



FINANCIAL STATEMENT

2014/15



meres & mosses
housing association

HOMES & COMMUNITIES AGENCY REGISTRATION NO. LH 4493

MERES & MOSSES HOUSING ASSOCIATION

Financial Statements

Year ended 31 March 2015

MERES & MOSSES HOUSING ASSOCIATION

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MERES & MOSSES HOUSING ASSOCIATION

CHAIR'S STATEMENT

We have performed well against our budgets and been successful in hitting key targets. We have completed a thorough review of our Governance arrangements and secured new finance which provides greater freedom and flexibility for MMHA and the Group to deliver against the ambitions of its new Corporate Plan 2015-2020.

During this financial year the Association produced strong financial results. The net position is a surplus of £3.351m against a budgeted surplus at the revised stage of £2.582m, this represents an improvement on last year of £1.7m and it demonstrates good financial performance at a time when the Governments' welfare reforms could continue to affect our business negatively. The surplus has been re-invested back into existing homes via an improvement programme designed to maintain asset values and into new homes through an ambitious programme of development which across the Group has seen the completion of almost 100 homes this year and is set to deliver at least 50 new homes a year over the life of our Corporate Plan.

Changes that we have made to our business this year have put us in a strong position to weather the difficult economic climate and sector risks we face as housing associations. The Board and Executive are already working on plans to respond constructively and creatively to the Government's emergency Budget on the 8th of July, in particular the 1% a year reduction in rents for the next 4 years, Right to Buy provisions and Welfare Reform to ensure that we continue to have a robust business plan in place, retain our V1 and G1 ratings and remain attractive to investors.

Maintaining and extending our stock is a key ingredient to our business model whilst also complementing the needs and aspirations of tenants and communities. Good maintenance of our properties accounts for a significant part of our expenditure and through our membership of the Central Housing Investment Consortium we have continued to drive down procurement costs. In total, planned works and improvements to the value of over £2.16 million have been successfully completed with some marked improvement this year on overall tenant satisfaction and that we represent good value for money. We have already achieved both the Government Decent Homes Standard and the enhanced Meres and Mosses standard. We have met our commitments to our funders and our tenants, including the promises made to our tenants 8 years ago.

By constantly appraising our assets through our Dynamic Asset Management Strategy the Association sold 1 property and released a further 10 through Right to Buy adding capacity to our development programme and facilitating a number of adaptations helping tenants to remain in their properties.

The Association's development programme has delivered 32 new homes on time and on budget with the Groups' Community Land Trust Services facilitating a range of well received local community led schemes. Our community led projects accounted for the lions share of the Governments' Community Led funding whilst bringing in additional funding from Shropshire Council for ourselves and communities. As a Group, we have completed our first open market homes for sale this year and shared ownership sales continue to go well, significantly boosting our cash flow.

As always, I would like to thank both the staff and my fellow Board Members for their dedication and strong commitment to the Group and our objective of supporting our residents and communities by providing and managing quality homes. It has been a very demanding year and everyone has risen to the challenge admirably. I would also like to record my thanks and appreciation to the increasing number of tenants who work with us, in particular to those serving on our new Scrutiny Panel TRIP and our new Community Panels to ensure that we provide the support and services tenants wish to see.

Tim Ralphs
Chair

20th August 2015

GOVERNANCE

STATUS OF THE ASSOCIATION

The Association is registered with the Cooperative and Community Benefit Societies Act 2014, Registered No. 30241R. It is also registered with and regulated by the Homes & Communities Agency in accordance with the Housing and Regeneration Act 2008, Registered No. LH 4493. The Association has charitable objects, and is a charity for tax purposes (reference XT4980). Meres and Mosses Housing Association is a subsidiary of Shropshire Housing Limited.

PURPOSES OF THE ASSOCIATION

The Association was formed for the benefit of the community in providing housing, accommodation and related services for people in need.

STATEMENT OF COMPLIANCE WITH THE NHF CODE OF GOVERNANCE

Shropshire Housing Group has formally adopted the National Housing Federation Code of Governance. The Shropshire Housing Board reviews compliance with the Code each year on behalf of all the members of the Group and confirms that Shropshire Housing Group and its subsidiaries including Meres & Mosses Housing Association comply with all material principles in the Code.

An explanation regarding compliance with section D1 of the Code (terms of office) is as follows. At the end of 2014/15, one Board member, the Chair, had served for over nine years (on other Boards within the Group). He remains in office, as part of agreed transition arrangements to the new governance structure which followed a Groupwide governance review and consultation with the Homes and Communities Agency.

MEMBERS OF THE ASSOCIATION

There are two categories of shareholding membership with each holding a £1.00 share: Tenant Members of which there were 9 and Independent Members of which there were 8 including Shropshire Housing Limited and Shropshire Council. As of 29th September 2014 there are 17 shareholders all of which are independent in accordance with the Association's new Rules. Members have voting rights at Annual and Special General Meetings. Members of the Association are eligible to be elected to sit on the Board and Committees. The detailed arrangements regarding membership are set out in the Rules of the Association.

THE BOARD OF MANAGEMENT

The Board comprises 10 members and is responsible for managing the affairs of the Association. The Board may include co-opted persons appointed by the Board, who may not be members of the Association, to act as specialist advisers. The Board can have no more than 12 members in total (including co-optees). The Chair is appointed annually by members of the Board.

The Board members are drawn from a wide background bringing together professional, commercial and local experience. Recruitment to fill vacancies on the Board following the retirement members follows open advertising in local and regional media. The Group's Remuneration and Human Resources Committee periodically reviews skills available and skills required. Board and governance effectiveness is regularly reviewed and monitored.

The Board is responsible for the Association's continuing strategy and policy framework in areas such as repair and maintenance of its homes, housing and estate management, resident involvement etc. It delegates the day-to-day management and implementation of that framework to the Executive.

The Shropshire Housing Board is responsible for providing strategic direction and policy development, overall financial control and support, developing performance systems and monitoring compliance with all regulatory requirements.

REMUNERATION OF BOARD MEMBERS

Our Board Members receive a fee from the Group and this is agreed on an annual basis. Reasonable reimbursement is made for travel and subsistence in appropriate circumstances. The details of which are included in Shropshire Housing Limited accounts.

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

The Co-operative and Community Benefit Societies Act 2014 requires the Board of Management to arrange for the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the Association as at the end of the financial year and of the surplus or deficit for that period.

In preparing those financial statements, the Board of Management is required to:

- adopt suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting policies have been followed subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on a going concern basis.

The Board of Management is responsible for making the appropriate arrangements for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Association and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, and the Housing and Regeneration Act 2008. It has responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

DIRECTORS' INDEMNITY

The Directors have confirmed that the Association does have Directors and Officers Insurance in place.

FINANCIAL INSTRUMENTS

The Association does not have any abnormal exposure to price, credit, liquidity and cash flow risks arising from its trading activities. The Association does not enter into any hedging transactions and no trading in financial instruments is undertaken.

