Southway Housing Trust (Manchester) Limited

Group Accounts 2016-17

Contents

Board Members, Executive Directors, Advisors and Bankers

Board Members		
Samantha Macwilliam		Chair
Stuart Shore	(from 21 June 2016)	Vice Chair
Iain Leviston		
Roger Spencer		
Memuna Bangura		
Councillor Joanna Midgley		
Sean McGonigle		
Mark Taylor		
Clare Tostevin	(from 21 June 2016)	
Emma Richman	(until 20 September 2016)	

Executive Directors	
Karen Mitchell	Chief Executive
Jane Gant	Strategic Director People and Places
Duncan Smith	Strategic Director Business Development and Growth
David Clermont	Chief Financial Officer

Registered office	Aspen House, 825 Wilmslow Road, Manchester, M20 2SN
Registered numbers	Registered Co-operative and Community Benefit Society: 30348R Registered by the Homes & Communities Agency: 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
Principle Solicitors	Anthony Collins LLP, 134 Edmund Street, Birmingham B3 2ES
Bankers	Barclays Bank PLC, Level 27, 1 Churchill Place, London E14 5HP

Report of the Board and Strategic Report

Introduction by the Chair

Southway has completed another good year, with strong performance across all service areas and the successful delivery of the second year of our new ambitious corporate strategy, the Futures Strategy 2015 to 2020.

Following 5 years as a Board member at Southway, I was extremely pleased to be appointed by the newly formed Parent Board as their Chair in September 2016. As a tenant and local resident I see the positive impact that Southway makes as a community based landlord everyday, with a strong and genuine commitment to our communities and our Place Shaping role.

Providing good quality homes and neighbourhoods is at the heart of our vision and purpose. As part of this we take our responsibility seriously to maximise the use of our assets and deliver much needed new homes. At the start of 2016/17 we adopted a new Development Strategy that will see Southway moving into new geographical areas close to our core neighbourhoods, and delivering a wider range of tenure options.

We do of course face challenging times and have responded positively to the rent cut and uncertainty around future rent policy. We continue to provide support and advice to our more vulnerable tenants and to those adversely affected by austerity measures.

As a financially strong and well governed organisation we can make a difference and use our local knowledge and understanding to invest in our communities. Some of the things I am proud of during the last year are the number of people we have helped to get back into work, the projects we have delivered to support people to get online, our volunteering and social prescribing projects, and the support we have given to our network of food share projects across our neighborhoods where people are working together to address some of the financial pressures they and their families face.

A great year all round and I look forward to the year ahead.

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 the areas of South Manchester. The Trust was established in 2007 to take over the ownership, management and improvement of almost 6,000 council owned 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 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.

Corporate Strategy

Southway adopted a new Corporate Strategy in March 2015, the 'Futures Strategy' 2015 to 2020. This sets the direction of the Trust for the next 5 years and beyond. The Futures Strategy has five areas of thematic priorities:

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 will tell us that our services and neighbourhoods are age friendly.

Priorities for Investment	We will have delivered over 700 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 these objectives during 2016/17 are summarised below.

Affordable homes in desirable neighbourhoods

We restructured the teams that provide our landlord services, reducing the cost of transactional services so we could focus more resources on where it has greatest impact. We exceeded our target for rent collection and our 2015/16 performance, collecting 99.81% of rent due. We received recognition for our Environmental Work, winning a Green Flag award - a first for a Housing Association. Southway brought the installation of equipment and adaptations in house and cut down the average waiting time from assessment to completion of the work from 10 months down to 5 months, achieving a 100% satisfaction rate in the process.

Community Investment

We have expanded our service to help tackle hoarding and are now offering our service to other Housing Associations and private tenants. Our 'Quids In' project operates from 5 centres across our management area, providing members with £15 worth of fresh, chilled and tinned food for a £2 fee. We assisted 50 of our tenants into paid employment. And over 8,000 hours service were delivered via our volunteering project. We continued to develop our Tenancy Support offer to vulnerable tenants.

Age Friendly Living

Southway continues to deliver its internationally recognised Age Friendly work; the key aim being to improve the quality of life of our older residents. In 2016/17 we worked alongside MMU to deliver Big Lottery funded work in Burnage and across Manchester aimed at reducing social isolation, as part of a wider £10.2m Greater Manchester initiative. Work to improve the health and well being of older tenants has continued with LINKages our social prescribing service which enables GP surgeries to signpost older people to activities and social events. A peer support network was also set up in Old Moat with events and activities including lunches and cultural activities. Members report feeling less isolated, more confident and in better health.

Priorities for Investment

We completed two further development projects delivering 40 new affordable homes. Our growing market rent portfolio now has 14 properties that we rent privately, adhering to the high standards of customer care that we adopt for our social rent properties. These help generate a surplus that can be re-invested to support our social objectives. We set up two subsidiary companies to help deliver our ambitious development programme. Work has started on site at Vine Street in Gorton. This scheme once complete will provide 46 homes for shared ownership.

Well Managed and Financially Strong

A surplus of £8.3m was generated in the year (2016: £6.6m). This surplus adds strength to our financial plan and our ability to deliver our strategic objectives. The Trust also retained it top G1 and V1 Governance and Viability ratings from the HCA, the social housing regulator. The new Group, Board and Committee structure has helped guide and shape delivery of the Futures Strategy.

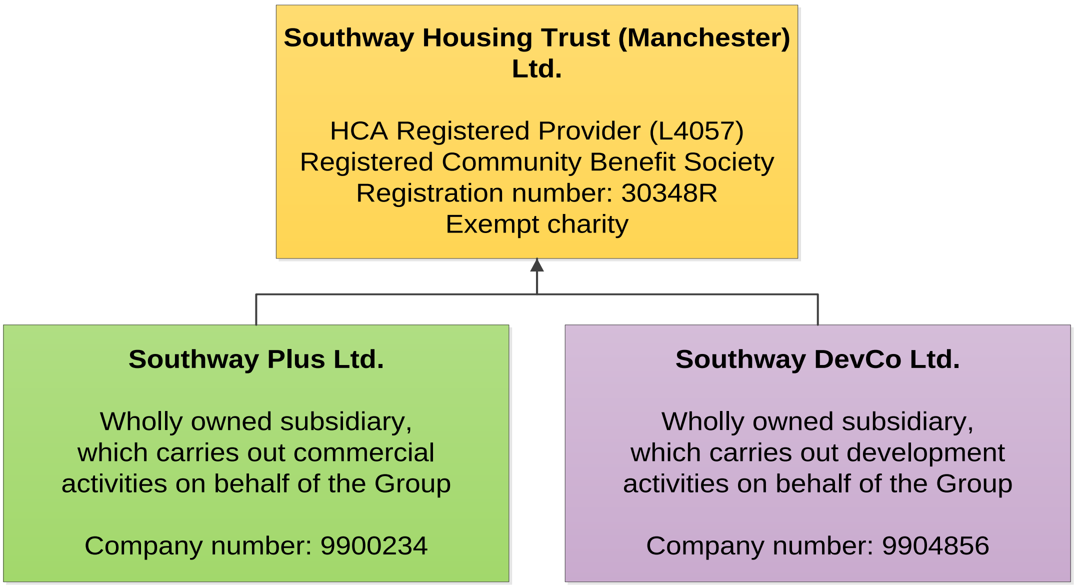
Corporate Structure

A new corporate structure was adopted on 1 April 2016. The new group structure facilitates the Futures Strategy with two new subsidiaries involved in the delivery of the increased development programme and introduction of commercial activities. The structure supports a focus on commercial risk and return, while 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 will undertake commercial projects including new build market rent - dormant, expected to commence trading in 2017/18;
- Southway DevCo Limited, a subsidiary which undertakes development contracts on behalf of other Group members, enabling VAT savings to be achieved on professional fees such as architects and surveyors - commenced trading in March 2017.

SOUTHWAY GROUP STRUCTURE



Parent Board and Committees

Southway's new Board and Committee structure was also put in place from 1 April 2016. All members undertook a skills based recruitment process prior to being appointed. The Board contains the necessary depth of knowledge and experience to provide the strategic leadership to the organisation. The governance structure comprises:

- A strategically focussed Parent Board made up of nine members, comprising five independents, two tenant members and two local authority members.
- A People and Places Committee made up of seven members, comprising 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.

Residents' Involvement

Southway believes that all tenants should have the opportunity to influence or become involved in its decision making process. In 2016/17 nearly 500 tenants provided direct feedback to us through our events and other feedback routes.

The current 3 year Customer Involvement Strategy covers the period up to March 2018, and sets out our commitments and priorities across three areas:

- Governance through assurance based co-regulation,
- Social Investment through community development,
- Feedback through commentary from the wider customer base.

