reflects the following development and acquisition programme.

No. of homes by tenure	Completed	Contractually committed	Not yet committed	Total	Relative proportion
Social/Affordable Rent	123	37	59	219	37%
Shared Ownership		108	147	255	43%
Market Rent	27	42	52	121	20%
Extra Care			150	150	n/a
Outright Sale		6		6	n/a
Total	**150**	**193**	**408**	**751**	

The new loan facility was revised in April 2018 so that the Parent may on lend up to £20m to its subsidiaries (reducing to £15m by April 2021) and £3m in a Greater Manchester local authority and registered provider joint venture. The 2018 Group Business Plan has been prepared on the basis of £15m being on lent to Southway Plus to develop new build housing for market rent and out-right sale, and a £3m JV investment.

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 protected.

The Group's latest Resource Plan provides for £103m to be spent during the four years to March 2021 developing and acquiring new housing stock. The resulting 2018 Group Business Plan, the black line below, reflects (a) the Development Strategy, (b) the revised loan agreement and (c) the results of the 30 year Stock Condition Survey carried out in late 2015. Net debt in is projected to peak at £82.5m in y/e 2022.



Loan Covenants

Interest cover (EBITDA-MRI) is substantially above the contracted 110% minimum throughout this period, with a lowest ratio of 170% forecast in y/e 2022.

A new loan covenant has been set which requires Net Debt per Unit to be below £17.5k. The 2018 Business Plan projects a high of £13.4k pu in y/e 2020.

Cash Position and Treasury Strategy

At March 2018 the Group had cash and short term investments totaling £11.6m. 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 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 that drawing from the £35m the revolving credit facility will be utilised on the prevailing LIBOR variable rate basis. It should be noted that Southway does not contract for derivative instruments outside of its loan contract.

Risk Management

Management of Risk

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

Southway's Executive Group Risk Panel considers the corporate Significant Risk Map on a quarterly basis. It also considers individual team risk exception certificates. The results are reviewed by Audit and Risk Committee. The Trust considers that it is appropriately placed to manage the consequential variations in risk profile that arise.

The top ten risks faced by the business, as identified in the Significant Risk Map reported to Audit and Risk Committee in April 2018, are:

1. Impact of Universal Credit
2. Costs and reputational issues arising from Development Programme
3. Exposure of shared ownership sales to market trends and adjustment
4. Ineffective treasury management
5. Unable to deliver Extra Care Priority
6. New office project not delivered effectively
7. Construction sector inflation and skills shortage
8. Failure to achieve VFM efficiency targets and cost reductions
9. ICT infrastructure failure
10. Longer term rent policy uncertainty

Comparison has been made to the top ten risks noted in the 2016/17 Report of the Board. Two risks are new: No. 7 reflects the importance of labour as the organisation expands its development activities and responds to performance issues within its repairs service; No. 9 relates to the ICT arrangements for the new office.

Business Planning Assumptions and Stress Testing

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 2.5% is assumed, this is 0.5% 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 5.5%, this represents a significant provision against increases in LIBOR and loan margins.

- A substantial provision against increased rent losses relating to Universal Credit and other Welfare Reforms (summarised in the following section).

Stress Testing is a central part of preparing the Business Plan. Board and Audit and Risk Committee consider the external risk environment and the range of internal risks. Stress testing also forms part of Boards regular considerations throughout the year with tests applied to all significant financial decisions.

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.

Strategic Financial Risks

The strategic financial risks faced by Southway (listed below) were considered by Board and Committee members during the process of preparing the 2018 Business Plan.

Rent collection

Significant prudence continues to be maintained in the Business Plan for Voids and Bad Debts from social and affordable properties. These total around 1.25% at present, but are assumed following the roll out of Universal Credit and other Welfare Reforms to increase to 5% by y/e 2020, before reverting to 4% long term. This provides c£0.5m in 2018/19 and up to £1m pa in later years against the risk of worsening rental collection or other risks.

Sales of shared ownership (SO) properties

Lower sales values, reduced first tranche proportions, delayed sales or even potentially no sales pose a significant risk. A trigger point is reached when 210 of 291 grant funded SO units have commenced before further development commitments are entered into. Each SO scheme has its own sales strategy with prudent sales values and profiles reflected in the Business Plan.

Supported Housing Rent Framework

The Government's Policy Statement and Consultation on Funding Supported Housing proposes a new rental regime for Extra Care housing. As a result Southway's two Extra Care schemes are judged as viable. There remains a risk that the Government's final rent and benefit eligible service charge arrangements are different.

Inflation

The minus 1% rent regime exposes Southway to increases in inflation. The Business Plan assumes higher levels of RPI (3.5%, 3.2% for the next two years).

Pension Increases

The Business Plan reflects the planned increases in GMPF contributions, from 19.9% in 2017/18, to 21.2% in 2018/19 and 22.5% in 2019/20. New staff are auto enrolled to the NEST scheme with an employer's contribution of 6%-10%.