DISCLOSURE OF INFORMATION TO THE AUDITOR

In the case of each of the persons who are Board members of the Association at the date when this report was approved:

- So far as each of the Board members is aware, there is no relevant audit information of which the Association's auditor is unaware; and
- Each of the Board members has taken all the steps that they ought to have taken as a Board member to make them aware of any relevant audit information (as defined) and to establish that the Association's auditor is aware of that information.

GOING CONCERN

After reviewing the Association's Budget for 2015/16 and based on normal business planning and control procedures, and after making enquiries, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, despite the government imposed rent reductions over the next four years. For this reason, it continues to adopt the going concern basis in the financial statements.

STATEMENT OF INTERNAL CONTROLS ASSURANCE

RESPONSIBILITY

The Shropshire Housing Board of Management, as the ultimate governing body, is responsible for the system of internal control, which is designed to provide reasonable but not absolute assurance regarding:-

- the safeguarding of assets against unauthorised use or disposal; and
- the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

Key procedures have been established and are designed to provide effective internal control. These key areas cover control, reporting information systems, monitoring and risk management. The Board has a clear and well communicated strategy and policy covering the prevention and detection of fraud, and procedures are followed where fraud is suspected or detected. A clearly established whistle blowing policy is in place.

Audit and Risk Committee on behalf of the Group and all its subsidiaries has reviewed the effectiveness of the system of internal control, including the sources of assurance agreed by the Board as being appropriate for that purpose. On the basis of the evidence provided by the Director of Corporate Services in her report presented to the Shropshire Housing Group Board on 21st May 2015, we are satisfied that there is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year. We are also satisfied that those systems were aligned to an ongoing process for the management of the significant risks facing the Group. No weaknesses were identified which would have resulted in material misstatement or loss and which would have required disclosure in the financial statements.

CONTROL ENVIRONMENT

The Group Board has put in place an organisational structure with clearly defined lines of responsibility and delegations of authority. These are found in detail in the Group's Standing Orders, Financial Regulations, Treasury Management Policy and Risk Management strategy and associated procedures. These delegations and authority levels are reviewed annually.

CONTROL PROCEDURES

Procedures are maintained for all the main functions and service areas, and in particular there are clearly defined policies for development projects and capital expenditure, including the appropriate authorisation levels. Information technology procedures are updated periodically. All capital projects require Board approval before commencement and commitment of any funds. Completed development projects are also subjected to a post investment appraisal, comparing actual results to original forecasts.

INFORMATION SYSTEMS

The Group has a comprehensive system of financial reporting. The Annual Budget and Business Plan are approved by the Board. Actual results are reported against budget headings to each SHL Board meeting with any significant variances being reported together with explanations. The current borrowing and investment position is reported at each SHL Board meeting.

In accordance with regulations, annual financial returns are submitted to the Homes & Communities Agency, and quarterly financial returns to the Association's principal lenders. There are regular meetings of the Operational Management Team to review and monitor revenue and capital spending against budget assumptions. Cash balances are checked daily, coupled with revised forecasts of borrowing requirements at regular intervals as necessary. There are a number of annual reports on other functions to the Audit and Risk Committee; these include the insurance arrangements and treasury management.

MONITORING SYSTEM

The control system is monitored mainly through internal audit and within the annual plan the work is focused on the areas of greatest risk to the Association. Effectiveness of controls are also tested by independent specialists where appropriate. Monitoring is also done by senior staff and managers.

RISK MANAGEMENT

The Group's officers have a clear responsibility for identifying risks facing each of the areas in which they operate and for putting in place procedures to mitigate and monitor risk. It is the Audit & Risk Committee's responsibility to review and assess these risks and the controls relating to them. The highest risks facing the Group are reported to the Audit & Risk Committee and SHL Board at each meeting.

BOARD MEMBERS' REPORT

MEMBERS OF THE BOARD

The members of the Board who served during the period were as follows:

Tim Ralphs	(From 1 st January 2015)
Stephen Donkersley	
John Higginson	(Resigned 31 st December 2014)
Heather Pattimore	(Resigned 31 st December 2014)
Brian Williams	(Resigned 31 st December 2014)
Pauline Dee	(Resigned 31 st December 2014)
Richard Jaboor	(Resigned 31 st December 2014)
Paul Turner	
Chris Mellings	
Mark Colclough	(Resigned 31 st December 2014)
James Williamson	(From 1 st January 2015)
Sonia Youd	(From 1 st January 2015)
Liz Walford	(From 1 st January 2015)
Graham Biggs	(From 1 st January 2015)
Jake Berriman	(From 1 st January 2015)
Gill Jones	(From 1 st January 2015)

The Board reports that we produced a surplus of £3,351k (2014 surplus of £1,641k), compared to the budgeted £2,582k (2014 £1,918k) at the revised stage. This surplus is after charging £966k (2014 £998k) for depreciation on housing stock, as required by Financial Reporting Standard 15 and the Statement of Recommended Practice for Registered Social Housing Providers and no further impairment on office premises in advance of IFRS reporting was required.

Turnover was over £10 million, and interest charges amounted to approximately £1,129k.

FUTURE DEVELOPMENTS

The Board are continuing to look at developing new dwellings and to repair and improve existing properties. It is continuing to look to partnerships with other agencies in order to best secure these aims.

Following the budget announcement on reducing rents by 1% each year for 4 years from April 2016, we have modelled the impact and have started the process to agree the necessary cost savings in the plan. These savings will be incorporated into the revised business plan and budgets agreed by the Board in time to notify the Homes and Communities Agency by 30th October.

HOUSING PROPERTIES AND OTHER FIXED ASSETS

We now hold housing properties at a historical cost of £38.3 million (2013 £37.3 million) net of housing grants and depreciation. These were financed through external loans and internal funds.

The value for existing use by a housing association of these properties is professionally assessed at in excess of £62.5 million (2014 £61.5 million).

At the end of the year, our housing units in management totalled 2,331 (2014 2,320 units).

CASHFLOW AND LIQUIDITY

The cashflow from operating activities during the year was £3,515 million (2014 £2.78 million).

By order of the Board

Tim Ralphs
Chair

20th August 2015

BACKGROUND

Meres & Mosses Housing Association is a not for profit business formed in July 2007 to provide high quality affordable social housing in the North Shropshire area. We manage around 2,300 houses and, with South Shropshire Housing Association, and will contribute to the Group's aim to build or acquire 250 new homes over the next five years.

Our vision is to provide quality homes and services involving people in building communities where they choose to live.

OPERATING REVIEW

On 30th July 2007 North Shropshire District Council transferred its housing stock to Meres & Mosses Housing Association. At the same time, the Shropshire Housing Group was formed, with South Shropshire Housing Association (SSHA) and the newly formed Total Response Limited. By joining the Group, we were able to benefit from lower central support costs, allowing more money to be directed on improving homes and services for tenants.

Improvement works have continued, with around £1.3 million (2014 £2.6 million) being spent on doors, kitchens, windows and central heating systems through the course of the year.

