Southway Housing Trust (Manchester) Limited Group Accounts

2018/19

Co-operative and Community Benefit Society No. 30348

Regulator of Social Housing No. L4507

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Board Members, Executive Directors, Advisors and Bankers

Board Members

Samantha Macwilliam	Chair
Clare Tostevin	Vice Chair (from 3 July 2018)
Iain Leviston	
Roger Spencer	
Mark Taylor	
Memuna Bangura	
Councillor Joanna Midgley	
Sean McGonigle	(resigned 3 July 2018)
Stuart Shore	(resigned 18 September 2018)
Tony Powell	(appointed 18 September 2018)
Fiona Worrall	(appointed 18 September 2018)

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 Grant Thornton UK LLP, 4 Hardman Square, Spinningfields, Manchester, M3 3EB

Internal Auditors TIAA Ltd, 53-55 Gosport Business Centre, Aerodrome Road, Hampshire, PO13 0FQ (to March 2019)
RSM Risk Assurance Services LLP, 25 Farringdon Street, London, EC4A 4AB (from April 2019)

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 our Board annual report, and year end accounts for the 2018/19 financial year.

2018/19 was the fourth year of delivery of our corporate strategy, the Futures Strategy, which sets out our vision and strategic priorities to March 2020. We are an ambitious organisation that works from a strong community base to make a positive impact on the people and places where we are a major stakeholder.

As a local resident and tenant of the Trust I see every day examples of why social and affordable housing is so important. Having a stable home that families and people of all ages can afford, that is comfortable, warm and secure for the future is essential and a basic right that Southway is committed to delivering.

We have a strong financial position and good quality housing stock which provides decent and affordable homes for people across south Manchester and in our wider operating area. We are proud of our landlord services and of the social value that we add to our communities. In 2018/19, as in previous years, we continued to spend more than £1m on social investment to the benefit of our tenants and local residents. On a per unit basis this is more than three times the sector average. This means that we are making a real impact on improving life chances and quality of life.

We are also keen to respond to the need for more housing, and to make best use of our resources. We are on track to deliver significantly higher levels of investment in new housing as the development programme rolls out, meeting our objective of 750 homes started or acquired by 2020.

We have had some challenges in the last year. There was a reduction in performance in our property maintenance service which negatively affected our tenant satisfaction ratings. This is a key priority for action and we are already making progress in turning this around. We had a focus on improving our management and delivery of Property Compliance and are now confident that our approach is robust and focuses properly on the safety of the people living in our homes. Our rent collection performance remained good, above the median for the sector, reflecting the hard work our staff have put in to advise and support our tenants, where needed, through the introduction of Universal Credit and other welfare reforms.

Finally, during the year we moved into our new office accommodation, in the heart of our core Southway area. The office provides a better and healthier working environment for our staff as well as improved facilities for visitors, customers, and other stakeholders who are now using the building regularly. It clearly demonstrates our commitment to invest in the area and continue towards our vision of making South Manchester a great place to live.

2019/20 is another important year for us as we complete the delivery of our existing Corporate strategy and put in place new plans and targets for the period 2020 to 2025. I look forward to leading the Board during the year and working with our dedicated staff, partners and of course our tenants.

Strategic Report and Report of the Board

Corporate Strategy and Structure

Vision, Purpose and Values

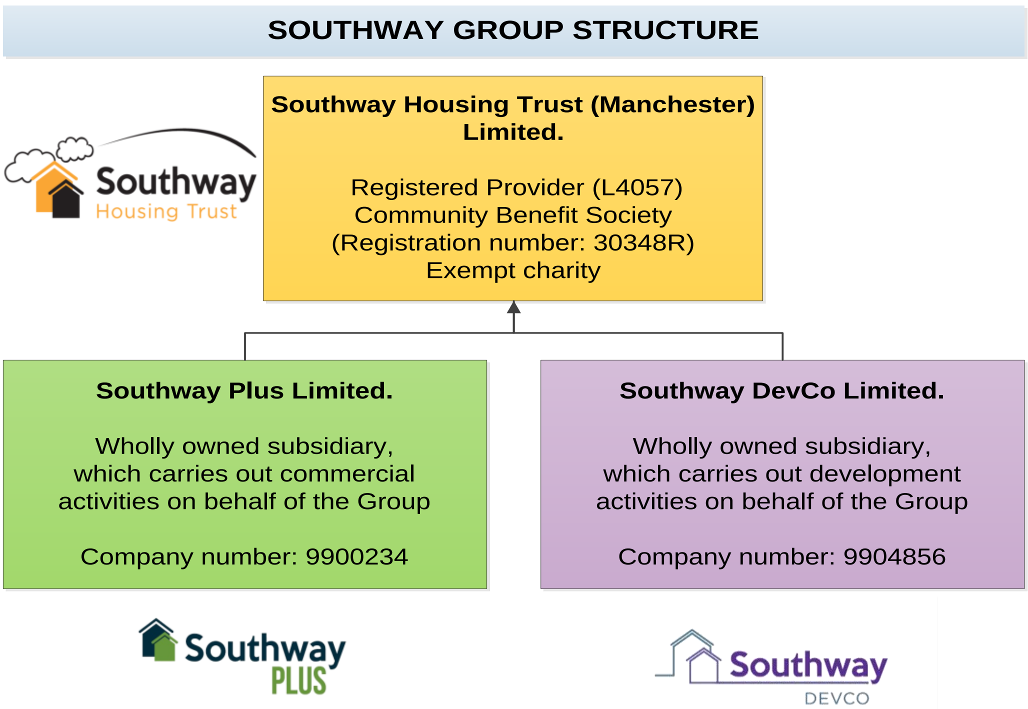
Southway Housing Trust (Manchester) Limited ('Southway' or 'the Trust') is a society registered under the Co-operative and Community Benefit Societies Act 2014, and a Registered Provider with the Regulator of Social Housing. The Trust is a community based social landlord working in and around South Manchester.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

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

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

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

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



The group structure facilitates the delivery of the Futures Strategy with two subsidiaries involved in the delivery of the increased development programme and introduction of commercial activities. The structure allows projects with a commercial risk and return to be undertaken, whilst protecting the social housing assets of the Trust. Profits generated by the subsidiaries are to be returned to Southway Housing Trust via gift aid to support its wider charitable and community objectives.

Corporate Strategy

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

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

Southway's achievements during 2018/19 on the five strategic themes include:

Affordable Homes in Desirable Neighbourhoods

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

During 2018/19, we delivered the first year of our new 3-year Customer Involvement Strategy 'The Customer Voice'. We reported an increase in the number of tenants who feel they have a voice, from 67% to 70%, moving us towards the 2021 target of 80%.

Another priority in the year was improving our ASB service due to a reduction in customer satisfaction results. We commissioned a specialist company to review the way we deliver our ASB service and how we work with, communicate and support our tenants. An Action Plan is being delivered to improve the service which includes working with a customer led Service Improvement Group.

In June 2018, Southway retained its prestigious Green Flag award, in recognition of work carried out at Barlow Moor Green Space in Chorlton. This international award is given to areas that boast the highest possible environmental standards and reflects our overall approach to making good use of the green spaces, trees and planting we own to enhance wellbeing and to sustain a positive selling point for our neighbourhoods.

An excellent result was also achieved in our annual Customer Service Excellence audit with a record number of 14 Compliance Plus awards being achieved. Special recognition was given to the way we have started to use customer information to inform service delivery and priorities for investment in communities.

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

Community Investment

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

We directly assisted 64 people into work and a further 585 tenants accessed pre-employability training at the Learning Hubs at Barlow Moor Community Association and Old Moat Community Minded. Two new Learning Hubs were formed during 2018 at Westcroft and Ladybarn funded by MCC, getting off to a great start with 50 people gaining new skills and 15 moving into employment or training by March 2019.

562 tenants accessed Westcroft Community Centre in 2018/19 with 299 attending health and well-being courses that included healthy eating, fitness and wellbeing checks. The centre achieved recognition as the Best Community Space 2018 in the Spirit of Manchester awards.

During the year 354 Southway tenants were actively volunteering, with over 10,000 Timebank hours contributed by members. A very successful event was held in March celebrating and thanking all our volunteers for everything they do.

Our five Quids In food clubs continued to grow during the year and there are now 275 members being provided with low cost and healthy food each week. We recruited a Quids In Co-ordinator April 2018 who helps maximise the food available at each club and supports the dedicated volunteers. The Clubs offer the lowest cost membership in Greater Manchester. A Christmas bag was offered to all members, providing £25 worth of food for £2 with some great feedback from customers.

Our dedicated Advice Services team supported 580 tenants to secure £2.1m of eligible benefits and provided a further 119 with debt advice.

In 2019/20, we will continue to support tenants to maximise their income with a focus on people who move onto Universal Credit, and facilitate tenants to access solutions offered by South Manchester Credit Union.

Following receipt of a substantial rebate of prior year business rates:

- From 2018/19 to 2019/20, an additional £350k will have been invested in community and age friendly projects.
- A further £250k is to be invested into the Beautiful South fund over 10 years for projects that support communities, with a focus on neighbourliness. A panel of tenants is involved in making decisions about how the money is spent.

Age Friendly Living

Southway continues to take a lead on promoting and delivering Age Friendly services and projects in Manchester and Greater Manchester.

We were delighted to be awarded recognition for this work as part of the Age-Friendly 2019 Achievement Award with Merit by Andy Burnham, Mayor of Greater Manchester, for our age friendly neighbourhood projects in Old Moat and Burnage.

