Southway
Housing Trust

Southway Housing Trust (Manchester) Limited Group Accounts

2021/22

Co-operative and Community Benefit Society No. 30348

Regulator of Social Housing No. L4507

Contents

Board Members, Executive Directors, Advisors and Bankers

Board Members

Clare Tostevin	Chair
Tony Powell	Vice Chair
Mark Taylor	
Memuna Bangura	
Shefali Kapoor	
Roger Spencer	resigned 21st September 2021
Steve Wilson	appointed 21st September 2021
Cllr Joanna Midgley	resigned 21st September 2021
Cllr Gavin White	appointed 21st September 2021
Nicki Buckley	resigned 7th December 2021
Hazel Makinson	appointed 7th December 2021
Justin Curley	resigned 19th October 2021
Michelle Duhaney	appointed 7th December 2021

Executive Directors

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

Registered Office Southern Gate, 729 Princess Road, Manchester, M20 2LT

Registered Number Co-operative and Community Benefit Society: 30348R
Regulator of Social Housing L4507

Website www.southwayhousing.co.uk

External Auditors Crowe UK LLP, 3rd floor The Lexicon, Mount Street, Manchester, M2 5NT

Internal Auditors RSM Risk Assurance Services LLP, 25 Farringdon Street, London, EC4A 4AB

Principal Solicitors Anthony Collins LLP, 134 Edmund Street, Birmingham, B3 2ES

Bankers Barclays Bank UK PLC, 3 Hardman Street, Spinningfields, Manchester, M3 3AX

Introduction by the Chair

I am pleased to be able to introduce this 2021/22 Report of the Board, in my second year as Board Chair.

2021/22 was another challenging year that was significantly affected by Covid, but it was also a year in which the Trust performed well and continued to make progress towards our vision of Thriving Communities.

As a community-based social business, it is more important than ever that our governance is good, that we manage risk effectively and that we remain well managed and financially strong. Protecting the social housing asset for our current tenants and for future generations remains at the core of our purpose. I was therefore pleased that we retained the highest possible ratings from the Regulator of Social Housing, as part of the In Depth Assessment process towards the end of the year.

This annual report demonstrates our commitment to delivering value for money across all our services, supported by a robust approach to managing risk. As we enter a period of high inflation, and huge increases in the cost of utilities, keeping focused on controlling our costs, making the most of the resources that we have, and understanding and mitigating risk are key priorities. Our Board has committed members who bring skills and knowledge to the Trust, working closely with our experienced executive to steer the organisation through challenging times.

We remain a financially strong organisation that is using that strength to make sure our homes are well-managed and maintained, that our homes and neighbourhoods are safe and desirable places to live, and that we invest in what matters to our communities.

In the last year, we have developed a new approach to listening and engaging with our tenants, residents and communities through our Inspired by Our Communities programme. In 2021/22, we spoke to and listened to more of our tenants than ever before and collected a comprehensive set of data and qualitative information that is informing our priorities. Keeping this up to date will be a priority going forward, as will responding to the areas where our tenants want to see improvements – with an initial focus on improving communication and access.

We have also used our financial strength to mitigate the effects of Covid, and to address inequalities in our communities, working with local partners. Our advice services increased the income of local people by almost £2million, helping people sustain their tenancies by securing income they were entitled to but not receiving. Our Quids In food clubs continued to meet local needs, and our employment and skills services assisted people into work and training, including our 12 kickstarters who have all secured long-term employment. Meanwhile, our Southway colleagues demonstrated our values of being caring, committed and successful together, as they made new hybrid working practices effective and continued to deliver services in new ways, adapting as we went along.

There is a massive shortage of affordable homes in our core and neighbouring areas, and the Trust wants to play a key role in meeting the need for homes. We are now well on the way to delivering our target of 1600 new homes in the 10-year period up to 2026 in South Manchester and neighbouring areas. This year, we secured new funding to support this programme with our first private placement, delivering offers of six times the funding we needed, allowing us to secure £120m from two new investors at good rates. We believe that the bond was the first 100% ‘sustainable use of proceeds’ deal in the social housing sector, helping us achieve our sustainability goals across new and existing homes and services.

We continue to lead the way in age-friendly work across Greater Manchester, with innovative approaches to reducing loneliness and isolation, and valuing the positive contributions that people in mid to later life make to their local communities. We are also increasing the supply of homes and housing options for people in mid to later life, including our two new housing With Care schemes with 162 social rented apartments, completed during the year. These two schemes also demonstrate our commitment to achieving our Zero Carbon targets, providing affordable heating and hot water to the tenants from a ground source heating system. I look forward to our next significant project in our Arrowfield Zero Carbon Community project, which is now underway with support from the European Regional Development Fund.

I would like to thank our colleagues, my fellow Board and Committee members, and all our partners and stakeholders for the part they have played in our achievements during 2022/22. I would also like to thank our Southway tenants and residents. I am committed to building mutual respect and finding new ways of listening and responding to tenants' views, so that we can continue to improve our services and make sure we work together towards our vision of Thriving Communities.

Clare Tostevin
Chair, Southway Housing Trust

Strategic Report and Report of the Board

Corporate Strategy and Structure

Vision and Values

Southway Housing Trust (Manchester) Limited ('Southway' or 'the Trust') is a society registered under the Co-operative and Community Benefit Societies Act 2014, and a Registered Provider with the Regulator of Social Housing. The Trust is a community-based social landlord working in and around South Manchester, managing over 6,000 affordable homes.

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

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

By 2030, we expect our thriving communities to be characterised by:

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

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

Structure

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

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

SOUTHWAY GROUP STRUCTURE

Southway Housing Trust (Manchester) Ltd.

HCA Registered Provider (L4507)
Registered Community Benefit Society
Registration number: 30348R
Exempt charity

Southway Plus Ltd.

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

Company number: 9900234

Southway DevCo Ltd.

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

Company number: 9904856

Corporate Strategy

The current Futures Strategy 2020-2025 was adopted in March 2020 (revised March 2021) and sets the direction for the Group.

Our strategic priorities to 2025 (summarised in the table over the page) reflect our interest in **People, Homes, Neighbourhoods** and making sure we are effective as a **Social Business.**

Some areas of focus, particularly around support and addressing inequalities were strengthened in March 2021, in response to the pandemic.

The Board adopted an early position at the outset of the pandemic, to use the financial strength of the Trust to support our tenants, communities and staff. This helped to mitigate some of the potential impacts and meant services were maintained and targeted effectively.

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

The following sections provide commentary on the achievement of these strategic objectives during 2021/22.

People

The Covid pandemic exposed significant inequalities and challenges in our communities. As a community-focused landlord and social business, we have taken decisions throughout the pandemic to use our financial strength, skills and capacity to provide support, advice and service adjustments for the people living in our homes and neighbourhoods.

Our community base, strong partnerships and local knowledge meant we were able to respond quickly and effectively. Our housing and tenancy management services were adapted to be provided in different ways, responding to essential and business-critical service requests as the highest priority. Innovations, including online lettings, meant services were maintained. Tenant satisfaction with the services delivered was maintained at 93% during the year. Specific examples of support are:

- The expansion of our five Quids In food clubs, with 10,500 attendees and 70,540 tonnes of food waste saved
- A Check and Chat service with weekly calls to people who were isolated and at risk of becoming lonely due to Covid restrictions and their age or health position

Our age friendly approach to neighbourhoods, tacking loneliness and core service delivery, is a key strategic priority. To support older people through Covid, we have liaised with Manchester Local Care Organisation, Health Development Coordinators, MCC and BUZZ, local older people's groups and other voluntary sector partners, examples included:

- Funding the provision of 1,750 Winter Warmth packs across Chorlton, Withington and Burnage
- Funding equipment for a bowling club in Gorton
- Working in partnership with our environment team and Groundworks to begin development of the Burnage trail
- Working with South Manchester Men in Sheds to help them rebuild after a new team of Trustees had been elected

Our 'Collect with Care' approach to rent collection focuses on providing support and advice, rather than enforcement. This has helped to maintain high rent collection performance.

The Trust provided support and advice to tenants on financial and employment issues with our Advice Services team securing over £1.9m of additional benefits.

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

Working with the Learning Hubs, we provided one-to-one and group skills support, with 654 people receiving advice and 29 securing employment. Our work and skills offer moved from being online only to working with people face to face. We held seven employment events, delivering a combination of job fairs with businesses with vacancies in attendance and CV Skills support.

School closures during the pandemic highlighted families who were digitally excluded. In response, we invested £10k to fund the supply of equipment to school students living in our communities, working with local schools to identify who would benefit from this support.

We partnered with Manchester Digital Skills Network on a city-wide scheme to provide Wi-Fi enabled devices to residents so that those most vulnerable and excluded could access the internet and develop their digital skills. We also worked with Manchester Adult Education Service and Barlow Hall Primary school to run an after-school computer class for children and parents over the summer.

Providing affordable homes for those most in need remains a high priority. Eighteen larger homes were freed up for families in housing need through rightsizing existing tenants who were under-occupying their properties.

Between September 2021 and March 2022, 97 older people moved into our new With Care Scheme, Gorton Mill House. The first 23 apartments in Dahlia House, our With Care Scheme in Burnage, were accepted before the end of the year.

The Trust worked with Manchester City Council and other housing provider partners to reduce homelessness by letting 50 (21%) available homes to people living in temporary and supported accommodation. We also bought five larger family homes to provide an affordable solution for bigger households who had been stuck in temporary accommodation.

Homes

Our highest resource priority is to maintain the homes that we own. The pandemic caused disruption to our property maintenance and asset management services throughout 2021/22. Emergency and urgent repairs, and safety and compliance work were treated as highest priority with performance maintained throughout the year.

A Service Improvement Plan was drawn up and was presented for approval in the Property Services Resource and Risk Plan at March Board. The Plan includes existing and new actions to return the service to pre-Covid levels of performance.

The backlog of repairs that built up during lockdown periods significantly reduced over 2021/22, despite a slight increase during Q3 and Q4 following the Omicron variant.

Officers managed the impact of delays on routine and major works with our tenants through proactive communication on timescales. Keeping customers informed of progress was an important factor in achieving a customer satisfaction rating of 4.69 out of 5 for 2021/22, illustrating what a great job our in-house Property Services Operational Team do. The backlog will be completed in the first half of 2022/23.

Our last major home improvement programme finished in 2013. Our homes are maintained to the Southway Standard, which is an enhanced version of the national Decent Homes Standard (as of 2020). In 2021/22, we completed our stock condition survey, which included an evaluation of our Zero Carbon Investment requirements. We will now begin detailed investment planning, alongside staff and tenant consultation, to start delivering programmes of work to maintain our homes at required standards and meet our Zero Carbon targets.

We always put safety first. We have robust processes for all main areas of property compliance – gas, electric, fire, legionella, asbestos and lifts. This puts us in a good position as our property portfolio grows, with a more diverse range of buildings. The pandemic continued to cause challenges during 2021/22, but officers were able to carry out the vast majority of statutory inspections. Gas Servicing remained at 100% throughout the year as did our Fire Risk Assessment Programme.

Southway is ambitious to increase development to meet housing need through a balanced and mixed range of tenure and property types.

During 2021/22, we commenced building 107 new homes. This was 122 less than programmed. There were 227 completions, against a target of 378. The pandemic has impacted on the progress of several schemes; however, plans are in place to catch up to target during the remaining years of the programme.

A significant achievement was the completion of two social rent extra care schemes, providing 162 homes for people in mid to later life who wish to right-size and improve their quality of life by moving to an accessible, energy-efficient home with social engagement and care services on site if required. The schemes are heated by a ground source system and extend the portfolio of buildings within the Trust's ownership.

We are two years though our 5-year Strategy. In 2020/21, we successfully bid for £1.9m in match funding through the European Regional Development Fund for a project that will encourage behaviour change and community-driven local action alongside the introduction of renewable heating. In 2021/22, we tendered the works and developed our approach to customer engagement. Works will commence in 2022/23.

We have begun discussions with partners to deliver retrofit works to our worst performing properties, and to help us prepare bids for available funding programmes, to bring all homes to a minimum EPC C rating by 2030.

