



# FINANCIAL STATEMENT

2014/15



**HOMES & COMMUNITIES AGENCY REGISTRATION NO. LH 4494**

**SHROPSHIRE HOUSING GROUP**

**Financial Statements**

**Year ended 31 March 2015**

# **SHROPSHIRE HOUSING GROUP**

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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 the Group to deliver against the ambitions of its new Corporate Plan 2015-2020.

Our year end net position shows a surplus of £3.9 million against a surplus in 2014 of £3.2 million. This is after allowing for impairment on our commercial and office premises of £174k (2014 £1.1 million) ahead of the full implementation of International Financial Reporting Standards (IFRS) in 2016, a prudent approach to minimise its impact next year. 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 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 complimenting 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 £5.842 million have been successfully completed with some marked improvement this year on overall tenant satisfaction and that we represent good value for money.

By constantly appraising our assets through our Dynamic Asset Management Strategy we sold 8 properties and released a further 12 through Right to Buy adding capacity to our development programme and facilitating a number of adaptations helping tenants to remain in their properties. We also acquired the Shropshire Hills Discovery Centre in a community asset transfer from Shropshire Council.

Our development programme has delivered 97 new homes on time and on budget with the Group's Community Land Trust Services facilitating a range of well received local community led schemes. Our community led projects accounted for the lion's share of the Government's Community Led funding whilst bringing in additional funding from Shropshire Council for ourselves and communities. 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**

20<sup>th</sup> August 2015

### STATUS OF THE ASSOCIATION

Shropshire Housing Limited, the parent organisation of Shropshire Housing Group is registered under the Co operative and Community Benefit Societies Act 2014 Registered No. 30269R. It is also registered with and regulated by the Homes and Communities Agency in accordance with the Housing and Regeneration Act 2008, Registered No. LH 4494. Shropshire Housing Limited, unlike its subsidiary registered providers, does not have charitable objects.

### PURPOSE OF THE ASSOCIATION

Shropshire Housing Limited 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 Limited Board reviews compliance with the Code each year on behalf of all members of the Group and confirms that Shropshire Housing Limited and its subsidiaries comply with all material principles of the Code.

An explanation regarding compliance with section D1 of the Code (terms of office) is as follows. At the end of 2014/15, two Board members had served for over nine years, one of whom moved from the South Shropshire Housing Association Board to the Parent (SHL) Board when the Group was set up and one, a subsidiary board member, who was co-opted to the SHL Board in 2012. Both members were retained on the SHL Board beyond their 9 year term, in part, to provide stability during the Group's governance review, which took place in 2014. The co-opted member retired from the Board in April 2015. The other board member, the current SHL Chair, remains in office. This arrangement follows consultation with the Homes and Communities Agency and is part of agreed transition arrangements to the new governance structure.

### MEMBERS OF THE ASSOCIATION

There is one category of shareholding membership within Shropshire Housing Limited, with each of the 10 members holding a £1.00 share. Members have voting rights at Annual and Special General Meetings. Members of the Parent are eligible to be elected to sit on the Committees. The detailed arrangements regarding membership are set out in the Rules of Shropshire Housing Limited.

### THE BOARD OF MANAGEMENT

The Board comprises 10 members and is responsible for managing the affairs of the Group. The Board may include co-opted persons appointed by the Board, who may not be members of Shropshire Housing Limited, 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 of 4 members during 2014/15 followed open advertising in local and regional media.

The Board of Management has overall strategic and regulatory control of the Group but does not own any housing assets. Its role is to develop the business, forge new opportunities, and strengthen existing relationships with stakeholders.

It delegates the day-to-day management and implementation of the strategic and policy framework to the Chief Executive Officer and Executive Team. Since October 2014, the Board meets monthly for formal business and also meets on occasion to explore and address strategic and policy matters in detail. Other meetings, for instance training and development activities, take place as required. The Group's Remuneration and Human Resources Committee reviews the skills available within the Board against the skills required. Board and governance effectiveness is periodically reviewed and monitored.

The Group carried out a governance review in 2014 in order to streamline and improve the effectiveness of its governance arrangements. The Group now operates with co-terminous boards, where the 10 board members act for and on behalf of the whole Group. The co-terminous arrangements came into effect from 1st January 2015. The Group structure has not been 'collapsed' and the legal entities of South Shropshire Housing Association (SSHA), Meres and Mosses Housing Association (MMHA), Total Response Limited (TRL) and Shropshire Housing Treasury Limited (SHTL) all still exist. SHL, MMHA and SSHA share the same board members; membership of the TRL and SHTL Boards is drawn from the membership of the SHL Board.

An intra-group agreement between the organisations set out the commitments which each member makes to the Group and the responsibilities of each member.

### **REMUNERATION OF BOARD MEMBERS**

The Board Members receive an allowance. Reasonable reimbursement is made for travel and subsistence in appropriate circumstances.