We continue to initiate and deliver a range of projects across all our areas to tackle loneliness and isolation. 2018/19 was the second year of a three-year grant funding award of £170k to develop a new peer support network in Chorlton Park and to support up to 100 older men across Greater Manchester who are currently isolated.

Our commitment to improve the range of housing options for older people also moved forward during the year with starts on site for our 2 extra care schemes and a new model of co-housing being explored with our strategic partner, the Manchester School of Architecture. Southway also appointed a partnership funded Housing Options for Older Persons worker, a new service being rolled out across Greater Manchester, to make sure residents of all tenures have access to advice when considering a move.

Priorities for Investment

Development activity has increased substantially over the last two years. Our investment objectives are to deliver affordable homes in our core Southway area, as well as to expand to areas within half an hour of our base in the neighbouring boroughs of Trafford, Tameside, Stockport, Salford and Cheshire East.

The Trust's first shared ownership scheme at Vine Street (Park View) Gorton was completed during the last year, and all properties sold. Park View was awarded Best New Development in the North 2019 at the First Time Buyer's readers awards. We currently have a number of projects on site. This includes two extra care schemes for social rent of 162 apartments in Burnage and Gorton for older people in need of care and support, as well as 24 shared ownership apartments for all age groups in Chorlton.

Work is underway on the Minehead site in Old Moat, Withington. This will deliver a 64 home mixed tenure scheme with shared ownership houses, and affordable rent and older person shared ownership apartments for over 55s, together with a community café and health treatment room, providing a new space for local people to meet and access services as part of our age friendly neighbourhood work.

Our commercial subsidiary company, Southway Plus, is now fully active and delivering its first new build market rent scheme of 42 apartments and an out-right sale refurbishment project of 7 properties, both located in Altrincham, Trafford.

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

In 2018/19 Southway out-performed its forecast spend, starts and completions targets with Homes England. 192 development starts or acquisitions were achieved during the year with a further 253 homes planned to start or acquire in 2019/20.

Southway demonstrates commitment to good design, building homes that will be fit for the future, making sure homes are integrated into the neighbourhood and, to date in our bigger schemes, updating our specification to include a commitment to zero carbon design including incorporating ground source heat systems into our extra care schemes.

Well Managed and Financially Strong

The Group generated a surplus of £7.2m in the year (2018: £9.8m). The surplus adds capacity to the financial plan and aids Southway's ability to deliver our strategic objectives.

Rent collection performance was strong throughout the year with 99.6% collection from current tenants, a result which represents a highly successful outcome given the roll out of Universal Credit for new benefit claimants.

The Trust has maintained its top G1 and V1 Governance and Viability ratings from the Regulator of Social Housing. Southway's financial performance and asset base both compare well to peers.

The Group, Board and Committee structure guides and shapes delivery of the Futures Strategy. Loan finance has already been secured to fund the current development programme. Business Plan assumptions are subject to stress testing to ensure there is sufficient resilience to withstand adverse movements.

Value for Money

(i) Approach to VFM

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

"We will make best use of our resources by being efficient and effective in the way that we do things, by maintaining the Southway standard and making efficient use of the homes we provide and by delivering commercial services that complement our core business. This approach will mean that we can generate a surplus that can be used to help fund our social investment priorities.

We will set and achieve efficiency targets each year to improve our cost, performance and satisfaction levels when compared to the rest of the housing sector and we will comply with the standards set by our Regulator for Value for Money."

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

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

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

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

(ii) Efficiency Targets

The Board adopted four efficiency targets for 2018/19 and 2019/20:

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

The latest position on each of these targets is summarised below.

Cost Reductions

The anticipated cost reductions for 2018/19 were successfully achieved, and further reductions are budgeted for 2019/20, which when added together will deliver annual recurring savings of £500k, summarised below.

Re-procurement of key services	£142k
Restricting cost increases below inflation	£98k
Office rates reduction for charitable status	£83k
Staffing restructure in housing management	£68k
Saving due to new defined benefit pension scheme	£61k
Recharge of corporate overheads to subsidiaries	£50k

However, significant cost increases have occurred in the maintenance function relating to the efficiency in delivering the repairs service and moving to a 5-year electrical testing programme. The impact of these cost pressures offsets the reductions noted above. As a result, net recurring savings of £200k are now projected to be delivered by March 2020, repeating in each subsequent year.

Development Programme

One of the five critical success factors in Southway's Futures Strategy 2015-2020 is: 'We will have delivered 750 new homes and will have firm plans in place to achieve our target of 1,000 homes over the 10-year period up to 2026.'

The latest Development Programme forecasts 782 properties being built/acquired or in development by March 2020. While a range of projects are progressing (including shared ownership and the two extra care schemes, section 106 and acquisition properties), the rate of delivery of currently unspecified schemes is slower than originally intended.

ICT Expenditure

Increased spend on ICT infrastructure and new equipment was planned as part of the office move to Southern Gate, as was an increase in running costs to service the new IT systems. Additional staffing cost was incurred to implement business transformation actions designed to improve the efficiency of the housing and repairs systems.

ICT staff costs were benchmarked during the year. Southway's current staff complement is around the third quartile of local providers of a similar size. This relates to the extra transformation activities being delivered. ICT non staff costs will be benchmarked during the coming year.

Property Services

The in house DLO trading account reported a significant deficit in 2018/19. The relevant details have been subject to Officer, Board and Audit and Risk Committee assessment during the year. They were due to a range of issues including IT system problems affecting the efficiency of the operations and staff turnover in part related to an ageing workforce.

The 2019/20 Budget anticipates a two-year recovery period, halving the deficit in the coming year, with a further improvement to be delivered in 2020/21.

(iii) Social Housing Costs

The table below shows the component elements of social housing costs on a per unit basis for the Group. This is one of the Regulator's VFM metrics.

£ per unit	2016/17	2017/18	2018/19	Note
Management	945	933	1,040	A
Services	46	47	70	B
Maintenance	677	677	820	C
Major Repairs	215	246	372	D
Other Costs	330	225	332	E
Total	**2,214**	**2,128**	**2,634**	

A. In addition to inflation, management costs have increased primarily due to higher levels of expenditure associated with the new office, and related ICT infrastructure, equipment and running costs. These increases were fully anticipated and reflected within Southway's Business Plan.

B. The increase in service charges reflects the additional properties developed and acquired. Southway has significantly fewer properties which are subject to service charges or support costs than many RPs.

C. Maintenance has increased primarily due to the resulting higher costs of day to day and voids repairs delivered by the in house DLO, and additional electrical testing works now undertaken to move to a 5-year cycle.

D. Southway is currently spending significantly less on major repairs than the sector average. This reflects the timing of the stock transfer home improvement works being completed. Spending is due to rise from 2021/22.

E. This category includes expenditure on community investment, age friendly, financial inclusion and other support activities, development administration and pension cost obligations. The increase arises due to the large one off business rates rebate received in 2017/18, with no equivalent credit in the current year.

Excluding service charges/support costs and major repairs for the reasons noted above, and focusing on management/maintenance/other costs, shows Southway's spending on these elements is moving to the median of the sector, in line with a peer group of 12 local RPs of a similar size and the average of all RPs in the North West. The recovery plan for the repairs service will return the cost base per unit to be lower than the median for the sector.

Total spending on Management, Maintenance and Other Costs		**£ per unit**
	2017/18	**2018/19**
NW RP average	2,213	
Peer group average	2,171	
Sector median	2,163	
Sector top quartile	1,926	
Southway	1,835	2,192

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

Southway's 2018-2020 VFM Strategy includes targets for the Regulator's VFM metrics. These are expressed in terms of the 2019/20 financial year, to coincide with the end of the 2018-2020 VFM Strategy and the 2015-2020 Futures Strategy.

VFM relates to all services that Southway delivers, including commercial activities. The VFM targets are derived from the Group's 2018 Business Plan which reflects the existing VFM challenges faced by the Trust, the profits due to be generated by Southway Plus and the development activities of Southway DevCo.

The results for 2018/19 and the previous year are set out below. Analysis has been carried out using the Regulator's most recently published Global Accounts for 2017/18. Comparison of the quartile results for the whole sector, and also the average of 58 landlords including Southway which have between 5,000 and 10,000 properties, shows that this cohort (which comprises 15% of the sectors' stock) is very similar to the median of all RPs. This indicates that the whole RP sector results are a valid comparison for Southway.

Assessment of our performance compared to peers shows the Group well placed:

- Southway has strong financial position in a number of metrics: interest cover, social housing costs per unit, operating margins, return on capital employed.

- Southway currently has low levels of reinvestment and new housing supply. The position will change significantly as the Development Programme gathers pace, Southway should become one of the top performing RPs in term of delivery. Higher gearing is also a consequence of the planned levels of investment.

- Southway's operating margins will reduce. This reflects the following in order of magnitude, with the most significant first:

    - the impact of -1% rent reductions for one more year,
    - the business rates rebate which improved the 2017/18 result and when spent reduces the operating margin,
    - contingencies set aside to provide for the management of risks which the Business Plan assumes are incurred,
    - higher levels of operating costs related to the new office,
    - increasing levels of shared ownership sales which generate a surplus but have a lower margin than social housing.