REPORTING STRUCTURE

The Board comprises 10 members and is responsible for managing the affairs of the Association. The Board can co-opt individuals to the board but the total size of the Board cannot exceed 12. The Board Members are drawn from a wide background bringing together professional, commercial and local experience. The Board, operating in the co-terminous board arrangements with the parent board, is responsible for our continuing strategy and policy framework. It delegates the day to day management and implementation of that framework to the Group Chief Executive Officer and Executive Team.

CONTINUOUS IMPROVEMENT

The Group is committed to achieving excellent performance across the whole of its business and services. The Group has a comprehensive performance management framework which ensures a clear focus on performance improvement and clear responsibility for scrutiny on performance at various levels. The Board has an Audit and Risk Committee which meets regularly. The Senior Management Team and the Operational Management Team meet regularly to monitor benchmarked data and performance indicators undertaking best practice visits as necessary.

ACHIEVING VALUE FOR MONEY

Introduction

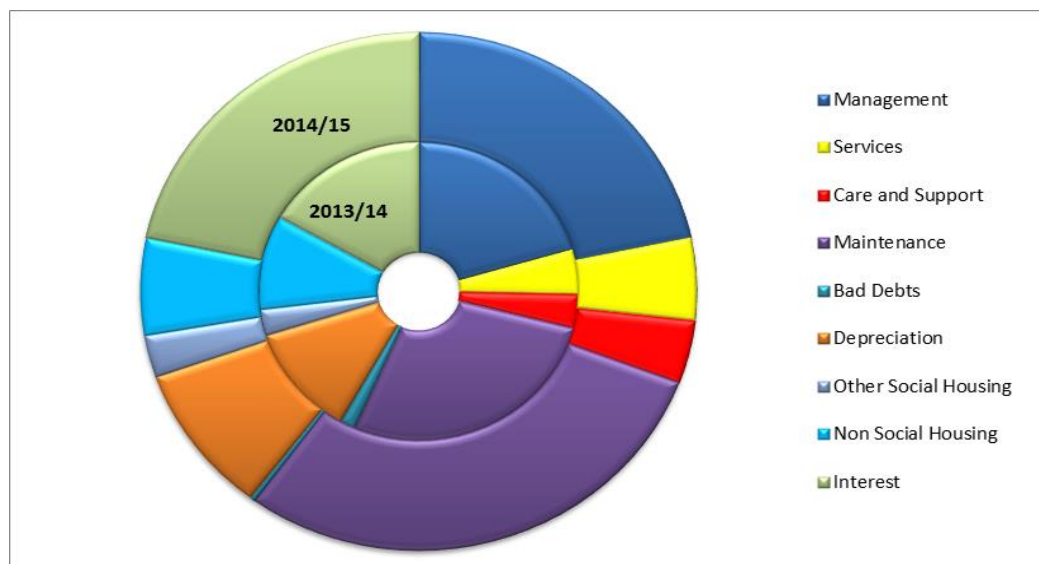
The Homes and Communities Agency requires registered providers to annually demonstrate how they deliver Value for Money (VfM). To meet this requirement, and to share our performance with stakeholders, Shropshire Housing Group has once again produced a comprehensive Value for Money Self Assessment viewable at <http://www.shropshirehousinggroup.co.uk/policies-performance>. This explains how SHG matches its aspirations with actions and uses its assets and resources to ensure that best use is made of them to deliver Value for Money. This is a summary of that document.

Our Strategy for Delivering Value for Money

Shropshire Housing Group is committed to delivering Value for money for all of its tenants and customers. Our 2014 Corporate Plan makes clear "We will provide value for money and look to be efficient, effective and economical". SHG annually reviews its strategy for delivering VfM and makes clear its consistent approach to business effectiveness. Over the last year or so, and with a new leadership team in place, SHG has made significant progress in ensuring that the VfM culture is firmly embedded throughout the company and is able to demonstrate economies, efficiencies and effective outcomes - providing a return to customers, communities and importantly to the business for the investments made.

HOW WE SPEND OUR MONEY

The total operating cost of Shropshire Housing Group in 2014/15 was £16.173million (2013/14 was £17.428m), and in addition to this it spent £4.477million on interest payments (2013/14 was 3.504m) which is a non discretionary cost increasing as a result of refinancing whilst improving financial flexibility and allowing us to build more new homes. Group surpluses and margins have risen in the year with surpluses moving from 13% of turnover to 16% and margins improving to 33% from 24.5%.



We have compared costs of delivering services with other similar organisations by participating in Housemark's annual core benchmarking exercise, the table below provides some broad analysis over time. It will be updated for our full Value for Money self assessment in September when comparable data is published.

Our operating costs for 2014/15 are down on last year but we remain conscious that there is still more to do to address our management overheads. We have for example, reviewed our executive and non-executive teams, to ensure that we remain focused and fit for purpose whilst reducing our management overhead by £86,000 from April 2015. We have continued to improve our housing management cost per property, in part as a result of reducing costs for (CBL) Choice Based Lettings. Although responsive repair costs increased in 2013/14 they have successfully been reduced in 2014/15 by reminding tenants of their responsibility to look after their homes and sustain their tenancies whilst we undertake landlord repairs only.

Business Activity	Measurement	2013/14				2012/13				2011/12
		Our Result	Peer Average	Quartile	Rank	Our Result	Peer Average	Quartile	Rank	Our Result
Overheads	% Of Adjusted Turnover	14.08%	12.49%		33/44	12.40%	11.45%		21/32	15.59%
Major Works & Cyclical Maintenance	Total Cost Per Property	£1,705	£1,391		29/44	£1,478	£1,497		16/32	£1,650
Responsive Repairs & Void Works	Total Cost Per Property	£775	£776		22/44	£678	£695		14/32	£671
Housing Management	Total Cost Per Property	£418	£445		17/44	£448	£390		23/32	£422
Estate Services	Total Cost Per Property	£102	£142		13/44	£100	£127		9/32	£110
		= Top Quartile = Upper Median Quartile = Lower Median Quartile = Bottom Quartile								

We have continued to invest in planned maintenance with an additional £0.5m of expenditure this year, providing decent homes for our tenants. As we appraise and address business risks we recognise the increasing pressures that our tenants face from welfare reform and have continued to invest in housing management and in particular money management. Addressing anti-social behaviour has continued to be an investment priority to our communities and we are now seeing some great returns in terms of cases successfully resolved. We have also invested significantly in digital inclusion activity and supported other

MERES & MOSSES HOUSING ASSOCIATION OPERATING AND FINANCIAL REVIEW

small social enterprises working with us to improve IT literacy and support into work projects for tenants. We have invested in customer support, complaint handling, our tenant scrutiny panel, TRIP and have established new Community Panels to deliver local regeneration projects through their "Neighbourhood Plans".

RETURN ON ASSETS

We aim to make the most of all the property we own and make informed decisions about sales and investment. We use systematic stock condition surveys, Net Present Value (NPV) calculations and industry standard software to help manage costs around attribute lifecycles, inform our business plans and explain improvement plans to tenants and from 2015/16 we plan further work in evaluating stock on demand, demographic and thermal performance. Of great concern to us has been increasing re-let times and our voids review will conclude next year describing a concerted effort to improve effectiveness and to capture business efficiencies.