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 Group 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; and
- 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 Group 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 Group and to prevent and detect fraud and other irregularities.

### **BOARD MEMBERS' INDEMNITY**

The Board has confirmed that the Group does have Board member and Officers Insurance in place with the National Housing Federation.

### **FINANCIAL INSTRUMENTS**

The Group does not have any abnormal exposure to price, credit, liquidity and cash flow risks arising from its trading activities. The Group 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 were Board members of the Group 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 Group's auditor is unaware; and
- each Board member has taken all the steps that they ought to have taken as a Board member to inform themselves of any relevant audit information (as defined) and to establish that the Group'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 ON INTERNAL CONTROLS ASSURANCE**

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**RESPONSIBILITY**

The Shropshire Housing Limited's 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.

The Board 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 Board on 21<sup>st</sup> May 2015, we are satisfied that there is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year. The Board is 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 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 periodically updated. 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 Board meeting with any significant variances being reported together with explanations. The current borrowing and investment position is also reported at each Board meeting.

In accordance with regulations, annual financial returns are submitted to the Homes and Communities Agency, and quarterly financial returns to our 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 Board, these include 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 Group. The effectiveness of controls is also tested by independent specialists where appropriate. Monitoring is also carried out by senior staff and managers.

**RISK MANAGEMENT**

The Group's staff 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 and 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 and Risk Committee and SHL Board at each meeting.

**BOARD MEMBERS' REPORT**

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**MEMBERS OF THE BOARD**

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

Tim Ralphs	Chair
Paul Turner	
Stephen Donkersley	
James Williamson	(from 1 <sup>st</sup> November 2014)
Graham Biggs	(from 1 <sup>st</sup> November 2014)
Sonia Youd	(from 1 <sup>st</sup> November 2014)
Liz Walford	(from 1 <sup>st</sup> November 2014)
Gill Jones	(from 1 <sup>st</sup> November 2014)
Jake Berriman	(from 1 <sup>st</sup> November 2014)
Chris Mellings	(from 1 <sup>st</sup> November 2014)
John Stringer	(co-optee) resigned 16 <sup>th</sup> April 2015
Shena Latto	Resigned 1 <sup>st</sup> November 2014
Irene Grant	Resigned 1 <sup>st</sup> November 2014
Lesley Hyde	Resigned 29 <sup>th</sup> August 2014
Stuart McLaren	Resigned 1 <sup>st</sup> November 2014
Martin Buxey	Resigned 1 <sup>st</sup> November 2014

The Board reports that the Group produced a surplus of £3.9 million (2014: £3.2 million). This surplus is after charging £174k (2014: £1.1million) of impairment (accelerated depreciation) ahead of the introduction of IFRS. This reduces the carrying value of our commercial and office premises to resale value. This is a prudent approach to minimise the impact of IFRS when it is followed fully in 2016. In addition to this is £1.915 million (2014: £2.5 million) charged for depreciation on housing stock, as required by Financial Reporting Standard 15 and the Statement of Recommended Practice for Registered Providers of Social Housing.

Turnover of the Group was £24.2 million (2014: £22.9 million). Interest charges amounted to approximately £4.5 million (2014: £3.5 million), increasing following refinancing.

**FUTURE DEVELOPMENTS**

The Board are continuing to look at developing new dwellings and to repair and improve existing properties. It is also continuing to look at new approaches to services and to partnerships with other agencies 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 30<sup>th</sup> October 2015.

**HOUSING PROPERTIES AND OTHER FIXED ASSETS**

The Group now holds properties at a historical cost of £109.9 million (2014: £101.6 million) net of housing grants and depreciation. These were financed through grants, external loans and internal funds.

The existing use value for social housing of these properties is professionally assessed to be in excess of £177.9 million (2014: £169 million).

During the year, 97 new properties were developed or purchased, 9 went out of management, a further 20 were sold, including 12 through the Right to Buy, we also acquired the Shropshire Hills Discovery Centre. At the year end, the number of housing and commercial properties managed by the Group totalled 4,645 (2014: 4,576).

**CASHFLOW AND LIQUIDITY**

The cashflow from operating activities during the year was £9.029 million (2014: £9.113 million). We repaid £8,333k of loans leaving total borrowings of the Group at £94.923 million (2014: £103.256 million) following refinancing.

**By order of the Board**

**Tim Ralphs**  
**Chair**  
**20<sup>th</sup> August 2015**



## **BACKGROUND**

The Group was created to provide a partnership framework enabling South Shropshire Housing Association and Meres and Mosses Housing Association to work together to deliver new affordable homes and first class housing services across Shropshire, Herefordshire and the Marches.