Default by Southway Plus

Southway Plus plans to sell six residential properties with projected a value of £2.1m. In the longer term there is a risk that Plus will not generate the expected returns from its market rent activities. The first scheme is due to complete in March 2019.

Refinancing Risk

To minimise refinancing risk the Regulator requires the Trust to have replacement finance available18 - 24 months before the projections for contractually committed schemes indicate new funding would be necessary. The refinancing position is regularly reviewed as new development contracts are entered into. A trigger point is reached when £25m of the £35m new loan has been committed, enabling Board to be appraised of the latest position.

Additional Borrowings

The size of development activity included in the Business Plan and the repayment profile of the stock transfer loan will result in extra borrowings being required beyond 2021. The plan assumes new borrowings will increase from to £54m by y/e 2027.

Cost Control and VFM

The efficiency target to reduce operating costs by £275k per year in each of 2018/19 and 2019/20 has not been reflected in the Business Plan. Delivering this efficiency target would provide a further degree of mitigation against the risks noted above.

Governance

Boards and Committees

Southway Housing Trust (Manchester) Limited ('Southway' or 'the Trust') is a registered society under the Co-operative and Community Benefit Societies Act 2014, and a Registered Provider with the Regulator of Social Housing.

It 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 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. 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 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 Southway Plus and Southway DevCo.

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.

Executive Directors

The Executive Directors are the Chief Executive, Chief Financial Officer, Strategic Director People and Places, and Strategic Director Property and Development. They hold no interest in Southway shares and act as executives within the authority delegated by the Board. None of the executive directors are members of the Trust Board, but they attend all of its meetings.

The executive directors are engaged on permanent service contracts. They receive salaries set by the Board based on its estimation of the amounts required to secure the services of appropriate personnel. The Board takes independent 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.

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

Governance of Subsidiaries

Southway has two wholly owned subsidiaries, Southway DevCo and Southway Plus. Each company has its own articles of association that define their purpose and governance. The relationship between Southway and the subsidiaries are set out in 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 once at least every 4 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 March 2018 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.

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.

In line with regulatory requirements Southway maintains a register that provides a thorough, accurate and up to date record of its assets and liabilities. This has been independently verified by its Internal Auditors.

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 Trust.'

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 2017/18 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 Shared Ownership, Development and Business Planning.

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 with no areas of concern identified.

e) Review of the effectiveness of each Board and Committee.

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

g) Approval of an annual Corporate Plan that derives from the Futures Strategy 2015-2020 through which the Board defines the tasks needed to achieve objectives, and monitors their delivery.

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

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

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

k) The External Auditor's Findings Report.

l) The annual compliance review of the loan agreement.

m) 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').

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

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

p) 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.

q) Compliance reports approved by the Audit and Risk Committee covering a range of property issues including 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.

<u>Donations</u>

During the years ended 31 March 2018 and 2017 Southway made no political contributions and any charitable donations were made during the course of its ordinary activities.

<u>Post Balance Sheet Events</u>

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

Going Concern

After making enquiries, the Board has a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future, being a period 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, 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 18 September 2018.

External Auditors

A resolution to re-appoint Grant Thornton 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 2014, 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 group and Trust 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 (April 2015). 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 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.

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 2014.

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

- There is no relevant audit information of which the Association'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 Report of the Board and Strategic Report was approved by the Board on 7th September 2018 and signed on its behalf by:

Clare Tostevin

Clare Tostevin
Board Member

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 (the 'parent society') and its subsidiaries (the 'Group') for the year ended 31 March 2018 which comprise Consolidated and Trust Statements of Comprehensive Income, Group and Trust Statements of Changes in Reserves, Consolidated and Trust Statement of Financial Position, Group Statement of Cashflows 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 group's and parent society's affairs as at 31 March 2018 and of the group's and parent society's income and expenditure for the year then ended;
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with regulations made under that Act. 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.

Who we are reporting to

This report is made solely to the society's members, as a body, in accordance with regulations made under Sections 87 and 98(7) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 group's or parent 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, set out on pages 3 to 33 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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 where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Responsibilities of the board for the financial statements

As explained more fully in the Statement of Board's Responsibilities set out on page 35, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board is responsible for assessing the group's and parent 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 intend to liquidate the group or parent 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.