We disposed of 8 properties in 2014/15 generating a capital receipt of £313k:- Curdale Close, Cleobury Mortimer; Edelweiss, Ludlow – 6 properties; High Hatton, Shawbury. Additionally we changed the tenure of 1 property in Longville from social rent to shared ownership to ensure that we retained a presence in that rural community. We further released 12 properties through Right to Buy which has provided a net income of £539k and meant that £50k was committed to disabled adaptations in 2014/15, the same figure as 2013/14. Right to Buy proceeds are recycled for new homes. As of May 2015 we are actively appraising a range of properties and placed others on a watch list where the NPV is less than £25,000 which is due for evaluation within the year to decide on an appropriate intervention, investment or disposal. A balanced scorecard comprising of asset disposal decisions and Right to Buy completions together with capital receipts is regularly reported to the SHG Board.

Maintaining the quality of homes is hugely important to our business and our tenants and working through our in house contractor, Total Response (TRL) not only can we plan and schedule work more effectively but we can demonstrate cost savings. Against an efficiency saving target of £183,000 TRL actually saved over £240,000 and conceded a negotiated 3% reduction in prices for all larger, scheduled maintenance work. Overall we:

- Reduced our responsive repairs spend by £290k from our 2013/14 outturn position (target £300k)
- Reduced the churn of empty properties from 10.5% of tenancies terminated as a % of stock in 2013/14 to 8.3% in 2014/15
- Fitted 135 new bathrooms (119 in 2013/14), 196 boilers (200 in 2013/14), and 200 new kitchens (180 in 2013/14), and
- Increased individual customer satisfaction on responsive repairs from 91% in 2013/14 to 95.7%. As part of our 2014 STAR survey we improved overall satisfaction with repairs and maintenance to 83% from 81% in 2012. Disappointingly, customer satisfaction in the quality of homes fell to 85% from 87% (2012). By jointly procuring the STAR survey with partner Shropshire landlords we saved nearly £900k.

Delivering new homes and supporting communities is managed through our New Homes Strategy 2015-18. We have successfully completed the HCA 2011-15 Programme on time and on budget and commenced the new 2015-18 programme early with an agreed and funded programme of 148 homes. During the year we have completed 90 homes and started 35 more. The Strategy seeks to target new homes to areas of geographic need and deliver more smaller-homes in response to welfare reforms whilst being clear about the build quality, benchmark costs and return on investment required. We launched our private housing brand Floreat Homes in Shrewsbury this year with all homes, including shared ownership, selling some units off plan. Whilst in the upland community of Neenton we used our Community Land Trust Services to subsidise the refurbishment of a community owned pub and provide shared ownership homes for local people through Floreat sales.

We have met the Strategy's requirements on return on Investment to the business for new homes of:

- 5% for Affordable Rent
- 6% for Mixed Affordable Rent/Shared Ownership
- 7% for Shared Ownership
- 8% for Open Market Rent
- 12% for Open Market Sale

We measure “Social Return on Investment”, purposely not monetising it, to better understand and evaluate the trade-offs and opportunity costs of spending decisions in terms of their impact on the lives of our customers and the neighbourhoods they live in. In this way we recognise some of what we do within the Group does not produce an income/financial return but has a wider social value, such as spending £80,000 this year on community regeneration projects. Tenant bodies and other stakeholders strenuously support our role in supporting a range of community led projects which provide clear social returns to their communities. For instance, our mixed tenure community led development of 16 homes at Park Hall opened on 19th November 2014, and secured additional funding of £38,000 from Shropshire Council allowing the Whittington Parish Council to replace existing street lights to low energy lamps delivering carbon and revenue savings. Our Social Accounts will be published alongside our comprehensive VfM self-assessment in September.

VALUE FOR MONEY SAVINGS

The 2013/14 budget built in and delivered 5% savings. The 2014/15 budget repeated this, delivering a further 5% of cash savings with no loss of service and generally enhanced customer satisfaction. 2014/15 brings to the end our fourth year of procuring goods and services through the Central Housing Investment Consortium. We have kept track of our purchases, bench marking these purchases from our 2011/12 baseline, and while inflation (CPI) has averaged 4.2% throughout, and the overall cost trend within maintenance has been upward, we can show total cash savings of £320,539 and £66,259 for this year. In addition, all staff VfM savings, small or large, are submitted to the senior management team every month. Here is a summary of some of the cash savings, with more details being available in the full VfM self-assessment.

VFM Item	Savings Made 2014/15
Negotiated saving on advertising package with the Shropshire Star	£1,378 in year saving
Sustain Consortium 1 year supporting people contract extension with Shropshire Council	15% saving to Shropshire Council, SHG efficiency
Replacement laundry equipment installed at Millmead	38% or in-year saving of £1,056 to tenants
Housing Officers working from sub-office in Ludlow	Over £3,000 mileage and time costs saved
Revised bulk mail arrangements negotiated	£1,950 for full year
Wem Waste collection negotiated from estimate	£5,000 in year saving, £18,400 for full year
Use of Online rail booking for CEO	59% or £319 in year saving

Smart Procurement is central to delivering VFM and with a clear Strategy in place for rolling reviews we can show some significant savings for the Group within the 2014/15 tendering programme, including: Roofing, £11,676; External Audit £8,000; Internal Audit, £8,000; Cleaning £8,053, Electricity supply £9,000; Gas supply £27,000; Fuel and oil purchasing £44,079.

Meeting our 2014/15 VFM targets:

- We asked for £161,000 of savings from controllable budgets and a £300,000 saving on responsive repairs compared to 2013/14. We met our budget saving without loss of service or satisfaction and delivered £290,000 savings on repairs.
- We asked for 15% TRL operating efficiencies compared to 2013/14 of £183,000 per annum. We achieved a £240,000 efficiency saving in TRL, but just failed to provide a balanced budget.
- We achieved a greater than 50% reduction in Homepoint CBL costs and exceeded estimated savings of £35,000 by £2,000 compared to 2013/14.
- We improved on our 2012 STAR customer satisfaction rating in most areas in 2014, but not across the board compared to 2010 levels as we had aimed to do.
- We said we would review our governance arrangements and now have co-terminous Boards in place managing the business more effectively whilst delivering efficiencies.

Future VfM savings are driven by our new Corporate Plan which sets some longer term targets such as growing our surpluses to 12% and increasing operating margins to 29%.

Specific targets for 2015/16 include:

- Securing 4% or £200,000 VfM reductions in controllable budgets built into 2015/16 base budgets;
- Protecting operating margins of 29%;

**MERES & MOSSES HOUSING ASSOCIATION
OPERATING AND FINANCIAL REVIEW**

- Securing efficiencies in the Board and executive restructures exceeding £80,000 pa;
- Securing savings over £100,000 pa from procurement exercises including insurances and mobiles;
- Exceeding our 50 new homes a year target through efficiencies and recycled sales proceeds;
- Reducing tenancies terminated from 8.3% of stock to 7.3%, by addressing tenancy failure and capturing the associated costs and savings;
- Reducing average re-let times towards our target of 25.3 days improving income at an average of £12.51 per property per day (based on a Group average weekly rent of £87.62);
- Improving first time access for gas servicing from 77.8% to 85% capturing the associated savings; and
- Securing over £25,000 of savings pa within TRL following 2014/15 TRIP review of “right first time”.