Shropshire Housing Limited (SHL) is an association which is registered with the Homes and Communities Agency. As the Group Parent, SHL has overall strategic and regulatory control of the Group but does not own any housing assets. Its role is to develop the business, forge new opportunities and strengthen existing relationships with stakeholders. It is doing this by setting new and challenging targets for the housing management, maintenance and support services and by developing new and creative strategies and partnerships to ensure that the Group is recognised as “the” housing group in the region. It also provides a range of back office services for its subsidiaries. The Association is registered with the Financial Conduct Authority under the Co operative and Community Benefit Societies Act 2014 but does not have charitable objects.

The two associations which form the housing arm of the Group are at different stages of development.

**South Shropshire Housing Association (SSHA)** was formed in 1990 and, following a programme of ‘Trickle Transfers’, completed a full stock transfer of the Council’s housing stock in 1994. The Association completed all of its promises to tenants and now follows the Group’s robust asset management strategy to guide future investment. The Association is registered with the Financial Conduct Authority under the Co operative and Community Benefit Societies Act 2014 and has Charitable Rules.

**Meres and Mosses Housing Association (MMHA)** was formed by North Shropshire District Council, the housing stock transferred to Meres and Mosses on 30<sup>th</sup> July 2007. The Association has now fulfilled transfer promises made by the Council to its tenants and like SSHA now follows the Group’s robust asset management strategy to guide future investment. The Association is registered with the Financial Conduct Authority under the Co operative and Community Benefit Societies Act 2014 and has Charitable Rules.

**Total Response Ltd (TRL)** is a limited company, wholly owned by SHL, and its function is to provide maintenance and other property services to all members of the Group. Where possible this will be on a ‘for profit’ basis with all profits being retained in the Group. It also actively seeks to undertake work for private individuals and other organisations.

**Shropshire Housing Treasury Limited (SHTL)** is a wholly owned private limited company, incorporated on 4<sup>th</sup> February 2014. The company No. is 08875047.

## **OPERATING REVIEW**

The Group has seen a successful year in terms of its maintenance programme. MMHA has accomplished its 5 year improvement programme, and SSHA, as it has consistently in recent years, again increased its expenditure on repairs.

The Group completed or purchased 97 new properties across Shropshire during the year with a significant development programme planned for 2015/16 and beyond, subject to funding.

## **REPORTING STRUCTURE**

The Board comprises 10 members. The Board Members are drawn from a wide background bringing together professional, commercial and local experience. The Board is responsible for the Group’s continuing strategy and policy framework. Day to day management and implementation of that framework is delegated to the subsidiaries through our co-terminous board arrangements outlined earlier and to the 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**

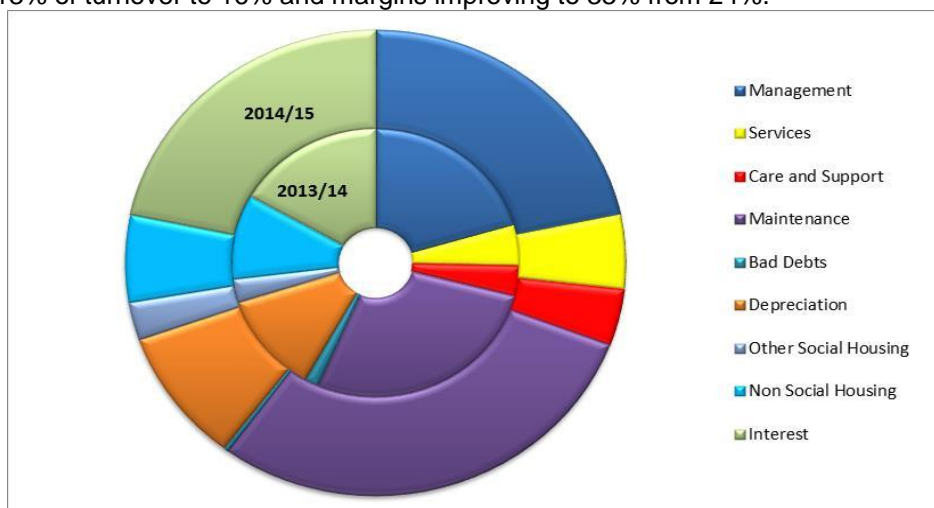
The Homes and Communities Agency requires registered providers to annually demonstrate how they deliver Value for Money (VfM). To meet this requirement, and to share our performance with stakeholders, SHG has once again produced a comprehensive Value for Money Self Assessment viewable at <http://www.shropshirehousinggroup.co.uk/policies-performance>. 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 (VfM) 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 Group 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%.



**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.

## SHROPSHIRE HOUSING GROUP OPERATING AND FINANCIAL REVIEW

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 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.

## SHROPSHIRE HOUSING GROUP OPERATING AND FINANCIAL REVIEW

During the year we have completed over 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 19<sup>th</sup> 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 have shown some significant savings 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.