Grant Thornton UK LLP.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
18 September 2018

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2018
Consolidated Statement of Comprehensive Income

	Note	2018 £'000	2017 £'000
Turnover	3	27,700	27,672
Operating Expenditure	3	(17,418)	(18,601)
Operating Surplus	5	10,282	9,071
Surplus on the disposal of housing properties	6	3,144	3,025
Interest Receivable	7	67	66
Interest and financing costs	8	(3,676)	(3,863)
Surplus before tax		9,817	8,299
Taxation	11	-	-
Surplus after tax for the year		9,817	8,299
Actuarial Gain in respect of pension schemes	29	1,191	177
Total Comprehensive Income for the Year		11,008	8,476

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 7th September 2018 and signed on its behalf by:

Clare Tostevin
Board Member

Roger Spencer
Board Member

Matthew Maouati
Secretary

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2018
Trust Statement of Comprehensive Income

	Note	2018 £'000	2017 £'000
Turnover	3	29,600	27,672
Operating Expenditure	3	(19,238)	(18,601)
Operating Surplus	5	10,362	9,071
Surplus on the disposal of housing properties	6	3,144	3,025
Interest Receivable	7	118	66
Interest and financing costs	8	(3,723)	(3,863)
Surplus before tax		9,901	8,299
Taxation	11	-	-
Surplus after tax for the year		9,901	8,299
Actuarial Gain in respect of pension schemes	29	1,191	177
Total Comprehensive Income for the Year		11,092	8,476

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 7th September 2018 and signed on its behalf by:

Clare Tostevin
Board Member

Roger Spencer
Board Member

Matthew Maouati
Secretary

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2018
Statement of Changes in Reserves

Income and expenditure reserve	**Group £'000**	**Trust £'000**
Balance as 1 April 2016	36,497	36,497
Surplus for the year	8,299	8,299
Other comprehensive income for the year	177	177
Balance as 31 March 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

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Matthew Maouati
Secretary

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2018
Consolidated Statement of Financial Position

	Note	2018 £'000	2017 £'000
Fixed Assets			
Tangible fixed assets - properties	12	114,410	114,255
Tangible fixed assets - other	13	7,202	1,199
Investment properties	14	9,134	3,671
		130,746	119,125
Current Assets			
Properties for Sale, Stock and Work in Progress	16	2,870	93
Trade and other debtors	17	3,685	2,060
Cash and cash equivalents		11,598	17,472
		18,153	19,625
Creditors: amounts falling due within one year	18	(8,973)	(7,406)
Net current assets		9,180	12,219
Total assets less current liabilities		139,926	131,344
Creditors: amounts falling due after more than one year	19	(77,326)	(79,565)
Provision for Liabilities			
Pension provision	29	(6,619)	(6,806)
Total Net Assets		55,981	44,973
Reserves			
Income and Expenditure reserve		55,981	44,973
Total Reserves		55,981	44,973

The accompanying notes form part of these financial statements. The financial statements were approved by the Board on 7th September 2018 and signed on its behalf by:

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Board Member

Roger Spencer
Board Member

Matthew Maouati
Secretary

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2018
Trust Statement of Financial Position

	Note	2018 £'000	2017 £'000
Fixed Assets			
Tangible fixed assets - properties	11	114,443	114,255
Tangible fixed assets - other	12	7,202	1,199
Investment properties	13	5,642	3,671
		127,287	119,125
Current Assets			
Properties for Sale, Stock and Work in Progress	16	2,095	93
Trade and other debtors	17	7,589	2,060
Cash and cash equivalents		11,504	17,472
		21,188	19,625
Creditors: amounts falling due within one year	18	(8,465)	(7,406)
Net current assets		12,723	12,219
Total assets less current liabilities		140,010	131,344
Creditors: amounts falling due after more than one year	19	(77,326)	(79,565)
Provision for Liabilities			
Pension provision	29	(6,619)	(6,806)
Total Net Assets		56,065	44,973
Reserves			
Income and Expenditure reserve		56,065	44,973
Total Reserves		56,065	44,973

The accompanying notes form part of these financial statements. The financial statements were approved by the Board on 7th September 2018 and signed on its behalf by:

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Secretary

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2018
Consolidated Statement of Cash Flows

	Note	2018 £'000	2017 £'000
Net Cash generated from operating activities	27	12,677	13,359
Cash flow from Investing activities			
Purchase of tangible fixed assets Housing Properties		(5,948)	(4,221)
Purchase of tangible fixed assets Other Fixed Assets		(6,301)	(445)
Purchase of tangible fixed assets Investment Properties		(5,614)	(3,006)
Proceeds from the sale of tangible fixed assets		3,844	3,632
Grants Received		2,253	200
Interest Received		67	66
		(11,699)	(3,774)
Cash flow from financing activities			
Interest Paid		(3,523)	(3,671)
Repayments of borrowings		(3,329)	(3,279)
		(6,852)	(6,950)
Net change in cash and cash equivalents		(5,874)	2,635
Cash and cash equivalents at beginning of the year		17,472	14,837
Cash and cash equivalents at the end of the year		11,598	17,472

The accompanying notes form part of these financial statements.

Notes to the financial statements

1 Legal status

The Trust is registered under the Co-operative and Community Benefits Societies Act 2014 and is registered with the Regulator, Homes England as a housing provider.
The Trust has two subsidiaries formed under the Companies Act 2006; Southway DevCo Limited and Southway Plus Limited which are both UK companies limited by shares, not registered with Homes England. The registered office for all companies is Southern Gate, 729 Princess Road, Manchester, M20 2LT.