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

<u>Neighbourhoods</u>

Our aim is to make our neighbourhoods desirable and safe places to live. This includes responding when there are issues, such as anti-social behaviour, but also working to strengthen our communities through social investment services.

During 2021/22, we saw an overall reduction in the numbers of anti-social behaviour (ASB) complaints, but as restrictions eased there was an increase in more serious cases and emerging hot spots.

ASB and the environment were strong themes identified in the first phase of the 'Inspired by Our Communities' tenant and resident engagement. This approach is providing us with much greater intelligence on the views of our tenants and the things we need to change or improve.

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

Our relationship with agencies including health, other housing providers, Manchester City Council (MCC and the Police became stronger during the year as we worked together to respond to issues in the community. This included working together to deal with anti-social behaviour being perpetrated by gangs of young people. Alongside tenancy and other legal warnings, we have funded and supported the provision of youth outreach, mentoring programmes, and diversionary activities.

Whilst many volunteers had to step down during the pandemic, new volunteers did come forward to support us delivering food and other supplies to tenants. We now have sufficient volunteer drivers to carry out most Quids In related food collections and deliveries meaning these are not done by Southway staff, who can concentrate on other work. In total, over 4,000 hours of volunteering time was recorded during the year, providing neighbourly support within our communities on Southway-supported projects and services.

We made cash donations in December to community partners and voluntary sector groups to enable them to provide additional activities. £25k of Beautiful South funding was awarded and spent to promote neighbourliness. Examples are a school uniform exchange in Merseybank, a Christmas party in Withington, and dance classes at Westcroft Community Centre.

During 2021/22, we re-established our programme of environmental community events promoting community engagement and biodiversity at Bullfinch Walk in Chorlton, Jubilee Garden in Didsbury and Kingsway Crescent in Withington.

Our Green Flag site at Barlow Hall retained its award status following inspection and the action plan for 2022/23 was presented to and endorsed by Barlow Hall Neighbourhood Group.

To develop local skills and promote community involvement in open spaces, we ran fruit tree pruning and meadow management training courses which were well attended by residents.

Social Business

The Group generated a deficit of £0.61m for the year (2021: £7.91m surplus). The result for 2021/22 included a significant one-off interest payment of £7.58m as part of refinancing Southway's debt, successfully completed in July 2021.

Future interest payments will be significantly reduced because of the refinancing which secured £120m. The intertest rates achieved are substantially lower than currently available in the funding market. The first £50m received was used to repay the original stock transfer loan and the associated loan breakage interest payment referred to above. The balance of funds raised will finance the planned growth in the Group's Development Programme. Further information is provided on page 29.

The financial performance of the Group during 2021/22, excluding the one-off amount, was similar to 2020/21, indicating that Southway's underlaying financial position remains sound. This is illustrated by the £8.0m surplus budgeted for 2022/23.

Generating surplus adds capacity to the financial plan and aids Southway's ability to deliver our strategic objectives. Southway's financial performance and asset base both compare well to peers, evidenced by VFM metrics and sector scorecard indicators.

The Group's Budget and Business Plan were revised in March 2022, supported by Stress Testing and a workshop with Board and Audit & Risk Committee members to evaluate the financial risks which the Group faces.

Stress Testing assessed the impact of inflation, rent increases, interest rates, development costs and sales, investment in our stock, and delivery of zero carbon objectives. Measures are identified to mitigate adverse impacts. The position will be reviewed again as Southway resolves how it will respond to the wider economic challenges and inflationary pressures currently faced, both as an organisation and by our residents and communities.

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

Value for Money

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

(i) Approach to VFM

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

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

Commentary is included within the annual accounts which summarises Southway's VFM position and achievement of regulatory requirements by:

- Considering the strategic objectives set by the Board
- Demonstrating delivery of value for money to stakeholders
- Ensuring that optimal benefit is derived from resources, including returns from non-social housing activities
- Setting targets for measuring performance in achieving value for money in delivering our strategic objectives
- Monitoring delivery against these targets, including the assessment of VFM metrics and other indicators comparing performance to peers
- Outlining measurable plans where improvements are required

Southway's current VFM Strategy was adopted in November 2020, comprising two main elements: (i) a Delivery Plan to March 2022, covering the Covid recovery period, and (ii) a broader strategic document to 2025. During 2021/22, the focus was on delivering Southway's Covid-19 recovery plans, reducing inefficiencies created by the virus and working towards returning to pre-Covid levels of spending.

Each June, the Board considers an annual VFM report. The 2022 report evaluated most recently available benchmarking information for 2020/21, assessed progress on the Delivery Plan and adopted objectives for key operational cost indicators to be achieved by 2025.

While a significant proportion of Delivery Plan outcomes were achieved, several important aspects remain outstanding. Board has committed additional resources into 2022/23 to maintain the organisation's progress in this regard. Further details are presented in the following sections.

(ii) <u>Performance in 2021/22 and comparison vs peers</u>

The table below presents Southway's VFM metrics, including:

- Results for the last three years
- Relevant Business Plan projections
- Southway's quartile position vs the sector

The table also presents the VFM metrics for 2020/21 reporting:

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

The data sources are the Regulator's 2020/21 Global Accounts and VFM metrics which report financial performance of all Groups and individual Registered Providers with over 1,000 properties. The results of 5,000-9,999 landlords is similar to the median of the whole sector. This indicates that the whole RP sector remains a valid comparison for Southway.

	Regulator's Value for Money metrics								
	Reinvestment	**New Supply (Social)**	**New Supply (Non-Social)**	**Gearing**	**EBITDA MRI Interest Rate Cover**	**Headline Social Housing Cost per unit**	**Operating Margin (SHL)**	**Operating Margin (Overall)**	**ROCE**
	Investment in properties (existing stock and new supply) as a % of the total cost of properties.	New social poperties acquired or developed as a % of total social housing properties owned.	New supply of non-social housing as a % of all social and non-social housing.	The proportion of housing property cost funded by debt.	The level of surplus generated compared to interest payable.	Total costs per unit (£k) spent on managmenet, services/support, maintenance, major repairs and other social activities.	The profitability of social houisng activities as a % of turnover from social housing lettings.	The overall profitability of all operating activities as a % of total turnover	Operating surplus compared to total assets less current liabilities.
<u>SOUTHWAY GROUP</u>									
2022 BP 5 year average to 2027	**10.6%**	**2.6%**	**0.4%**	**48.2%**	**301%**	**3.97**	**23.6%**	**19.3%**	**3.8%**
2021/22 results	**12.5%**	**3.0%**	**0.4%**	**40.4%**	**79%**	**3.46**	**17.4%**	**13.6%**	**3.6%**
movement vs Southway 2020/21	↓	↑	↑	↓	n/a (#)	↓	↓	↓	↓
2020/21 results	**15.2%**	**1.0%**	**0.0%**	**33.1%**	**336%**	**2.78**	**28.6%**	**24.4%**	**5.8%**
vs sector movement 2019/20	↑	↑	n/a	↓	↓	↓	↓	↓	↓
2019/20 results	**12.7%**	**0.8%**	**0.7%**	**28.8%**	**345%**	**2.66**	**29.1%**	**25.5%**	**7.5%**
<u>Projections from Sept 2020 BP</u>									
5 year average to 2027	8.7%	2.5%	0.4%	46.5%	309%	3.51	24.0%	20.4%	3.5%
March 2022 BP shows	more investment	in line	in line	in line	in line	higher costs	in line	in line	in line
forecast for 2021/22	14.4%	3.9%	0.2%	45.5%	n/a (#)	3.14	24.0%	19.0%	5.1%
actual result is	slower	slower	slower	favourable	n/a (#)	adverse	adverse	adverse	adverse
Southway Group									
<u>2020/21 quartile vs sector</u>	**Q1**	**Q3**	**n/a**	**Q2**	**Q1**	**Q1**	**Q2**	**Q2**	**Q1**
SECTOR TOP QUARTILE	8.2%	2.0%	0.1%	32.9%	248%	3.21	32.6%	28.2%	4.2%
SECTOR MEDIAN	5.8%	1.3%	0.0%	43.9%	183%	3.73	26.3%	23.9%	3.3%
SECTOR BOTTOM QUARTILE	4.0%	0.5%	0.0%	53.3%	134%	4.76	22.2%	18.1%	2.7%
5000-9999 LANDLORDS	5.9%	1.4%	0.0%	47.1%	185%	3.65	27.0%	24.5%	3.5%
NORTH WEST RPs	6.8%	0.8%	0.0%	41.2%	223%	3.54	25.4%	23.0%	3.7%

(#) waiver for breakage costs

The results illustrate:

Southway has a relatively strong financial position evidenced by the number of top and second quartile VFM metrics. All indicators in 2020/21 were at or better than the North West median.

Assessing the movement in Southway's metrics between 2020/21 and 2021/22 shows:

- Continuing reinvestment and increasing provision of new housing
- Other metrics declining as the organisation continues its response to Covid

Contrasting the movement in Southway's metrics between 2019/20 and 2020/21 to the equivalent movement in the sector's indicators shows:

- Southway is investing proportionally more in stock reinvestment and new supply than the sector, thereby increasing its gearing
- Adverse movements in other metrics compared to the sector

Assessing 2021/22 results and projections from the latest March 2022 Business Plan to the projections outlined in the September 2020 Business Plan (which reset financial forecasts for Covid) shows:

- Stock reinvestment and new supply is slower than had been assumed at this point, hence lower gearing
- Southway's response to the pandemic has led to increased costs and weaker operating margins and ROCE
- Projections for the next 5 years are generally in line with the September 2020 BP

The above results reflect the Board's approach to use contingencies previously set aside for the management of risk in the Business Plan to continue the organisations' response to Covid. This has been supplemented by redirecting additional amounts from outperformance of rent collection/bad debt provisions.

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

Additional Sector Scorecard Indicators						
	Respondents very or fairly satisfied with the overall service provided	£s invested in communities per property (vs sector average)	Overheads as % of adjusted Turnover (excluding asset sales)	Ratio of responsive repairs to planned maintenance	Occupancy of stock available to be let at year end (general needs)	Rent collected from current and former tenants as a % of rent due
2021/22						
SOUTHWAY HOUSING TRUST	**survey every 2 years**	**£216**	**13.1%**	**0.85**	**99.5%**	**100.2%**
trend vs prior year	n/a	↑	↑	↑	↑	↓
Objective	Quartile 2	Quartile 1	Quartile 2	Quartile 2	Quartile 1	Quartile 1
2020/21						
SOUTHWAY HOUSING TRUST	**83%**	**£185**	**13.7%** (b)	**1.23**	**99.3%**	**100.6%**
quartile vs sector	**Q3**	**3 x avg**	**Q3**	**Q4** (c)	**Q2**	**Q1**
SECTOR TOP QUARTILE	91.1%		10.5%	0.51	99.5%	100.6%
SECTOR MEDIAN	86.9%	£65	13.4%	0.71	99.2%	100.0%
SECTOR BOTTOM QUARTILE	80.2%		16.8%	0.98	98.5%	99.4%
2019/20	**81%** (a)	**£200**	**12.7%**	**1.10**	**99.3%**	**100.3%**
	(a) result from previous 2018/19 survey					
	(b) revised per Housemark submission, orginally reported 13.1%					
	(c) improvement will take place alongside delivery of new stock condition survey works					

The results illustrate:

- Southway is reasonably well placed
- Southway's investment in our communities continues to be three times the sector average on a per property basis, reflecting our commitment to being a community-based housing provider
- Southway's overheads percentage was placed in Quartile 3 in 2020/21 but is projected to return to Quartile 2 as planned growth increases turnover
- The ratio of responsive vs planned maintenance has started to improve as stock investment spending increases as planned
- Occupancy rates returned to high levels at 31.3.22, a slightly lower result was reported at 31.3.21 due in part to Covid-19
- A third consecutive year with rent collection from current and former tenants above 100%, top quartile performance in 2020/21 and a result in 2021/22 which out-performed Business Plan collection assumptions by £270k

The outcome of the 2020/21 STAR tenant satisfaction survey is an improvement on the 2018/19 position with 83% of respondents satisfied/very satisfied. The response rate was also significantly higher than in previous surveys with 2,207 (39%) of all tenants taking part, and 45% of submissions being completed online. The next survey will take place in 2022/23.