## SHROPSHIRE HOUSING GROUP OPERATING AND FINANCIAL REVIEW

- 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%;
- 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
<b>Rent Arrears</b>						
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
<b>Empty Properties</b>						
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
<b>Anti-Social Behaviour (ASB)</b>						
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
<b>Repairs</b>						
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
<b>Servicing and Maintenance</b>						
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
<b>Customer Service</b>						
Average call waiting time (seconds)	19.0	22.5	31	Not available	Not available	Not available
<b>Corporate</b>						
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 SHROPSHIRE HOUSING GROUP**

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We have audited the financial statements of Shropshire Housing Limited for the year ended 31 March 2015 which, for both the Group and Parent entity, comprise the Income And Expenditure Accounts, the Statement of Total Recognised Surpluses and Deficits, the Balance Sheets, the Cash Flow Statements 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 4, the Parent entity's 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 Shropshire Housing Limited'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 Shropshire Housing Limited'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 Shropshire Housing Limited and its 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](http://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 Group and the Parent entity's affairs as at 31 March 2015 and of the Group's and the Parent entity's income and expenditure for the year then ended;
- \* have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- \* have been prepared in accordance with the requirements of the Co operative and Community Benefit Societies Act 2014 and 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 requires us to report to you if, in our opinion:

- \* a satisfactory system of control over transactions has not been maintained; or
- \* Shropshire Housing Limited 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**

**SHROPSHIRE HOUSING GROUP**

**INCOME AND EXPENDITURE ACCOUNTS**

For the year ended 31 March 2015

		<b>GROUP</b>		<b>SHL</b>	
	<b>Notes</b>	<b>2015 £'000</b>	<b>2014 £'000</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>Turnover</b>	2	<b>24,238</b>	22,923	<b>5,819</b>	5,950
Operating costs	2	<b>(16,173)</b>	(17,428)	<b>(5,938)</b>	(5,846)
<b>Operating surplus / (deficit)</b>	2	<b>8,065</b>	5,495	<b>(119)</b>	104
Share of deficit in joint ventures	10	-	-	-	-
Surplus/(deficit) on sale of fixed assets	9	<b>344</b>	1,073	<b>123</b>	(105)
<b>Surplus / (deficit) on ordinary activities before interest</b>	5	<b>8,409</b>	6,568	<b>4</b>	(1)
Interest receivable and similar income	3	<b>30</b>	172	<b>1</b>	-
Interest payable and similar charges	4	<b>(4,477)</b>	(3,504)	-	-
<b>Surplus /(deficit) on ordinary activities before taxation</b>		<b>3,962</b>	3,236	<b>5</b>	(1)
Taxation on surplus on ordinary activities	8	<b>(9)</b>	(58)	<b>(5)</b>	(36)
<b>Surplus/(deficit) for the year transferred to reserves</b>	19	<b>3,953</b>	3,178	-	(37)

All of the above relate to continuing activities.

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

		<b>GROUP</b>		<b>SHL</b>	
	<b>Notes</b>	<b>2015 £'000</b>	<b>2014 £'000</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
Surplus for the year		<b>3,953</b>	3,178	-	(37)
Actuarial (loss)/gain	20	<b>(885)</b>	499	-	-
<b>Total recognised surplus / (deficit) relating to the year</b>		<b>3,068</b>	3,677	-	(37)

# SHROPSHIRE HOUSING GROUP

## BALANCE SHEETS As at 31 March 2015

		GROUP		SHL	
	Notes	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>TANGIBLE FIXED ASSETS</b>					
Tangible assets cost	9	179,678	167,322	957	889
Less depreciation	9	(25,876)	(24,119)	(795)	(678)
Less Social Housing Grant and other capital grants	9	(40,048)	(38,580)	-	-
		<u>113,754</u>	<u>104,623</u>	<u>162</u>	<u>211</u>
Investments / Joint Ventures	10	-	(22)	-	-
		<u>113,754</u>	<u>104,601</u>	<u>162</u>	<u>211</u>
<b>CURRENT ASSETS</b>					
Assets held for resale	11	3,332	1,234	1,561	542
Stock	12	236	234	-	-
Debtors	13	1,703	2,069	164	341
Debtors due in more than 1 year	14	12,245	13,614	-	-
Investments	15	2	16,018	-	-
Cash at bank and in hand		4,706	5,245	546	183
		<u>22,224</u>	<u>38,414</u>	<u>2,271</u>	<u>1,066</u>
<b>CREDITORS: amounts falling due within one year</b>	16	(4,612)	(4,631)	(2,683)	(1,527)
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>17,612</u>	<u>33,783</u>	<u>(412)</u>	<u>(461)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>131,366</u>	<u>138,384</u>	<u>(250)</u>	<u>(250)</u>
<b>CREDITORS: amounts falling due after more than one year</b>	17	105,777	116,627	-	-
Provision for pension liability	20	2,128	1,364	-	-
<b>CAPITAL AND RESERVES:</b>					
Called up share capital	18	-	-	-	-
Revenue reserve	19	23,461	20,393	(250)	(250)
		<u>131,366</u>	<u>138,384</u>	<u>(250)</u>	<u>(250)</u>