The principal activities 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 principal activity of Southway DevCo Ltd during the year was the undertaking of design and build contractors for the development of residential properties. Southway DevCo Limited commenced trading in March 2017, with the majority of trade originating from its parent Southway Housing Trust.
The company is registered under the Companies Act 2006. It is a non-charitable, stock holding company registered at Companies House and wholly owned by Southway Housing Trust (Manchester) Limited. The principal activity of Southway Plus Limited during the year was development of residential units for sale and market rent.

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 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

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 2018 using the purchase method.
The consolidated financial statements incorporate the financial statements of the association 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 Group 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.

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 considering 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 social housing property scheme, using appropriate construction costs and land prices. Where the 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 that 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 relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2018 was £41.3m.

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 26). The liability at 31 March 2018 was £6.6m.

Turnover and Revenue Recognition
Turnover comprises rental income receivable in the year, 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. 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.

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.

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.

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.

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
Roof 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 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 commercial properties and other properties not held for the social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in income and expenditure.

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

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.

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 historic cost model. Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit. At each year end, the instruments are revalued to fair value, with the movements posted to the income and expenditure (unless hedge accounting is applied). The Group and Trust have not adopted hedge accounting for the financial instruments.

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.

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.

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. 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.

3. Turnover, operating cost and operating surplus
Group

2018	Turnover £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	27,218	(16,059)	11,159
Other social housing activities			
Development Services	-	(21)	(21)
Community Investment	46	(538)	(492)
Financial Inclusion	-	(251)	(251)
Other Support Activities	15	(178)	(163)
Shared Ownership	-	(49)	(49)
Non social housing activities			
Sale of Land	-	-	-
Development Services	-	(5)	(5)
Private Rented Sector	155	(31)	124
Commercial Repairs	219	(230)	(11)
Other Activities	47	(58)	(9)
	27,700	(17,418)	10,282

2017	Turnover £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	27,434	(17,330)	10,104
Other social housing activities			
Community Investment	73	(736)	(663)
Financial Inclusion	6	(259)	(253)
Other Support Activities	31	(195)	(164)
Non social housing activities			
Private Rented Sector	66	(26)	40
Commercial Repairs	62	(55)	7
	27,672	(18,601)	9,071

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

Trust

2018	Turnover £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	27,218	(16,059)	11,159
Other social housing activities			
Development Services	554	(545)	9
Community Investment	46	(538)	(492)
Financial Inclusion	-	(251)	(251)
Other Support Activities	15	(178)	(163)
Shared Ownership	-	(49)	(49)
Non social housing activities			
Sale of Land	1,099	(1,099)	-
Development Services	252	(247)	5
Private Rented Sector	155	(31)	124
Commercial Repairs	219	(230)	(11)
Other Activities	42	(11)	31
	29,600	(19,238)	10,362

2017	Turnover £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	27,434	(17,330)	10,104
Other social housing activities			
Community Investment	73	(736)	(663)
Financial Inclusion	6	(259)	(253)
Other Support Activities	31	(195)	(164)
Non social housing activities			
Private Rented Sector	66	(26)	40
Commercial Repairs	62	(55)	7
	27,672	(18,601)	9,071

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

Income and expenditure from social housing lettings	**2018 £'000**	**2017 £'000**
Rent receivable net of identifiable service charges	25,709	25,996
Service income	231	221
Net rental income	25,940	26,217
Amortised government grants	1,256	1,195
Government grants taken to income	-	-
Other revenue grants	10	9
Other Income	12	13
Turnover from social housing lettings	27,218	27,434
Management	(5,468)	(5,318)
Services	(275)	(270)
Routine maintenance	(2,716)	(2,768)
Planned maintenance	(1,255)	(1,182)
Major repairs expenditure	(586)	(656)
Bad debts	(219)	(163)
Depreciation of housing properties	(5,210)	(5,155)
Impairment of housing properties	-	(879)
Other expenditure	(330)	(939)
Operating costs on social housing lettings	(16,059)	(17,330)
Operating surplus on social housing lettings	11,159	10,104
Void losses	123	84

Other expenditure includes £814k (2017: £201k) relating to the service cost of pension obligations, a credit of £645k (2017: £nil) retrospective Business Rates rebate relating to the Trust's office accommodation, £161k (2017: £635k) development expenditure treated as revenue, and £nil (2017: £103k) restructuring costs.