The Regulator's VFM Metrics					
Metric	**What it Measures**	**2017/18 Sector Median**	**2017/18 Southway Group**	**2018/19 Southway Group**	**2019/20 Southway Target**
1. Reinvestment %	Investment in properties (existing stock and new supply) as a percentage of the total cost of properties held.	6.0%	3.2%	7.8%	25%
2. New supply delivered %	**a)** The number of new social housing properties that have been acquired or developed in the year as a proportion of total social housing properties owned at period end. **b)** A similar measure is calculated for new supply of non-social housing as a % of all social and non-social housing.	1.2% nil	nil nil	1.0% nil	2.1% 0.7%
3. Gearing %	The proportion of housing property cost funded by debt.	43%	39%	29%	55%
4. EBITDA MRI Interest Cover %	The level of surplus generated compared to the interest payable. This differs from Southway's loan covenant as the metric excludes RTB sales and includes Impairment expenditure.	206%	353%	301%	264%
5. Social housing cost per unit	The headline social housing cost per unit, as defined by the Regulator [section (iii) above provides an analysis]	£3.4k	£2.2k	£2.6k	£2.6k
6. Operating Margin %	The profitability of operating activities in relation to turnover. Separate measures for: **a)** social housing lettings; **b)** overall activities.	32% 29%	41% 37%	30% 24%	28% 21%
7. Return on Capital Employed	Operating surplus compared to total assets less current liabilities.	4.1	9.6	6.7	5.1

Southway also tracks some additional indicators by participating in Sector Scorecard benchmarking. Analysis of the 2017/18 results also shows Southway well placed. 2018/19 results are not yet available for the sector.

Additional VFM Metrics on Sector Scorecard				
Indicator	**2017/18 Sector Median**	**2017/18 Southway Group**	**2018/19 Southway Group**	**2019/20 Southway Target**
8. % of respondents very or fairly satisfied with the overall service provided [*2016 STAR survey]	87.5%	*86% Quartile 2	81%	Quartile 2
9. £s invested in communities per property	£58	£165 Quartile 1	£196	Quartile 1
10. Overheads as % of adjusted Turnover (excluding asset sales)	12.0%	10.4% Quartile 2	12.1%	Quartile 2
11. Ratio of responsive repairs to planned maintenance [*improvement will take place alongside delivery of increased home improvement works from 2021/22]	0.61	1.01 Quartile 4	0.94	Quartile 4*
12. Occupancy of stock available to be let at y/e	99.4%	99.7% Quartile 1	99.7%	Quartile 1
13. Rent collected from current and former tenants as a % of rent due	99.9%	100.0% Quartile 2	100.0%	Quartile 1

(v) ***Operational Performance and Customer Satisfaction***

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

A full census satisfaction survey of tenants and residents (STAR) is carried out every two years. The most recent survey took place in Autumn 2018.

Tenant satisfaction with:	**2016**	**2018**
services provided by landlord	86%	81%
overall quality of home	84%	80%
area as a place to live	81%	81%
value for money of rent	81%	80%
repairs and maintenance	85%	80%
listens to residents' views and acts upon them	67%	70%

While the 2018 results were a little disappointing, it is understood that the most significant driver of satisfaction is the repairs service which didn't deliver to its usual high standards in 2018/19. Southway's target in 2020 is to achieve 89% satisfaction with services provided by the landlord.

A summary of operational performance outcomes during 2018/19 is set out below. These KPIs are tracked quarterly by People and Places Committee and Board.

Key Performance Indicator	2017/18 Outcome	2018/19 Target	2018/19 Outcome
Rent collected from current tenants	99.7%	99.6%	99.6%
Average no. of telephone contacts per property	9.9	8.0	10.2
Customer Hub: % of customers satisfied	72%	95%	81%
Average relet time for minor voids (in days)	26	15	22
Repairs: % appointments made and kept	95.4%	99.0%	95%
Repairs: % of customers satisfied	98%	95%	85%

Although rent collection performance remained strong in 2018/19, a number of the other KPIs worsened or did not meet the target. This was mainly due to delivery difficulties within the repairs service, commented upon in sections 5 and 7 below.

Additional performance outcome results at March 2019:

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

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

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

1. Staffing and Culture

Southway employs approximately 220 staff across a wide range of roles. Our objective is that staff "are trusted to do the right thing - they are enthusiastic, skilled and willing to go the extra mile for customers."

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

A staff survey in late 2018 showed that engagement and satisfaction levels have significantly increased since 2016 and performance across most areas of the business is good. The main improvement target for 2019/20 is to reduce sickness absence from 5.7% in 2018/19 to a target of 3.5%.

During 2019/20 a leadership and staff values/behaviours business transformation programme will be delivered, in preparation for the next 5 year Futures Strategy.

2. Managing Our Resources

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

A detailed annual Resource Plan defines the spending parameters which the Group applies over the next few years, consistent with Business Plan assumptions.

Southway adopted a new Procurement Policy in June 2017. E-procurement software will be introduced during 2019/20 which will automate the procurement process and assist staff to follow the correct route when tendering for work.

3. Investment in Business Efficiency

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

A team of fully trained staff are delivering this programme, with the impact measured in staff time cost savings. Reviews have been carried out to assess: day to day repairs, tenancy terminations, the customer call back process and HR forms. In 2019/20 all teams will review at least one of their processes, helping to further embed a lean approach within the Southway culture.

4. ICT

The ICT Plan to December 2019 identifies five core objectives:

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

The ICT Plan also recognises the importance of increased investment to support delivery of the above objectives. As a result, it is likely Southway's ICT costs will increase to be higher than the median (previously costs were in the lowest spending quartile). Hence the efficiency target referred to in section (ii) above.

5. Digital Access Strategy

Southway, through its Digital Access Strategy, is encouraging its customers to move online and access more of our digital services. The Strategy has three broad themes: Digital Inclusion, Channel Shift and making sure staff have the IT skills they need to promote and support use of digital services by customers.

Our web site now gives customers access to repair booking including multiple repairs, rent payments and other customer services. We have continued to support our tenants to access ICT equipment and learn new skills to enable them to access services more easily. We are also rolling out web chat to enable us to provide faster responses to web enquiries.

By 2020, we aim to have 80% of tenants regularly transacting with us online, reducing inbound calls by around 18,000, 25% of the current volume.

6. Housing Management and Rent Collection

During 2018/19 officers reviewed the structure of the teams that deliver housing management and rent collection. Following the roll out of Universal Credit we created a new Income Team to better support tenants to claim the new benefit and maximise our rent collection. Rent collection performance was strong throughout the year with the year-end target of 99.6% achieved.

Call answering times did not improve as much as we planned with only a 2% increase to 82% of calls answered. The most significant factor in this performance was the repairs service not carrying out work to agreed timescales, which led to an additional number of repair calls coming into the Connect Customer Hub. Extra staff have been appointed and the Repairs Administration Team has been transferred to the Hub to improve performance in this area.

7. Property Services

A new three year repairs service Business Plan was adopted in March 2018 setting a vision statement, key objectives and targets to address both current performance and longer term efficiencies. It has three themes: Our Customers, Our Assets and Our Business.

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

In 2018/19 the focus was on stabilising the service and improving performance to re-establish the high standards that have been delivered over the preceding years. A staffing review has been carried out and new processes and revised procedures are being introduced.

The difficulties experienced have been considered by Board, Audit and Risk Committee and People and Places Committee. A comprehensive ‘Resource and Risk’ report in March 2019 detailed the steps being taken to ensure a turnaround.

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

8. Asset Management

In 2016/17 we commissioned consultants to work with us to assess the performance of our stock. The overall position of Southway's housing stock is very positive, with high demand for properties, good stock condition, and costs of maintenance and energy efficiency comparable with other providers.

The Asset Management Strategy 2017-2020 sets objectives, goals and targeted investment priorities to ensure effective management and maintenance of all property and land assets, delivering the best service while ensuring value for money and customer satisfaction. The strategy is supported by an action plan.

In 2018/19 Southway commenced a project to implement an improved asset management IT module within its existing housing management system. This will allow better use of stock condition data to model future asset investment and influence financial decisions as part of the longer term business plan.

2018/19 also saw a greater focus on property Health and Safety compliance with audits being undertaken on the 5 key areas of Gas, Electrics, Fire, Water Safety and Asbestos. A number of actions within the audits have been completed and a new Compliance Team established during the year to maintain focus on this key area.

9. Development

Southway's Development Strategy has two basic themes:

- Development of affordable accommodation at social/affordable rents or for shared ownership;
- Commercial activity to generate a financial return which enables further investment in core business or wider social objectives.

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

Southway continues to use competitive tendering to ensure the best price and quality submissions for its directly contracted schemes, and will seek the most appropriate process to drive efficiencies throughout the supply chain and build on best practice and innovation within the sector. The selective use of frameworks will be utilised where the project size is large enough to do so.

Southway has continued to maximise social value from investment. Each scheme will explore value added investment in terms of our communities and our environment.

10. Commercial Repairs

Southway continues to deliver major adaptations to properties with grant funding from Manchester City Council, and also repairs and improvements to market rent properties. Both offer a positive income stream providing we operate in an efficient manner.

11. Community Investment and Age Friendly Living

Delivering VFM across the business means that Southway is able to invest surpluses into our community objectives. We assess the impact of the resources we spend on community investment using the HACT Value Insight Tool, a specific package developed for the sector. This approach provides a well-being valuation methodology to measure the social return on investment (SROI) achieved with the results expressed as a monetary amount.

During 2018/19, we achieved a £12.0m return assessed via HACT. This represents a social return of 13 times the cost of the services provided. The Advice Services Team also secured additional benefits for tenants totalling £2.1m, a return equivalent to eight times its outlay.