Co-regulation is at the heart of our formal involvement structures. The Resident Consultative Group (RCG) comprises tenants and residents and meets every six weeks with senior officers. The Board and People and Places Committee consult RCG on a range of policies and operational practices. All members of the Board and Committee structure attend the RCG as part of their induction and have 2 places on the group to attend as observers.

The Tenant Scrutiny Panel has been in place for 5 years and has directly influenced a number of areas of service improvement. In 2016/17 the Panel reviewed the anti social behaviour service and communication around rents and debt recovery. The Panel also assessed and confirmed compliance against the HCA Consumer Standards and reported their findings through to Board.

The framework is strengthened through the Trust's involvement in a partnership Complaints Review Panel, which opens up challenges to our complaints process to tenants from neighbouring RPs and through the use of Task and Finish groups that bring tenants with a particular area of interest together to identify how services can be improved to add value for our tenants.

Employees and People Strategy

Southway employed 195 staff at the end of March 2017. Southway staff demonstrate high levels of commitment to and achieve outstanding performance in a number of service areas. The tenant satisfaction STAR survey 2016 identified that our customers are satisfied with the services we provide.

Southway's overall approach is that "Our staff are trusted to do the right thing" which is supported by the values and culture of the organisation. The annual training plan provides job related training and personal development opportunities for all staff. Southway supplements its regular employee communication channels with a Staff Consultative Group of representatives which meets monthly to discuss matters which affect employees.

2016/17 was a challenging year as a cost reduction plan was implemented in response to the rent cut policy. Staff identified areas where spend could be reduced with a priority being to minimise the impact on our tenants. In April 2016 the landlord service was fundamentally reshaped with a new service model and staffing structure, directly affecting 78 staff. In the summer 2016 a new Development Team was established to make sure the right skills and capacity were in place to deliver the expanded development programme.

The bi annual staff survey, carried out in December 2016, identified a lower level of satisfaction compared to 2014, a result consistent with other providers in the sector. 92% of staff completed the survey, showing their commitment to improving the organisation and taking the time to feed in their views. In 4 areas the Trust remained above the sector benchmark, but fell below in 2 areas including the overall levels of engagement. Improving these areas is a high priority in 2017/18.

A new People Strategy 2017 to 2019 has been prepared which sets out the vision and objectives for our staff, as well as a clear framework of employer and employee roles and obligations. In addition to maintaining the commitment to staff development the strategy also seeks to address the findings from the recent staff survey.

Value for Money

A full version of the Trust's 2016/17 Value for Money Self Assessment Statement is available on our website www.southwayhousing.uk.

1. ***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, tenant satisfaction and cost. Each of these factors is judged against trends and sector benchmarks. A detailed assessment of the core landlord functions is regularly undertaken. In summary:

- Property Maintenance continues to deliver top quartile outcomes at substantially lower cost than other Registered Providers.
- Rent Collection results have been maintained during a comprehensive restructuring of the core landlord function. Performance continues to be significantly better than the median of the sector.
- The efficiency of Housing Management functions has improved with costs reduced towards the median of the sector, while satisfaction rates remain steady.

Corporate functions and overheads have also been assessed for VFM. Costs are lower than the median for stock transfer landlords.

How we manage our assets, derive improved value from development programme and assess the social return on investment are key factors which aid Southway's decision making processes when determining how to deploy the Trust's resources.

2. *Efficiency Targets*

Efficiency Targets to 2018 were set by Board in December 2015 as part of adopting the new Value for Money Strategy and Cost Reduction Plan which defined the Trust's response to the Government's -1% rent reduction regime for the 4 years to 2020. The impact of this change during the four years was assessed as reducing Southway's income by 14%. The Trust's Cost Reduction Plan will reduce operating budgets by a similar percentage by 2017/18, a reduction of £1.8m, summarised below.

Cost Reduction Plan	**£m**
Community Investment	0.7
Housing Management staff	0.2
Housing Management non staff	0.3
Maintenance	0.3
Overheads	0.2
Other	0.1
TOTAL	**1.8**

After the planned cost reductions have taken place the level of spending on Community Investment in y/e 2018 returns to the level it was in y/e 2013, c.£1m, equivalent to 9% of operating spending.

When preparing this plan the impact on tenants and an assessment of the degree of mitigation was central. Effective budgetary control arrangements were also judged essential to ensure delivery of the anticipated savings. Budget holders and the Finance team have worked closely in this regard and Board receive quarterly reports noting progress. The internal audit review of budgetary control resulted in 'substantial assurance'.

The Trust has responded successfully to the rent reduction regime. The Global Efficiency Statement reported within the separate VFM self assessment presents the outturn results for 2016/17. This combined with the budget adopted for 2017/18 demonstrates that the planned budgetary reductions totaling £1.8m will be fully delivered.

The commentary below and the additional tables and charts which accompany the full VFM self assessment statement provide evidence to stakeholders as to Southway's achievements and future plans to deliver value for money.

3. *Operational Performance*

A summary of operational performance outcomes in 2016/17 is set out below; further details are included in the self assessment statement. The table reports Southway's quartile performance compared to other stock transfer landlords across the country who submit information to the Housemark benchmarking club. Data correct as of 31st July 2017.

	2015/16 Outcome	2016/17 Target	2016/17 Outcome	2016/17 Quartile	2016/17 Median	2016/17 Ranking
Percentage of repairs completed at first visit	93.3%	95%	95.6%	**Q2**	93.7%	18/59
End-to-end time for all reactive repairs (in days)	4.3	n/a	4.3	**Q1**	8.9	5/79
Relet time for Minor Voids (in days)	15	15	17	**Q1**	22.5	17/79
Void losses as a % of rent	0.50%	0.46%	0.32%	**Q1**	0.79%	5/73
% calls answered	94.5%	98.0%	65.3%	**Q4**	94.5%	66/66
Rent Collected from current and former tenants (excl. arrears b/f) %	100.10%	99.91%	100.14%	**Q2**	99.86%	25/72

Four of the six indicators achieved their target. The two that did not were:

- Average relet time for minor voids – Quartile 1 performance was maintained.
- Percentage of calls answered – the reduction in performance related to the introduction of a new structure, see the commentary on Housing Management in section 6.

Additional performance achievements in the year to March 2017 were:

- 98.8% of all response repairs delivered on time,
- 100% of homes remain as Decent Homes,
- 100% of homes had an up to date gas safety certificate.

4. *Customer Service Standards and Satisfaction*

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

A satisfaction survey of tenants and residents (STAR) is carried out every two years. The reported results from 2016 are shown below including performance compared to other Registered Providers.

Tenant satisfaction with...	**2016 Result**	**2016 Quartile**
Services provided by landlord	86%	Q2
Overall quality of home	84%	Q2
Area as a place to live	81%	Q3
Value for money of rent	81%	Q2
Repairs and maintenance	85%	Q1
Listens to residents' views and acts upon them	67%	Q3

Four of the six measures have consistent percentages and quartiles. The other two are:

- value for money of rent – which shows improvement from Quartile 4 in 2014
- listens to residents' views and acts upon them – a reduction from Quartile 2 in 2014, a revised Customer Involvement Strategy has since been adopted.

5. *Social Housing Costs*

Southway's level of spending on each aspect of its social housing costs are compared to other landlords on a per unit basis. Analysis has been undertaken using the most recently published HCA Global Accounts for 2016.

£ per unit	Southway 2016	All RPs 2016 median	Note
Management	1,026	1,020	*A*
Services	35	360	*B*
Maintenance	704	970	*A*
Major Repairs	363	810	*C*
Other Cost	412	210	*D*
Total	2,540	3,570	

Note A - Management and Maintenance costs are assessed in more detail below.
Note B - Southway has fewer properties which are subject to service charges.
Note C - Lower major repairs spending relates to the completed home improvement programme.
Note D - Southway undertakes relatively higher levels of community investment.

The cost of Southway's repairs service is substantially lower than other Registered Providers. Comparison to the HCA's global accounts for 2016 shows the per unit cost of routine and planned maintenance is 27% below the sector median, an annual saving of £1.6m, equivalent to 14% of the Trust's operating cost budget in 2016/17.

Combining Management and Maintenance costs together, Southway spent £1,730 per unit during 2015/16. This places the Trust exactly at the top quartile mark of all RPs and also at the top quartile mark of stock transfer landlords.

The trend in the key management and maintenance cost ratios are shown below. Both indicators show a high degree of cost control in operation, as well as the cost reductions being delivered in 2016/17, as referred to earlier. The improvement in Southway's management cost per unit compared to the sector is also illustrated.