(iii) Social Housing Costs and Efficiency Targets

The table below provides an analysis of social housing expenditure in 2021/22, with an increase of £4.8m compared to 2020/21. The average cost per property is 25% higher as a result.

	2021-22	2020-21		
	average cost pp	average cost pp	Increase	Note
	£	£	£k	A
Management	1,241	1,169	636	B
Service charges	127	69	366	C
Maintenance	1,077	980	761	D
Major repairs	588	265	2,152	E
Other social housing	426	295	850	F
Total social housing	**3,459**	**2,778**	**4,765**	G

A The table reflects those items of expenditure per the Regulator's definition of VFM metric for social housing lettings. Costs directly attributed to Covid in 2020/21 are included in the most applicable category, e.g. 'unable to deliver repairs and recover costs of DLO' is treated as maintenance expenditure.

B Higher spending to re-establish effective housing and corporate management functions after lockdown. Also includes additional spending to support planned growth in activities per the Futures Strategy.

C The increase in service charges relates to the two with care schemes. The costs of managing the new projects are also part of the increase noted in B.

D Catching up the backlog of repairs from the pandemic, repairing a greater number of void properties and at a higher average cost, higher spending on responding to disrepair cases, increased costs of compliance (e.g. fire risk assessments) and a larger programme of cyclical painting.

E Higher spending on major repairs, catching up work delayed due to Covid and beginning to increase capital sums in line with the stock condition survey.

F Spending on social investment, financial inclusion activities and community projects totalled £1.32m, £220k more than 2020/21- a 20% increase. An adjustment relating to the service cost of pensions accounted for the majority of the remaining increase in other social housing costs.

G Although it has significantly increased, Southway's total level of spending per property in 2021/22 remains lower than the sector median in 2020/21.

The 2022/23 Budget recognises continued cost pressures in relation to many of the factors above. Board approved the use of contingencies to maintain the recovery of services and achieve the objectives of the corporate plan. As a result, per unit costs in 2022/23 will remain at similar levels to 2021/22.

In June 2022 Board adopted efficiency targets for three key operational cost indicators, by 2024/25:

- Routine and Void Repairs - at or lower than sector median per Housemark
- Housing Management - at or lower than sector median per Housemark
- Overheads as a % of turnover - at or lower than the Sector Scorecard median

Further indicators are to be developed to benchmark costs in relation to:

- Development activities (responding to higher levels of build cost inflation)
- Major works/zero carbon projects (as Home Improvement Programme grows)
- Return on social value (to assess outcomes from community/support activities)

(v) Operational Performance

A summary of operational performance outcomes during 2021/22 is set out below. These KPIs and a range of other measures are tracked quarterly by People and Places Committee and Board. The results reflect continuation of the challenging environment post pandemic. 3 of the 6 indicators improved compared to 2020/21, however all 6 not did achieve the operational targets set for 2021/22.

Key Performance Indicator	2020/21 Outcome	2021/22 Target	2021/22 Outcome
Rent collected from current tenants (BP 98.75%, bad debts 1.25%)	99.94%	99.98%	99.73%
Customer Hub: % of calls answered	92%	90%	83%
Void rent loss (general needs)	0.86%	0.5%	0.64%
Average relet time for minor voids (in days)	65	35	49
Repairs: % appointments made and kept	94.3%	97.5%	95.0%
Repairs: customer satisfaction (out of 5)	4.7	4.75	4.69

Additional performance results in March 2022:

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

Voids performance was a focus for improvement during 2021/22. Existing processes and controls were reviewed, and a Trust-wide service improvement plan put in place, including an updated ICT void management system and actions from an internal audit. While this resulted in quicker turnaround of lets and a lower rent loss %, further improvement is required.

Phased lettings targets were adopted for the new With Care schemes. Gorton Mill House was 100% let or under offer shortly after the year end. Lettings at Dahlia Court have been slower, with 69% let at the end of June 2022 target date for occupancy.

(vi) ***Commentary on Key Business Areas***

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

The table below gives a high-level qualitative assessment of performance in each of these areas over the last three years. The impact of the virus is clearly illustrated. The position is beginning to improve, with good progress identified in five of 12 areas.

	y/e 2022	*y/e 2021*	*y/e 2020*
A Social Business			
Staffing and Culture	Recovery underway	Virus impact	Good progress
Improvement in Business Efficiency	Recovery underway	Virus impact	Good progress
ICT Plan	Good progress	Virus impact	Good progress
*Managing Our Resources	Post Covid impact	Good progress	Good progress
People			
Rent Collection	Good progress	Good progress	Good progress
*Housing Management	Post Covid impact	Virus impact	Good progress
Homes			
*Property Services	Post Covid impact	Recovery paused	Recovery planned
*Asset Management and Environment	Good progress	Virus impact	Good progress
*Development - affordable homes	Recovery underway	Virus impact	Virus impact
*Development - commercial projects	Post Covid impact	Virus impact	Good progress
Neighbourhoods			
Community Investment & Age Friendly	Good progress	Changing priorities	Good progress
*Inspired by Our Communities	Good progress	n/a	n/a

The areas marked with an asterisk reflect the most significant high-impact actions included in the Corporate Plan for 2022/23. The Plan has a theme of 'Back to Basics', with the aim of returning to at least pre-Covid performance and customer satisfaction levels across all core and customer services.

1. Staffing and Culture

Southway employed 272 staff at the end of March 2022, in a wide range of roles. Our objective is that our staff 'feel valued, are motivated by our shared vision and are trusted to do the right thing'.

Staff pay is set around the market median, and is independently reviewed at least every three years. Market supplements can be made where there are recruitment and retention challenges. Other benefits benchmark well, including flexible working, annual leave, pensions, sick pay, maternity/paternity pay and other non-pay benefits. A priority for 2022/23 is an independent review of the pay policy and structure to strengthen the arrangement, and provide more transparency and accountability to staff.

The latest bi-annual staff survey was carried out in January 2021 and showed good and improving engagement scores across most parts of the organisation. Actions identified from the survey were progressed during 2021/22, focused on two areas: training and development, and improving the engagement of building maintenance operational staff in Property Services.

The last 2 years have been challenging year for staff as they adjusted to new ways of working and the impact of the pandemic. Senior management have focused on maintaining good communication and supporting their teams.

Sickness levels in 2021/22 were above target, at 5.84%, and were affected by Covid and related absences. Staff and managers continue to work together to find ways to prevent absences and, when they do occur, to support people back to work as soon as is practical.

A higher profile and broader offer around Health and Wellbeing is in place. This includes a team of staff Mental Health First Aiders and an enhanced offer via Healthshield. A dedicated app is available to support staff with low-level mental health concerns and provide access to counselling and support such as Cognitive Behavioural Therapy (CBT).

2. Improvement in Business Efficiency

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

Over 40 staff are now fully trained as Voyagers practitioners, coordinated through a central Business Improvement function with projects underway across the organisation. A corporate project was launched in the second half of the year to complete an end-to-end review of the Voids management process.

Responding to the pandemic resulted in slower progress than originally anticipated, with staff time saved gains equivalent to £28k achieved in the year, compared to the £100k target. In 2022/23, the skills in the organisation will be targeted at core service areas, including repairs and maintenance, and the customer hub.

Team Performance Statements have been prepared for 2022/23, which include an assessment of the cost position vs benchmarks and identify VFM improvement objectives for each team.

3. ICT Plan

The ability of the organisation to respond to Covid-19 and swiftly put in place comprehensive home working arrangements was directly related to the successful delivery of the previous ICT Plan.

In December 2021, Board approved a new ICT Plan from 2022-2024. During the next two years, we will:

- Implement a new Microsoft 365 digital workplace platform (including new Intranet, document management system and processing of electronic invoices, which are designed to improve business efficiency)
- Review the housing system and telephony contract and related systems
- Renew the Southern Gate infrastructure alongside implementing infrastructure requirements for new development projects
- Support the wider range of business activities which Southway now undertakes
- Maintain robust cyber security arrangements across all parts of the organisation

4. Managing Our Resources

Southway operates robust budgeting and financial control processes. Budget holders prepare annual service plans. Regular management accounts track spending and income. A detailed Resource Plan, updated annually, defines the spending parameters which the Group over the medium term, consistent with longer-term Business Plan assumptions.

To meet the challenges of the pandemic, Board approved the release of contingencies and flexibility in budgetary arrangements to transfer costs across years as appropriate. Outturn spending for 2021/22 was higher than planned, resulting in the surplus for the year being £400k lower than originally budgeted.

Housemark cost benchmarking has been reintroduced to inform assessment of the relative spending position of the most important operational areas.

Southway's Procurement Policy is reviewed every two years. This ensures an appropriate and consistent approach is taken by all staff when they source goods, services and works. It also reflects the social value to be achieved in procurements.

The insurance contract, last tendered in 2017, is the largest non-development procurement planned for 2022/23. This follows re-procurement of the repairs materials contract which took place in 2021/22.

The refinancing project referred to elsewhere represents the most significant achievement in terms of managing our resources. It has secured funds at a substantially lower rate than currently available in the financial markets.

5. Rent Collection

The service delivery approach adapted to a home working model and a focus on support and early intervention, which proved successful in 2020/21, continued throughout 2021/22. Rent collection significantly outperformed the target set. This was a strong outcome considering the impact of Covid-19 on many of our customers, along with the removal of the £20pw Universal Credit top up in October and the recent increases in cost of living including food and fuel.

Former tenant arrears performance remained strong throughout the year but dipped slightly towards the end as people began to make tough decisions about what they could and couldn't prioritise. Collection at year end was just under £120k.

6. Housing Management

Our Connect Customer Hub performance continued to be negatively affected by high levels of sickness absences. Many of these cases are stress related due to both lockdown conditions and the increased demand and complexity of calls from customers.

For this reason, we have invested an additional £150k to recruit five additional advisors for a12-month period. Additionally, we have restructured the team, changed some of our working methods and developed a comprehensive training and performance management plan. An improvement in customer experience is expected to be achieved through these measures.

There has been a large increase in digital enquiries, a shift that we promoted for several years through our Digital Access Strategy. Over the next 12 months, we will be looking to further encourage this form of communication and have recently procured a new telephony platform that will improve the customer journey.

Our Neighbourhood Team were able to be out in the community as restrictions eased spending more time talking with tenants and advising on a range of tenancy issues. During the next year, we intend to increase our community presence with more tenancy audits and home visits. A review of the housing management service is also scheduled to take place in 2022/23.

7. Property Services

As covered earlier in this report, the priority is still very much about stabilising the service and improving performance. The continued impact of Covid-19 during 2021/22 resulted in a reduced in-house service provision, with more work outsourced.

The in-house team has worked hard to maintain service delivery throughout the year maintaining its focus on emergency and urgent repairs as well as returning to a normal level of routine repairs in Quarter 3 and 4 as well as reducing the backlog.

The impact in productivity and capacity from the pandemic resulted in the deferral of some planned works, alongside increases in cost and volume of works, particularly at void properties. However, some works outsourced to external contractors did deliver the anticipated volumes, although increased material costs and delays did affect programmes.

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

A model has been built with the intention to estimate the remaining number of outstanding jobs and provides us a way of quantifying the expected completion though various interventions as well as tracking the recovery position we should reach each week.

A comprehensive 'Resource and Risk' report in March 2022 detailed the steps being taken to reach a business-as-usual position during 2022/23.

8. Asset Management and Environment

We carried out a stock condition survey during 2021/22 to inform Southway's investment plans; 13% of properties were surveyed. This has provided us with a costed component replacement programme over the next 30 years. Further work is underway to develop detailed works programmed across our neighbourhoods

We are identifying the scale of costs to retrofit our hard-to-treat properties, including funds to pilot new damp and mould treatments in 2022/23. As part of the stock condition survey, an analysis of Zero Carbon 2038 and 2050 was also undertaken alongside a cost to bring all properties up to EPC C by 2030. The latter is reflected in the Business Plan, but not Zero Carbon spending.

We continued to focus on property Health and Safety compliance during the year. Our compliance module in our housing management system has provided a greater level of data management for all compliance actions and we have increased contractor capacity for Fire risk Assessments to deal with the increased focus on this area.