12. Tenants' Voice

Southway puts its customers at the heart of everything it does. We want to make sure that our tenants and other customers have a voice and support us to make the right decisions and deliver the right services in the right way. This approach mirrors a number of the themes in the 2018 Housing Green paper.

Southway's Resident Consultative Group, Tenant Scrutiny Panel and new Hot Topic groups, as well as other forms of customer feedback, all influence decisions taken by the Board and People and Places Committee.

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

Financial Resilience

Financial Management

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

Medium term Resource Plans are agreed annually as part of the Business Planning process to resolve how resources will be deployed over a 3-4 year time span, taking account of the constraints from the loan agreement.

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

Financial Performance

The level of net resource generated for each of the last five years is set out below. While the Group's financial performance has steadily improved over the previous four years, the 2018/19 results:

- reflect additional levels of operational spending, as noted in the Value for Money section of this report;
- illustrate the limited levels of stock investment following completion of the home improvement programme;
- show continuing surpluses from Right to Buy/Acquire sales (*includes £0.2m shared ownership sales surplus)

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

£m	2014/15	2015/16	2016/17	2017/18	2018/19
Income (excl. amortised grant)	25.8	26.6	26.5	26.4	26.6
Running Costs	-12.1	-12.6	-11.7	-10.8	-13.4
Investment in existing properties	-2.4	-2.1	-1.3	-1.4	-1.8
Sales Surplus*	1.4	2.2	3.0	3.1	3.0
Net Interest Payable	-3.5	-3.4	-3.7	-3.6	-3.5
Net Resource	**9.2**	**10.7**	**12.8**	**13.8**	**10.9**

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

The following table summarises the Group's assets and liabilities. Investment in housing stock has steadily increased since 2015 (other than 2018/19 when grant receipts and property depreciation exceeded spending on new stock). It also shows investment in the new office building and the scale of loan repayments which have taken place during this time.

£m at year end	2014/15	2015/16	2016/17	2017/18	2018/19
Housing Properties and Investment Properties net book value less grant	91.2	92.6	94.7	99.1	96.2
Other fixed assets	0.7	1.1	1.2	7.2	8.6
Net current assets	6.4	8.7	12.2	9.2	15.1
Long term loans	-62.5	-59.3	-55.9	-52.9	-49.4
Other long term liabilities	-9.3	-6.5	-6.8	-6.6	-9.5
Reserves	26.5	36.5	45.4	56.0	61.0
Properties Owned (including market rent)	**5,860**	**5,855**	**5,852**	**5,886**	**5,914**

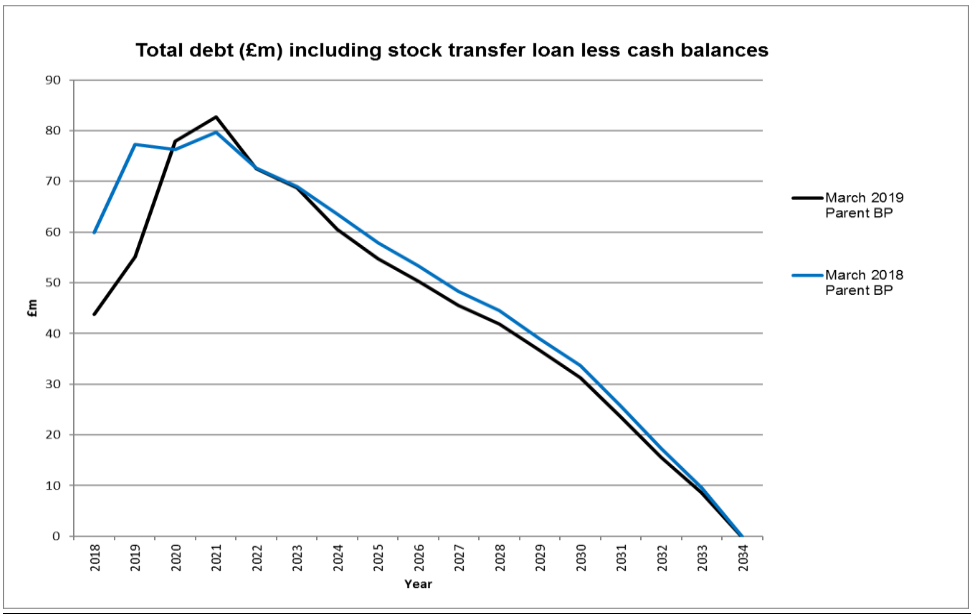
As the development programme progresses the number of homes owned increases towards the original 2007 stock transfer total of 5,940 properties.

Loan Facility and Business Plan

In April 2016 Southway's loan facility with Barclays was renegotiated. An additional five year revolving credit facility of £35m was secured. This additional facility, combined with the strong net resource flows reported above enables Southway to substantially increase the level of investment in new homes.

The new loan facility was revised in April 2018 so that the Parent may on lend up to £20m to its subsidiaries (reducing to £15m by April 2021) and £3m in a Greater Manchester local authority and registered provider joint venture.

The Group's latest Resource Plan provides for £86m to be spent during the four years to March 2023 developing and acquiring new housing stock, of which £32m was contractually committed at March 2019. The resulting borrowing profile of the Trust, the black line below, also reflects the results of the 30-year stock condition survey carried out in late 2015. Net debt in is projected to peak at £83m in March 2022.



The 2019 Group Business Plan has been prepared on the basis of £15m being on lent to Southway Plus to develop new build housing for market rent and out-right sale, and a £3m JV investment. The Parent Board has assessed the interest rate and security arrangements which are to apply on the intra group loan, ensuring the charitable assets of Trust are protected.

Loan Covenants

Southway's housing stock charged to Barclays was valued at £200m in March 2019 on the EUVSH basis, demonstrating that the Trust has considerable levels of asset cover available. It is estimated an additional £18m properties are unsecured.

Interest cover (EBITDA-MRI) is substantially above the contracted 110% minimum throughout this period, with a lowest ratio of 175% forecast in 2021/22.

A further loan covenant requires Net Debt per Unit to be below £17.5k. The 2019 Business Plan projects a high of £13.4k per unit in March 2022.

Cash Position and Treasury Strategy

At March 2019 the Group had cash and short term investments totalling £19.0m (2018 £11.6m). Excess funds are deposited generating an appropriate return while limiting counterparty risk.

As a debt funded business, Southway recognises the inherent risk arising from uncertain interest rates. It has adopted a policy of fixing a high proportion of its debt over time. With all of the original stock transfer loan drawn on fixed interest rates, it is intended that drawing from the £35m the revolving credit facility will be utilised on the prevailing LIBOR variable rate basis. It should be noted that Southway does not contract for derivative instruments outside of its loan contract.

Future Debt Refinancing

Southway's underlying financial capacity was considered at a Board away day in January 2019. Board also considered the key themes for the next 5 year corporate strategy at an away day in June. A draft of the next 5 year Futures Strategy 2020-2025 will be prepared for Board in September. A review of Southway's Financial Strategy will follow in November, defining how resources are deployed.

Debt refinancing is likely to take place in early 2020, and will include VFM in future treasury arrangements.

The size of development activity included in the Group's Business Plan and the repayment profile of the stock transfer loan will result in extra borrowings being required beyond the 2021 term of the current £35m loan facility. The plan assumes new borrowings will increase to £46m by 2027.

Risk Management

Management of Risk

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

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

The top ten risks faced by the business, as identified in the Significant Risk Map reported to Audit and Risk Committee in July 2019, are:

1. Costs and reputational issues arising from Development Programme
2. Impact of Universal Credit
3. Ineffective treasury management
4. Failure to deliver property services business plan
5. Exposure of shared ownership sales to market trends and adjustment
6. Failure to achieve VFM efficiency targets and cost reductions
7. ICT infrastructure problem or failure to deliver priorities affects Southway's operations
8. Longer term rent policy uncertainty
9. Construction sector inflation and skills shortage
10. Failure to comply with property health and safety legislation and/or internal policy and procedure

Comparison has been made to the top ten risks noted in the 2017/18 Report of the Board. Two risks are new: No. 4 reflects the importance of the recovery plan for the repairs service; No. 10 reflects the changing regulatory landscape.

Business Planning Assumptions, Stress Testing and Mitigations

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

- Long term cost inflation of 2.75% is assumed, this is 0.75% higher than the rate of rental growth anticipated beyond 2025 (based CPI+0%).

- Long term variable interest rate for new borrowing is assumed to be 5.5%, this represents a significant provision against increases in LIBOR and loan margins.

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

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

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

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

Strategic Financial Risks

The strategic financial risks faced by Southway (listed below) were considered by Board and Committee members as part of preparing the 2019 Business Plan.

Brexit

Whilst the details of Brexit are not confirmed, the potential consequences can be considered. Brexit has created much uncertainty and heightens many of the risks faced by the Southway Group. A Brexit risk map is considered by Audit and Risk Committee at each of its meetings. The highest risks were assessed to be: housing price reductions; rising inflation, weaker rent collection and a more challenging refinancing position. Action is being taken with key suppliers to identify their readiness to respond to Brexit. The mitigation measures referred to above could also be used should a situation arise that requires resolution.

Sales of shared ownership (SO) properties

Lower sales values, reduced first tranche proportions, delayed sales or even potentially no sales pose a significant risk in a falling housing market. Each SO scheme has its own sales strategy with prudent sales values and profiles reflected in the Business Plan. Commitments have been made for 187 grant funded SO homes. A trigger point is reached to when 210 of 291 have commenced before further development commitments are entered into.