These financial statements were approved by the Board of Management on 20<sup>th</sup> August 2015 and were signed on its behalf by

Tim Ralphs - Chair

Jen Hayball - Secretary

Board Member

# SHROPSHIRE HOUSING GROUP

## CASH FLOW STATEMENTS

Year ended 31 March 2015

	Notes	GROUP		SHL	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	a	<b>9,029</b>	9,113	<b>1,245</b>	493
<b>RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>					
Interest received		38	166	1	-
Interest paid		(4,004)	(3,250)	-	-
		<b>(3,966)</b>	(3,084)	1	-
<b>CAPITAL EXPENDITURE</b>					
Acquisition, construction and improvement of housing properties		(14,039)	(13,933)	(1,400)	(476)
Proceeds on disposal of fixed assets		3	-	-	-
Proceeds from sale of Right To Buy properties & miscellaneous land		1,668	2,163	555	-
Capital grants received		1,627	2,041	-	-
Purchase of other tangible fixed assets		(1,279)	(331)	(3)	(51)
		<b>(12,020)</b>	(10,060)	<b>(848)</b>	(527)
<b>TAXATION</b>		<b>(61)</b>	-	<b>(35)</b>	-
<b>FINANCING</b>					
Principal lease repayments		-	(21)	-	(21)
Net housing loans (repaid)	b	(8,333)	(32)	-	-
Loan financing costs		(1,204)	-	-	-
		<b>(9,537)</b>	(53)	-	(21)
<b>(DECREASE)/INCREASE IN CASH</b>	c	<b>(16,555)</b>	(4,084)	<b>363</b>	(55)

# SHROPSHIRE HOUSING GROUP

## NOTES TO THE CASH FLOW STATEMENT

Year ended 31 March 2015

### (a) RECONCILIATION OF OPERATING SURPLUS/(DEFICIT) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	GROUP		SHL	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
Operating surplus / (deficit)	8,065	5,495	(119)	104
Depreciation and impairment	2,414	3,887	117	174
(Increase)/decrease in debtors	(2,142)	(8)	180	(82)
Current assets held for resale	(1,079)	(476)	-	-
(Increase) in stock	(2)	(29)	-	-
Increase / (decrease) in creditors	1,926	286	1,067	297
Movement in provisions	(131)	(42)	-	-
Joint Venture Waiver	(22)	-	-	-
Net cash inflow from operating activities	9,029	9,113	1,245	493

### (b) RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT

	GROUP		SHL	
	2015	2014	2015	2014
	£'000	£'000	£'000	£'000
(Decrease)/Increase in cash in the year	(16,555)	(4,084)	363	(55)
Housing loans repaid	8,333	32	-	-
Change in net debt	(8,222)	(4,052)	363	(55)
Net debt brought forward	(81,993)	(77,941)	183	238
Net debt carried forward	(90,215)	(81,993)	546	183

### (c) ANALYSIS OF CHANGES IN NET DEBT - GROUP

	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	5,245	(539)	4,706
	21,263	(16,555)	4,708
Debt due after 5 years	(103,256)	8,333	(94,923)
Total	(81,993)	(8,222)	(90,215)



**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 are 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 13<sup>th</sup> 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 management 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 1st 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 economic 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.

**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.

**1. ACCOUNTING POLICIES (Continued)**

**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 HMRC for Meres and Mosses Housing Association from its first day of trading and for South Shropshire Housing Association from 6th August 2007. This is due to HMRC accepting their Charitable Objects. Shropshire Housing Limited, Total Response Limited and Shropshire Housing Treasury Limited are 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 as income 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".

**Basis of consolidation**

The Financial Statements consolidate the results of Shropshire Housing Limited, together with its subsidiaries, South Shropshire Housing Association, Meres and Mosses Housing Association and Total Response Limited for the year ending 31<sup>st</sup> March 2015.

The results of Shropshire Housing Treasury Limited have been consolidated for a 14 months period ended 31<sup>st</sup> March 2015.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

## 2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	GROUP					SHL				
	Turnover £'000	2015 Operating costs £'000	Operating surplus £'000	2014 Turnover £'000	Operating surplus £'000	Turnover £'000	2015 Operating costs £'000	Operating deficit £'000	2014 Turnover £'000	Operating Deficit £'000
<b>Lettings</b>	<b>21,970</b>	<b>14,376</b>	<b>7,594</b>	20,904	6,207	-	-	-	-	-
<b>Other Social Housing:</b>										
Supporting People	563	539	24	553	(31)	-	-	-	-	-
Foyer non letting	11	11	-	12	-	-	-	-	-	-
VAT	93	-	93	35	35	-	-	-	-	-
	<b>22,637</b>	<b>14,926</b>	<b>7,711</b>	21,504	6,211	-	-	-	-	-
Contribution to pension scheme	-	(131)	131	-	42	-	-	-	-	-
Non social housing lettings	281	39	242	285	166	-	-	-	-	-
Group activities	-	-	-	-	-	5,819	(5,938)	(119)	5,950	104
Impairment	-	174	(174)	-	(1,061)	-	-	-	-	-
Shared ownership sales	578	501	77	285	57	-	-	-	-	-
External work TRL	513	435	78	565	80	-	-	-	-	-
External facilities management	205	205	-	194	-	-	-	-	-	-
External Choice Based Lettings	24	24	-	90	-	-	-	-	-	-
	<b>24,238</b>	<b>16,173</b>	<b>8,065</b>	22,923	5,495	<b>5,819</b>	<b>(5,938)</b>	<b>(119)</b>	5,950	104