4. Accommodation in management and development
Group and Trust

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

	2018 No. of properties	2017 No. of properties
Social housing		
General needs - social rent	5,598	5,632
General needs - affordable rent	168	159
Supported housing - social rent	86	47
Total managed	5,852	5,838
General needs - managed by others	10	-
Total owned	5,862	5,838
Other accommodation		
Leasehold properties	286	283
Investment properties - owned and managed	24	14
In course of construction		
Southway Housing Trust - shared ownership	108	46
Southway Housing Trust - affordable rent	37	-
Southway Housing Trust - investment properties	3	-
Southway Plus - investment properties	42	-
Southway Plus - outright sale	6	
	196	46

5. Operating Surplus
Group and Trust

This is arrived at after charging/(crediting):

	2018 £'000	2017 £'000
Depreciation of housing properties	5,210	5,155
Impairment of housing properties	-	879
Depreciation of other tangible fixed assets	294	248
Loss on disposal of other fixed assets	4	54
Operating lease rentals		
- office accommodation	229	232
- maintenance vehicles	209	252
- office equipment	3	9
External auditors' remuneration (excluding VAT)		
- for audit services *	28	25
- for non-audit services	-	-
Internal auditors' remuneration (excluding VAT)	20	18

* includes £22k (2017: £22k) relating to the external audit of Southway Housing Trust.

6. Surplus on sale of fixed assets - housing properties

	Group		Trust	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Disposal Proceeds	4,241	4,214	4,241	4,214
Carrying value of fixed assets	(550)	(607)	(550)	(607)
Other costs of sale	(562)	(582)	(562)	(582)
RTB/RTA disposals	3,129	3,025	3,129	3,025
Proceeds from sale of other property	165	-	165	-
Carrying value of other property	(150)	-	(150)	-
Total surplus on sale of fixed assets	3,144	3,025	3,144	3,025

7. Interest receivable and other income

	Group		Trust	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Interest receivable	67	66	118	66
Other finance income	-	-	-	-
	67	66	118	66

8. Interest and Financing

	Group		Trust	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Loans and bank overdrafts	3,514	3,663	3,514	3,663
Capitalised development interest	(135)	(140)	(88)	(140)
Amortisation of initial loan costs	98	99	98	99
Loan security trustee	9	8	9	8
Other finance costs	190	233	190	233
	3,676	3,863	3,723	3,863
Capitalisation rate used to determine the amount of development interest capitalised	5.34%	5.34%	5.34%	5.35%

9. Employees
Group and Trust

Average monthly number of employees expressed in full time equivalents (standard hours 35 hours per week)	**2018 No.**	**2017 No.**
Administration	43	40
Maintenance Service & Home Improvement	77	69
Neighbourhood Services & Community Investment	47	46
Call Centre & Customer Response	26	27
Development and Property Acquisition	9	8
	202	190

Employee costs	**2018 £'000**	**2017 £'000**
Wages and salaries	6,006	5,839
Social security costs	604	585
GMPF Pension contributions	896	834
Nest Pension contributions	55	23
	7,561	7,281

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

	2018	**2017**
	No.	**No.**
£60,001 - £70,000	4	2
£70,001 - £80,000	2	2
£80,001 - £90,000	1	1
£90,001 - £100,000	1	1
£100,001 - £110,000	1	1
£110,001 - £120,000	0	0
£120,001 - £130,000	1	1

10. Key management personnel
Group and Trust

None of the Board Members received emoluments (2017 nil). Board members expenses totalled £1,124 in the year to 31 March 2018 (2017: £3,457).

The emoluments of the highest paid Director, the Chief Executive, excluding pension contributions was £106k (2017: £106k).

The aggregate remuneration for key management personnel, disclosed as Executive Directors on page 2, 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	**2018** **£'000**	**2017** **£'000**
Basic salary	349	350
Social Security Costs	44	65
Pension contributions	69	65
Benefits in kinds	-	-
Compensation for loss of office	-	-
	462	480

11. Tax on profit on ordinary activities

	Group		Trust	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
The tax (credit)/charge is based on the profit for the year and represents:				
UK corporation tax	-	-	-	-
Deferred taxation: original and reversal of timing differences	-	-	-	-
Deferred taxation: changes in tax rates	-	-	-	-
Tax on results on ordinary activities	-	-	-	-

The tax assessed for the year is lower than the standard rate of corporation tax in the UK at 19% (2017: 20%). The differences are explained as follows:

	Group 2018 £'000	Group 2017 £'000	Trust 2018 £'000	Trust 2017 £'000
Profit on ordinary activities before tax	9,821	8,299	9,899	8,299
Tax on profit on ordinary activities at standard CT rate of 20% (2017: 19%)	1,866	1,660	1,881	1,660
Income tax not recognised	(1,872)	(1,660)	(1,881)	(1,660)
Deferred tax not recognised	6	-	-	-
Adjust opening deferred tax to average rate of 19%	-	-	-	-
Adjust closing deferred tax to average rate of 19%	1	-	-	-
Amounts charged/(credited) directly to the STRGL or otherwise transferred	(1)	-	-	-
Tax charge/(credit) for the period	-	-	-	-