Inflation

The minus 1% rent regime exposes Southway to increases in inflation. The Business Plan assumes higher levels of RPI (3.2% and 3.0% for the next two years). It also includes a 0.75% differential between RPI and CPI (compared to 0.5% in last year's plan). This provides an increased buffer for cost growth above growth in income. Build cost inflation is still considered a risk for the Group. Those schemes not under contract have been included in the plan with inflation 1% above RPI.

Rent collection

Significant prudence continues to be maintained in the Business Plan for Voids and Bad Debts from social and affordable properties. These total around 1.5% at present. Following the roll out of Universal Credit and other Welfare Reforms provisions for rent losses are included up to 5% by 2020/21, before reverting to 4% long term. This provides up to £1m pa against the risk of worsening rental collection or other risks.

Default by Southway Plus

During 2019/20 Southway Plus plans to generate £2.3m outright sale receipts. Returns will also commence on the Aura market rent scheme. In addition, the Plus plan includes an investment in GMJV, £2.8m by March 2021. Plus' ability to pay interest on the loan from the Trust is closely monitored.

The risk of default by Plus was assessed as part of Stress Testing. The impact of no sales receipts, no interest, no gift aid, no loan repayment and no GMJV returns would not result in breach of the Trust's loan covenants.

Pension Increases

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

A full actuarial valuation as at 31 March 2019 is currently underway. The results of the valuation will be presented to Board in January 2020. There is a risk that valuation could be unfavourable and demand a further increase in employer contributions.

Cost Reductions and VFM

Whilst Board has set VFM efficiency targets to reduce operating costs by £550k over two years to March 2020, the Business Plan does not assume these savings. This reflects a degree of prudence until they are actually achieved.

Refinancing Risk

The Regulator expects finance to be put in place 18 months before the organisation needs the funding for contractual obligations. The current Business Plan shows that the refinancing point is going to be triggered by the ending of the current loan facility in April 2021, rather than the current facility being insufficient to fund the planned phasing of the development programme.

Southway's future debt refinancing plans are summarised in the Financial Resilience section of this report. The strength of the Trust's loan covenants and asset cover position demonstrate Southway's ability to deliver its debt refinancing plans.

Governance

Boards and Committees

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

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

- A strategically focussed Parent Board made up of five independents, two tenant members and two local authority members.
- A People and Places Committee made up of two representatives from the Parent Board, two Local Authority members and three Tenant members. A co-optee brings additional skills to the Committee. This Committee focusses on the policies that affect Southway tenants and the performance in the delivery of our services.
- A Group Audit and Risk Committee made up of five members, three of whom are from the Parent Board. A co-optee brings additional skills to the Committee.
- A 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 members. Southway DevCo has a five person board comprising Parent Board Members.

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

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

Executive Directors

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

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

Governance of Subsidiaries

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

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

Regulatory Compliance Statements of the Board

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

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

In March 2019 the Board reviewed compliance with the 2015 NHF Code of Governance and the Regulatory Standards. The Board is able to declare its compliance with the terms of the Code and Regulatory Standards. With one minor exception.

The Board decided to extend the tenure of the current Chair to September 2020. This decision will result in a total tenure served of 9 years and 2 months (rather than the 9 year limit stipulated in the Code). This decision was taken in September 2018 to allow more time to identify a suitable successor.

The Regulator requires all Registered Providers to make a declaration in their annual accounts that they comply with all relevant law, legislation and regulation. In conjunction with a number of other Housing Associations, Southway has carried out an exercise whereby a list of relevant legislation and regulation was compiled and compliance with each evidenced. As a result, the Board is able to declare that Southway complies with all relevant law, legislation and regulation. Southway also maintains a register that provides a thorough, accurate and up to date record of its assets and liabilities.

Board Statement on Internal Control

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

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

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

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

The following actions were undertaken during 2018/19 to ensure that Internal Controls remain robust and fit for purpose:

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

b) Deep Dives were carried out by the Audit and Risk Committee into Significant Risks relating to Staff Recruitment and Retention, Data Management and the Financial Performance and Management of Property Services.

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 Board and Committee.

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

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

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

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

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

k) The External Auditor's Findings Report.

l) The annual compliance review of the loan agreement.

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

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

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

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

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

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

Donations

During the years ended 31 March 2019 and 2018 Southway made no political contributions. Any charitable donations were made during the course of Southway's ordinary activities.

Post Balance Sheet Events

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

Going Concern

After making enquiries, the Board has a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future, being a period not less than twelve months after the date on which the report and financial statements are approved. For this reason, it continues to adopt the going concern basis in the financial statements. In reaching this view the Board fully appraised the changing business environment facing Southway, it has considered the financial projections set out in the long term Business Plan, and assessed the strategic risks faced and the means available to it to mitigate these risks.

Annual General Meeting

The annual general meeting will be held on 17 September 2019.

External Auditors

Grant Thornton UK LLP has expressed its willingness to continue in office.

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

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

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

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2014, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and Trust and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing (April 2015). It is also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

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

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

The Strategic Report and Report of the Board was approved by the Board on 22 August 2019 and signed on its behalf by:

Samantha Macwilliam

Chair of the Board

17 September 2019

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

Opinion

We have audited the financial statements of Southway Housing Trust (Manchester) Limited (the 'parent society') and its subsidiaries (the 'group') for the year ended 31 March 2019, which comprise the Consolidated and Trust Statements of Comprehensive Income, the Consolidated and Trust Statements of Financial Position, the Consolidated and Trust Statements of Changes in Reserves, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and parent society's affairs as at 31 March 2019 and of the group's and parent society's income and expenditure for the year then ended;
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with regulations made under that Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the society in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The board is responsible for the other information. The other information comprises the information included in the Introduction by the Chair, Strategic Report and Report of the Board, set out on pages 3 to 33 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the board for the financial statements

As explained more fully in the Statement of Board's Responsibilities set out on page 32, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

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

Grant Thornton UK LLP.

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

20 September 2019

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2019
Consolidated Statement of Comprehensive Income

	Note	2019 £'000	2018 £'000
Turnover	3	31,715	27,700
Operating expenditure	3	(21,300)	(17,418)
Cost of sales	3	(2,914)	-
Surplus on the disposal of housing properties	3	2,800	3,144
Operating Surplus	5	10,301	13,426
Interest receivable	7	68	67
Interest and financing costs	8	(3,210)	(3,676)
Surplus before tax		7,159	9,817
Taxation	11	-	-
Surplus after tax for the year		7,159	9,817
Actuarial (Loss)/Gain in respect of pension schemes	30	(2,137)	1,191
Total Comprehensive Income for the Year		5,022	11,008

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 22 August 2019 and signed on its behalf by:

Samantha Macwilliam
Chair of the Board

Roger Spencer
Board Member

Matthew Maouati
Secretary

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2019
Trust Statement of Comprehensive Income

	Note	2019 £'000	2018 £'000
Turnover	3	32,443	29,600
Operating Expenditure	3	(21,939)	(19,238)
Cost of sales	3	(2,914)	-
Surplus on the disposal of housing properties	3	2,800	3,144
Operating Surplus	5	10,390	13,506
Interest Receivable	7	293	118
Interest and financing costs	8	(3,416)	(3,723)
Gift aid		7	-
Surplus before tax		7,274	9,901
Taxation	11	-	-
Surplus after tax for the year		7,274	9,901
Actuarial (Loss)/Gain in respect of pension schemes	30	(2,137)	1,191
Total Comprehensive Income for the Year		5,137	11,092

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 22 August 2019 and signed on its behalf by:

Samantha Macwilliam Chair of the Board	Roger Spencer Board Member	Matthew Maouati Secretary

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2019
Consolidated and Trust Statement of Changes in Reserves

Income and expenditure reserve	**Group** £'000	**Trust** £'000
Balance as 1 April 2017	44,973	44,973
Surplus for the year	9,817	9,901
Other comprehensive income for the year	1,191	1,191
Balance as 31 March 2018	55,981	56,065
Surplus for the year	7,159	7,274
Other comprehensive income for the year	(2,137)	(2,137)
Balance as 31 March 2019	61,003	61,202

The accompanying notes form part of these financial statements.

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2019
Consolidated Statement of Financial Position

	Note	2019 £'000	2018 £'000
Fixed Assets			
Tangible fixed assets - properties	12	118,087	114,410
Tangible fixed assets - other	13	8,612	7,202
Investment properties	14	12,546	9,134
Investment in joint ventures	16	50	-
		139,295	130,746
Current Assets			
Properties for Sale, Stock and Work in Progress	17	4,063	2,870
Trade and other debtors	18	1,835	3,685
Cash and cash equivalents		18,967	11,598
		24,865	18,153
Creditors: amounts falling due within one year	19	(9,790)	(8,973)
Net current assets		15,075	9,180
Total assets less current liabilities		154,370	139,926
Creditors: amounts falling due after more than one year	20	(83,844)	(77,326)
Provison for Liabilities			
Pension provision	30	(9,523)	(6,619)
Total Net Assets		61,003	55,981
Reserves			
Income and Expenditure reserve		61,003	55,981
Total Reserves		61,003	55,981

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 22 August 2019 and signed on its behalf by:

Samantha Macwilliam
Chair of the Board

Roger Spencer
Board Member

Matthew Maouati
Secretary

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2019
Trust Statement of Financial Position