**SHROPSHIRE HOUSING GROUP**

**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 March 2015

2. INCOME AND EXPENDITURE FROM LETTINGS (Continued)	2015 GROUP				2014
	Housing Accommodation	Supported Housing for Older People And Others	Shared Ownership	Total	Total
	£'000	£'000	£'000	£'000	£'000
<b>INCOME</b>					
Net rental income	17,979	1,997	446	20,422	19,477
Net service charges income	211	379	26	616	593
Charges for support services	-	203	-	203	199
<b>NET RENTAL INCOME</b>	<b>18,190</b>	<b>2,579</b>	<b>472</b>	<b>21,241</b>	<b>20,269</b>
Revenue grants from Homes and Communities Agency and Local Authority	-	572	-	572	552
Aids & Adaptations Grant	65	-	-	65	25
Other revenue grants	-	14	-	14	14
Other income	71	7	-	78	44
<b>TOTAL INCOME FROM LETTINGS</b>	<b>18,326</b>	<b>3,172</b>	<b>472</b>	<b>21,970</b>	<b>20,904</b>
<b>EXPENDITURE ON LETTINGS</b>					
Management	3,823	575	88	4,486	4,285
Services	636	404	12	1,052	1,020
Care and support	106	708	-	814	758
Routine maintenance	3,541	455	-	3,996	4,244
Planned maintenance	1,825	226	-	2,051	1,534
Rent losses from bad debts	46	16	-	62	330
Depreciation	1,616	226	73	1,915	2,526
<b>TOTAL EXPENDITURE ON LETTINGS</b>	<b>11,593</b>	<b>2,610</b>	<b>173</b>	<b>14,376</b>	<b>14,697</b>
<b>OPERATING SURPLUS</b>	<b>6,733</b>	<b>562</b>	<b>299</b>	<b>7,594</b>	<b>6,207</b>
<b>VOID LOSSES</b>	<b>(202)</b>	<b>(84)</b>	<b>(3)</b>	<b>(289)</b>	<b>(250)</b>



# SHROPSHIRE HOUSING GROUP

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

### 3. INTEREST RECEIVABLE AND SIMILAR INCOME

	GROUP		SHL	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Interest receivable from bank deposits	30	172	1	-

### 4. INTEREST PAYABLE AND SIMILAR CHARGES

	GROUP		SHL	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Net finance charge on pension (note 20)	10	21	-	-
On bank loans, overdrafts and other loans repayable - wholly or partly in more than 5 years	4,708	3,546	-	-
Less: interest capitalised	(241)	(63)	-	-
	4,477	3,504	-	-

### 5. SURPLUS / (DEFICIT) ON ORDINARY ACTIVITIES

	GROUP		SHL	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<i>Surplus / (deficit) on ordinary activities before interest is stated after charging:</i>				
Depreciation of tangible fixed assets	2,240	2,826	117	174
Impairment of tangible fixed assets	174	1,061	-	-
Auditors' remuneration (excluding VAT):				
In their capacity as auditors	28	33	28	33
In respect of other services	16	13	16	13

### 6. STAFF COSTS

	GROUP		SHL	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Wages and salaries	6,752	6,977	2,819	2,689
Social security costs	531	563	232	223
Other pension costs	698	798	371	498
	7,981	8,338	3,422	3,410
	Number	Number	Number	Number
Average number of full-time equivalent persons employed during the year based on 35-39 hours per week	261	266	98	92
These were categorised as:				
Central Support including customer services	45	41	44	41
Development	8	7	-	-
Asset Management	21	20	21	20
Housing	33	35	31	30
TRL	112	122	-	-
Sheltered / Domestic Support / Supporting People	42	41	2	1
	261	266	98	92
Average number of full time equivalent persons paid during year based on 35 -39 hours per week				
£60,000 - £70,000	-	1	-	-
£70,000 - £80,000	2	2	2	2
£80,000 - £90,000	1	-	-	-
£90,000 - £100,000	1	4	1	4
£100,000 - £110,000	1	-	1	-
£110,000 - £120,000	-	-	-	-
£120,000 - £130,000	1	-	1	-