Key Performance Indicator	Cumulative Yearly Performance			Housemark Benchmarking 2013/14		
	2014/15	2013/14	2012/13	Upper Quartile	Median	Lower Quartile
Rent Arrears						
Current Tenant Arrears (%)	1.20	1.70	1.85	1.65	2.3	3.29
Former Tenant Arrears (%)	1.35	1.51	1.14	0.61	1.07	1.33
Rent Collected (% of rent debit)	98.6	98.5	99.7	99.8	99.2	98.7
Empty Properties						
Average Relet Time ('standard', days)	34.3	29.8	26.1	17.69	25.57	31.83
Average Relet Time ('major works', days)	66.8	57.8	97.2	Not available	Not available	Not available
Let on First Offer (%)	56.6	56.0	63.3	74.67	58.75	46.52
Time taken for works (days)	11.9	11.7	11.2	Not available	Not available	Not available
Tenancy Turnover (% tenancies terminated)	8.8	10.2	8.4	7.31	8.82	9.8
Anti-Social Behaviour (ASB)						
Respondent Satisfaction with Handling of ASB case (%)	57.9	73.5	66.9	Not available	Not available	Not available
Respondent Satisfaction with Outcome of ASB case (%)	78.0	74.1	60.6	Not available	Not available	Not available
Cases resolved successfully (%)	90.6	81.4	79.9	97.58	94.32	86.15
Repairs						
Appointments Kept (%)	99.3	98.7	98.5	Not available	Not available	Not available
Average time taken to complete repair (days)	10.4	11.8	10.4	6.67	7.81	10.59
Customer satisfaction with repair (%)	95.6	91.0	84.5	87.3	82.85	78.95
Average repairs per Property	3.1	3.5	3.7	2.8	3.4	3.8
Servicing and Maintenance						
Gas servicing - Serviced within 12 months of last service (%)	97.5	99.7	99.6	Not available	Not available	Not available
Average SAP(energy efficiency) rating	64.6	64.5	64.3	72	70.6	67.2
Homes not meeting Govt. 'Decent Homes' Standard* (%)	0.1	0.1	0.1	0	0.1	0.2
Customer Service						
Average call waiting time (seconds)	19.0	22.5	31	Not available	Not available	Not available
Corporate						
Staff Turnover (%)	15.3	11.9	15.7	9.9	12.4	16.2
Average sick days per Employee	7.6	6.7	9.8	6.9	8	9.7
Our Housemark benchmarking group is Midlands stock transfer HAs with less than 10,000 homes, the majority have a group structure and/or a Direct Labour Organisation. End of year figures for 2014/15 are not yet available; we expect this to be published in Autumn 2015.						

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERES & MOSSES HOUSING ASSOCIATION

We have audited the financial statements of Meres & Mosses Housing Association for the year ended 31 March 2015 which comprise the Income and Expenditure Account, the Statement of Total Recognised Surpluses and Deficits, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of the Board and the auditor

As explained more fully in the Statement of the Board's Responsibilities set out on page 3, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report is made solely to the Association's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014 and the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association'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 Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements;

- give a true and fair view of the state of the Association's affairs as at 31 March 2015 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 2012.

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

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

Mazars LLP, Chartered Accountants (Statutory Auditor)

**45 Church Street
Birmingham
B3 2RT**

MERES & MOSSES HOUSING ASSOCIATION

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2015

	Notes	2015 £'000	2014 £'000
TURNOVER	2	10,951	10,204
Operating costs	2	(6,979)	(8,493)
OPERATING SURPLUS	2	3,972	1,711
Surplus on sale of fixed assets	9	484	512
SURPLUS ON ORDINARY ACTIVITIES BEFORE INTEREST	5	4,456	2,223
Interest receivable and similar income	3	24	166
Interest payable and similar charges	4	(1,129)	(748)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		3,351	1,641
Taxation on surplus on ordinary activities	8	-	-
SURPLUS FOR THE YEAR TRANSFERRED TO RESERVES		3,351	1,641

All of the above relate to continuing activities.

**STATEMENT OF TOTAL RECOGNISED SURPLUSES
AND DEFICITS FOR THE YEAR ENDED 31 MARCH 2015**

	Notes	2015 £'000	2014 £'000
Surplus for the year		3,351	1,641
Actuarial gain/(loss)	18	(585)	445
TOTAL RECOGNISED SURPLUS RELATING TO THE YEAR		2,766	2,086

MERES & MOSSES HOUSING ASSOCIATION

BALANCE SHEET As at 31 March 2015

	Notes	2015 £'000	2014 £'000
TANGIBLE FIXED ASSETS			
Tangible assets cost	9	49,216	46,489
Less Depreciation	9	(6,720)	(5,691)
Less Social Housing Grant and other capital grants	9	(2,159)	(2,470)
		<u>40,337</u>	<u>38,328</u>
CURRENT ASSETS			
Assets held for sale	10	235	318
Debtors	11	3,060	1,857
Debtors due after more than one year	12	12,245	13,614
Investments	13	2	16,018
Cash at bank and in hand		3,372	1,850
		<u>18,914</u>	<u>33,657</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	<u>(1,198)</u>	<u>(1,965)</u>
NET CURRENT ASSETS		<u>17,716</u>	<u>31,692</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>58,053</u>	<u>70,020</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	38,502	53,831
PROVISION FOR PENSION LIABILITY	18	1,183	587
CAPITAL AND RESERVES			
Called up share capital	16	-	-
Revenue reserve	17	18,368	15,602
		<u>58,053</u>	<u>70,020</u>

The financial statements were approved by the Board of Management on 20th August 2015 and signed on its behalf by:

Tim Ralphs
Chair

Board Member

Jen Hayball
Secretary

MERES & MOSSES HOUSING ASSOCIATION
CASH FLOW STATEMENT

Year ended 31 March 2015

	Notes	2015 £'000	2014 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	(a)	3,515	2,780
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		32	161
Interest paid		(887)	(598)
		(855)	(437)
CAPITAL EXPENDITURE			
Acquisition, construction and improvement of housing properties		(6,154)	(10,197)
Proceeds from sale of Right To Buy properties & miscellaneous land		3,184	776
Capital grants received		859	1,903
Purchase of other tangible fixed assets		(1,060)	(111)
		(3,171)	(7,629)
TAXATION		-	-
FINANCING			
Net housing loans repaid	(b)	(13,618)	-
Loan financing costs		(365)	-
		(13,983)	-
(DECREASE) IN CASH	(c)	(14,494)	(5,286)

NOTES TO THE CASH FLOW STATEMENT
Year ended 31 March 2015

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2015**(a) Reconciliation of operating surplus to net cash inflow from operating activities**

	2015	2014
	£'000	£'000
Operating surplus	3,972	1,711
Depreciation and impairment	1,066	1,876
(Increase)/Decrease in debtors	(1,605)	(738)
Increase/(Decrease) in creditors	(10)	75
Movement in provisions	9	62
Shared ownership cost of sales/stock movement	83	(206)
	<hr/>	<hr/>
Net cash inflow from operating activities	3,515	2,780
	<hr/> <hr/>	<hr/> <hr/>