	Note	2019 £'000	2018 £'000
Fixed Assets			
Tangible fixed assets - properties	12	118,207	114,443
Tangible fixed assets - other	13	8,612	7,202
Investment properties	14	5,722	5,642
		132,541	127,287
Current Assets			
Properties for Sale, Stock and Work in Progress	17	2,701	2,095
Trade and other debtors	18	9,891	7,589
Cash and cash equivalents		18,675	11,504
		31,267	21,188
Creditors: amounts falling due within one year	19	(9,239)	(8,465)
Net current assets		22,028	12,723
Total assets less current liabilities		154,569	140,010
Creditors: amounts falling due after more than one year	20	(83,844)	(77,326)
Provision for Liabilities			
Pension provision	30	(9,523)	(6,619)
Total Net Assets		61,202	56,065
Reserves			
Income and Expenditure reserve		61,202	56,065
Total Reserves		61,202	56,065

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 22 August 2019 and signed on its behalf by:

Samantha Macwilliam
Chair of the Board

Roger Spencer
Board Member

Matthew Maouati
Secretary

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2019
Consolidated Statement of Cash Flows

	Note	2019 £'000	2018 £'000
Net Cash generated from operating activities	25	14,239	12,677
Cash flow from Investing activities			
Purchase of tangible fixed assets Housing Properties		(9,500)	(5,948)
Purchase of tangible fixed assets Other Fixed Assets		(2,244)	(6,301)
Purchase of tangible fixed assets Investment Properties		(3,239)	(5,614)
Proceeds from the sale of tangible fixed assets		3,225	3,844
Grants Received		11,470	2,253
Investment in Joint Venture		(50)	-
Interest Received		68	67
		(270)	(11,699)
Cash flow from financing activities			
Interest Paid		(3,505)	(3,523)
Repayments of borrowings		(3,095)	(3,329)
		(6,600)	(6,852)
Net change in cash and cash equivalents		7,369	(5,874)
Cash and cash equivalents at beginning of the year		11,598	17,472
Cash and cash equivalents at the end of the year		18,967	11,598

The accompanying notes form part of these financial statements.

Southway Housing Trust (Manchester) Limited
Year Ended 31 March 2019

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.

2 Accounting policies

Basis of accounting

The financial statements of the Group and Trust are prepared in accordance with UK Generally Accepted Accounting Practice
(UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

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

The financial statements are presented in Sterling (£).

Basis of consolidation

The Group accounts consolidate the accounts of the Trust and all its subsidiaries at 31 March 2019 using the purchase method.

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

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

Disclosure exemption

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

Going concern

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

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

Significant judgements and estimates

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

(i) Significant management judgements

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

Impairment:

As part of the Group's continuous review of the performance of their assets, management identify any homes, or schemes, that have increasing void losses, are impacted by policy changes or where the decision has been made to dispose of the properties. These factors are considered to be an indication of impairment.

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

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

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

Based on this assessment, we calculated the Depreciated Replacement Cost (DRC) of each new social housing scheme, using appropriate construction costs and land prices. Where DRC is lower than the carrying amount an impairment is taken to reduce the carrying amount to the DRC.

Classification of loans as basic:

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

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

(ii) Estimation uncertainty

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

Useful lives of depreciable assets:
Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates include changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2019 was £47.2m.

Defined benefit obligation (DBO):
Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the liability and the annual defined benefit expenses (as analysed in Note 30). The liability at 31 March 2019 was £9.5m.

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

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

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

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

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

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

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

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

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

Interest payable
Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents:

a) interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or
b) a fair amount of interest on borrowings of the association as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.
Other interest payable is charged to income and expenditure in the year.

Gift aid donations
Charitable donations to the Trust from its wholly owned subsidiaries are accounted for as income in the statement of comprehensive income for the year.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Investments in joint ventures
Investments in jointly controlled entities are held at cost less impairment.

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

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

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

Creditors

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Turnover, operating cost and operating surplus
Group

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

2018	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	27,218	-	(16,059)	11,159
Other social housing activities				
First Tranche Shared Ownership Sales	-	-	(49)	(49)
Development Services	-	-	(21)	(21)
Community Investment	46	-	(538)	(492)
Financial Inclusion	-	-	(251)	(251)
Other Support Activities	15	-	(178)	(163)
Non social housing activities				
Private Rented Sector	155	-	(31)	124
Repairs for Others	219	-	(230)	(11)
Development Services	-	-	(5)	(5)
Other Activities	47	-	(56)	(9)
	27,700	-	(17,418)	10,282
Surplus on the disposal of housing properties (note 6)				3,144
				13,426

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

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

2018	Turnover £'000	Cost of Sales £'000	Operating costs £'000	Operating surplus £'000
Social housing lettings	27,218	-	(16,059)	11,159
Other social housing activities				
Development Services	554	-	(545)	9
Community Investment	46	-	(538)	(492)
Financial Inclusion	-	-	(251)	(251)
Other Support Activities	15	-	(178)	(163)
Shared Ownership	-	-	(49)	(49)
Non social housing activities				
Sale of Land	1,099	-	(1,099)	-
Private Rented Sector	155	-	(31)	124
Repairs for Others	219	-	(230)	(11)
Development Services	252	-	(247)	5
Other Activities	42	-	(11)	31
	29,600	-	(19,238)	10,362
Surplus on the disposal of housing properties (note 6)				3,144
				13,506

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

Income and expenditure from social housing lettings	2019 £'000	2018 £'000
Rent receivable net of identifiable service charges	25,656	25,709
Service income	342	231
Net rental income	25,998	25,940
Amortised government grants	1,292	1,256
Government grants taken to income	414	-
Other revenue grants	8	10
Other Income	13	12
Turnover from social housing lettings	27,725	27,218
Management	(6,120)	(5,468)
Services	(411)	(275)
Routine maintenance	(3,396)	(2,716)
Planned maintenance	(1,431)	(1,255)
Major repairs expenditure	(1,402)	(586)
Bad debts	(272)	(219)
Depreciation of housing properties	(5,498)	(5,210)
Impairment of housing properties	(164)	-
Other expenditure	(773)	(330)
Operating costs on social housing lettings	(19,467)	(16,059)
Operating surplus on social housing lettings	8,258	11,159
Void losses	131	123

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

Other expenditure includes: £580k (2018: £814k) increased service costs relating to pension obligations, a charge of £nil (2018: credit of £645k) retrospective Business Rates rebate relating to the Trust's office accommodation, £193k (2018: £161k) development expenditure treated as revenue.

4. Accommodation in mangement and development Group and Trust

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

	2019 No. of properties	2018 No. of properties
Social housing		
General needs - social rent	5,511	5,598
General needs - affordable rent	239	168
Supported housing - social rent	82	86
Low cost home ownership	49	-
Total social managed	5,881	5,852
General needs - managed by others	6	10
Total social owned	5,887	5,862
Other accommodation		
Southway Housing Trust - Investment properties	27	24
Southway Housing Trust - Leasehold properties	287	286
In course of construction		
Southway Housing Trust - shared ownership	60	108
Southway Housing Trust - affordable rent	40	37
Southway Housing Trust - investment properies	-	3
Southway Plus - investment properties	42	42
Southway Plus - outright sale	6	6
	148	196

5. Operating surplus
Group and Trust

This is arrived at after charging:

	2019	2018
Depreciation of housing properties	5,498	5,210
Impairment of housing properties	164	-
Depreciation of other tangible fixed assets	830	294
Loss on disposal of other fixed assets	4	4
Operating lease rentals		
- office accommodation	28	229
- maintenance vehicles	159	209
- office equipment	-	3
External auditors' remuneration (excluding VAT)		
- for audit services*	29	28
- for non-audit services	-	-
Internal auditors' remuneration (excluding VAT)	14	20

* includes £23k (2018: £22k) relating to the external audit of Southway Housing Trust.

6. Surplus on sale of fixed assets - housing properties

	Group		Trust	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Disposal Proceeds	3,589	4,241	3,589	4,241
Carrying value of fixed assets	(397)	(550)	(397)	(550)
Other costs of sale	(379)	(562)	(379)	(562)
RTB/RTA disposals	2,813	3,129	2,813	3,129
Proceeds from other property sales	15	165	15	165
Carrying value of other property disposals	(28)	(150)	(28)	(150)
Total surplus on sale of fixed assets	2,800	3,144	2,800	3,144

7. Interest receivable and other income

	Group 2019 £'000	Group 2018 £'000	Trust 2019 £'000	Trust 2018 £'000
Interest receivable	68	67	293	118
Other finance income	-	-	-	-
	68	67	293	118

8. Interest and financing costs

	Group 2019 £'000	Group 2018 £'000	Trust 2019 £'000	Trust 2018 £'000
Loans and bank overdrafts	3,496	3,514	3,496	3,514
Capitalised development interest	(580)	(135)	(374)	(88)
Amortisation of initial loan costs	98	98	98	98
Loan security trustee	9	9	9	9
Other finance costs	187	190	187	190
	3,210	3,676	3,416	3,723
Capitalisation rate used to determine the amount of development interest capitalised	5.40%	5.34%	5.40%	5.34%

9. Employees
Group and Trust

Average monthly number of employees expressed in full time equivalents (standard hours 35 hours per week)	2019 No.	2018 No.
Administration	43	43
Maintenance Service & Home Improvement	77	77
Neighbourhood Services & Community Investment	48	47
Call Centre & Customer Response	26	26
Development and Property Acquisition	15	9
	209	202

Employee costs	2019 £'000	2018 £'000
Wages and salaries	6,609	6,006
Social security costs	643	604
GMPF Pension contributions	955	896
Nest Pension contributions	86	55
	8,293	7,561

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:

	2019 No.	2018 No.
£60,001 - £70,000	7	4
£70,001 - £80,000	3	2
£80,001 - £90,000	0	1
£90,001 - £100,000	1	1
£100,001 - £110,000	1	1
£110,001 - £120,000	1	0
£120,001 - £130,000	0	1
£130,001 - £140,000	1	0

10. Key management personnel

Group and Trust

None of the Board Members received emoluments (2018 nil). Board members expenses totalled £4,831 in the year to 31 March 2019 (2018: £1,124).