The Environmental Team continued to maintain and improve our green spaces throughout the year, providing a pleasant outdoor environment at a time when it was needed most. Opportunities for community led projects also increased as we emerged from restrictions.

9. Development

Southway's Development Strategy has two basic themes:

- Development of affordable accommodation at social and affordable rents or for shared ownership in our target areas in and around South Manchester

- Commercial activity to generate a financial return which enables further investment in core business or wider social objectives

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

Progress on all projects has been slower than planned in 2021/22 illustrated by the table below. Contractors have experienced delays relating initially to Covid-19 working practices but more recently availability and increased costs of both material and labour. Delays continue across the sector with further frustrations in terms of planning and service connections.

Group (£m)	Cost	Grant	Sales
2021/22 per March 2021 BP	43.7	7.0	7.1
2021/22 actual	26.5	3.6	2.1
2021/22 variance	17.2	3.4	5.0
2022/23 per March 2022 BP	33.4	5.3	12.2

The continuing scale of development activity in 2022/23 is shown in the table, including an increase in sale proceeds which reflects the delay of projects originally due to complete in 2021/22. Securing the anticipated level of sale receipts is an important factor which ensures VFM in development activity, achieving the planned financial returns set out in scheme appraisals.

Throughout the last 2 years, the development market has been buoyant with a shortage of contractors tendering for works and a large rise in build costs. Southway has reviewed our approach to procurement, opting for the most appropriate process to drive efficiencies throughout the supply chain, secure early engagement and build on best practice and innovation within the sector. Frameworks are utilised where the project size is large enough to justify this.

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

10. Community Investment and Age Friendly Living

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

During 2021/22, financial gains of £2.9m were made; £2.3m of which directly benefitted individual tenants. The largest gain was the take up of £1.9m of welfare benefits that were secured by our Advice Services Team, a return equivalent to nearly six times the cost of the service. Our Funding Officer secured grants totalling £350k in 2021/22. During 2022/23 we will be reviewing our approach to measuring social value to ensure that we can evidence the impact our investment brings.

We worked with partners from the Greater Manchester Combined Authority and internet and telecom providers to develop a framework for the GM Social Housing Digital Inclusion Pilot, due to commence in 2022-23. Working with Vodafone we will be able to offer 1,000 free SIMS to people over the age of 75 who are digitally excluded.

We also developed a successful bid in partnership with GM Ageing Hub for funding to create a series of Naturally Occurring Retirement Communities in 10 key sites, commencing in the latter part of 2022-23. We will be involved in the Gorton-based project which will further boost Gorton Mill House as a community hub.

We further invested in our hoarding service, Tidy Homes Tidy Minds. The service is sector leading and is the primary provider of bespoke support for people with hoarding disorder in Manchester and across the North West. Whilst free for Southway tenants, it is offered at cost, to private individuals who self-refer and agencies who fund the intervention such as other housing providers, and Social Care. Due to a high number of referrals received during lockdown, we have recruited another member of the team and developed a business plan with an income target over the next two years.

During 2021/22, we delivered basic and advanced hoarding training courses virtually, also at cost. Our Peer Support group continued to meet virtually, providing a safe space and support for people with a hoarding disorder or affected by a family member’s hoarding disorder and wanting to know how to help.

11. Inspired by Our Communities

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

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

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

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

In the summer of 2021, we spoke to 362 tenants about a broad range of issues, including our core services and what people’s priorities were following the pandemic. In addition, a further 125 people responded to our online survey and the information they provided to us is now directly influencing our thinking about how services should be delivered and what our priorities need to be. Feedback has already led to two pilots during 2022/23 - one trialling green boundary treatments, as well as work to better tackle damp and mould.

Financial Planning

Financial Management

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

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

The Board receives reports four times a year which provide an assessment of financial health indicators, as well as reporting actual income and expenditure results compared to the budget set at the start of the financial year.

Financial Performance

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

- Steady levels of rental income from rising turnover from increasing property numbers, offset by the four year -1% rent reductions to 2019/20
- Running costs increased in 2020/21 and 2021/22 reflecting the impact of and recovery from the pandemic
- Levels of stock investment reduced in 2020/21 increased in 2021/22, pending commencement of larger programmes per new stock condition survey
- Surpluses from asset sales fluctuate reflecting changing volumes of sales

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

£m	2017/18	2018/19	2019/20	2020/21	2021/22
Rental and other income (excl. grant and sales)	26.4	26.6	26.8	27.4	28.8
Running costs	-10.8	-13.4	-13.5	-14.8	-16.9
Investment in existing properties	-1.4	-1.8	-1.6	-1.2	-3.3
RTB/RTA sale surplus	3.1	2.8	3.6	2.3	2.6
SO & outright sale surplus		0.2	1.4	0.4	0.1
Net Interest Payable	-3.6	-3.5	-3.4	-3.4	-2.4
Net Resource	**13.8**	**10.9**	**13.3**	**10.7**	**8.9**

The table reports outcomes on an accruals basis. It includes re-investment in current properties irrespective of accounting treatment, but excludes capital spending on new property assets, actuarial pension adjustments and fair value movements in investment properties. The disclosure treatment therefore resembles the funder's EBITDA-MRI interest cover covenant (which also excludes the £7.6m loan breakage interest payment in 2021/22).

The following table summarises the Group's assets and liabilities. Housing stock and investment in properties continue to increase significantly. Other fixed assets reflect the office/ICT infrastructure and community use facilities. Long term loans previously being repaid are now increasing, funding growth in development activity.

As the development activity has progressed, the number of homes owned has increased, and is now above 6,000 for the first time.

£m at year end	2018	2019	2020	2021	2022
Housing Properties and Investment Properties net book value less grant	99.1	96.2	106.8	122.5	140.1
Other fixed assets	7.2	8.6	8.7	9.0	9.0
Net current assets	9.2	15.1	9.6	5.3	8.1
Long term loans	-52.9	-49.4	-43.9	-47.4	-66.5
Other long-term liabilities	-6.6	-9.5	-4.6	-8.5	0.1
Reserves	56.0	61.0	76.6	80.9	90.8
Properties Owned (including market rent)	**5,886**	**5,914**	**5,957**	**5,997**	**6,193**

Cash Position, Treasury Management and Intra Group Loan

At March 2022, the Group had cash and short-term investments totalling £1.7m (2021 £5.4m). Excess funds are deposited generating an appropriate return while limiting counterparty risk.

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

The Trust has an intra group loan with Southway Plus, this runs to December 2026. At March 2022, £15m of the available £25m was drawn, the facility rises to £35m by 2024/25. The additional funds are to be used to finance development of 120 homes for outright sale and market rent. A profit of £2.7m is to be generated by Southway Plus and returned to the Trust via gift aid. The Parent Board has assessed the interest rate and security arrangements which apply, ensuring the charitable assets of the Trust are fully protected.

Loan Refinancing

A new funding arrangement was put in place from July 2021 to support the delivery of the Development Programme which is an important part of the Futures Strategy.

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

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

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

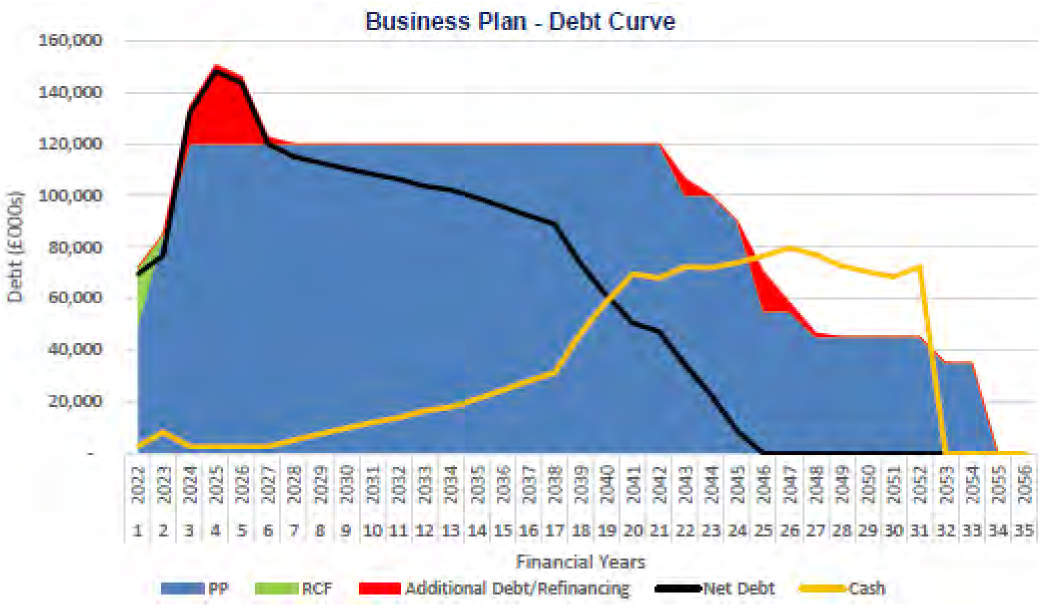
£120m was successfully secured via two new investors - one UK based and another from North America - with a weighted average maturity of 26 years. NatWest commented that they believe this was the first Private Placement (PP) in the sector which included sustainable use of proceeds. 70% of the funds are to be allocated towards refinancing and delivering green energy efficient properties and 30% social and affordable housing.

Low interest rates were achieved at a weighted average 2.7%, substantially lower than is available in the current financial markets. This favourably benefits Southway's Business Plan, enabling the funds raised to support levels of development activity planned to 2025/26.

As part of the refinancing, it was determined by the Board to repay the £44.4m stock transfer loan and £7.6m fixed interest breakage costs, which are offset by the equivalent economic benefit of securing lower rates via the bond. A waiver was approved by the PP investors and Barclays in relation to the lower interest cover ratio which results in 2021/22.

Note 21 provides additional information on the amounts and timing of the funds raised, the maturity profile, and average interest rate secured. The new funding arrangement delivers a lower average interest rate, extends the average life debt, provides a balance of maturities and diversifies our lender base. The proportion of fixed interest rates (from the private placement) and variable interest rates (on revolving credit facilities) reflects the Trust's policy that a minimum 70% of borrowings are on fixed rates.

The resulting debt profile reflected in the March 2022 Business Plan is illustrated below. Replacement revolving credit facilities will be required in the next few years. The timing of which will be dependent on the progress of the Development Programme.



Southway has significant levels of asset cover to secure future levels of borrowing. The housing stock has an estimated value of £270m on a EUVSH (Existing Use Value for Social Housing) basis, and over £600m on a MVSTT (Market Value Subject To Tenancy) basis.

Risk Management

Management of Risks

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

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

Covid-19

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

Regular meetings of the Senior Management Team coordinated Southway's response to the pandemic and recovery arrangements ensuring a focus on key corporate priorities, essential service delivery and communication to staff.

The Significant Risk Map was amended to include Covid impacts specific to each individual risk.

Top Ten Significant Risks

1	Costs and reputational issues arising from Development Programme
2	Failure to deliver an effective property maintenance service
3	Construction projects adversely affected due to inflation, and skills shortage
4	Loss of rent due to change brought about by high inflation/affordability
5	Loss of income as rent collection targets are not achieved
6	Inability to deliver thriving communities due to poverty and inequality
7	Inability to deliver strategic objectives due to lack of staff skill and resource
8	Property assets not effectively managed
9	Homes and environment not maintained to health and safety standards
10	Inefficient use of resources and poor Value for Money

These are as reported to Audit and Risk Committee in July 2022. Comparison to the previous year shows three risks are new to the top ten: numbers 4, 7 and 8.

These variations reflect the increasing significance of:

- Rising inflation, increasing energy bills and cost of living crisis which may lead to a lower rent increase in April 2023 than CPI+1% assumed in the BP
- Labour market pressures affecting retention and recruitment of staff
- Property condition and designing programmes of work from the stock condition survey to address damp/mould and disrepair issues

The other areas reflect continued risks associated with: Development, Property Maintenance and Compliance, Rent Collection and Value for Money.