Management

£ per unit	**y/e 2013**	**y/e 2014**	**y/e 2015**	**y/e 2016**	**y/e 2017**
Southway	991	1,013	1,000	1,026	945
All RP median				1,020	
Stock Transfer mean	876	939	972		n/a
Southway above average by	115	74	28	6	n/a

Maintenance

£ per unit	**y/e 2013**	**y/e 2014**	**y/e 2015**	**y/e 2016**	**y/e 2017**
Southway	670	636	686	704	677
All RP median				970	
Stock Transfer mean	1,041	1,039	1,018		n/a
Southway below average by	-371	-403	-332	-266	n/a

6. ***Commentary on Key Business Areas***

The full 2016/17 VFM self assessment statement supplements the commentary below with additional assessments in relation to:

- results from the new Value for Money scorecard which is proposed for the sector,
- detailed analysis of Housemark cost benchmarking for 2016/17.

Property Maintenance

Southway's in-house repairs team continues to perform at a very high level. Over 25,000 repairs were completed in 2016/17, with 95.6% of repairs completed at first visit. The team delivers top-quartile KPI performance including the average end-to-end time for all reactive repairs, and the average relet time for minor voids. Customer satisfaction rates from the most recent STAR Survey are in the top quartile of all registered providers. It is also in the top quartile of stock transfer landlords in terms of cost.

New work streams were implemented during the last year. The in-house team completed significant work around 'aids and adaptations' and refurbishment of new property acquisitions. Improvement works, while noted to be a small programme, was benchmarked as being at a higher component cost than other stock transfer landlords.

The focus of the repairs service for 2017/18 will be:

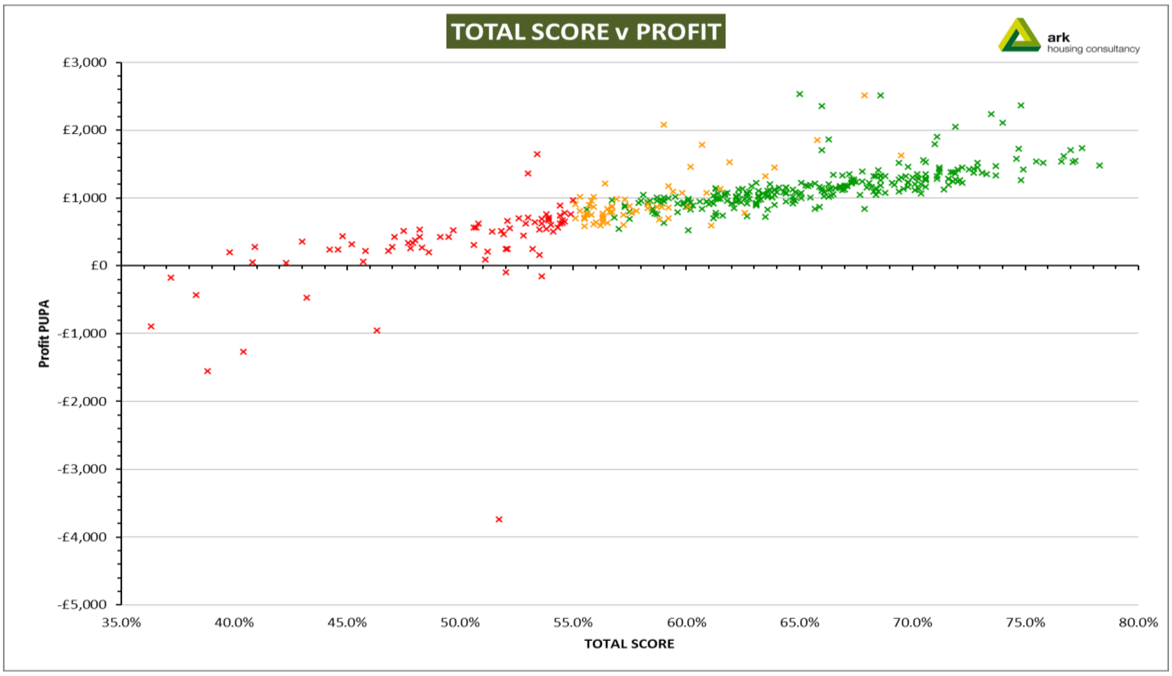
- Extensive cost assessment and further benchmarking,
- Succession planning - including delivering additional apprenticeships as part of social value contribution from development projects,
- Efficient work planning and the increased use of mobile technology.

Strategic Asset Management

Spending on major repairs is significantly below the sector average. This reflects the recent completion of the Trust's post transfer home improvement programme. Future investment is planned on a cyclical basis in line with the 2015 stock condition survey.

During 2016/17 Southway adopted a comprehensive stock assessment tool which links individual property data including financial information and environmental factors to produce qualitative assessment of stock performance.

The results identified that Southway has a much higher proportion of properties which generate a surplus than many other RPs, with the majority Southway's lowest scoring properties still generating a positive contribution (being above the breakeven axis in the chart below). Some clusters of poor performing stock were identified for further options appraisal work.



A new Active Asset Management Strategy is due to be delivered in 2017/18, which will identify Southway's approach to its property standards, evaluation criteria and benchmarks and also the use of the new asset freedoms and flexibilities.

Housing Management and Rent Collection

In April 2016 the landlord service was fundamentally reshaped with a new service model and staffing structure. The project, called Shaping Southway, aims to reduce the cost of administering transactional services (for which the Trust was in the fourth quartile of stock transfer landlords in 2014/15) so that specialist and flexible services can be effectively targeted where they will have most benefit.

A Task Force, focused on reviewing the way we deliver our landlord services, was launched to find ways to develop more efficient ways of working by removing blockages and streamlining processes. The team developed an online Knowledge Base to support call answering, reviewed the way new tenants are signed up and moved services online. This supports Southway's aspiration to direct more of our tenants towards accessing services digitally.

Due to the implementation of the new structure and ways of working there were some problems with call answering in our Customer Hub with tenants sometimes waiting for significant periods of time. Performance around the percentage of calls answered reduced from 94.5% in 2015/16 to 65.3% in 2017/18. However, satisfaction with the service remained high and first call resolution was 90%. Call answering is now on an upward trend.

Rent collection performance has been strong throughout the year with collection above target at 99.81% for current tenants. This is slightly higher than the rate achieved in 2015/16 which delivered a top quartile result compared with other stock transfer landlords. Void turnaround times continue to be in the top quartile of providers, while the percentage lost rent from voids is one of the lowest in the whole country.

Southway continues to develop strategies in response to the introduction of Universal Credit and other 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.

Tenant satisfaction with our landlord services reported in the bi-annual STAR Survey in 2016 shows that satisfaction has remained consistent since 2012 and that value for money of rent has increased since 2014.

Community Investment

The Trust 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 Employment and Training, Community Buildings and Partnerships, Health and Well Being and Volunteering.

During 2016/17 we achieved a £5.3m return assessed via HACT, a Value Insight reporting tool. This provides a well-being valuation methodology to measure the social return on investment (SROI) achieved on community investment projects, with the results expressed as a monetary amount. The return is £1.5m more than that achieved in 2015/16 and £200k above target.

Our dedicated Advice Services team supported 561 tenants to secure £2.65m of additional benefits and provided a further 126 with debt advice. We also expanded our innovative 'Quids In' Food Club moving from one club to five clubs providing a sustainable alternative to Food Banks.

In addition our tenants and the local community benefitted in the following ways:

- 579 tenants accessed services at community centres,
- 416 people received advice and training to help them into work,
- 50 tenants were supported into employment,
- 22 tenants assisted via the Complex Dependencies programme helping to focus resources on supporting vulnerable individuals and families as part of the public service reform agenda,
- 340 individuals and 56 organisations provide over 8,000 hours of volunteering through our Time Bank volunteering model.

Overheads - Finance and Central Services

Southway's Finance and Central Services overhead costs continue to be in the second quartile of stock transfer landlords. An increase in expenditure was incurred in 2016/17 in order to assess the larger development programme and help facilitate the set up of the new subsidiaries. The year's achievements lead to the team winning Finance Team of the Year at the National Housing Federations HANA awards.

Overheads - Office Premises and IT

Southway's office premises costs are in quartile three compared to other stock transfer landlords, influenced directly by the South Manchester property market. IT expenditure in contrast has been significantly below the median.

Southway's current office lease expires in June 2018. Significant options appraisal work was carried out in 2016/17 to identify suitable future accommodation. This exercise balanced value for money of new office accommodation, with strategic considerations that furthered the long-term objectives of the Trust.

A suitable new build site was originally secured but following further assessment it was concluded that this would be land banked for a future residential scheme. Instead an existing office building was selected, which with refurbishment provides a much lower cost solution. The building will provide staff with an attractive and comfortable place to work in the midst of its community with good transport links and facilities for staff and tenants.