(b) Reconciliation of net cashflow to movement in net debt

	2015	2014
	£'000	£'000
(Decrease) in cash in the year	(14,494)	(5,286)
Housing loans repaid	13,618	-
	<hr/>	<hr/>
Change in net debt	(876)	(5,286)
Net debt brought forward	(22,382)	(17,096)
	<hr/>	<hr/>
Net debt carried forward	(23,258)	(22,382)
	<hr/> <hr/>	<hr/> <hr/>

(c) Analysis in net debt

	At 31 March 2014 £'000	Cash Flow £'000	At 31 March 2015 £'000
Investments	16,018	(16,016)	2
Cash at bank and in hand	1,850	1,522	3,372
		<hr/>	
		(14,494)	
		<hr/>	
Debt due after 5 years	(40,250)	13,618	(26,632)
	<hr/>	<hr/>	<hr/>
Total	(22,382)	(876)	(23,258)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), and in line with the Statement of Recommended Practice "Accounting by Registered Social Housing Providers" Update 2010 and the Accounting Direction for Private Registered Providers of Social Housing 2012. A summary of the more important accounting policies which have been consistently applied is set out below. The accounting policies were reviewed by the Audit and Risk Committee on 13th May 2015 in accordance with FRS18.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover represents rents and service charges receivable in respect of tenanted properties, residential care charges and amounts invoiced in respect of the provision of services.

Fixed assets and depreciation

Other tangible fixed assets are stated at cost and are written down to their residual value over their expected useful life on a straight line basis at the following annual rates:

Office equipment, fixtures & fittings -	15% to 25%
Plant & machinery -	15% to 25%
Vehicles -	25%

Housing properties

As required by Financial Reporting Standard 15 and the Statement of Recommended Practice for Registered Social Housing Providers, the Group has reviewed the useful economic lives of its housing properties and with effect from 1 April 1999 depreciates the property costs, less grants, freehold land and residual value.

Housing properties in the course of construction are stated at cost and are transferred into housing properties when complete. The cost of properties is their purchase price or construction cost together with enhancement expenditure and other acquisition and development costs, including capitalised interest and directly attributable overheads.

Freehold land is not depreciated. Depreciation is charged so as to write down the cost (net of social housing grant) of freehold housing properties other than freehold land to their estimated residual value on a straight line basis over their expected useful lives at the following annual rates:

Housing properties – 99 years

Major components are treated as separable assets and depreciated on a straight line basis over their expected useful economic lives or the lives of the properties to which they relate, if shorter, at the following average annual rates. These are approximate as there are sub-elements under each component:

Roofs	60 years
Kitchens	20 years
Bathrooms	30 years
Windows	40 years
Doors	25 years
Central heating	20 years

1. ACCOUNTING POLICIES (Continued)

Shared ownership properties

All properties are split between fixed and current assets in line with the expectation relating to the first tranche sale percentage. The expected first tranche proportion is classified as a current asset until the point of the first tranche sale. The current asset is then transferred to cost of sales and matched against sales proceeds within the operating surplus in the Income and Expenditure Account. Any operating surplus is restricted to the overall surplus which takes into account the Existing Use Value-Social Housing (EUV-SH) of the remaining fixed asset element.

The remaining element of the asset is classified as a fixed asset and included in housing properties at cost less SHG, less any provision for depreciation or impairment.

Impairment

The properties are reviewed for impairment annually, and where housing properties have suffered a permanent diminution in value, the fall in value will be recognised after taking account of any related capital gains. In view of the current economic conditions, a full review for impairment has been carried out, looking at revised property valuations, particularly for shared ownership properties. Where a risk of impairment has been identified, external property valuations have been obtained.

Social Housing and Other Grants

When developments have been financed wholly or partly by social housing and other grants, the costs of those developments have been reduced by the amount of the grant received. Social housing grant received in advance of the costs of housing properties in the course of construction is shown as a current liability.

Provision is made in the balance sheet for repayments of social housing grants where it is likely that properties will be sold in the foreseeable future.

Stock

Stock is stated at the lower of cost and net realisable value.

Liquid resources

These represent the total of assets which a business can use immediately to make payments. In general they include cash in hand, at bank, and assets that can quickly be changed into cash.

Operating leases

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

Interest charges

Interest charges represent the actual cost of financing purchased and transferred properties, completed property acquisitions, new developments and major repairs schemes where mortgages and loans have been received from external sources.

1. ACCOUNTING POLICIES (Continued)

Capitalisation of interest

Interest on the loan financing a development is capitalised up to the date of practical completion, after adjustment for interest received on social housing grant in advance of the relevant expenditure. Interest has been charged at 4.19% per annum.

Pension costs

Contributions payable to the Group's pension schemes are charged to the income and expenditure account so as to spread the cost of pensions over the service lives of employees in the schemes. FRS 17 is followed.

Taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred (or accelerated) because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax on a full provision basis. Charitable status confirmation was obtained from the HMRC for Meres and Mosses Housing Association from its first day of trading and for South Shropshire Housing Association from 6 August 2007. This is due to HMRC accepting their Charitable Objects. Shropshire Housing Limited and its subsidiary, Total Response Limited, are still subject to taxation.

VAT policy

The Group is VAT registered, but a large proportion of its income namely rents, is exempt for VAT purposes. This gives rise to a partial exemption calculation. Expenditure is shown inclusive of VAT and the input VAT recovered is shown in the Income and Expenditure Account.

VAT sharing agreement

Meres and Mosses Housing Association, via the transfer agreement with North Shropshire District Council, shares VAT savings arising out of the transfer in equal amounts. The related expenditure is shown gross and the VAT recovered is shown as a credit against capital to identify it separately for future use.

Under the terms of the transfer agreement Meres and Mosses Housing Association has contracted to refurbish transferred properties and the amount due to the Association from the work is shown under debtors. The obligation to carry out these works is shown in the provisions for liabilities and charges.

Supported People income and expenditure

Separately identifiable accommodation based rent, service and support charge income along with any related costs for accommodation based supported housing are disclosed under "Supported Housing" within Note 2. Charges for and costs of support services funded under Supporting People are shown under "Supporting People" within Note 2 "Other Social Housing".