12. Tangible fixed assets – properties

Group

	Social housing properties for letting £'000	Social housing properties under construction £'000	Shared ownership properties under construction £'000	Total £'000
Cost				
At 1 April 2017	148,039	1,363	874	150,276
Development of new properties		647	2,099	2,746
Works to existing properties	858	-	-	858
Acquired from other RPs	1,975	-	-	1,975
Schemes completed	-	-	-	-
Other Additions	504	-	-	504
Disposals	(1,237)	-	-	(1,237)
At 31 March 2018	150,139	2,010	2,973	155,122
Depreciation and impairment				
At 1 April 2017	(35,589)	(432)	-	(36,021)
Depreciation charged in year	(5,210)	-	-	(5,210)
Impairment charged in year	-	-	-	-
Released on disposal	519	-	-	519
At 31 March 2018	(40,280)	(432)	-	(40,712)
Net book value				
At 31 March 2018	109,859	1,577	2,973	114,410
At 31 March 2017	112,450	931	874	114,255

Housing properties at 31 March 2018 and 31 March 2017 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	Social housing properties under construction	Shared ownership properties under construction	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2017	148,039	1,363	874	150,276
Development of new properties	-	651	2,128	2,779
Works to existing properties	858	-	-	858
Acquired from other RPs	1,975	-	-	1,975
Schemes completed	-	-	-	-
Other Additions	504	-	-	504
Disposals	(1,237)	-	-	(1,237)
At 31 March 2018	150,139	2,014	3,002	155,155
Depreciation and impairment				
At 1 April 2017	(35,589)	(432)		(36,021)
Depreciation charged in year	(5,210)	-	-	(5,210)
Impairment charged in year	-	-	-	-
Released on disposal	519	-	-	519
At 31 March 2018	(40,280)	(432)	-	(40,712)
Net book value				
At 31 March 2018	109,859	1,582	3,002	114,443
At 31 March 2017	112,450	931	874	114,255

Housing properties at 31 March 2018 and 31 March 2017 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)

Expenditure on works to existing properties	Group 2018 £'000	Group 2017 £'000	Trust 2018 £'000	Trust 2017 £'000
Components capitalised	858	600	858	600
Amounts charged to income and expenditure account	586	656	586	656
	1,444	1,256	1,444	1,256

Finance Costs	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Aggregate amount of capitalised interest included in the cost of housing properties	517	382	470	382

Social Housing Assistance	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Total accumulated grants received or receivable at 31 March				
Recognised in Statement of Comprehensive Income	16,066	14,810	16,066	14,810
Held as Deferred Grant Income (note 19)	25,673	24,843	25,673	24,843
	41,739	39,653	41,739	39,653

13. Tangible fixed assets – other
Group and Trust

	Furniture, fixtures and fittings	Computers and related equipment	Community assets	Office accommodation under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2017	665	2,639	915	69	4,288
Additions	4	280	57	5,960	6,301
Disposals	(613)	(2,146)		-	(2,759)
At 31 March 2018	56	773	972	6,029	7,830
Depreciation					
At 1 April 2017	(646)	(2,373)	(70)	-	(3,089)
Charged in year	(8)	(252)	(34)	-	(294)
Disposed in year	613	2,142		-	2,755
At 31 March 2018	(41)	(483)	(104)	-	(628)
Net book value					
At 31 March 2018	15	290	868	6,029	7,202
At 31 March 2017	19	266	845	69	1,199

14. Investment Properties

	Group		Trust	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
At 1 April	3,670	665	3,670	665
Additions	5,614	3,006	2,122	3,006
Disposals	(150)	-	(150)	-
Increase in value	-	-	-	-
At 31 March	9,134	3,671	5,642	3,671

At 31 March 2018 there were 24 market rent properties and one piece of land in the Trust investment properties. Valuations were taken on eight of market rent properties by Roger Hannah, professional external valuers. Full valuation was undertaken in accordance with the Appraisal and Valuation Manual of Royal Institute of Chartered Surveyors. An open market valuation was obtained. A further six were purchased and three built in the last year. The valuation of these properties and the remaining six properties was not judged to be materially different to their carrying value by the Directors. Directors have knowledge and skill to take a view on valuation, and external open market valuation exercise carried out on land acquired for future private residential development. The Group includes two developments which are under construction and are held at carrying value.

15. Fixed asset investments

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 companies. 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 Ltd £	Southway DevCo Ltd £
Cost		
As at 1st April 2017	1	1
Additions	-	-
Disposal	-	-
As at 31st March 2018	1	1

16. Properties for sale, stock and work in progress

	Group		Trust	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Shared ownership properties				
Completed for sale	-	-		
Under construction	2,002	-	2,002	
Other properties for sale				
Completed for sale	-	-	-	-
Under construction	775	-	-	-
Maintenance materials	93	93	93	93
	2,870	93	2,095	93

The Group and Trust totals include £19k of Capitalised interest in 2017/18 (2017 £nil).