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

**7. DIRECTORS' EMOLUMENTS**

The remuneration paid to the Officers and Board Members of the Group (the Board of Management, the Chief Executive, Director of Resources and other Directors) was:

	<b>GROUP</b>		<b>SHL</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Total emoluments	<b>551</b>	591	<b>507</b>	530
The emoluments of directors disclosed above (excluding pension contributions) includes the following amounts paid:				
Group Chief Executive	<b>116</b>	76	<b>116</b>	76
Group Chief Executive retired	-	84	-	84
Group Director Resources	<b>71</b>	90	<b>71</b>	90
Group Director Corporate Services	<b>74</b>	74	<b>74</b>	74
Group Executive Director Development and Assets	<b>83</b>	83	<b>83</b>	83
Group Executive Director Neighbourhoods	<b>85</b>	85	<b>85</b>	85
Finance Director and Managing Director TRL	<b>83</b>	61	<b>39</b>	-
	<b>512</b>	553	<b>468</b>	492
Aggregate amount of directors' pension contributions	<b>39</b>	38	<b>39</b>	38
Fees payable by way of expenses and Remuneration to Board Members	<b>101</b>	103	<b>101</b>	103

The Chief Executive is an ordinary member of the pension scheme. No additional contributions to any pension scheme have been made and there were no special or enhanced terms which apply. The employer's contribution to the pension scheme on behalf of the current Chief Executive £8k, the retired Chief Executive in 2013/2014 was £172k, which included a pension strain charge of £165k due to the early retirement of the outgoing Chief Executive. Board members were paid at the following rates during the year:

Role	Fees up to 31/10/14 £	Fees from 1/11/14 £
Group/Parent Chair	8,714	9,000
Group/Parent Vice Chair	5,810	NA
Subsidiary Chair	6,368	NA
Subsidiary Vice Chair	3,704	NA
Subsidiary Committee Chair	3,704	NA
Group/Parent Board Member (incl. co-optees)	3,484	3,000
Subsidiary Board Member (incl. co-optees)	2,794	NA
R and HR Committee Chair	5,810	2,500
R and HR Committee Member	NA	500
Audit and Risk Committee Chair	5,810	2,500
Audit and Risk Committee Member	NA	1,000
TRL Board Member	NA	500

From 1<sup>st</sup> November 2014 where individual members have more than one role e.g. member of Parent Board and member of a Committee, the fees received are a total of the fees for each role.

A number of Board members also utilised maintenance services from Total Response Limited (TRL) during the year. All such transactions with TRL are at arms length and no special terms apply.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

## 7. DIRECTORS BOARD AND COMMITTEE ATTENDANCE

The total number of meetings varies depending on Board and Committee membership and member start and retirement dates.

Name	Role	Board and Committee attendance	Key
Shena Latto	G/PC up to 31/10/14	7 of 8	G/PC = Group/Parent Chair
Martin Buxey	GCC up to 31/10/14	10 of 11	G/P VC = Group/Parent Vice Chair
Irene Grant	G/P BM up to 31/10/14	14 of 15	
Stuart McLaren	G/P VC up to 31/10/14	4 of 11	G/P BM = Group/Parent Board Member
Lesley Hyde	GCC up to 29/08/14	1 of 3	GCC = Group Committee Chair
Ian Graves	SBM up to 31/12/14	3 of 7	
Clare Ratcliff	SBM up to 31/12/14	4 of 4	SBM = Subsidiary Board Member
Neville Stephens	SBM up to 31/12/14	3 of 4	
Michelle Thomas	SBM up to 31/12/14	3 of 4	SC = Subsidiary Chair
David Mullins	SBM up to 31/12/14	0 of 4	
Mark Colclough	SBM up to 31/12/14	4 of 4	A&RCC = Audit and Risk Committee Chair
Pauline Dee	SBM up to 31/12/14	3 of 4	
John Higginson	SBM up to 31/12/14	4 of 4	A&RCM – Audit and Risk Committee Member
Richard Jaboor	SBM up to 31/12/14	4 of 4	
Heather Pattimore	SBM up to 31/12/14	3 of 4	R&HRCC = Remuneration and Human Resources Committee Chair
Brian Williams	SBM up to 31/12/14	3 of 4	
Tim Ralphs	SC up to 31/12/14, G/ PC from 01/11/14	16 of 17	R&HRCM = Remuneration and Human Resources Committee Member
Jake Berriman	Not paid as a Board Member	10 of 12	
Graham Biggs	G/PBM, A&RCM from 01/11/14 and TRLBM from 1/5/15	7 of 9	TRLBM = Total Response Ltd. Board Member
Stephen Donkersley	G/P BM, SC up to 31/12/14 G/PBM and TRLBM from 1/11/14	21 of 21	
Gill Jones	G/P BM and RHR CM from 1/11/14	8 of 8	TRLBM = Total Response Ltd. Board Member
Chris Mellings	A&RCM, SBM up to 31/12/14 G/P BM from 1/11/14	14 of 16	
John Stringer	TRLC and G/P BM	15 of 17	TRLBM = Total Response Ltd. Board Member
Paul Turner	G/P BM and R&HRCC	20 of 20	
Liz Walford	G/P BM and R&HRCM from 1/11/14	7 of 8	TRLBM = Total Response Ltd. Board Member
James Williamson	A&RCC, SBM up to 31/12/14 G/P BM from 1/11/14	16 of 16	
Sonia Youd	G/P BM, A&RCM, SBM and TRLBM from 1/11/14	12 of 12	TRLBM = Total Response Ltd. Board Member