Budget and Business Plan

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

- A revised Business Plan adopted in September 2020 to respond to Covid-19, with minor amendments in March 2021
- Business Plan assumptions subject to further review and revision by Board in December 2021, January and March 2022

The latest Business Plan adopted in March 2022 reflects:

- Higher short term inflation for the next few years
- Long term cost inflation of 2.25% this is 0.25% higher than the rate of rental growth anticipated beyond 2025, based CPI+0%
- Lower interest rates achieved from the Private Placement
- Provision for 1.25% bad debts for two years reducing to 1.0% thereafter
- An additional £0.4m pa to fund higher cost of void repairs and reinstating a 7 year cyclical painting programme (previously 10 years)
- Projections of future investment from the stock condition survey totalling £210m over 30 years and additional funds to achieve EPC C by 2030
- Slower development, due to the delays caused by Covid and the availability of labour and materials, but no reduction in sales values
- Reduced numbers of RTB/RTA sales, 25 per year to 2024/25
- Contingencies against higher costs or other risks, c£0.75m pa, equivalent to around 2.7% of rental income

The latest Business Plan illustrates continued compliance with loan covenants:

- Interest cover low of 160% in 2031/32 (vs 110%)
- Gearing peak at 42% in 2023/24 (vs 50%)

Stress Testing and Mitigations

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

In March 2022 a Stress Testing workshop was held with Board and Audit & Risk Committee members. This considered risks of the sector and those specific to Southway. It reviewed the Golden Rules and Trigger Points, concluding these should remain unchanged. Members also considered BP assumptions and Stress Testing results identifying additional tests to be performed.

The most prominent risks, which could lead to not passing loan covenants, were:

- Continued high inflation and/or constrained rental increases
- Additional amounts of stock investment / costs to deliver zero carbon
- Pausing development activity and not generating planned rental receipts

Other risks which could lead to trigger points being exposed related to:

- Increases in build costs combined with reduced sales values and no RTBs
- A one-off significant hit with ongoing revenue implications
- Adverse rent collection should bad debts double

Less prominent risks included:

- Higher variable interest rates
- Failure of Southway Plus

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

Financial Viability Assessment

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

- Continue the organisation's and our communities' recovery from Covid-19
- Achieve the objectives of the Futures Strategy 2020-2025

The financial strength of the organisation was also evidenced by the level of interest from external investors for the Private Placement, with offers made six times that sought. Securing £120m at favourable rates further strengthens Southway's ability to withstand financial risk.

Governance

Boards and Committees

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

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

- A strategically focused Parent Board made up of five independents, two tenant members and two Local Authority members
- A People and Places Committee made up of two representatives from the Parent Board, two Local Authority members, three tenant members. A co-optee brings a further tenant voice to the Committee. This Committee's remit covers the policies that affect Southway tenants and our communities and monitoring the performance of our service delivery
- A Group Audit and Risk Committee which is made up of six members, three of whom are from the Parent Board
- A Funding Committee made up of four Parent Board members, which oversaw key stages of the refinancing project with delegations from the Parent Board
- A Remuneration Committee made up of three members from the Parent Board, which sets the remuneration packages of Executive Directors and appraises the Chief Executive
- Separate Boards for the subsidiary companies; Southway Plus has a five-person board, made up of three Parent Board members and two Executive Directors; and Southway DevCo which has a five-person board comprising Parent Board members

Board and Committee members conduct their affairs within an agreed Code of Conduct, which complies with all regulatory requirements. Each member of the Board signs a statement agreeing to adhere to the Code. The Board also has in place a Probity Statement which sets out the standards of conduct it places on itself and those working for Southway. The statement also addresses the potential for Southway's conflicts of interest. All members complete an annual declaration of interest.

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

Executive Directors

The four Executive Directors hold no interest in Southway shares and act as executives within the authority delegated by the Board. None of the executive directors are members of the Trust Board, but they attend all of its meetings.

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

Governance of Subsidiaries

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

As Southway provides the majority of the services to the subsidiary, each company has a Services Agreement that sets out what services are provided and how they are accounted for.

Regulatory Compliance Statements of the Board

The Regulator of Social Housing (the Regulator) issues Regulatory Judgements on Registered Providers. During 2021/22, Southway underwent an In Depth Assessment (IDA) by the Regulator of Social Housing. A project group comprising Officers and Board co-ordinated Southway's response. The IDA involved observing a Board meeting, interviews with members and Executive Officers and review of corporate documents. Southway retained its G1 and V1 ratings for Governance and Financial Viability, which are the highest possible gradings.

In March 2022 the Parent Board:

- Reviewed compliance with the 2015 National Housing Federation (NHF) Code of Governance and the Regulatory Standards. The Board is able to declare its compliance with the terms of the Code and Regulatory Standards
- Adopted the revised 2020 NHF code. Compliance against this code will be assessed at the March 2023 Board meeting

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

Southway also maintains a register that provides a thorough, accurate and up-to-date record of its assets and liabilities.

Board Statement on Internal Control

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

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

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

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

The following actions were undertaken in 2021/22:

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

b) Deep Dives were carried out by the Audit and Risk Committee into Cybersecurity, Voids, Fire Risk Assessments, Covid Impacts, Complaints.

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

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

e) Review of the effectiveness of each Committee.

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

g) Review of the Group Standing Orders

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

i) Approval by Board of a Budget and updated Business Plan and Resource Plan following a Stress Testing workshop attended by Board and Audit and Risk Committee members.

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

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

l) The External Auditor's Findings Report was considered.

m) The annual compliance review of the Barclays loan agreement was carried out, and also a compliance review of the terms of the Private Placement.

n) A comprehensive set of operating policies disseminated to staff, with a laid-out timetable for their review at appropriate intervals. These policies include counter-fraud measures (prevention, detection and reporting of discovered fraud, and strategies for 'whistleblowing').

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

p) Assessment of the funding environment by Board and the Funding Committee, supported by external banking, financial and legal advisers.

q) The formal Investment Framework, which sets clear criteria for investment decisions and processes for tracking the progress of each project, was updated.

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

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

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

Donations

During 2021/22 and 2020/21, Southway made no political contributions and any charitable donations were made during the course of its ordinary activities.

Post Balance Sheet Events

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

Going Concern

The assessment of the significant risks faced by the Group, including the exposures arising from Covid-19 and recovery from the pandemic, is fully considered in the preceding sections of this report. The results of this analysis demonstrate Southway's ability to remain financially viable.

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

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

Annual General Meeting

The annual general meeting will be held on 20 September 2022.

External Auditors

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

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

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

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

Under the Co-operative and Community Benefit Society legislation, the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Trust and Group for that period. In preparing these financial statements, the Board are required to:

- Select suitable accounting policies and apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2018, have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue in business

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Trust and Group and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. It is also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

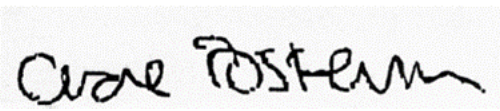
The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

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

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

- There is no relevant audit information of which the Trust's auditors are unaware
- The Board has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the auditors are aware of that information

The Strategic Report and Report of the Board was approved by the Board on 8 September 2022 and signed on its behalf by:



Clare Tostevin
Chair of the Board

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

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

Opinion

We have audited the financial statements of Southway Housing Trust (the "Trust") and its subsidiaries (the "Group") for the year ended 31 March 2022 which comprise the consolidated and Trust Statement of Comprehensive Income, the consolidated and Trust Balance Sheets, the consolidated and Trust Statement of Changes in Reserves, the consolidated Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the Group's and Trust's affairs as at 31 March 2022 and the Group and Trust's surplus or deficit for the year then ended
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- Have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing from April 2019

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board

As explained more fully in the Board's responsibilities statement set out on pages 38-39, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

Use of our report

This report is made solely to the Trust's members as a body in accordance with the Co-operative and Community Benefit Societies Act 2014 and the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Trust's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's members as a body, for our audit work, for this report, or for the opinions we have formed.

Crowe UK LLP

Crowe U.K. LLP

Statutory Auditor

The Lexicon

Mount Street

Manchester

M2 5NT

20th September 2022

Southway Housing Trust (Manchester) Limited Year Ended 31 March 2022
Consolidated Statement of Comprehensive Income

	Note	2022 £'000	2021 £'000
Turnover	3	33,818	32,021
Operating expenditure	3	(26,522)	(22,008)
Cost of sales	3	(2,708)	(2,281)
Surplus on the disposal of housing properties	3	2,523	2,286
Movement in fair value of investment properties	3	1,831	655
Operating Surplus	5	8,942	10,673
Interest receivable	7	1	43
Interest and financing costs	8	(9,010)	(2,666)
(Deficit)/Surplus before tax		(67)	8,050
Taxation	11	(546)	(143)
(Deficit)/Surplus after tax for the year		(613)	7,907
Actuarial gain/(loss) in respect of pension schemes	30	9,843	(4,575)
Total Comprehensive Income for the Year		9,230	3,332

The consolidated results relate wholly to continuing activities.
The accompanying notes form part of these financial statements.
The financial statements were approved by the Board on 8 September 2022 and signed on its behalf by:

Clare Tostevin
Chair of the Board

Hazel Makinson
Board Member

Matthew Maouati
Secretary

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2022
Trust Statement of Comprehensive Income

	Note	2022 £'000	2021 £'000
Turnover	3	32,779	32,311
Operating Expenditure	3	(26,970)	(22,473)
Cost of sales	3	(1,667)	(2,281)
Surplus on the disposal of housing properties	3	2,523	2,287
Operating Surplus	5	6,665	9,844
Interest Receivable	7	572	476
Interest and financing costs	8	(9,115)	(2,814)
(Deficit)/ Surplus before tax		(1,878)	7,506
Taxation	11	-	-
(Deficit)/ Surplus after tax for the year		(1,878)	7,506
Actuarial gain/(loss)in respect of pension schemes	30	9,843	(4,575)
Total Comprehensive Income for the Year		7,965	2,931

The Trust's results relate wholly to continuing activities.
The accompanying notes form part of these financial statements.
The financial statements were approved by the Board on 8 September 2022 and signed on its behalf by:

Clare Tostevin
Chair of the Board

Hazel Makinson
Board Member

Matthew Maouati
Secretary

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2022
Consolidated and Trust Statement of Changes in Reserves

Income and expenditure reserve	Group £'000	Trust £'000
Balance as 31 March 2020	77,561	77,535
Surplus for the year	7,907	7,506
Other comprehensive income for the year	(4,575)	(4,575)
Balance as 31 March 2021	80,893	80,466
Deficit for the year	(613)	(1,878)
Other comprehensive income for the year	9,843	9,843
Balance as 31 March 2022	90,123	88,431

The accompanying notes form part of these financial statements.