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2015			2014	
	Turnover £'000	Operating Costs £'000	Operating Surplus £'000	Turnover £'000	Operating Surplus £'000
Lettings	10,395	6,526	3,869	9,872	2,523
Other Social Housing					
Supporting People	36	36	-	47	7
VAT	22	-	22	12	12
	10,453	6,562	3,891	9,931	2,542
Contribution to pension scheme	-	9	(9)	-	(62)
Shared Ownership First Tranche sales	307	265	42	168	21
Non social housing lettings	191	143	48	105	21
Impairment	-	-	-	-	(811)
	10,951	6,979	3,972	10,204	1,711

INCOME AND EXPENDITURE FROM LETTINGS

	2015			2014	
	Housing Accommodation £'000	Supported Housing / Older People £'000	Shared Ownership £'000	Total £'000	Total £'000
Income					
Net rental income	9,302	708	64	10,074	9,562
Net service charges income	82	124	14	220	218
Charges for Support Services	-	73	-	73	74
Net rental income	9,384	905	78	10,367	9,854
Revenue grants from Homes & Communities Agency and Local Authority	-	-	-	-	-
Other income	28	-	-	28	18
Total income from lettings	9,412	905	78	10,395	9,872
Expenditure on lettings					
Management	1,844	251	17	2,112	2,507
Services	276	121	7	404	367
Care and support	-	87	-	87	99
Routine maintenance	1,872	169	-	2,041	2,414
Planned maintenance	792	71	-	863	787
Rent losses from bad debts	48	5	-	53	178
Depreciation	880	73	13	966	997
Total expenditure on lettings	5,712	777	37	6,526	7,349
Operating surplus	3,700	128	41	3,869	2,523
Void losses	(85)	(16)	-	(101)	(91)

MERES & MOSSES HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015	2014
	£'000	£'000
Interest receivable from bank deposits	24	166

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2015	2014
	£'000	£'000
Net finance charge on pension (note 18)	2	12
On bank loans, overdrafts and other loans repayable – wholly or partly in more than 5 years	1,236	786
Less: interest capitalised	(109)	(50)
	1,129	748

5. SURPLUS ON ORDINARY ACTIVITIES BEFORE INTEREST

	2015	2014
	£'000	£'000
<i>Surplus on ordinary activities before interest is stated after charging:</i>		
Depreciation of tangible fixed assets	1,066	1,065
Impairment of tangible fixed assets	-	811
Auditors' remuneration (excluding VAT)		
In their capacity as auditors	11	11
In respect of other services	-	-

MERES & MOSSES HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

6. STAFF COSTS

	2015 £'000	2014 £'000
Wages and salaries	110	328
Social security costs	6	2
Other pension costs	10	3
	<u>126</u>	<u>333</u>

	2015 Number	2014 Number
Average number of full-time equivalent persons employed during the period based on 35 hours per week	4	6
These were categorised as:		
Development (recharged)	4	4
Housing	-	2
Asset Management	-	-
Sheltered	-	-
	<u>4</u>	<u>6</u>

7. DIRECTORS' EMOLUMENTS

	2015 £'000	2014 £'000
Fees payable by way of expenses to Board Members	-	-

8. TAXATION

Meres & Mosses Housing Association obtained charitable status from its first day of trading on 30 July 2007 and, as such, is exempt from corporation tax.

MERES & MOSSES HOUSING ASSOCIATION
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015
9. TANGIBLE FIXED ASSETS

	General Need – constructed £'000	General Need in course of construction £'000	Shared ownership constructed £'000	Shared ownership in course of construction £'000	Sheltered and supports properties £'000	Commercial property £'000	Office equipment and fixtures and fittings £'000	Total £'000
COST								
At 1 April 2014	37,432	2,929	579	538	3,045	1,708	258	46,489
Additions	3,083	1,542	404	588	40	908	151	6,716
Scheme completed	1,804	(1,804)	493	(493)	-	-	-	-
Disposals	(218)	-	(130)	-	(5)	-	-	(353)
Transfer to current assets	-	-	-	(101)	-	-	-	(101)
Transferred to other Group company	(1,993)	(1,125)	(190)	(227)	-	-	-	(3,535)
At 31 March 2015	40,108	1,542	1,156	305	3,080	2,616	409	49,216
DEPRECIATION AND IMPAIRMENT								
At 1 April 2014	4,306	-	34	-	389	828	134	5,691
Charge for the year	880	-	13	-	73	18	82	1,066
Impairment adjustment	-	-	-	-	-	-	-	-
Eliminated on disposals	(35)	-	-	-	(2)	-	-	(37)
At 31 March 2015	5,151	-	47	-	460	846	216	6,720
SOCIAL HOUSING GRANT AND OTHER CAPITAL GRANTS								
At 1st April 2014	809	1,222	136	303	-	-	-	2,470
Receivable	378	202	53	86	-	-	-	719
Schemes completed	635	(635)	146	(146)	-	-	-	-
Transferred to other Group company	(285)	(588)	-	(157)	-	-	-	(1,030)
As at 31st March 2015	1,537	201	335	86	-	-	-	2,159
NET BOOK VALUE								
At 31 March 2015	33,420	1,341	774	219	2,620	1,770	193	40,337
At 31 March 2014	32,317	1,707	409	235	2,656	880	124	38,328

Works to existing properties during the year amounted to £2,166k (2014 £3,432k). This has been accounted for as follows:

Planned maintenance – revenue	£863k	(2014 £787k)
Improvements - capital	£1,303k	(2014 £2,645k)

Number of units
Under development at 31 March 2015:

Housing accommodation	20	70
-----------------------	-----------	----

Under management at 31 March 2015:

Housing general needs	2,102	2,103
Housing for older people	190	190
Shared ownership general needs	39	27
Commercial units	2	2
	2,333	2,322

MERES & MOSSES HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

9. TANGIBLE FIXED ASSETS CONTINUED

	2015	2014
	£'000	£'000
Disposal of Fixed Assets		
Proceeds	3,183	776
Cost	(2,736)	(304)
Depreciation eliminated and on disposal	37	40
	484	512

10. ASSETS HELD FOR RESALE

	2015	2014
	£'000	£'000
Share Ownership completed units	134	134
Shared ownership work in progress	101	184
	235	318

11. DEBTORS

	2015	2014
	£'000	£'000
Due within one year		
Gross rental arrears	659	582
Less: provision for bad debts	(263)	(303)
	396	279
Amounts due from other Group companies*	2,533	996
Prepayments and accrued income	131	582
	3,060	1,857

*This includes a loan to Shropshire Housing Limited of £1,229,623 of a facility of £2,500,000. Interest is charged at a rate of 4.76% (WACC Libor + 2%). This is due to be repaid by September 2016.

12. DEBTORS DUE AFTER MORE THAN ONE YEAR

	2015	2014
	£'000	£'000
Improvement works	12,245	13,614

13. CURRENT ASSET INVESTMENTS

	2015	2014
	£'000	£'000
Cash on short term deposit	2	16,018

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015	2014
	£'000	£'000
Trade creditors	384	1,220
Other taxation and social security	23	26
Rent in advance	142	83
Amounts owed by other Group companies	-	-
Accruals and deferred income	649	636
	1,198	1,965

MERES & MOSSES HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015	2014
	£'000	£'000
Improvement works	12,245	13,614
Housing loans		
<i>Amounts repayable by instalments and not wholly repayable within five years:</i>		
Housing loan funding	26,632	40,250
Refinancing costs:	(375)	(33)
Total	38,502	53,831

The housing loan funding is represented by:

Funder	£'000	Terms of repayment
Lloyds	8,000	From 5 years to 23 years
Canada Life	18,632	33 years
Total	26,632	N/A

The above funding has been sourced by Shropshire Housing Treasury Limited and on-lent to the Association at interest rates between 5.13% and 6.3%.