17. Debtors

	Group		Trust	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Due more than one year				
Amounts due from group companies over one year	-	-	3,899	-
Due within one year				
Rent and service charges receivable	3,076	3,017	3,076	3,017
Less: Provision for bad and doubtful debts	(2,524)	(2,456)	(2,524)	(2,456)
	552	561	552	561
Grant receivable	1,443	-	1,443	-
VAT incurred and recoverable	63	-	-	-
Amounts due from group companies	-	-	80	-
Other debtors	1,162	831	1,150	831
Prepayments and accrued income	465	668	465	668
	3,685	2,060	3,690	2,060
Total Debtors	3,685	2,060	7,589	2,060

Trust amount due over one year (£3.9m) represents an intra-group loan from the Trust 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 3.72% to the period 31st March 2018. The loan is repayable in April 2021.

18. Creditors: amounts falling due within one year

	Group		Trust	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Loans due in less than one year (note 20)	3,095	3,319	3,095	3,319
Deferred grant income (note 21)	1,256	1,195	1,256	1,195
Rent and service charges received in advance	576	526	576	526
Leasehold sinking funds	287	282	287	282
Other taxes and social security costs	154	146	154	146
VAT incurred and recoverable	-	2	27	2
Trade creditors	533	267	364	267
Other creditors	945	495	945	495
Amounts due to group companies	-	-	187	-
Accruals and deferred income	2,127	1,174	1,574	1,174
	8,973	7,406	8,465	7,406

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

	Group		Trust	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Loans due in more than one year (note 20)	53,549	56,644	53,549	56,644
Loan arrangement fees to be amortised	(640)	(727)	(640)	(727)
Deferred Grant income (note 21)	24,417	23,648	24,417	23,648
	77,326	79,565	77,326	79,565

20. Debt Analysis
Group and Trust

	2018 £'000	2017 £'000
Bank loans - Due within one year		
Repayable within one year	3,095	3,319
Bank loans - due after more than one year		
Repayable more than one year but less than two years	3,605	3,605
Repayable more than two years but less than five years	17,389	15,728
Repayable more than five years	32,555	37,311
	53,549	56,644
Total Debt	56,644	59,963

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 28). The loan is secured by fixed charges over the Trust's housing properties.

At 31 March 2018 the Trust had an undrawn loan facility of £35m (2017: £35m).

21. Deferred Grant Income
Group and Trust

	2018 £'000	2017 £'000
At 1 April	24,843	26,129
Grant received in the year	2,253	200
Reclassification to revenue		-
Grant disposed in year	(167)	(291)
Released to income in the year	(1,256)	(1,195)
At 31 March	25,673	24,843

	2017 £'000	2016 £'000
Amounts to be released within one year	1,256	1,195
Amounts to be released in more than one year	24,417	23,648
Deferred Grant Income	25,673	24,843

22. Non-equity share capital
Trust

Shares of £1 each issued and fully paid	**2018**	**2017**
At 1 April	7	8
Shares issued during the year	2	3
Shares surrendered during the year	-	(4)
At 31 March	9	7

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.

23. Reserves Notes

Income and Expenditure Reserves include all current and prior period retained profits and losses.

24. Capital commitments

	Group		Trust	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Expenditure contracted for but not provided in the accounts	18,652	15,044	17,559	15,044
Expenditure authorised by the board, but not contracted	56,921	59,654	56,094	59,654
	75,573	74,698	73,653	74,698

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

25. Leasing Commitments
Group and Trust

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

	2018 £'000	2017 £'000
Within one year		
Office accommodation	78	232
Vehicles	180	196
Office equipment	0	8
	258	436
Between one and five years		
Office accommodation	41	132
Vehicles	378	425
Office equipment	0	0
	419	557

26. Contingent Liabilities

The Group and Trust had no contingent liabilities to disclose at 31 March 2018 (2017: nil).

27. Cash flow from operating activities
Group

	2018 £'000	2017 £'000
Surplus for the year	9,817	8,299
Adjustments for:		
Depreciation of housing properties	5,210	5,156
Impairment of housing properties	-	879
Surplus on the disposal of housing properties	(3,144)	(3,025)
Depreciation of other fixed assets	294	248
Loss on the disposal of other fixed assets	4	54
Increase in properties for Sale, Stock and Work in Progress	(2,777)	-
Increase in debtors	(1,625)	(16)
Increase/(decrease) in creditors	1,731	(1,038)
Amortised government grants	(1,256)	(1,195)
Difference between defined benefit employer contributions and costs shown in income statement	814	201
Interest receivable	(67)	(66)
Interest payable and other financing costs	3,676	3,863
Net Cash Generated From Operating Activities	12,677	13,359

28. Financial Assets and Liabilities
Group and Trust

On 22 April 2016 the Trust restructured its 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 2018 £'000	Trust 2018 £'000	Group and Trust 2017 £'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	13,406	13,825	18,957
Financial liabilities measured at amortised cost	2,341	2,804	1,570
Loan commitments measured at cost less impairment	56,644	56,644	59,963
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	10,000	10,000	6,000
Cash at bank	1,598	1,504	11,473
Total	11,598	11,504	17,473
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	56,644	56,644	59,963
Total	56,644	56,644	59,963

The fixed rate financial liabilities have a weighted average interest rate of 5.97% (2017: 5.84%) and the weighted average period for which it is fixed is 11 years (2017: 12 years). Debt maturity profile is shown in note 20.