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2022
Consolidated Statement of Financial Position

	Note	2022 £'000	2021 £'000
Fixed Assets			
Tangible fixed assets - properties	12	160,161	146,613
Tangible fixed assets - other	13	9,081	9,012
Investment properties	14	18,790	13,231
Investment in joint ventures	16	428	196
		188,460	169,052
Current Assets			
Properties for Sale, Stock and Work in Progress	17	11,905	8,592
Trade and other debtors due after more than one year	18	311	101
Trade and other debtors due within one year	18	6,283	9,609
Cash and cash equivalents		1,745	5,368
		20,244	23,670
Creditors: amounts falling due within one year	19	(11,879)	(18,389)
Net current assets		8,365	5,281
Total assets less current liabilities		196,826	174,333
Creditors: amounts falling due after more than one year	20	(106,798)	(84,916)
Provison for Liabilities			
Pension provision	30	95	(8,524)
Total Net Assets		90,123	80,893
Reserves			
Income and Expenditure reserve		90,123	80,893
Total Reserves		90,123	80,893

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 8 September 2022 and signed on its behalf by:

Clare Tostevin Chair of the Board	Hazel Makinson Board Member	Matthew Maouati Secretary

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2022
Trust Statement of Financial Position

	Note	2022 £'000	2021 £'000
Fixed Assets			
Tangible fixed assets - properties	12	160,780	147,048
Tangible fixed assets - other	13	8,989	8,942
Investment properties	14	3,892	4,042
Investment in Subsidiaries	16	0	0
		173,661	160,032
Current Assets			
Properties for Sale, Stock and Work in Progress	17	9,960	6,056
Trade and other debtors due after more than one year	18	14,899	14,599
Trade and other debtors due within one year	18	5,862	5,776
Cash and cash equivalents		1,457	4,879
		32,178	31,310
Creditors: amounts falling due within one year	19	(11,564)	(17,749)
Net current assets		20,614	13,561
Total assets less current liabilities		194,275	173,593
Creditors: amounts falling due after more than one year	20	(105,939)	(84,603)
Provision for Liabilities			
Pension provision	30	95	(8,524)
Total Net Assets		88,431	80,466
Reserves			
Income and Expenditure reserve		88,431	80,466
Total Reserves		88,431	80,466

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 8 September 2022 and signed on its behalf by:

Clare Tostevin
Chair of the Board

Hazel Makinson
Board Member

Matthew Maouati
Secretary

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2022
Consolidated Statement of Cash Flows

	Note	2022 £'000	2021 £'000
Net Cash generated from operating activities	25	10,865	8,478
Cash flow from Investing activities			
Purchase of tangible fixed assets Housing Properties		(18,936)	(21,469)
Purchase of tangible fixed assets Other Fixed Assets		(854)	(1,017)
Purchase of tangible fixed assets Investment Properties		(3,857)	(178)
Proceeds from the sale of tangible fixed assets		3,045	2,556
Grants Received		3,828	4,030
Investment in Joint Venture		(232)	(89)
Interest Received		1	43
		(17,005)	(16,124)
Cash flow from financing activities			
Interest Paid		(9,637)	(3,296)
New secured loans		9,562	9,890
Repayments of borrowings		2,592	(5,536)
		2,517	1,058
Net change in cash and cash equivalents		(3,623)	(6,589)
Cash and cash equivalents at beginning of the year		5,368	11,957
Cash and cash equivalents at the end of the year		1,745	5,368

The accompanying notes form part of these financial statements.

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2022

Notes to the financial statements

1 Legal status

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

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

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

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

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

2 Accounting policies

Basis of accounting

The financial statements of the Group and Trust are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2018: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2022.

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 2022 using the purchase method.

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

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

Disclosure exemption

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

Going concern

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

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

Significant judgements and estimates

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

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

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

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

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

Based on this assessment, we calculated the Depreciated Replacement Cost (DRC) of each new social housing scheme, using appropriate construction costs and land prices. Where DRC is lower than the carrying amount an impairment is taken to reduce the carrying amount to the DRC.
As a result of this assessment no impairment charge has been made in the year to 31 March 2022 (note 12).

Classification of loans as basic:
The Trust had a stock transfer loan that met the definition of a basic financial instrument up to 19/07/2021 when it was fully repaid, and has therefore been held at amortised cost at this date with the breakage cost and remaining arrangement fees were written off to the Statements of Comprehensive Income in 2021/22.

Note 21 reports the raising of the Private Placement bond and the current revolving credit facilities (RCF)

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

Useful lives of depreciable assets:
Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates include changes to future decent homes standards may require more frequent replacement of key components. Accumulated depreciation at 31 March 2022 was £60.4m housing properties (note 12) and £3.7m other fixed assets (note 13).

Defined benefit obligation (DBO):
Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses. The calculation of the obligation also incorporates the impact of the various High Court rulings; namely McCloud and GMP rulings where appropriate.
The defined benefit obligation pension liability at 31 March 2022 was -£95k (note 30).

Fair value measurement:
Upon completion of a market rent scheme a professional valuation is obtained using the market approach to valuation in accordance with the RICS Valuation – Professional Standards and International Valuation Standards. At the end of the accounting period management bases the assessment of fair value on observable data. If this is not possible management uses the best information available. Estimated fair values may vary from actual prices.
During 2021/22 the fair value of investment properties was assessed to have increased by £1.8m (note 14).

Turnover and Revenue Recognition
Turnover comprises rental income receivable in the year, service charge income, income from shared ownership first tranche sales, support services and other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Service charge income is recognised in the period to which it relates net of losses from voids.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Creditors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Turnover, operating cost and operating surplus
Group

2022	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	29,435	-	(24,312)	5,123
Other social housing activities				
First Tranche Shared Ownership Sales	2,042	(1,667)	(370)	5
Development Services	-	-	(140)	(140)
Community Investment	1	-	(675)	(674)
Financial Inclusion	204	-	(354)	(150)
Other Support Activities	24	-	(290)	(266)
Gift Aid	-	-	-	-
Non social housing activities				
Private Rented Sector	828	-	(197)	631
Open Market Sales	1,113	(1,041)	(2)	70
Repairs for Others	160	-	(145)	15
Other Activities	11	-	(37)	(26)
	33,818	(2,708)	(26,522)	4,588
Surplus on the disposal of housing properties (note 6)				2,523
Movement in fair value of investment properties (note 14)				1,831
				8,942

2021	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	28,323	-	(20,296)	8,027
Other social housing activities				
First Tranche Shared Ownership Sales	2,890	(2,281)	(238)	371
Development Services	-	-	(40)	(40)
Community Investment	8	-	(619)	(611)
Financial Inclusion	-	-	(266)	(266)
Other Support Activities	17	-	(214)	(197)
Non social housing activities				
Private Rented Sector	609	-	(156)	453
Repairs for Others	163	-	(140)	23
Development Services	-	-	-	-
Other Activities	11	-	(39)	(28)
	32,021	(2,281)	(22,008)	7,732
Surplus on the disposal of housing properties				2,287
Movement in fair value of investment properties (note 14)				
				10,019

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

2022	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	29,435	-	(24,312)	5,123
Other social housing activities				
First Tranche Shared Ownership Sales	2,042	(1,667)	(370)	5
Development Services	685	-	(765)	(80)
Community Investment	1	-	(675)	(674)
Financial Inclusion	204	-	(354)	(150)
Other Support Activities	24	-	(290)	(266)
Gift Aid	-	-	-	-
Non social housing activities				
Private Rented Sector	217	-	(59)	158
Repairs for Others	160	-	(145)	15
Other Activities	11	-	-	11
	32,779	(1,667)	(26,970)	4,142
Surplus on the disposal of housing properties (note 6)				2,523
				6,665

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

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

Income and expenditure from social housing lettings	2022 £'000	2021 £'000
Rent receivable net of identifiable service charges	26,987	26,262
Service income	505	283
Net rental income	27,492	26,545
Amortised government grants	1,445	1,352
Government grants taken to income	456	405
Other revenue grants	6	6
Other Income	36	15
Turnover from social housing lettings	29,435	28,323
Management	(7,569)	(6,704)
Services	(773)	(407)
Routine maintenance	(4,743)	(3,552)
Planned maintenance	(1,828)	(1,318)
Major repairs expenditure	(2,462)	(1,180)
Bad debts	(73)	87
Depreciation of housing properties	(5,723)	(5,442)
Impairment of housing properties	-	-
Other expenditure	(1,141)	(1,780)
Operating costs on social housing lettings	(24,312)	(20,296)
Operating surplus on social housing lettings	5,123	8,027
Void losses	383	239

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

Other expenditure includes: £1,040k increased service costs relating to pension obligations (2021: £380k), £101k development expenditure treated as revenue (2021: £230k), £nil other costs of Covid (2021: £1,051k), and £nil holiday pay accrual (2021 £119k).

4. Accommodation in management and development Group and Trust

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

	2022 No. of properties	2021 No. of properties
Social housing		
General needs - social rent	5,417	5,425
General needs - affordable rent	324	317
Supported housing for older people	219	59
Low cost home ownership	132	123
Total social managed	6,092	5,924
Managed by others	8	5
Total social owned	6,100	5,929
Investment Properties		
Southway Housing Trust - market rent	24	26
Southway Plus - market rent	69	42
Total owned	6,193	5,997
Other accommodation managed		
Southway Housing Trust - leasehold properties	296	307
Total owned and managed	6,489	6,304
In course of construction		
Southway Housing Trust - shared ownership	252	179
Southway Housing Trust - with care	-	162
Southway Housing Trust - social rent	-	14
Southway Housing Trust - affordable rent	152	3
Southway Housing Trust - investment properties	-	-
Southway Plus - investment properties	-	27
Southway Plus - outright sale	6	12
	410	397

During the year there was an increase of 171 social housing properties owned comprising:

160 Supported homes developed (at with care schemes)
2 managed by others (at with care schemes)
14 Social Rent homes developed
13 Shared Ownership homes developed or acquired
7 Affordable Rent homes developed or acquired
1 Affordable Rent converted from Market Rent
1 managed by others converted from Market Rent
less 23 RTB/RTA disposals
less 4 Staircasing sales

5. Operating surplus
Group and Trust

This is arrived at after charging:

	2022 £'000	2021 £'000
Depreciation of housing properties	5,723	5,442
Impairment of housing properties	-	-
Depreciation of other tangible fixed assets	737	729
Loss on disposal of other fixed assets	47	-
<u>Operating lease rentals</u>		
- office accommodation	33	33
- maintenance vehicles	217	145
- office equipment	-	-
<u>External auditors' remuneration (excluding VAT)</u>		
- for audit services	28	27
- for non-audit services	-	-
Internal auditors' remuneration (excluding VAT)	34	23

6. Surplus on sale of fixed assets - housing properties

	Group		Trust	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Disposal Proceeds	3,097	2,755	3,097	2,755
Carrying value of fixed assets	(387)	(229)	(387)	(229)
Other costs of sale	(239)	(252)	(239)	(252)
RTB/RTA disposals	2,471	2,274	2,471	2,274
Proceeds from other property sales	186	53	186	53
Carrying value of other property disposals	(134)	(40)	(134)	(40)
Other cost of sales	-	-	-	-
Total surplus on sale of fixed assets	2,523	2,287	2,523	2,287

7. Interest receivable and other income

	Group 2022 £'000	Group 2021 £'000	Trust 2022 £'000	Trust 2021 £'000
Interest receivable	1	43	572	476
Other finance income	-	-	-	-
	1	43	572	476

8. Interest and financing costs

	Group 2022 £'000	Group 2021 £'000	Trust 2022 £'000	Trust 2021 £'000
Loans and bank overdrafts	2,043	3,287	2,043	3,287
Capitalised development interest	(1,203)	(846)	(1,098)	(698)
Amortisation of initial loan costs	392	130	392	130
Loan security trustee	10	10	10	10
Loan breakage costs	7,584	-	7,584	-
Other finance costs	184	85	184	85
	9,010	2,666	9,115	2,814
Capitalisation rate used to determine the amount of development interest capitalised	3.70%	4.25%	3.70%	4.25%

The loan breakage cost reported above is a one off payment related to refinancing of Southway's £44.4m stock transfer loan with Barclays. The £7.6m breakage cost is offset by the equivalent economic benefit of securing lower interest rates via the new Private Placement (PP) reported in note 21. A waiver was approved by the PP investors and Barclays in relation to the lower interest cover ratio which results in 2021/22.

9. Employees
Group and Trust

Average monthly number of employees expressed in full time equivalents (standard hours 35 hours per week)	**2022 No.**	**2021 No.**
Administration	45	43
Maintenance Service & Home Improvement	83	77
Neighbourhood Services & Community Investment	65	55
Call Centre & Customer Response	29	27
Development and Property Acquisition	20	19
	242	221

Employee costs	**2022 £'000**	**2021 £'000**
Wages and salaries	7,879	7,233
Social security costs	802	745
GMPF Pension contributions	877	894
Nest Pension contributions	195	195
	9,753	9,067

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

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

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

	2022 No.	**2021 No.**
£60,001 - £70,000	5	5
£70,001 - £80,000	2	1
£80,001 - £90,000	0	0
£90,001 - £100,000	3	3
£100,001 - £110,000	0	0
£110,001 - £120,000	1	1

10. Key management personnel
Group and Trust

None of the Board Members received emoluments (2021 nil). Board members expenses totalled £776 in the year to 31 March 2022 (2021: £677).

The emoluments of the highest paid Director, the Chief Executive, excluding pension contributions was £113k (2021: £115k).