The emoluments of the highest paid Director, the Chief Executive, excluding pension contributions was £108k (2018: £106k).

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

Executive Directors	**2019 £'000**	**2018 £'000**
Basic salary	365	349
Social Security Costs	46	44
Pension contributions	77	69
Benefits in kinds	-	-
Compensation for loss of office	-	-
	488	462

11. Tax on profit on ordinary activities

	Group		Trust	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
The tax charge/(credit) is based on the profit for the year and represents:				
UK corporation tax	-	-	-	-
Deferred taxation: original and reversal of timing differences	-	-	-	-
Deferred taxation: changes in tax rates	-	-	-	-
Tax on results on ordinary activities	-	-	-	-

The tax assessed for the year is lower than the standard rate of corporation tax in the UK at 19% (2018: 19%). The differences are explained as follows:

	Group 2019 £'000	Group 2018 £'000	Trust 2019 £'000	Trust 2018 £'000
Profit on ordinary activities before tax	7,159	9,817	7,274	9,901
Tax on profit on ordinary activities at standard CT rate of 19% (2018: 19%)	1,360	1,866	1,382	1,881
Income not taxable for tax purposes	(1,358)	(1,872)	(1,382)	(1,881)
Fixed asset differences	(32)	-	-	-
Deferred tax not recognised	34	6	-	-
Adjustments in respect of prior year periods (deferred tax)	(7)	-	-	-
Adjust opening deferred tax to average rate	(2)	-	-	-
Adjust closing defered tax to average rate	5	1	-	-
Amounts charged/(credited) directly to the SOCR or otherwise transferred	-	(1)	-	-
Tax charge/(credit) for the period	-	-	-	-

12. Tangible fixed assets - properties
Group

	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 2018	150,139	-	2,010	2,973	155,122
Development of new properties	-	-	5,546	2,540	8,086
Interest capitalised	-	-	70	299	369
Schemes completed	1,940	3,048	(1,940)	(3,048)	-
Works to existing properties	789	-	-	-	789
Other Additions	625	-	-	-	625
Disposals	(1,123)	-	-	-	(1,123)
At 31 March 2019	152,370	3,048	5,686	2,764	163,868
Depreciation and impairment					
At 1 April 2018	(40,280)	-	(432)	-	(40,712)
Depreciation charged in year	(5,454)	(44)	-	-	(5,498)
Impairment charged in year	(335)	-	171	-	(164)
Released on disposal	593	-	-	-	593
At 31 March 2019	(45,476)	(44)	(261)	-	(45,781)
Net book value					
At 31 March 2019	106,894	3,004	5,425	2,764	118,087
At 31 March 2018	109,859	-	1,578	2,973	114,410

Housing properties At 31 March 2019 At 31 March 2018 are comprised entirely of freehold land and buildings.

Southway Housing Trust considers individual new development schemes to be separate cash generating units (CGUs) when assessing for impairment in accordance with the requirements of FRS102 and SORP 2014. Stock transferred from MCC is assumed to be one distinct CGU, there was no impairment in this category of assets.

12. Tangible fixed assets - properties (continued)
Trust

	Social housing properties for letting £'000	Shared ownership properties completed £'000	Social housing properties under construction £'000	Shared ownership properties under construction £'000	Total £'000
Cost					
At 1 April 2018	150,139	-	2,014	3,002	155,155
Development of new properties	-	-	5,580	2,593	8,173
Interest capitalised	-	-	70	299	369
Schemes completed	1,940	3,101	(1,940)	(3,101)	-
Works to existing properties	789	-	-	-	789
Other Additions	625	-	-	-	625
Disposals	(1,123)	-	-	-	(1,123)
At 31 March 2019	152,370	3,101	5,724	2,793	163,988
Depreciation and impairment					
At 1 April 2018	(40,280)	-	(432)	-	(40,712)
Depreciation charged in year	(5,454)	(44)	-	-	(5,498)
Impairment charged in year	(335)	-	171	-	(164)
Released on disposal	593	-	-	-	593
At 31 March 2019	(45,476)	(44)	(261)	-	(45,781)
Net book value					
At 31 March 2019	106,894	3,057	5,463	2,793	118,207
At 31 March 2018	109,859	-	1,582	3,002	114,443

Housing properties at 31 March 2019 and 31 March 2018 are comprised entirely of freehold land and buildings.

Southway Housing Trust considers individual new development schemes to be separate cash generating units (CGUs) when assessing for impairment in accordance with the requirements of FRS102 and SORP 2014. Stock transferred from MCC is assumed to be one distinct CGU, there was no impairment in this category of assets.

12. Tangible fixed assets - properties (continued)

Expenditure on works to existing properties	Group 2019 £'000	Group 2018 £'000	Trust 2019 £'000	Trust 2018 £'000
Components capitalised	789	858	789	858
Amounts charged to income and expenditure account	1,402	586	1,402	586
	2,191	1,444	2,191	1,444

Finance Costs	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Aggregate amount of capitalised interest included in the cost of housing properties	784	415	784	415

Social Housing Assistance	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Total accumulated grants received or receivable at 31 March				
Recognised in Statement of Comprehensive Income	17,358	16,066	17,358	16,066
Held as Deferred Grant Income (note 22)	35,677	25,673	35,677	25,673
	53,035	41,739	53,035	41,739

13. Tangible fixed assets - other
Group and Trust

	Furniture fixtures and fittings £'000	Computers and related equipment £'000	Community assets £'000	Office accommodation £'000	Total £'000
Cost					
At 1 April 2018	56	773	972	6,029	7,830
Additions	-	153	112	1,979	2,244
Disposals	(13)	-	-	-	(13)
At 31 March 2019	43	926	1,084	8,008	10,061
Depreciation					
At 1 April 2018	(41)	(483)	(104)	0	(628)
Charged in year	(7)	(281)	(34)	(508)	(830)
Disposed in year	9	-	-	-	9
At 31 March 2019	(39)	(764)	(138)	(508)	(1,449)
Net book value					
At 31 March 2019	4	162	946	7,500	8,612
At 31 March 2018	15	290	868	6,029	7,202
Aggregate amount of capitalised interest	-	-	3	-	3

14. Investment properties

	Group		Trust	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
At 1 April	9,134	3,670	5,642	3,670
Additions	3,412	5,614	80	2,122
Disposals	-	(150)	-	(150)
Increase in value	-	-	-	-
At 31 March	12,546	9,134	5,722	5,642
Aggregate amount of capitalised interest	268	96	58	55

There are 27 market rent properties and one piece of land in the Trust investment properties. Research into the property values at 31 March 2019 was carried out by the Directors and was not judged to be materially different to their carrying value. Directors have knowledge and skill to undertake such a valuation. The Group also includes two developments which are under construction and are held at carrying value.

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 2018	1	1
Additions Disposal	-	-
At 31 March 2019	-	-
	1	1

16. Investment in joint ventures

	Group		Trust	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Investment in Joint Venture	50	-	-	-
	50	-	-	-

Southway Plus is part of a consortium comprising 10 members of Greater Manchester Housing Providers and the Greater Manchester Combined Authority who have invested in a joint venture, GMJV Fundco LLP, with the intention of increasing housing supply and providing a competitive return to investors. Southway Plus made a £50k investment in 2018/19 with future investments over 7 years of £3m, which will be funded by an intra-group loan from Southway Housing Trust.

17. Properties for sale, stock and work in progress

	Group		Trust	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Shared ownership properties				
Completed for sale	670	-	670	-
Under construction	1,927	2,002	1,927	2,002
Properties for outright sale				
Completed for sale	-	-	-	-
Under construction	1,362	775	-	-
Maintenance materials	104	93	104	93
	4,063	2,870	2,701	2,095
Aggregate amount of capitalised interest	43	7	-	-

18. Debtors

	Group 2019 £'000	Group 2018 £'000	Trust 2019 £'000	Trust 2018 £'000
Due within one year				
Rent and service charges receivable	3,140	3,076	3,140	3,076
Less: Provision for bad and doubtful debts	(2,694)	(2,524)	(2,694)	(2,524)
	446	552	446	552
Grant receivable	6	1,443	6	1,443
VAT incurred and recoverable	78	63	-	-
Amounts due from group companies	-	-	38	80
Other debtors	1,080	1,162	1,079	1,150
Prepayments and accrued income	225	465	224	465
	1,835	3,685	1,792	3,690
Due more than one year				
Amounts due from group companies over one year	-	-	8,099	3,899
Total Debtors	1,835	3,685	9,891	7,589

The amount due over one year within the Trust represents an intra-group loan to Southway Plus Limited.
There is a floating charge over Southway Plus's assets for the loan; the interest rate charged on the loan is 4.27% to the period 31st March 2019. The loan is repayable in April 2021.