29. 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. Both schemes operate under the same assumptions, this has led to the results being amalgamated in the notes which follow.

Both Greater Manchester Pension Fund schemes are multi-employer schemes, administered by Tameside Metropolitan Borough Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2016 and rolled forward to 31 March 2018 by a qualified independent actuary.

The employers' contributions to the fund by the Trust for the period ended 31 March 2018 were £898k (2017: £992k) at a contribution rate of 19.9% of pensionable salaries (2017: 18.6%).

Financial assumptions	**31 March 2018 % per annum**	**31 March 2017 % per annum**
Major categories of plan assets as a percentage of total plan assets		
Equities	66%	75%
Bonds	16%	16%
Property	7%	5%
Cash	11%	4%
	100%	100%
Pension increase rate	2.4	2.4
Salary increase rate	3.2	3.2
Discount rate	2.7	2.6

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 2018	**Number of Years 2017**
Retiring today:		
Males	21.5	21.5
Females	24.1	24.1
Retiring in 20 years:		
Males	23.7	23.7
Females	26.2	26.2

29. Pensions (continued)
Group and Trust

Changes in fair value of scheme assets	2018 £'000	2017 £'000
Opening fair value of plan assets	41,982	32,763
Expected return	1,104	1,162
Contributions by members	318	361
Contributions by employer	898	992
Actuarial gains	178	7,406
Benefits paid	(780)	(702)
Closing fair value of scheme assets	43,700	41,982

Changes in present value of scheme liabilities	2018 £'000	2017 £'000
Opening scheme liabilities	48,788	39,312
Service cost	1,692	1,129
Interest cost	1,294	1,395
Contributions by members	318	361
Actuarial losses/(gains)	(1,013)	7,229
Losses on curtailments	20	64
Benefits paid	(780)	(702)
Closing scheme liabilities	50,319	48,788

Movement in net liabilities during the year	2018 £'000	2017 £'000
Scheme liabilities less assets at start of year	(6,806)	(6,549)
Current service cost	(1,692)	(1,129)
Past service costs	-	-
Losses on curtailments	(20)	(64)
Contributions	898	992
Other finance costs	(190)	(233)
Actuarial movement	1,191	177
Scheme liabilities less assets at end of year	(6,619)	(6,806)

29. Pensions (continued)
Group and Trust

Amounts recognised in the statement of financial position	2018 £'000	2017 £'000
Present value of funded obligations:	(50,319)	(48,788)
Fair value of plan assets	43,700	41,982
	(6,619)	(6,806)
Present value of unfunded obligations	-	-
Net liability	(6,619)	(6,806)

Analysis of the amount charged to operating surplus	2018 £'000	2017 £'000
Current service cost	1,692	1,129
Losses on curtailments	20	64
Total operating charge	1,712	1,193

Analysis of the amount charged to other finance costs	2018 £'000	2017 £'000
Expected return on pension scheme assets	1,104	1,162
Interest on pension scheme liabilities	(1,294)	(1,395)
Net interest	(190)	(233)

30. Transactions with related parties
Group and Trust

	2018 £'000	2017 £'000
Amounts due to Southway DevCo	187	-
Amounts due from Southway Plus	80	-
Loan due from Southway Plus	3,899	-
Purchases from group companies		
Design and build contracts from Southway DevCo	3,028	276
Sales to group companies		
Project management staff costs to Southway DevCo	764	224
Project management staff costs to Southway Plus	7	-
Corporate support to Southway DevCo	17	-
Corporate support to Southway Plus	19	-
Land sale and related fees to Southway Plus	1,096	-
Interest on loan to Southway Plus	51	-

These services are undertaken on an arms length basis, in line with HMRC's transfer pricing guidance and advice from BDO LLP.

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 their advantage.

	Weekly Rent £	Amount Due £
Aggregate tenancy transactions as at 31.03.18	170	25

During the year one member of the Board served as a Councillor with Manchester City Council, and one Board member was a senior manager at the same organisation. That local authority has nomination rights over tenancies for most of Southway's properties.

Southway Housing Trust has a Board member in common with Barlow Moor Community Association. During the year Southway had transactions with the association totalling £13k (2017: £33k), the balance due at the year end was £nil (2017: £nil). In both years the association had the use of the community centre for free.

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