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	**2022 £'000**	**2021 £'000**
Basic salary	402	399
Social Security Costs	51	50
Pension contributions	90	89
Benefits in kinds	-	-
Compensation for loss of office	-	-
	543	538

11. Tax on profit on ordinary activities

	Group 2022 £'000	Group 2021 £'000	Trust 2022 £'000	Trust 2021 £'000
The tax charge/(credit) is based on the profit for the year and represents:				
Current tax				
UK corporation tax at 19.00% (PY: 19.00%)	-	-	-	-
Deferred tax				
Origination and reversal of timing differences	443	150	-	-
Adjustments in respect of prior periods	3	(7)	-	-
Effect of tax rate change on opening balance	100	-	-	-
	546	143	-	-
Tax on profit on ordinary activities	546	143	-	-
Movement in deferred tax provision				
Provision at start of period	313	170	-	-
Deferred tax charged in the Profit and loss account for the period	546	143	-	-
Tax on results on ordinary activities	859	313	-	-
Profit on ordinary activities before tax	(65)	8,051	(1,877)	7,507
Tax on profit on ordinary activities at standard CT rate of 19% (2019: 19%)	(12)	1,530	(357)	1,426
Income not taxable for tax purposes	(6,685)	(6,354)	(6,337)	(6,230)
Amounts (charged)/credited directly to the STRGL or otherwise transferred	(8)	(5)	-	-
Capital gains/(losses)	348	135	-	-
Fixed asset differences	747	725	744	736
Expenses not deductible for tax purposes	5,986	4,103	5,950	4,068
Deferred tax not recognised	(24)	16	-	-
Adjustments in respect of prior year periods (deferred tax)	3	(7)	-	-
Remeasurement of deferred tax for changes in tax rates	191	-	-	-
Other movements	-	-	-	-
Tax charge/(credit) for the period	546	143	(0)	0

12. Tangible fixed assets - properties
Group

	Social housing properties for letting £'000	Shared ownership properties completed £'000	Social housing properties under construction £'000	Shared ownership properties under construction £'000	Total £'000
Cost					
At 1 April 2021	158,657	7,979	24,965	10,694	202,295
Opening Balance Restatement	(1,042)	(23)	(165)	967	(263)
Development of new properties			8,975	8,480	17,455
Interest capitalised			410	687	1,097
Schemes completed	29,690	1,175	(29,690)	(1,175)	-
Works to existing properties	1,122		-	-	1,122
Change in tranche sold	-	293	-	-	293
Tfr from Investment Properties	149				149
Other Additions	12	24			36
Disposals	(1,444)	(140)	-	-	(1,584)
At 31 March 2022	187,144	9,308	4,495	19,653	220,600
Depreciation and impairment					
At 1 April 2021	(55,163)	(258)	(261)	-	(55,682)
Opening Balance Restatement			261		261
Depreciation charged in year	(5,268)	(455)	-	-	(5,723)
Impairment charged in year	-	-	-	-	-
Released on disposal	699	6	-	-	705
At 31 March 2022	(59,732)	(707)	-	-	(60,439)
Net book value					
At 31 March 2022	127,412	8,601	4,495	19,653	160,161
At 31 March 2021	103,494	7,721	24,704	10,694	146,613

Housing properties At 31 March 2022 are comprised entirely of freehold land and buildings.

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

12. Tangible fixed assets - properties (continued)
Trust

	Social housing properties for letting	Shared ownership properties completed	Social housing properties under construction	Shared ownership properties under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2021	158,665	8,073	24,664	11,328	202,730
Opening Balance Restatement	(1,001)	(6)	342	404	(261)
Development of new properties			9,047	8,590	17,637
Interest capitalised			410	687	1,097
Schemes completed	29,952	1,194	(29,952)	(1,194)	-
Works to existing properties	1,122				1,122
Change in tranche sold		293			293
Tfr from Investment Properties	149				149
Other Additions	12	24			36
Disposals	(1,444)	(140)			(1,584)
At 31 March 2022	187,455	9,438	4,511	19,815	221,219
Depreciation and impairment					
At 1 April 2021	(55,163)	(258)	(261)	-	(55,682)
Opening Balance Restatement			261		261
Depreciation charged in year	(5,268)	(455)	-	-	(5,723)
Impairment charged in year	-	-	-	-	-
Released on disposal	699	6	-	-	705
At 31 March 2022	(59,732)	(707)	-	-	(60,439)
Net book value					
At 31 March 2022	127,723	8,731	4,511	19,815	160,780
At 31 March 2021	103,502	7,815	24,403	11,328	147,048

Housing properties at 31 March 2022 are comprised entirely of freehold land and buildings.

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

12. Tangible fixed assets - properties (continued)

Expenditure on works to existing properties	Group 2022 £'000	Group 2021 £'000	Trust 2022 £'000	Trust 2021 £'000
Components capitalised	1,122	392	1,122	392
Amounts charged to income and expenditure account	2,462	1,180	2,462	1,180
	3,584	1,572	3,584	1,572

Finance Costs	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Aggregate amount of capitalised interest included in the cost of housing properties	2,992	1,814	2,992	1,814

Social Housing Assistance	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Total accumulated grants received or receivable at 31 March				
Recognised in Statement of Comprehensive Income	21,445	20,000	21,445	20,000
Held as Deferred Grant Income (note 22)	40,399	38,375	40,399	38,375
	61,844	58,375	61,844	58,375

13. Tangible fixed assets - other
Group

	Furniture fixtures and fittings £'000	Computers and related equipment £'000	Community assets £'000	Office accommodation £'000	Total £'000
Cost					
At 1 April 2021	529	2,548	2,407	6,489	11,973
Reclassification of Assets	-	-	-	-	-
Adjusted balance at 1 April 2021	530	2,548	2,407	6,489	11,973
Additions	46	401	407	-	854
Disposals	(47)	-	-	-	(47)
At 31 March 2022	529	2,949	2,814	6,489	12,780
Depreciation					
At 1 April 2021	(215)	(1,959)	(206)	(581)	(2,961)
Reclassification of Assets	-				-
Adjusted balance at 1 April 2021	(215)	(1,959)	(206)	(581)	(2,961)
Charged in year	(80)	(399)	(64)	(194)	(737)
Disposed in year	-	-	-	-	-
At 31 March 2022	(295)	(2,358)	(270)	(775)	(3,698)
Net book value					
At 31 March 2022	233	591	2,542	5,715	9,081
At 31 March 2021	314	589	2,201	5,908	9,012

13. Tangible fixed assets - other
Trust

	Furniture fixtures and fittings £'000	Computers and related equipment £'000	Community assets £'000	Office accommodation £'000	Total £'000
Cost					
At 1 April 2021	433	2,548	2,420	6,489	11,890
Reclassification of Assets	-	-	-	-	0
Adjusted balance at 1 April 2021	433	2,548	2,420	6,489	11,890
Additions	12	336	412	-	760
Disposals	-	-	-	-	-
At 31 March 2022	445	2,884	2,833	6,489	12,651
Depreciation					
At 1 April 2021	(202)	(1,959)	(206)	(581)	(2,948)
Reclassification of Assets	-	-	-	-	-
Adjusted balance at 1 April 2021	(202)	(1,959)	(206)	(581)	(2,948)
Charged in year	(57)	(399)	(65)	(194)	(715)
Disposed in year	-	-	-	-	-
At 31 March 2022	(259)	(2,358)	(271)	(775)	(3,663)
Net book value					
At 31 March 2022	186	526	2,562	5,714	8,988
At 31 March 2021	231	589	2,214	5,908	8,942

14. Investment properties

	GROUP				TRUST			
	2022 £'000 Properties completed	2022 £'000 Properties under construction	2022 £'000 Total Investment Properties	2021 £'000 Total Investment Properties	2022 £'000 Properties completed	2022 £'000 Properties under construction	2022 £'000 Total Investment Properties	2021 £'000 Total Investment Properties
At 1 April 2021	12,058	1,123	**13,181**	**12,338**	4,042	0	**4,042**	**4,015**
Reclassification of opening balance	0	50	**50**	**-44**	0	0	**0**	**0**
Restated b/f	12,058	1,173	**13,231**	**12,294**	4,042	0	**4,042**	**4,015**
Additions	52	3,825	**3,877**	**232**	0		**0**	**27**
Increases/Decreases in value	1,831		**1,831**	**655**			**0**	**0**
Complete	4,525	-4,525	**0**	**0**			**0**	**0**
Transfer to affordable housing	-149		**-149**	**0**	-149		**-149**	**0**
Disposals			**0**	**0**			**0**	**0**
At 31 March 2022	18,317	473	**18,790**	**13,181**	3,893	0	**3,893**	**4,042**

Aggregate amount of capitalised interest	440	420	0	56

There are 24 market rent investment properties in the Trust. Research into the property values at 31 March 2022 was carried out by the Directors and was not judged to be materially different to their carrying value. Directors have knowledge and skill to undertake such a valuation assessment.

The Group includes one development which is under construction and is held at carrying value. In addition, the Group includes two completed schemes of 69 market rented properties owned by Southway Plus Ltd. The completed schemes were independently valued: 27 properties by Aspin & Co Ltd, Chartered Surveyors on 31 March 2022 and 42 properties Roger Hannah Chartered Surveyors on 13 June 2022, using the market approach to valuation in accordance with the RICS Valuation - Professional Standards and International Valuation Standards. The RICS Valuation - Global Standards 2017, defines Market Value as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgably, prudently and without compulsion". The Directors have been guided by the independent valuations and applied their professional judgement in valuing the properties at £14.475m, which results in a revaluation gain of £1.831m during 2021/22.

15. Investment in subsidiaries
Trust

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

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

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

	Southway Plus Limited £	Southway DevCo Limited £
Cost		
At 1 April 2021	1	1
Additions	-	-
Disposal	-	-
At 31 March 2022	1	1

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

16. Investment in joint ventures

	Group		Trust	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Investment in Joint Venture	428	196	-	-
	428	196	-	-

Southway Plus Limited has entered into a joint venture arrangement with 9 other Registered Providers to create GMJV FundCo LLP. Plus will invest up to £3m via a mix of debt and equity in GMJV FundCo LLP. GMJV FundCo LLP together with the Greater Manchester Combined Authority invest in Hive Homes (Greater Manchester) LLP which is a delivery vehicle to build homes for outright sale and provide a competitive return to investors. At 31 March 2022 Southway Plus' investment totals £739k (2021: £297k), comprising the above equity investment and a loan due over more than one year (reported in note 18).

17. Properties for sale, stock and work in progress

	Group*		Trust	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Shared ownership properties				
Completed for sale	1,921	782	1,921	782
Under construction	7,934	5,170	7,934	5,170
Properties for outright sale				
Completed for sale	1,613	-	-	-
Under construction	333	2,536	-	-
Maintenance materials	104	104	104	104
	11,905	**8,592**	**9,959**	**6,056**
Aggregate amount of capitalised interest	288	203	-	-

*£50k of brought forward shared ownership properties completed for sales was reclassified as investment properties in note 14.

18. Debtors

	Group 2022 £'000	Group 2021 £'000	Trust 2022 £'000	Trust 2021 £'000
Due within one year				
Rent and service charges receivable	2,611	2,611	2,611	2,611
Less: Provision for bad and doubtful debts	(2,115)	(2,134)	(2,105)	(2,134)
	496	477	506	477
Grant receivable	-	-	-	-
VAT incurred and recoverable	152	99	-	39
Amounts due from group companies	-	-	465	138
Other debtors	4,870	4,603	4,259	4,499
Prepayments and accrued income	765	4,430	632	623
	6,283	9,609	5,862	5,776
Due more than one year				
Amounts due from group companies over one year	-	-	14,899	14,599
Other debtors due over one year	311	101	-	-
Total Debtors	6,594	9,710	20,761	20,375

The amount due over one year within the Trust represents an intra-group loan to Southway Plus Limited.
There is a floating charge over Southway Plus's assets for the loan; the interest rate charged on the loan is 4.27% to 15 April 2021, then 3.8% to November 2021, thereafter at 3.65%.

Other debtors due over one year includes £2.42m (2021: £3.05m) relating to the Homelessness Fund (see also note 19 - Other Creditors), £322k (2021: £314k) relating to Leasehold sinking funds and £44k (2021: £47k) held on behalf of the Strategic Housing Partnership.