Southway's IT infrastructure and telephony requirements will be re-procured in 2017/18 as part of the new office and the long-term strategy for delivering high quality services. The structure of existing IT arrangements has been extended over the last two years with modest additional investment, enabling the Trust to deliver value for money in IT ahead of the move to the new office.

Development Programme

Following the adoption of Southway's 5-year Development Strategy and Investment Framework, 2016/17 consisted of focus on three main areas:

- Development of a pipeline of development projects
- Bidding for SOAHP 2016-21 funding
- Recruitment and selection of a new team with enhanced skills and capacity

Value for Money outcomes for the year are difficult to assess, as only a low number of projects were completed, with the focus being primarily on building a larger programme and pipeline to be delivered over the next 3 to 4 years. The successful SOAHP bid secured £7.35m of grant funding to support the delivery of 291 new shared ownership homes. This placed Southway, as a relatively new entrant to the development marketplace, 7th in the list of allocations for the North West region.

It is expected that Southway will commence the construction of 135 new-build homes and acquire a further 19 properties during 2017/18. Focus will remain on the delivery of the following aspects to assist in the delivery of better value for money in development:

- Adopting an approved development suppliers list.
- Delivery of a standard Employers Requirement document and tenure specifications.
- Developing and integrating an e-procurement system.
- Procurement of development schemes to deliver construction cost savings (including off-site manufacture)
- Purchasing Section 106 units, with a favourable cost to open market value ratio.

Insurance

Since the last insurance tender exercise in November 2014, Southway has delivered an improved insurance management service with reduced numbers of claims and better prevention and defense arrangements in operation. Driver training programmes have also helped reduce motor incidents. Southway's insurance contract is being re-procured in November 2017. It is anticipated the improved arrangements referred to above will help to mitigate the risk of increasing insurance premiums.

Interest

Southway's loan agreement with Barclays was restructured in April 2016 (see details in the Loan Facility and Treasury Strategy sections later in the report). This delivers a value for money solution maintaining interest rate margins which are significantly below sector norms.

The slower development spend than originally planned (mostly related to the two extra care schemes as explained later) delayed draw down from the new loan facility. This increases the level of non utilisation charges. Board monitors the position quarterly, the additional £135k non utilisation cost reduces the VFM efficiency gains reported above.

Commercial Activities

Commercial Repairs were targeted to deliver a profit, recouping start-up costs by y/e 2017. The service has not delivered at scale, during 2016/17 it broke-even.

Market Rent properties delivered a net income of £40k. Interest costs associated with this investment would be deducted to derive a bottom line result. Based on an analysis of the average level of investment during 2016/17, a relevant interest charge of £47k has been estimated for the year. This is higher than the net income total, the difference relates to establishing the new operation which is not yet achieving economies of scale and the return which is expected from capital appreciation when the properties are ultimately sold.

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. It also takes account of the contracted terms of the loan agreement.

The Business Plan is reviewed twice a year. The review assesses compliance with future financial commitments, and also the potential for future funding needs. It includes sensitivity analysis and substantive stress testing (see the 'Risk Management' section of this report).

Medium term Resource Plans are agreed annually to resolve how resources will be deployed over a 3-4 year time span, taking account of any constraints from the loan agreement. The Plan identifies amounts available to fund the preferred operating cost base and the diverse investment needs of the business.

Four times in each year the Board receives reports which set out actual income and expenditure against the current Resource Plan. Differences are analysed to ensure that variances due to timing differences are distinguished from more substantive differences. Reporting includes proof of compliance with the funder's covenant requirements.

High level financial and performance indicators are assessed by the Board quarterly.

The Social Housing Regulator monitors all Registered Providers and carries out in-depth assessments periodically.

Financial Performance

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

- reduced investment following completion of the home improvement programme,
- increasing surpluses from Right to Buy sales,
- a reduction in operating costs in 2016/17 derived from effective cost control and the efficiency measures referred to in the Value for Money section of this report.

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

£m	2012/13	2013/14	2014/15	2015/16	2016/17
Turnover (excl. grant amortisation)	25.5	25.8	25.8	26.6	26.7
Operating Costs (excl. major repairs, depreciation and impairment)	-10.9	-11.4	-12.1	-12.6	-11.9
Stock Investment (revenue & capital major repairs spend less grant)	-26.0	-6.3	-2.4	-2.1	-1.3
Sales Surplus	0.6	1.6	1.4	2.2	3.0
Interest Payable (net of receivable)	-3.2	-3.6	-3.5	-3.4	-3.7
Net Resource	**-14.0**	**6.1**	**9.2**	**10.7**	**12.8**

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 which has applied since 2013/14. (The outflow of resources in 2012/13 was fully anticipated and built into the Trust's Business Plan. It relates to stock transfer home improvement programme which completed that year).

The following table summarises the Trust's assets and liabilities. Investment in Southway's housing stock has steadily increased since 2013. It also shows the scale of loan repayments which have taken place during this time.

£m at year end	2012/13	2013/14	2014/15	2015/16	2016/17
Property net book value less grant	87.3	87.8	91.2	92.6	94.7
Other fixed assets	0.6	0.7	0.7	1.1	1.2
Net current assets	18.2	5.9	6.4	8.7	12.2
Long term loans	-80.3	-65.0	-62.5	-59.3	-55.9
Other long term liabilities	-6.9	-5.1	-9.3	-6.5	-6.8
Reserves	18.9	24.2	26.5	36.5	45.4
Properties owned and managed	**5,893**	**5,878**	**5,860**	**5,855**	**5,852**

Over the same period the number of properties owned and managed has reduced slightly, indicating Right to Buy sales have marginally exceeded the number of new properties delivered. In 2016/17 there were 53 sales, compared to 41 affordable homes and 9 market rent properties coming into management.

2017 Business Plan and Loan Facility

Southway was previously financed in a standard manner for stock transfer landlords, with a single loan facility mostly drawn during an initial period of intense investment (2007-13), and scheduled to be repaid against an agreed timetable (by 2029). The orange line in the chart on the following page.

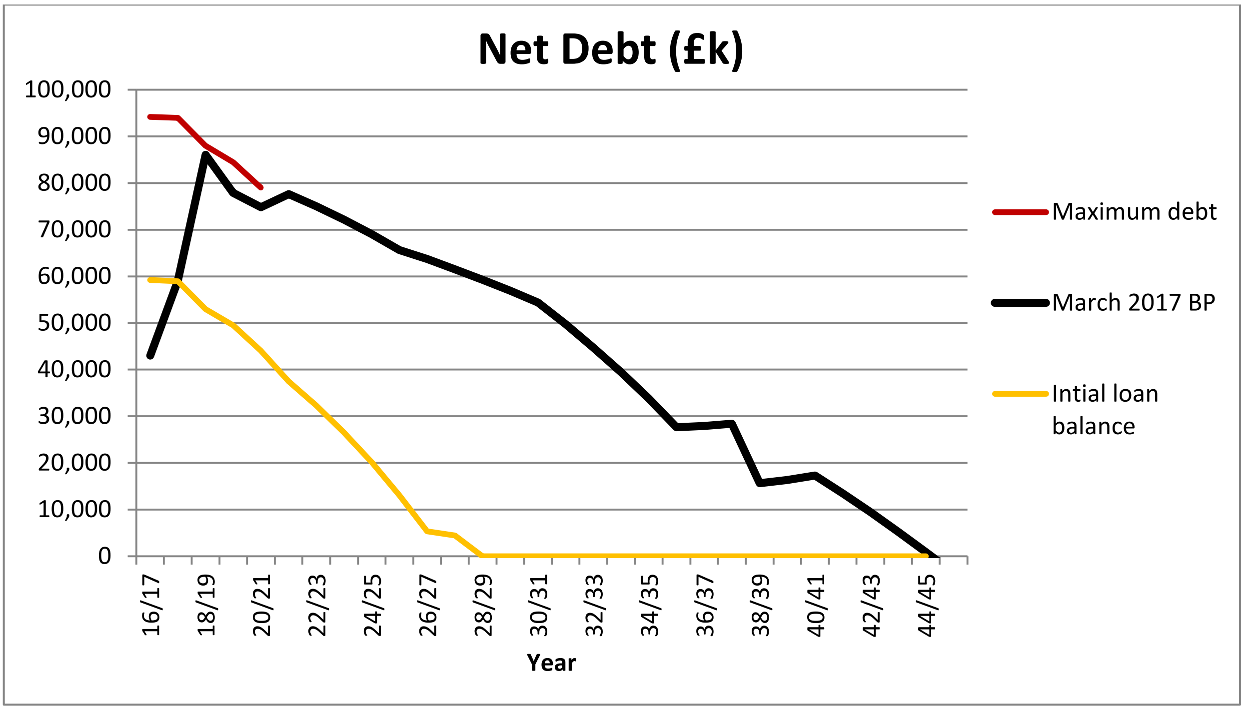
Southway's housing stock was valued at £200m in March 2016, demonstrating the Trust has considerable levels of asset cover available. In April 2016 Southway's loan facility with Barclays was renegotiated. An additional five year revolving credit facility of £35m was secured, increasing the level of funding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

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 767 properties by 2021, with the anticipated tenure mix summarised below.