16. CALLED UP SHARE CAPITAL

	2015	2014
	£	£
<i>Issued and fully paid shares of £1 each:</i>		
At 1 April 2014	21	21
Issued during the year	-	-
Relinquished during the year	(4)	-
At 31 March 2015	17	21

The shareholders do not have the right to dividends, redemptions, distributions etc.

17. REVENUE RESERVES

	2015	2014
	£'000	£'000
At 1 April 2014	15,602	13,516
Surplus for the year	3,351	1,641
Actuarial (loss)/gain on pension scheme	(585)	445
At 31 March 2015	18,368	15,602

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

18. PENSION OBLIGATIONS

The Association's employees are members of the Shropshire County Superannuation Pension Scheme.

Total pension cost for the Association was £10k (2014 £3k) covering 4 employees (0 in 2014).

The Shropshire County Superannuation Fund is a local Government Pension Scheme and is a multi-employer defined benefit scheme. The scheme is funded and is contracted out of the state scheme.

The last formal valuation of the Scheme was performed at 31 March 2013 by a professionally qualified actuary using the "projected unit credit actuarial cost" method. The market value of the Scheme's assets at the last valuation date was £1,235 million.

The valuation revealed a Past Service deficit of some £383 million (equivalent to a past service funding level of 76%). The share of fair value of assets at 31 March 2013 (last full actuarial valuation) was as follows:

	£m
Equities	556
Other	679
	<hr/>
Market Value	1,235
Past Service liabilities	(1,618)
	<hr/>
Past Service deficits	(383)
	<hr/>

Meres & Mosses Housing Association paid contributions at the rate of 19.9% during the accounting period. Member contributions vary between 5.7% and 9.9%. The employer contribution was set at 19.9% for the next 2 years plus a lump sum of £6,900.

Financial assumptions

A qualified independent actuary, Mercer Limited, carried out an actuarial valuation at 31st March 2015 for disclosure purposes. The major assumptions used were:

	31 March 2015	31 March 2014
Rate of CPI inflation	2.0%	2.4%
Rate of increase in salaries	3.5%	3.9%
Rate of increase in pensions	2.0%	2.4%
Discount rate	3.3%	4.5%

The assets of the scheme and the expected rate of return were:

	Rate of return expected at 31 March 2015	Value at 31 March 2015 £'000	Rate of return expected at 31 March 2014	Value at 31 March 2014 £'000
Equities	6.5%	2,262	7.0%	2,024
Bonds	2.9%	627	4.3%	380
Government bonds	2.2%	483	3.4%	515
Property	5.9%	178	6.2%	162
Cash liquidity	0.5%	135	0.5%	98
Other	6.5%	666	7.0%	579
		<hr/>		<hr/>
Total market value of assets		4,351		3,758
		<hr/>		<hr/>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

18. PENSION OBLIGATIONS (Continued)

- i) Liability and funding status under Financial Reporting Standard 17 of Meres & Mosses Housing Association's part of the fund.

	2015	2014
	£'000	£'000
Plan assets	5,534	3,758
Benefit obligations	(4,351)	(4,345)
Deficit in scheme	(1,183)	(587)

- ii) Analysis of the amount which has been charged to operating surplus under Financial Reporting Standard 17

	2015	2014
	£'000	£'000
Current service cost	(157)	(170)
Past service cost curtailment loss	-	-
Employer contributions	148	108
Total operating (charge)	(9)	(62)

- iii) Analysis of the amount which has been charged to interest costs under Financial Reporting Standard 17

	2015	2014
	£'000	£'000
Expected return on assets	197	190
Interest on liabilities	(199)	(202)
Net return	(2)	(12)

- iv) Analysis of the amount which has been recognised in the statement of total recognised surpluses and deficits (STRSD)

	2015	2014
	£'000	£'000
Asset gain/(loss)	246	(296)
Liability gain	(831)	741
Changes in assumptions underlying the present value of the scheme liabilities	-	-
Actuarial (loss)/surplus for recognition in the STRSD	(585)	445

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

18. PENSION OBLIGATIONS (continued)

v) Movement in Financial Reporting Standard 17 deficit during the year

	2015 £'000	2014 £'000
Deficit at the beginning of the year	(587)	(958)
Movement in year:		
- Past service cost	-	-
- Current service cost	(157)	(170)
- Contributions	148	108
- Net interest	(2)	(12)
- (Deficit)/Surplus in STRSD	(585)	445
Deficit at the end of year	<u>(1,183)</u>	<u>(587)</u>

vi) History of experience surpluses/(deficits) calculated under Financial Reporting Standard 17

	2015 £'000	2015 As a % of Scheme assets / liabilities	2014 £'000	2014 As a % of Scheme assets / liabilities
Asset gain/(loss)	246	5.7%	(296)	7.9%
Change in assumptions	-		-	-
Experience (deficits)/gain on liabilities	(831)	15%	741	17.1%
Total amount recognised in the STRSD	<u>(585)</u>	<u>10.6%</u>	<u>445</u>	<u>10.2%</u>

19. CAPITAL COMMITMENTS

	2015 £'000	2014 £'000
Capital expenditure contracted for but not provided in the financial statements	<u>5,242</u>	<u>6,057</u>
Capital expenditure authorised by the Board of Management but not yet under contract	<u>5,936</u>	<u>10,746</u>

The Board of Management expects the expenditure it has authorised to be fully financed by a combination of private loan finance and / or from the Association's own funds.

There is a formal borrowing facility in place between Shropshire Treasury Ltd and RBS to fund all planned capital expenditure requirements.

20. OTHER FINANCIAL COMMITMENTS

The Association was committed to making no annual payments under non-cancellable operating leases.

21. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2015 (2014 nil).

22. LEGISLATIVE PROVISIONS

The Association is incorporated by the Financial Services Authority under the Co-operative and Community Benefit Societies Act 2014. Registered No. 30241R and is also registered with the Homes & Community Agency in accordance with the Housing and Regeneration Act 2008, Registered No. LH 4493. The Association has charitable objects with effect from commencing trading, reference XT4980.

23. RELATED PARTY TRANSACTIONS

- Any tenants who sit on the board are charged for rent and other services on normal business terms.
- Board members who are appointed by councils do not affect the way we receive any grants; they are all at arms length.
- Members who are involved with any business with whom we trade have to declare their interests and take no part in the letting of any contracts involving the same.

24. INTRAGROUP TRANSACTIONS BETWEEN REGULATED AND NON REGULATED ENTITIES

Total Response Limited has undertaken maintenance and improvement work for Meres & Mosses Housing Association to the value of £2,423k. These charges are based upon an agreed percentage below schedule of rates and agreed contract prices.

The entity has elected to take advantage of the FRS8 exemption not to disclose intra-group transactions. The ultimate parent undertaking is Shropshire Housing Limited, a Co-operative and Community Benefit Society regulated by the Homes & Communities Agency. Consolidated financial statements of which Meres & Mosses Housing Association are part are available from the registered office address; The Gateway, The Auction Yard, Craven Arms, Shropshire, SY7 9BW.