19. Creditors: amounts falling due within one year

	Group 2019 £'000	Group 2018 £'000	Trust 2019 £'000	Trust 2018 £'000
Loans due in less than one year (note 21)	3,605	3,095	3,605	3,095
Deferred grant income (note 22)	1,292	1,256	1,292	1,256
Recycled capital grant fund (note 23)	10	-	10	-
Rent and service charges received in advance	674	576	674	576
Leasehold sinking funds	290	287	290	287
Other taxes and social security costs	162	154	162	154
VAT incurred and recoverable	-	-	126	27
Trade creditors	474	533	236	364
Other creditors	1,093	945	1,093	945
Amounts due to group companies	-	-	717	187
Accruals and deferred income	2,190	2,127	1,035	1,574
	9,790	8,973	9,239	8,465

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

	Group 2019 £'000	Group 2018 £'000	Trust 2019 £'000	Trust 2018 £'000
Loans due in more than one year (note 21)	49,944	53,549	49,944	53,549
Loan arrangement fees to be amortised	(545)	(640)	(545)	(640)
Deferred Grant income (note 22)	34,385	24,417	34,385	24,417
Recycled capital grant fund (note 23)	60	-	60	-
	83,844	77,326	83,844	77,326

21. Debt analysis
Group and Trust

	2019 £'000	2018 £'000
Bank loans - Due within one year		
Repayable within one year	3,605	3,095
Bank loans - due after more than one year		
Repayable more than one year but less than two years	5,536	3,605
Repayable more than two years but less than five years	17,683	17,389
Repayable more than five years	26,725	32,555
	49,944	53,549
Total Debt	53,549	56,644

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

At 31 March 2019 the Trust had an undrawn loan facility of £35m (2018: £35m).

22. Deferred grant income
Group and Trust

	2019 £'000	2018 £'000
At 1 April	25,673	24,843
Grant received in the year	11,400	2,253
Grant disposed in year	(104)	(167)
Released to income in the year	(1,292)	(1,256)
At 31 March	35,677	25,673
Of which:		
Amounts to be released within one year	1,292	1,256
Amounts to be released in more than one year	34,385	24,417
	35,677	25,673

23. Recycled capital grant fund
Group and Trust

	2019 £'000	2018 £'000
At 1 April	-	-
Grants recycled:		
Right to Acquire Grant	70	-
Interest accrued	-	-
Development of properties	-	-
At 31 March	70	-
Of which:		
Due within one year	10	-
Due greater than one year	60	-
	70	-

24. Non-equity share capital
Trust

Shares of £1 each issued and fully paid	2019	2018
At 1 April	9	7
Shares issued during the year	2	2
Shares surrendered during the year	(2)	-
At 31 March	9	9

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

25. Cash flow from operating activities
Group

	2019 £'000	2018 £'000
Surplus for the year	7,159	9,817
Adjustments for non cash items:		
Depreciation of housing properties	5,498	5,210
Depreciation of other fixed assets	830	294
Amortised government grants	(1,292)	(1,256)
Impairment of housing properties	164	-
Pension costs less contributions payable	580	814
Changes in working capital:		
Increase in properties for sale, stock and work in progress	(1,157)	(2,777)
Decrease/(Increase) in debtors	1,850	(1,625)
Increase in creditors	261	1,731
Adjustments for investing or financing activities:		
Surplus on the disposal of housing properties	(2,800)	(3,144)
Loss on the disposal of other fixed assets	4	4
Interest payable and other financing costs	3,210	3,676
Interest receivable	(68)	(67)
Net Cash Generated From Operating Activities	14,239	12,677

26. Capital commitments

	Group 2019 £'000	Group 2018 £'000	Trust 2019 £'000	Trust 2018 £'000
Expenditure contracted for but not provided in the accounts	36,268	18,652	34,836	17,559
Expenditure authorised by the board, but not contracted	34,627	56,921	33,341	56,094
	70,895	75,573	68,177	73,653

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

27. Leasing commitments
Group and Trust

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

	2019 £'000	2018 £'000
Within one year		
Office accommodation	5	78
Vehicles	175	180
	180	258
Between one and five years		
Office accommodation	36	41
Vehicles	203	378
	239	419

28. Contingent liabilities
Group and Trust

The Group and Trust had no contingent liabilities to disclose at 31 March 2019 (2018: nil).

29. Financial assets and liabilities

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

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

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

	Group		Trust	
	2019 £'000	**2018 £'000**	**2019 £'000**	**2018 £'000**
Categories of financial assets and financial liabilities				
The realisable value of all financial assets and liabilities was equal to book value at all times.				
Financial assets that are measured at amortised cost	20,598	13,406	20,341	13,825
Financial liabilities measured at amortised cost	2,531	2,341	3,010	2,804
Loan commitments measured at cost	53,549	56,644	53,549	56,644
Financial assets				
Financial assets held as short term cash deposits and cash at bank. They attract interest at variable rates and amounts held by the Trust were:				
Short term cash deposits	11,000	10,000	11,000	10,000
Cash at bank	7,967	1,598	7,675	1,504
Total	18,967	11,598	18,675	11,504
Financial liabilities excluding trade creditors				
The Trust's financial liabilities are sterling denominated. The interest rate profile of the financial liabilities at 31 March was:				
Floating rate	-	-	-	-
Fixed rate	53,549	56,644	53,549	56,644
Total borrowings	53,549	56,644	53,549	56,644

The fixed rate financial liabilities have a weighted average interest rate of 5.98% (2018: 5.97%) and the weighted average period for which it is fixed is 10 years (2018: 11 years). Debt maturity profile is shown in note 20.

30. Pensions
Group and Trust

Greater Manchester Pension Fund

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

Both Greater Manchester Pension Fund schemes are multi-employer schemes, administered by Tameside Metropolitan Borough Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2016 and rolled forward to 31 March 2019 by a qualified independent actuary.

The employers' contributions to the fund by the Trust for the period ended 31 March 2019 were £958k (2017: £898k) at a contribution rate of 21.2% of pensionable salaries (2018: 19.9%).

Financial assumptions	**31 March 2019 % per annum**	**31 March 2018 % per annum**
Major categories of plan assets as a percentage of total plan assets		
Equities	69%	66%
Bonds	15%	16%
Property	8%	7%
Cash	8%	11%
	100%	100%
Pension increase rate	2.5	2.4
Salary increase rate	3.3	3.2
Discount rate	2.4	2.7

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 2019	**Number of Years 2018**
Retiring today:		
Males	21.5	21.5
Females	24.1	24.1
Retiring in 20 years:		
Males	23.7	23.7
Females	26.2	26.2

30. Pensions (continued)
Group and Trust

Changes in fair value of scheme assets	2019 £'000	2018 £'000
Opening fair value of plan assets	43,700	41,982
Expected return	1,184	1,104
Contributions by members	321	318
Contributions by employer	958	898
Actuarial gains	2,076	178
Benefits paid	(905)	(780)
Closing fair value of scheme assets	47,334	43,700

Changes in present value of scheme liabilities	2019 £'000	2018 £'000
Opening scheme liabilities	50,319	48,788
Service cost	1,538	1,692
Interest cost	1,371	1,294
Contributions by members	321	318
Actuarial losses/(gains)	4,213	(1,013)
Losses on curtailments	-	20
Benefits paid	(905)	(780)
Closing scheme liabilities	56,857	50,319

Movement in net liabilities during the year	2019 £'000	2018 £'000
Scheme liabilities less assets at start of year	(6,619)	(6,806)
Current service cost	(1,538)	(1,692)
Past service costs	-	-
Losses on curtailments	-	(20)
Contributions	958	898
Other finance costs	(187)	(190)
Actuarial movement	(2,137)	1,191
Scheme liabilities less assets at end of year	(9,523)	(6,619)

30. Pensions (continued)
Group and Trust

Amounts recognised in the statement of financial position	**2019 £'000**	**2018 £'000**
Present value of funded obligations	(56,857)	(50,319)
Fair value of plan assets	47,334	43,700
	(9,523)	(6,619)
Present value of unfunded obligations	-	-
Net liability	(9,523)	(6,619)

Analysis of the amount charged to operating surplus	**2019 £'000**	**2018 £'000**
Current service cost	1,538	1,692
Losses on curtailments	-	20
Total operating charge	1,538	1,712

Analysis of the amount charged to other finance costs	**2019 £'000**	**2018 £'000**
Expected return on pension scheme assets	1,184	1,104
Interest on pension scheme liabilities	(1,371)	(1,294)
Net interest	(187)	(190)

31. Transactions with related parties

	2019 £'000	2018 £'000
Southway Housing Trust		
Amounts due to Southway DevCo	717	187
Amounts due from Southway Plus	38	80
Loan due from Southway Plus	8,099	3,899
Purchases from group companies		
Design and build contracts from Southway DevCo	8,453	3,028
Sales to group companies		
Project management services to Southway DevCo	717	764
Project management services to Southway Plus	9	7
Corporate support to Southway DevCo	29	17
Corporate support to Southway Plus	35	19
Land sale and related fees to Southway Plus	-	1,096
Interest on loan to Southway Plus	225	51
Donations from group companies		
Gift aid from Southway DevCo	7	-

Other transactions

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

	Weekly Rent £	Amount Due £
Aggregate tenancy transactions as at 31 March 2019	169	170

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

The Trust has a Board member in common with Barlow Moor Community Association. During the year the Trust had transactions with the Association totalling £17k (2018: £27k), the balance due at the year end was £2k (2018: £nil). In both years the Association had the use of a community centre without charge.

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 2018/19.

The Trust's Strategic Director Property & Development is also a board member of Bolton at Home. There have been payments made of £5k to this company in 2018/19.

The Trust's Chief Financial Officer and Strategic Director Property & Development are Directors of ICO Didsbury Point Ltd, a management company which administers a piece of land which the Trust owns. There have been payments made of £4k to this company in 2018/19.

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

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