	Shared Ownership	Affordable Rent	Market Rent	Total
2016/17	n/a	43	8	51
Extra Care	n/a	n/a	n/a	161
2017-2021	278 (50%)	167 (30%)	110 (20%)	555

The Group's Development Strategy was updated in March 2017, reflecting the allocation of 291 grant funded shared ownership units as part of the HCA's SOAHP 2016-2021.
The geographic basis of development includes the neighbouring boroughs of Stockport, Tameside, Trafford and Salford. Out-right sale was also considered and approved as an additional tenure type - opportunities are being considered but are yet active.

The Group's latest Resource Plan provides for £100m to be spent during the next four years developing and acquiring new housing stock. The resulting 2017 Business Plan, the black line below, reflects (a) the new loan deal, (b) the updated Development Strategy, and (c) the results of the 30 year Stock Condition Survey carried out in late 2015. Net debt in is expected to peak at £86m in 2019.



Loan Covenants

Interest cover (EBITDA-MRI) is substantially above the contracted 110% minimum throughout this period, with a lowest ratio of 143% forecast in 2027.

A new loan covenant has been set which requires Net Debt per Unit to be below £17.5k. The 2017 Business Plan projects a high of £15k pu.

The new loan facility also permits the Parent on lend up to £10m to its subsidiaries (£5m of which may be invested in joint venture projects). The 2017 Business Plan for the Group shows this being utilised with £10m funding provided to Southway Plus to develop new build housing for market rent. The Parent Board has assessed the interest rate and security arrangements which are to apply on this intra group loan, ensuring the charitable assets of Trust are protected.

Cash Position and Treasury Strategy

At March 2017 Southway has cash and short term investments totalling £17.5m, significantly more than projected in the 2016 Resource Plan. This has arisen in the main due to the Board's decision to defer the development of two extra care projects - a decision related to the Government's review of the funding arrangements for supported housing, which jeopardises the financial viability of these schemes. Alternative solutions are being considered for these development projects.

Responding to the current higher levels of cash (prior to the planned commencement of the spending commitments related to the new Development Strategy) a review of the treasury investment opportunities available to the Trust is being carried out. Excess funds are to be 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. At the previous loan restructuring in August 2013 all debt was priced at a fixed rate of interest of 5.07% + margin (equivalent to the fair value of the tranches fixed in the past).

To secure the additional £35m loan, which was priced at a relatively competitive margin, a degree of repricing was negotiated on the original £60m loan at a rate which retained the margin significantly below current market levels. With all of the £60k stock transfer loan drawn on fixed interest rates, it is intended that 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 principal financial risks faced by the business, as identified in the Significant Risk Map reported to Audit and Risk Committee in April 2017, are:

(1)* Exposure of shared ownership sales to market trends and adjustment.

(2) Impact of Universal Credit.

(3) New office project not delivered effectively.

(4) Costs and reputational issues arising from Development Programme.

(5)* Ineffective treasury management.

(6) Longer term rent policy uncertainty.

(7)* Unable to deliver Extra Care Priority.

(8) Failure to achieve VFM efficiency targets and cost reductions.

(9)* Restriction on lending limits the activities of subsidiaries and joint ventures.

(10)* Risks relating to pension costs.

Comparison has been made to the top ten risks noted in the 2015/16 Report of the

Board. The five risks marked with asterix are new. These risks reflect the changing profile of the organisation as it expands development for the first time into shared ownership and new build market rent projects, the problems experienced on the extra care schemes (referred to earlier in this report), and ensuring that effective pension and treasury management arrangements are in place.

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 higher than the rate of rent increases after 2020 assumed to be 2.0% (equivalent to CPI only).
- Long term LIBOR (the variable interest rate assumption for new borrowing) is assumed to be 5.0%, equivalent to a real rate above RPI of 2.5%.
- A significant provision against increased rent losses relating to Universal Credit and other Welfare Reforms (summarised in the following section).
- Revenue budgets include an annual contingency of £300k pa.

The annual Stress Testing exercise 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. Sensitivity tests are carried out on single variable assumptions to assess which factors the business is at most risk from. These factors are then combined to assess the overall robustness of the plan, and appropriate mitigation strategies identified.

As a result of this analysis Southway's judgement is that it has a financially strong Business Plan able to respond appropriately to the range of risks it faces.

Stress testing also forms part of Boards regular considerations throughout the year with tests applied to all significant financial decisions.

Strategic Financial Risks

The strategic financial risks faced by Southway (listed below) were considered at a stress testing workshop in November 2016 attended by members of the Parent Board and the Audit and Risk Committee. These were further reviewed by the Audit and Risk Committee in February 2017 via a 'deep dive' presentation and discussion, and were assessed again by the Board when approving the 2017 Group Business Plans.

Shared Ownership Sales - SOAHP development will commence in 2017/18. Marketing strategies will be prepared for each scheme. The risks associated with the properties not being sold quickly (assumed to be within 6 months after build completion), or at the assumed value/proportion (c20% above cost and a 40% first tranche share) will be tracked and reported to Board quarterly.

Rent Losses - Voids and Bad Debts total just under 1% at present, but provision is included in the plan following the roll out of Universal Credit and other Welfare Reforms for these to increase to 5% by 2020, reverting to 4% long term. This provides up to £1m pa against the risk of worsening rental collection or other risks. Performance is monitored weekly and unused contingency is reported to Board quarterly.

Short Term Inflation - The minus 1% rent regime results in Southway being exposed to increases in inflation without the ability to compensate by increasing its rental levels. The 2017 plan assumes higher levels of RPI (2.8%, 3.5%, 3.2%) for the next three years. RPI and CPI indicators are tracked and reported to Board quarterly. The impact of inflation on building prices will be assessed as development projects are tendered.

Pensions - Greater Manchester Pension Fund has increased Southway's Defined Benefit contributions from 18.6% to 22.5% for the next three years (equivalent to an extra £175k pa). The 2017 Business Plan provides for a settlement of around 21.5%. The action approved by the Parent Board in January 2017 to restrict new entrants to GMPF provides a mitigation against further increases.

LHA Rent Cap - The proposed cap of rent levels to Local Housing Allowances jeopardises the financial projections included in the plan for the Gorton Extra Care Scheme. Lobbying Government and seeking an alternative funding solution with MCC to offset any shortfall in income are actively being pursued. An alternative to the Burnage scheme has been modelled pending a review of options for the site.

Right to Buy Sales - The Business Plan assumes 120 Preserved RTB sales and 30 Voluntary RTB sales during the next 3 years. Net proceeds are to be used to fund non grant affordable housing. The new housing units would not commence until sales receipts had been received. This will ensure there is no RTB sales risk in the plan.

Future Rent Settlement - After 2020 the plan assumes that rental values will increase by CPI only. It is possible that Government could enforce a rent settlement which would adversely impact Southway, this was assessed via sensitivity analysis. A higher rent increase was also been modelled to reflect the dialogue taking place after the Housing White Paper, recognising that long term certainty in rental increases could facilitate greater levels of new development by RPs.

Refinancing Risk - A replacement loan for the £35m will need to be arranged before April 2021. The current refinancing point per the Trust's Business Plan is forecast to be March 2021. The success of delivering the development programme and the timing/value of shared ownership sales will be key to determining the actual refinancing point. The Trust will need to seek a replacement loan 12-18 months before this to ensure that the necessary funds are available and refinancing risk is minimised.

Additional Borrowings - The size of development activity included in the Business Plan and the repayment profile of the £60m stock transfer loan will result in extra borrowings being required beyond 2021. The plan assumes new borrowings will increase from £35m to £60m by 2029. The level of asset cover available indicates the Trust will be able to secure the extra finance.

Cost Control and VFM - The Cost Reduction Plan reducing budgets by £1.8m by y/e 2018 have been reflected in Southway's 2017/18 Budget and the 2017 Business Plan. The additional medium term efficiency target of £550k pa by y/e 2020 to achieve further cost reductions, has not been included in the Business Plan. An evaluation of possible options will commence during 2017/18. Delivering this efficiency target would provide a further degree of mitigation against the risks noted above.