19. Creditors: amounts falling due within one year

	Group 2022 £'000	Group 2021 £'000	Trust 2022 £'000	Trust 2021 £'000
Loans due in less than one year (note 21)	0	6,586	0	6,586
Deferred grant income (note 22)	1,445	1,352	1,445	1,352
Recycled capital grant fund (note 23)	33	-	33	-
Rent and service charges received in advance	813	702	813	702
Leasehold sinking funds	523	387	523	387
Other taxes and social security costs	231	211	231	211
VAT incurred and recoverable	-	-	8	-
Trade creditors	1,293	1,620	481	693
Other creditors	4,542	4,606	4,072	4,606
Amounts due to group companies	-	-	2,173	1,618
Accruals and deferred income	2,999	2,924	1,785	1,595
	11,879	18,389	11,564	17,749

Other creditors includes £2.42m (2021: £3.05m) relating to the Homelessness Fund (see also note 18 - Other Debtors)
Other potential further commitments of £357k (2021: £359k) arise in relation to the Manchester Service for Independent Living fund

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

	Group 2022 £'000	Group 2021 £'000	Trust 2022 £'000	Trust 2021 £'000
Loans due in more than one year (note 21)	67,000	47,823	67,000	47,823
Loan arrangement fees to be amortised	(472)	(426)	(472)	(426)
Deferred Grant income (note 22)	38,954	37,023	38,954	37,023
Recycled capital grant fund (note 23)	361	89	361	89
Capital proceeds fund	26	26	26	26
Homelessness Equity share	69	69	69	69
Deferred taxation (note 11)	859	313	-	-
	106,798	84,916	105,939	84,603

21. Debt analysis
Group and Trust

	2022 £'000	2021 £'000
Bank loans - Due within one year		
Repayable within one year	0	6,586
Bank loans - due after more than one year		
Repayable more than one year but less than two years	17,000	15,267
Repayable more than two years but less than five years	-	19,343
Repayable more than five years	50,000	13,213
	67,000	47,823
Total Debt	67,000	54,408

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

The loans reported at 31 March 2022 comprise:

1) £17m variable interest rate revolving credit facility (RCF). A further £18m revolving credit faclitity was undrawn at 31.03.22. Following the completion of Private Placement, it has been decided to reduce the current RCF to £10m and negotiate an extension on this for 3 to 5 years. This change is in the process of being finalised.

2) £50m Private Placement issued on 19 July 2021 with redemptions dates between 2041 to 2051.
£35m was issued on 25 May 2022 with redemption date 25 May 2044
£35m will be issued on 25 May 2023 with redemption date 25 May 2053
The Private Placement has a weighted average of interest rate of 2.7%, with a weighted average maturity of 26 years.

22. Deferred grant income
Group and Trust

	2022 £'000	2021 £'000
At 1 April	38,375	36,996
Grant received in the year	3,728	2,725
Grant disposed in year	(139)	(84)
RCGF (reversal) / development of properties	(14)	116
Transfer to RCGF - staircasing	(106)	(26)
Released to income in the year	(1,445)	(1,352)
At 31 March	40,399	38,375
Of which:		
Amounts to be released within one year	1,445	1,352
Amounts to be released in more than one year	38,954	37,023
	40,399	38,375

23. Recycled capital grant fund
Group and Trust

	2022 £'000	2021 £'000
At 1 April	89	148
Grants recycled:		
Right to Acquire Grant	100	30
Grant recycled from Staircasing	106	26
Interest accrued	-	1
Recycling of Grant:	85	
Development of properties	14	(116)
At 31 March	394	89
Of which:		
Due within one year	33	0
Due greater than one year	361	89
	394	89

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

24. Non-equity share capital
Trust

Shares of £1 each issued and fully paid	2022	2021
At 1 April	9	9
Shares issued during the year	4	2
Shares surrendered during the year	(4)	(2)
At 31 March	9	9

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

25. Cash flow from operating activities
Group

	2022 £'000	2021 £'000
Surplus for the year	(613)	7,907
Adjustments for non cash items:		
Depreciation of housing properties	5,723	5,442
Depreciation of other fixed assets	736	729
Amortised government grants	(1,445)	(1,352)
Impairment of housing properties	-	-
Loss on replacement of components	236	70
Surplus on revaluation of properties	(1,831)	(655)
Pension costs less contributions payable	1,040	380
Changes in working capital:		
Increase in properties for sale, stock and work in progress	(3,128)	(2,376)
Increase in debtors	3,116	(2,430)
Increase in creditors	(48)	283
Adjustments for investing or financing activities:		
Surplus on the disposal of housing properties	(2,523)	(2,286)
Loss on the disposal of other fixed assets	47	-
Interest payable and other financing costs	9,010	2,666
Interest receivable	(1)	(43)
Taxation		
Deferred tax charged in the Profit and loss account for the period	546	143
Net Cash Generated From Operating Activities	10,865	8,478

26. Capital commitments

	Group 2022 £'000	Group 2021 £'000	Trust 2022 £'000	Trust 2021 £'000
Expenditure contracted for but not provided in the accounts	33,347	42,603	32,190	41,639
Expenditure authorised by the board, but not contracted	92,439	33,269	92,009	29,954
	125,786	75,872	124,199	71,593

The above commitments of the Group at 31 March 2022 will be financed primarily through borrowings (£58.3m), which are available from existing loan facilities and Private Placement funds, with the balance funded through social housing grant (£21.9m) and property sales (£45.6m).

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

27. Leasing commitments
Group and Trust

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

	2022 £'000	2021 £'000
Within one year		
Office accommodation	35	33
Vehicles	328	189
	363	222
Between one and five years		
Office accommodation	81	113
Vehicles	984	0
	1,065	113

28. Contingent liabilities
Group and Trust

The Group and Trust had no contingent liabilities to disclose at 31 March 2022 (2021: nil).

29. Financial assets and liabilities

On 1 June 2020 the Trust restructured it's loan finance agreement. £35m revolving credit facilities from Barclays Bank PLC were renewed with £10m extended to June 2022 and £25m to June 2023. The former facility can be extended for a further additional year, the second facility for an additional one or two years. At 31 March 2022 Southway had drawn £17m from its £35m loan facility with Barclays PLC leaving £18m undrawn (2021: £25m). Refer to note 21 for other refinancing activities.

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

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

	Group		**Trust**	
	2022 £'000	**2021 £'000**	**2022 £'000**	**2021 £'000**
<u>Categories of financial assets and financial liabilities</u>				
The realisable value of all financial assets and liabilities was equal to book value at all times.				
Financial assets that are measured at amortised cost	7,216	10,552	6,792	10,097
Financial liabilities measured at amortised cost	7,171	7,316	8,063	8,007
Loan commitments measured at cost	67,000	54,408	67,000	54,408
<u>Financial assets</u>				
Financial assets held as short term cash deposits and cash at bank. They attract interest at variable rates and amounts held by the Trust were:				
Short term cash deposits	1,649	1,649	1,649	1,649
Cash at bank	96	3,719	-192	3,230
Total	1,745	5,368	1,457	4,879
<u>Financial liabilities excluding trade creditors</u>				
The Trust's financial liabilities are sterling denominated. The interest rate profile of the financial liabilities at 31 March was:				
Floating rate	17,000	10,000	17,000	10,000
Fixed rate	50,000	44,408	50,000	44,408
Total borrowings	67,000	54,408	67,000	54,408

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

30. Pensions
Group and Trust

Greater Manchester Pension Fund

Southway participates in two Greater Manchester Pension Fund schemes. One scheme is for staff which transferred from the Council; the other is for new employees. The results of both schemes have been amalgamated in the notes which follow.

Both Greater Manchester Pension Fund schemes are multi-employer schemes, administered by Tameside Metropolitan Borough Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2019 and rolled forward to 31 March 2022 by a qualified independent actuary.

The employers' contributions to the fund by the Trust for the period ended 31 March 2022 were £838k (2021: £892k) at a contribution rate of 22.2% of pensionable salaries (2021: 22.2%).

Financial assumptions	**31 March 2022**	**31 March 2021**
	% per annum	**% per annum**
Major categories of plan assets as a percentage of total plan assets		
Equities	67%	72%
Bonds	15%	12%
Property	8%	7%
Cash	10%	9%
	100%	100%

	% per annum	% per annum
Pension increase rate	3.15	2.8
Salary increase rate	3.90	3.55
Discount rate	2.75	2.05

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 2022	**Number of Years 2021**
Retiring today:		
Males	20.3	20.5
Females	23.2	23.3
Retiring in 20 years:		
Males	21.6	21.9
Females	25.1	25.3

30. Pensions (continued)
Group and Trust

Changes in fair value of scheme assets	**2022 £'000**	**2021 £'000**
Opening fair value of plan assets	54,833	44,826
Expected return	1,103	1,030
Contributions by members	273	290
Contributions by employer	838	892
Actuarial gains	5,034	8,926
Benefits paid	(1,097)	(1,131)
Closing fair value of scheme assets	60,984	54,833

Changes in present value of scheme liabilities	**2022 £'000**	**2021 £'000**
Opening scheme liabilities	63,357	48,310
Service cost	1,798	1,260
Interest cost	1,287	1,115
Contributions by members	273	290
Actuarial losses/(gains)	(4,809)	13,501
Past service costs	-	-
Losses on curtailments	80	12
Benefits paid	(1,097)	(1,131)
Closing scheme liabilities	60,889	63,357

Movement in net liabilities during the year	**2022 £'000**	**2021 £'000**
Scheme liabilities less assets at start of year	(8,524)	(3,484)
Current service cost	(1,798)	(1,260)
Past service costs	-	-
Losses on curtailments	(80)	(12)
Contributions	838	892
Other finance costs	(184)	(85)
Actuarial movement	9,843	(4,575)
Scheme liabilities less assets at end of year	95	(8,524)

30. Pensions (continued)
Group and Trust

Amounts recognised in the statement of financial position	2022 £'000	2021 £'000
Present value of funded obligations	(60,889)	(63,357)
Fair value of plan assets	60,984	54,833
	95	(8,524)
Present value of unfunded obligations	-	-
Net liability	95	(8,524)

Analysis of the amount charged to operating surplus	2022 £'000	2021 £'000
Current service cost	1,798	1,260
Losses on curtailments	80	12
Total operating charge	1,878	1,272

Analysis of the amount charged to other finance costs	2022 £'000	2021 £'000
Expected return on pension scheme assets	1,103	1,030
Interest on pension scheme liabilities	(1,287)	(1,115)
Net interest	(184)	(85)

31. Transactions with related parties

	2022 £'000	2021 £'000
Southway Housing Trust		
Amounts due to Southway DevCo	1,862	1,618
Amounts due from Southway Plus	154	138
Loan due from Southway Plus	14,899	14,599
Purchases from group companies		
Design and build contracts from Southway DevCo	16,878	17,473
Sales to group companies		
Project management services to Southway DevCo	0	1,065
Project management services to Southway Plus	0	0
Corporate support to Southway DevCo Corporate	25	36
support to Southway Plus	23	31
Land sale and related fees to Southway Plus	0	0
Interest on loan to Southway Plus	559	433
Donations from group companies		
Gift aid from Southway DevCo	-	-

Other transactions

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

	Weekly Rent £	Amount Due £
Aggregate tenancy transactions as at 31 March 2022	254.79	(753.66)

During the year one member of the Board served as a Councillor with Manchester City Council, and one Board members was a senior manager at the same organisation. That local authority has nomination rights over tenancies for most of Southway's properties. All such lettings and all other transactions with the Council are on normal contractual commercial terms and the members concerned are not able to use this relationship to personal advantage.

Southway Housing Trust has a Board member in common with Barlow Moor Community Association. During the year Southway had transactions with the association totalling £26.8k (2021: £3.3k), the balance due at the year end was £nil (2021: £1.7k).

The Trust's Chief Executive is also a board member of Manchester Athena Ltd. There have been payments made of £7k to this company in 2021/22 (2021: £7k).

The Trust's Strategic Director Property & Development is also a board member of Bolton at Home. There have been payments made of £11k to this company in 2020/21 (2021: £nil).

The Trust's Chief Financial Officer and Strategic Director Property & Development are Directors of ICO Didsbury Point Ltd, a management company which administers a piece of land which the Trust owns. There have been payments made of £2k to this company in 2021/22 (2021:£4k).

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