Governance

Board and Committee

Southway Housing Trust (Manchester) Limited ('Southway' or 'the Trust') is a registered society under the Co-operative and Community Benefit Societies Act 2014, and a Registered Provider with the Homes & Communities Agency (HCA). It is governed by a board of volunteers who receive no remuneration other than reimbursement of expenses. The Board Members and executive directors who have served Southway during the year and to the date of this report are set out on page 1.

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

All Board and Committee members undertook a skills based recruitment process prior to being appointed to the current structure which was constituted from 1 April 2016.

Board Members conduct their affairs within an agreed Code of Conduct, which complies with all regulatory requirements. Each Member of the Board signs a Statement agreeing to adhere to the Code. The Board 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 Business Development and Growth. 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. The scheme available to them is the Greater Manchester Pension Fund, and 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

As referenced in the Corporate Strategy & Structure section of this report, 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 Intra group Agreements (IGAs). The IGAs 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

In June 2015 Southway adopted the revised 2015 NHF Code of Governance. The most recent review was carried out in November 2016 and The Board is able to declare its compliance with the terms of the Code.

The Board's Audit and Risk Committee carried out its annual review of its compliance with the HCA's Regulatory Standards in November 2016. As a result of this review the Board is able to declare that it is fully compliant with the current Regulatory Standards.

Southway Housing Trust has developed, and maintains an Assets and Liabilities Register. This was independently verified by its Internal Auditors in April 2016.

The Regulation Committee of the Homes and Communities Agency (the Regulator) issues Regulatory Judgements on Registered Providers, and last reported on Southway in November 2016. It was graded for Viability at V1 and for Governance at G1, in each case this being the highest grade available.

The HCA requires all Registered Providers of Social Housing 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 have carried out an exercise whereby a list of relevant legislation and regulation was compiled and compliance with each evidenced. As a result of this Southway is able to declare that it complies with all relevant law, legislation and regulation.

Board Statement on Internal Control

The HCA Standard for Governance and Financial Viability asserts that: 'Registered Providers should have an effective risk management and internal controls framework'. This is considered a key part of the principle of co-regulation. Southway Board's terms of reference state that they will: '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.

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.

The current Board and Committee structure commenced in April 2016. The new Board membership has a wide range of experience of risk assessment in areas such as Development and Finance. The new Audit and Risk Committee, including independent members, is better equipped to scrutinise, challenge and improve the Trust's operational controls.

The following actions were undertaken during 2016/17 to ensure that Internal Controls remain robust and fit for purpose:

a) A full review of Southway's Risk Management arrangements with a new policy and procedure was approved by Board in September 2016 including the operation of a dynamic Significant Risk Register and Team Risk Registers. Significant Risks are reviewed by the Executive Team Risk Panel on a quarterly basis, who then account to the Audit and Risk Committee on how risks are being managed. The Register details the mitigations taken to manage each risk and proposed further actions.

b) An assessment with compliance against regulatory standards in November 2016. No major areas of concern were identified and Southway retains its G1 and V1 status for Governance and Financial Viability respectively.

c) An assessment of compliance with the Code of Governance in November 2016 with no areas for concern identified.

d) Review, Group Standing Orders and Financial Regulations at the end of the first year of the new Governance Structure to ensure that they are fit for purpose

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

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

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

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

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

j) The External Auditor's Findings Report.

k) The annual compliance review of the loan agreement.

l) 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').

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

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

o) Annual review of Health and Safety Policy and Procedures carried out by an independent Health and Safety advisor and. A Health & Safety Group operates which contains a range of staff representatives, and monitors the operations of the Trust with a view to ensuring that they meet standards in this respect.

p) Compliance reports approved by the Audit and Risk Committee covering a range of property issues including, Legionella, Fire Safety, Gas Safety and Asbestos.

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

Donations

During the years ended 31 March 2017 and 2016 Southway made no political contributions and any charitable donations were made during the course of its ordinary activities.

Post Balance Sheet Events

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

Going Concern

After making enquiries, the Board has a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements. In reaching this view the Board 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 21 September 2017.

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 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 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 31st August 2017 and signed on its behalf by:

Samantha Macwilliam
Chair of the Board

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

We have audited the financial statements of **Southway Housing Trust (Manchester)** Limited for the year ended 31 March 2017 which comprise the Consolidated and Trust Statement of Comprehensive Income, the Consolidated and Trust Statement of Changes in Reserves, the Consolidated and Trust Statement of Financial Position, the Consolidated and Trust Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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.

Respective responsibilities of the board and the auditor

As explained more fully in the Statement Responsibilities of the Board, set out on page 34, the board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group and parent society's affairs as at 31 March 2017 and of the group and parent'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.

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.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

19th September 2017

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2017
Consolidated & Trust Statement of Comprehensive Income

	Note	2017 £'000	2016 £'000
Turnover	3	27,672	27,955
Operating Expenditure	3	(18,601)	(19,926)
Operating Surplus	5	9,071	8,029
Surplus on the disposal of housing properties	6	3,025	2,176
Interest Receivable	7	66	74
Interest and financing costs	8	(3,863)	(3,687)
Surplus for the year		8,299	6,592
Actuarial Gain in respect of pension schemes	26	177	3,378
Total Comprehensive Income for the Year		8,476	9,970

The accompanying notes form part of these financial statements.
The financial statements were approved by the Board on 31st August 2017 and signed on its behalf by:

Samantha Macwilliam
Chair of the Board

Stuart Shore
Board Member

Matthew Maouati
Secretary

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2017
Consolidated & Trust Statement of Changes in Reserves

	Income and expenditure reserve £'000
Balance as at 1 April 2015	26,527
Total Comprehensive Income for the year	9,970
Balance as 31 March 2016	36,497
Total Comprehensive Income for the year	8,476
Balance as 31 March 2017	44,973

The accompanying notes form part of these financial statements.

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2017
Consolidated & Trust Statement of Financial Position

	Note	2017 £'000	2016 £'000
Fixed Assets			
Tangible fixed assets - properties	11	114,255	116,826
Tangible fixed assets - other	12	1,199	1,056
Investment properties	13	3,671	665
		119,125	118,547
Current Assets			
Stock	14	93	93
Trade and other debtors	15	2,060	2,044
Cash and cash equivalents		17,472	14,837
		19,625	16,974
Creditors: amounts falling due within one year	16	(7,406)	(8,310)
Net current assets		12,219	8,664
Total assets less current liabilities		131,344	127,211
Creditors: amounts falling due after more than one year	17	(79,565)	(84,165)
Provison for Liabilities			
Pension provision	26	(6,806)	(6,549)
Total Net Assets		44,973	36,497
Reserves			
Income and Expenditure reserve		44,973	36,497
Total Reserves		44,973	36,497

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 31st August 2017 and signed on its behalf by:

Samantha Macwilliam
Chair of the Board

Stuart Shore
Board Member

Matthew Maouati
Secretary

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2017
Consolidated & Trust Statement of Cash Flows

	Note	2017 £'000	2016 £'000
Net Cash generated from operating activities	24	13,359	13,246
Cash flow from Investing activities			
Purchase of tangible fixed assets Housing Properties		(4,221)	(5,707)
Purchase of tangible fixed assets Other Fixed Assets		(445)	(442)
Purchase of tangible fixed assets Investment Properties		(3,006)	(665)
Proceeds from the sale of tangible fixed assets		3,632	2,946
Grants Received		200	823
Interest Received		66	74
		(3,774)	(2,971)
Cash flow from financing activities			
Interest Paid		(3,671)	(3,430)
Repayments of borrowings		(3,279)	(2,685)
		(6,950)	(6,115)
Net change in cash and cash equivalents		2,635	4,160
Cash and cash equivalents at beginning of the year		14,837	10,677
Cash and cash equivalents at the end of the year		17,472	14,837

The accompanying notes form part of these financial statements.

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2017
Notes to the financial statements

1 Legal status

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

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 the HCA. The registered office for all companies is Aspen House, 825 Wilmslow Road, Manchester, M20 2SN.

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. Southway Plus Limited was dormant during 2016/17.

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 2017 using the purcahse method.

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 (i.e., 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. Comparing this to the carrying amount of each scheme, we made an impairment charge against its social housing properties.

Classification of loans as basic
Loans with potentially beneficial break clauses: following the FRC publication that confirmed either basic or non-basic treatment would be acceptable for the purposes of FRS102, management have reviewed the loan and specific clauses and concluded they believe that the loan is basic. As such it will be held at amortised cost with the accounts, rather than being amended to Fair Value and adjusted through the Statement of Comprehensive Income on an annual basis as a non-basic instrument.

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

Management have considered the terms of the loan agreement and concluded thay they meet the definition of a basic financial instrument, and therefore are held at amortised cost.

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

Useful lives of depreciable assets
Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates 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 2017 was £39.1m.

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 2017 was £6.8m.

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.

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.

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.

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.

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).

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.

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.

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.

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.

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.

Government grants
Government grants include grants receivable from the Homes and Communities Agency (the HCA), 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 the HCA. 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.

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

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

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

Impairment

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

Other tangible fixed assets

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

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

Asset	Useful Economic Life
Freehold land	Not depreciated
Freehold Buildings	50 years
Long Leasehold Property	Over life of lease
Community Shops	7 years
Community Centre (structure)	80 years
Furniture, fixtures and fittings	7 years
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.

Leases

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

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

Provisions for liabilities

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

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

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

3. Turnover, Operating Cost and Operating Surplus
Group and Trust

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
Property Adaptations	47	(40)	7
Commercial Repairs	15	(15)	0
	27,672	(18,601)	9,071

2016	Turnover £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	27,900	(18,258)	9,642
Other social housing activities			
Community Investment	20	(966)	(946)
Financial Inclusion	-	(238)	(238)
Other Support Activities	9	(400)	(391)
Non social housing activities			
Private Rented Sector	4	(47)	(43)
Commercial Repairs	22	(17)	5
	27,955	(19,926)	8,029

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

Income and expenditure from social housing lettings	2017 £'000	2016 £'000
Rent receivable net of identifiable service charges	25,996	26,261
Service income	221	175
Net rental income	26,217	26,436
Amortised government grants	1,195	1,277
Government grants taken to income	-	165
Other revenue grants	9	9
Other Income	13	13
Turnover from social housing lettings	27,434	27,900
Management	(5,519)	(6,006)
Services	(270)	(208)
Routine maintenance	(2,768)	(2,824)
Planned maintenance	(1,182)	(1,296)
Major repairs expenditure	(656)	(1,318)
Bad debts	(163)	(135)
Depreciation of housing properties	(5,155)	(5,067)
Impairment of housing properties	(879)	(600)
Other expenditure	(738)	(804)
Operating costs on social housing lettings	(17,330)	(18,258)
Operating surplus on social housing lettings	10,104	9,642
Void losses	84	122

Other expenditure includes £103k (2016: £366k) incurred restructuring the organisation and £635k (2016: £438k) related to development expenditure treated as revenue.

4. Accommodation in management and development
Group and Trust

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

	2017 No. of properties	2016 No. of properties
Social housing owned and managed		
General housing	5,632	5,682
Affordable Housing	159	121
Supported housing and housing for older people	47	47
Total owned and managed	5,838	5,850
In development at the year end	46	40
Other Accommodation		
Leasehold properties	283	277
Investment properties - owned and managed	14	5

5. Operating Surplus
Group and Trust

This is arrived at after charging/(crediting):

	2017 £'000	2016 £'000
Depreciation of housing properties	5,155	5,067
Impairment of housing properties	879	600
Depreciation of other tangible fixed assets	248	335
Loss on disposal of other fixed assets	54	-
Operating lease rentals		
- office accommodation	232	232
- maintenance vehicles	252	188
- office equipment	9	9
External auditors' remuneration (excluding VAT)		
- for audit services *	25	24
- for non-audit services	-	-
Internal auditors' remuneration (excluding VAT)	18	17

* includes £22k (2016: £24k) relating to the external audit of Southway Housing Trust

6. Surplus on sale of fixed assets - housing properties
Group and Trust

	2017 £'000	2016 £'000
Disposal Proceeds	4,214	3,573
Carrying value of fixed assets	(607)	(680)
Other costs of sale	(582)	(627)
	3,025	2,266
Carrying value of components replaced	-	(90)
Total surplus on sale of fixed assets	3,025	2,176

7. Interest receivable and other income
Group and Trust

	2017 £'000	2016 £'000
Interest receivable	66	74
Other finance income	-	-
	66	74

8. Interest and financing costs
Group and Trust

	2017 £'000	2016 £'000
Loans and bank overdrafts	3,663	3,422
Capitalised development interest	(140)	(88)
Amortisation of initial loan costs	99	42
Loan security trustee	8	8
Other finance costs	233	303
	3,863	3,687
Capitalisation rate used to determine the amount of development interest capitalised	5.340%	5.195%

9. Employees
Group and Trust

Average monthly number of employees expressed in full time equivalents (standard hours 35 hours per week)	2017 No.	2016 No.
Administration	40	37
Maintenance Service & Home Improvement	69	78
Neighbourhood Services & Community Investment	46	60
Call Centre & Customer Response	27	15
Development and Property Acquisition	8	9
	190	199

Employee costs	2017 £'000	2016 £'000
Wages and salaries	5,839	6,211
Social security costs	585	514
Other pension costs	1,035	1,202
Nest Contributions	23	23
	7,482	7,950

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 26.

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

	2017 No.	2016 No.
£60,001 - £70,000	2	4
£70,001 - £80,000	2	4
£80,001 - £90,000	1	0
£90,001 - £100,000	1	1
£100,001 - £110,000	1	0
£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 (2016 nil). Board members expenses totalled £3,457 in the year to 31 March 2017 (2016: £2,969).

The emoluments of the highest paid Director, the Chief Executive, excluding pension contributions was £106k (2016: £106k).

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

Executive Directors	**2017** **£'000**	**2016** **£'000**
Basic salary	350	373
Social Security Costs	65	42
Benefits in kinds	-	7
Pension contributions	65	67
Compensation for loss of office	-	145
	480	634

Compensation for loss of office of key management personnel during the year was £nil (2016: £67k, plus £78k paid as a capital pension contribution). These payments were contractual and no special or enhanced terms applied.

11. Tangible fixed assets - properties
Group and Trust

	Social housing properties for letting £'000	Social housing properties under construction £'000	Total £'000
Cost			
At 1 April 2016	143,867	3,251	147,118
Works to existing properties	600	-	600
Additions	16	3,745	3,761
Schemes completed	4,759	(4,759)	-
Disposals	(1,203)	-	(1,203)
At 31 March 2017	148,039	2,237	150,276
Depreciation and impairment			
At 1 April 2016	(30,292)	-	(30,292)
Depreciation charged in year	(5,155)	-	(5,155)
Impairment charged in year	(447)	(432)	(879)
Released on disposal	305	-	305
At 31 March 2017	(35,589)	(432)	(36,021)
Net book value			
At 31 March 2017	112,450	1,805	114,255
At 31 March 2016	113,575	3,251	116,826

Housing properties at 31 March 2017 and 31 March 2016 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. As a result social housing properties with a net book value of £5.2m were impaired by £879k. This is seperately disclosed in note 5. Stock transferred from MCC is assumed to be one distinct CGU, there was no impairment in this category of assets.

11. Tangible fixed assets - properties (continued)
Group and Trust

Expenditure on works to existing properties	2017 £'000	2016 £'000
Components capitalised	600	807
Amounts charged to income and expenditure account	656	1,318
	1,256	2,125

Finance Costs	2017 £'000	2016 £'000
Aggregate amount of capitalised interest included in the cost of housing properties	382	242

Social Housing Assistance	2017 £'000	2016 £'000
Total accumulated grants received or receivable at 31 March 2017		
Recognised in Statement of Comprehensive Income	14,810	13,615
Held as Deferred Grant Income (note 19)	24,843	26,129
	39,653	39,744

12. Tangible fixed assets - other
Group and Trust

	Furniture fixtures and fittings £'000	Computers and related equipment £'000	Community assets £'000	Office accommodation £'000	Total £'000
Cost					
At 1 April 2016	773	2,359	852	-	3,984
Additions	-	280	96	69	445
Disposals	(108)	-	(33)	-	(141)
At 31 March 2017	665	2,639	915	69	4,288
Depreciation					
At 1 April 2016	(706)	(2,168)	(54)	-	(2,928)
Charged in year	(26)	(205)	(17)	-	(248)
Disposed in year	86	-	1	-	87
At 31 March 2017	(646)	(2,373)	(70)	-	(3,089)
Net book value					
At 31 March 2017	19	266	845	69	1,199
At 31 March 2016	67	191	798	-	1,056

13. Investment Properties
Group and Trust

	2017 £'000	2016 £'000
At 1 April	665	-
Additions	3,006	665
At 31 March	3,671	665

The open market valuation of the assets acquired was not judged to be materially different to their carrying value. The valuation was based on an internal Director's valuation conducted on recently purchased properties - 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.

14. Stock of Materials
Group and Trust

	2017 £'000	2016 £'000
Maintenance materials	93	93

15. Debtors
Group and Trust

Due within one year	2017 £'000	2016 £'000
Rent and service charges receivable	3,017	2,950
Less: Provision for bad and doubtful debts	(2,456)	(2,334)
	561	616
VAT incurred and recoverable	-	43
Other debtors	831	846
Prepayments and accrued income	668	539
	2,060	2,044

Other debtors for the Trust includes £111k due from Group companies (2016: nil).

16. Creditors: amounts falling due within one year
Group and Trust

	2017 £'000	2016 £'000
Bank Overdraft		
Loans due in less than one year (note 18)	3,319	3,104
Deferred grant income (note 19)	1,195	1,276
Rent and service charges received in advance	526	450
Leasehold sinking funds	282	281
Other taxes and social security costs	146	141
VAT incurred and recoverable	2	-
Trade creditors	267	166
Other creditors	495	1,111
Amounts due to group companies	-	-
Accruals and deferred income	1,174	1,781
	7,406	8,310

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

	2017 £'000	2016 £'000
Loans due in more than one year (note 18)	56,644	59,964
Loan arrangement fees to be amortised	(727)	(652)
Deferred Grant income (note 19)	23,648	24,853
	79,565	84,165

18. Debt Analysis
Group and Trust

	2017 £'000	2016 £'000
Bank loans - Due within one year		
Repayable within one year	3,319	3,104
Bank loans - due after more than one year		
Repayable more than one year but less than two years	3,605	3,319
Repayable more than two years but less than five years	15,728	12,236
Repayable more than five years	37,311	44,409
	56,644	59,964
Total Debt	59,963	63,068

Amounts due all relate to a single facility from Barclays Bank PLC. All amounts drawn are repayable by March 2029. Interest is payble on a fixed rate basis (see note 25). The loan is secured by fixed charges over the Trust's housing properties.

At 31 March 2017 the Trust had an undrawn loan facility of £35m (2016: £7.0m).

19. Deferred grant Income
Group and Trust

	2017 £'000	2016 £'000
At 1 April	26,129	26,835
Grant received in the year	200	823
Reclassification to revenue	-	(9)
Grant disposed in year	(291)	(243)
Released to income in the year	(1,195)	(1,277)
At 31 March	24,843	26,129

	2017 £'000	2016 £'000
Amounts to be released within one year	1,195	1,276
Amounts to be released in more than one year	23,648	24,853
Deferred Grant Income	24,843	26,129

20. Non-equity share capital
Trust

Manchester City Council possess one third of the share capital of the Trust without monetary value. The remaining share capital is held by tenant and independent Board members as set out below.

Shares of £1 each issued and fully paid	2017	2016
At 1 April	8	8
Shares issued during the year	3	1
Shares surrendered during the year	(4)	(1)
At 31 March	7	8

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

21. Capital commitments
Group and Trust

Capital expenditure commitments	2017 £'000	2016 £'000
Expenditure contracted for but not provided in the accounts	15,044	2,588
Expenditure authorised by the board, but not contracted	59,654	31,381
	74,698	33,969

The above contracted for commitments are intended to deliver 474 new homes to be funded by surplus cash holdings at the balance sheet date, cash generated from operations and a revolving credit facility loan of £35m (see note 25). Based on the terms of the loan facility, and independent property valuations, Southway possessed sufficient cover to support all the commitments disclosed above.

22. Leasing commitments
Group and Trust

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

	2017 £'000	2016 £'000
Within one year		
Office accommodation	232	232
Vehicles	196	18
Office equipment	8	9
	436	259
Between one and five years		
Office accommodation	132	311
Vehicles	425	76
Office equipment	-	-
	557	387

23. Contingent liabilities
Group and Trust

The Group and Trust had no contingent liabilities to disclose at 31 March 2017 (2016: nil).

24. Cash flow from operating activities
Group and Trust

	2017 £'000	2016 £'000
Surplus for the year	8,299	6,592
Adjustments for:		
Depreciation of housing properties	5,155	5,067
Depreciation of other fixed assets	248	335
Impairment of housing properties	879	600
Amortised government grants	(1,195)	(1,277)
Difference between defined benefit employer contributions and costs shown in income statement	201	344
Decrease in stock	-	1
(Increase)/decrease in debtors	(16)	198
Decrease in creditors	(1,038)	(51)
Surplus on the disposal of housing properties	(3,025)	(2,176)
Loss on the disposal of other fixed assets	54	-
Interest receivable	(66)	(74)
Interest payable and other financing costs	3,863	3,687
Net Cash Generated From Operating Activities	13,359	13,246

25. Financial assets and liabilities
Group and Trust

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

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

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

Categories of financial assets and financial liabilities

The realisable value of all financial assets and liabilities was equal to book value at all times.	**2017 £'000**	**2016 £'000**
Financial assets that are measured at amortised cost	18,957	16,392
Financial liabilities measured at amortised cost	1,570	2,008
Loan commitments measured at cost less impairment	59,963	63,068

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:	**2017 £'000**	**2016 £'000**
Short term cash deposits	6,000	0
Cash at bank	11,473	14,837
Total	17,473	14,837

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:	**2017 £'000**	**2016 £'000**
Floating rate	-	-
Fixed rate	59,963	63,068
Total	59,963	63,068

The fixed rate financial liabilities have a weighted average interest rate of 5.84% (2016: 5.23%) and the weighted average period for which it is fixed is 12 years (2016: 13 years). Debt maturity profile is shown in note 18.

26. 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 2017 by a qualified independent actuary.

The employers' contributions to the fund by the Trust for the period ended 31 March 2017 were £992k (2016: £917k) at a contribution rate of 18.6% of pensionable salaries (2016: 18.6%).

Financial assumptions	**31 March 2017 % per annum**	**31 March 2016 % per annum**
Pension increase rate	2.4	2.2
Salary increase rate	3.2	3.5
Discount rate	2.6	3.5
Major categories of plan assets as a percentage of total plan assets		
Equities	75%	73%
Bonds	16%	17%
Property	5%	6%
Cash	4%	4%
	100%	100%

Mortality assumptions

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

	Number of Years 2017	**Number of Years 2016**
Retiring today:		
Males	21.5	21.4
Females	24.1	24.0
Retiring in 20 years:		
Males	23.7	24.0
Females	26.2	26.6

26. Pensions (continued)

Group and Trust

Changes in fair value of scheme assets	2017 £'000	2016 £'000
Opening fair value of plan assets	32,763	32,580
Expected return	1,162	1,048
Contributions by members	361	319
Contributions by employer	992	917
Actuarial gains	7,406	(1,240)
Benefits paid	(702)	(861)
Closing fair value of scheme assets	41,982	32,763

Changes in present value of scheme liabilities	2017 £'000	2016 £'000
Opening scheme liabilities	39,312	41,860
Service cost	1,129	1,261
Interest cost	1,395	1,351
Contributions by members	361	319
Actuarial losses/(gains)	7,229	(4,618)
Losses on curtailments	64	-
Benefits paid	(702)	(861)
Closing scheme liabilities	48,788	39,312

Movement in net liabilities during the year	2017 £'000	2016 £'000
Scheme liabilities less assets at start of year	(6,549)	(9,280)
Current service cost	(1,129)	(1,261)
Losses on curtailments	(64)	-
Contributions	992	917
Other finance costs	(233)	(303)
Actuarial movement	177	3,378
Scheme liabilities less assets at end of year	(6,806)	(6,549)

26. Pensions (continued)

Group and Trust

Amounts recognised in the statement of financial position	**2017**	**2016**
	£'000	**£'000**
Present value of funded obligations:	(48,788)	(39,312)
Fair value of plan assets	41,982	32,763
	(6,806)	(6,549)
Present value of unfunded obligations	-	-
Net liability	(6,806)	(6,549)

Analysis of the amount charged to operating surplus	**2017**	**2016**
	£'000	**£'000**
Current service cost	1,129	1,261
Losses on curtailments	64	-
Total operating charge	1,193	1,261

Analysis of the amount charged to other finance costs	**2017**	**2016**
	£'000	**£'000**
Expected return on pension scheme assets	1,162	1,048
Interest on pension scheme liabilities	(1,395)	(1,351)
Net interest	(233)	(303)

27. Related parties

Group and Trust

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 31.3.17	172	84

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. All such lettings and all other transactions with the Council are on normal contractual/commercial terms and the members concerned are not able to use this relationship to personal advantage.

Southway Housing Trust has a Board member in common with Barlow Moor Community Association. During the year Southway had transactions with the association totalling £33k, the balance due at the year end was £nil.

During the year Southway DevCo provided Southway Housing Trust property design and build services totalling £276k, and Southway Housing Trust provided project management staff at a cost of £224k to Southway DevCo. At 31 March 2017 Southway Housing Trust had amounts due from Group companies (Southway DevCo) of £111k.

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