## 8. TAXATION - GROUP

	Group 2015 £'000	Group 2014 £'000	SHL 2015 £'000	SHL 2014 £'000
United Kingdom Corporation Tax Current	9	58	5	36
Charge in accounts	9	58	5	36

**Factors affecting current tax charge for the year:**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK.

The tax differences are explained below:

Surplus on ordinary activities before tax	3,962	3,236	5	-
Tax on surplus on ordinary activities at 20%	792	647	-	-
Costs not deductible for tax purposes (primarily depreciation of properties)	-	-	5	36
Surpluses arising during period with charitable status	(783)	(589)	-	-
Capital allowances	-	-	-	-
Unrelieved tax losses carried forward	-	-	-	-
Adjustment to tax charge in respect of previous periods	-	-	-	-
	9	58	5	36

# SHROPSHIRE HOUSING GROUP

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

9. TANGIBLE FIXED ASSETS - GROUP	Freehold housing properties	Freehold housing properties in the course of construction	Shared Ownership Properties	Shared Ownership in Course of construction	Supported Accommodation	Commercial Property	Office equipment, vehicles, plant and machinery	Total
	£'000	£'000	£'000	£000	£'000	£'000	£'000	£'000
<b>Cost</b>								
At 1 April 2014	121,678	4,187	12,850	906	22,242	3,459	2,000	167,322
Additions	8,755	4,186	1,791	596	171	908	369	16,776
Schemes completed	3,330	(3,330)	1,161	(1,087)	-	-	-	74
Disposals	(1,349)	(1,504)	(434)	(101)	(72)	-	(23)	(3,483)
Transferred to assets held for resale	-	(1,011)	-	-	-	-	-	(1,011)
At 31 March 2015	<b>132,414</b>	<b>2,528</b>	<b>15,368</b>	<b>314</b>	<b>22,341</b>	<b>4,367</b>	<b>2,346</b>	<b>179,678</b>
<b>Depreciation and impairment</b>								
At 1 April 2014	18,394	-	450	-	2,865	857	1,553	24,119
Charge for the year	1,637	-	73	-	205	30	295	2,240
Impairment	-	-	-	-	-	174	-	174
Eliminated on disposals	(573)	-	(2)	-	(62)	-	(20)	(657)
At 31 March 2015	<b>19,458</b>	<b>-</b>	<b>521</b>	<b>-</b>	<b>3,008</b>	<b>1,061</b>	<b>1,828</b>	<b>25,876</b>
<b>Social Housing Grants and other capital grants</b>								
At 1 April 2014	25,950	1,614	4,728	380	5,908	-	-	38,580
Receivable	935	202	245	86	-	-	-	1,468
Schemes completed	1,615	(1,615)	380	(380)	-	-	-	-
At 31 March 2015	<b>28,500</b>	<b>201</b>	<b>5,353</b>	<b>86</b>	<b>5,908</b>	<b>-</b>	<b>-</b>	<b>40,048</b>
<b>Net book value</b>								
At 31 March 2015	<b>84,456</b>	<b>2,327</b>	<b>9,494</b>	<b>228</b>	<b>13,425</b>	<b>3,306</b>	<b>518</b>	<b>113,754</b>
At 31 March 2014	77,334	2,573	7,672	526	13,469	2,602	447	104,623

Works to existing properties during the year amounted to £5,842k (2014 £6,490k). This has been accounted for as follows:-

Planned maintenance – revenue	£2,051k (2014 £1,534k)
Improvements – capital	£3,791k (2014 £4,956k)

We have spent in excess of £50k of our Right to Buy receipts as agreed with Shropshire Council to invest in major aids and adaptations to Group properties across Shropshire.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2015**

**9. TANGIBLE FIXED ASSETS (Continued) – SHROPSHIRE HOUSING LIMITED**

	Freehold housing in the course of construction £'000	Office equipment, fixtures & fittings £'000	Total £'000
<b>COST</b>			
At 1 April 2014	26	863	889
Additions	1,452	2	1,454
Disposals	(375)	-	(375)
Transferred to assets held for resale	(1,011)		(1,011)
At 31 March 2015	<b>92</b>	<b>865</b>	<b>957</b>
<b>DEPRECIATION</b>			
At 1 April 2014	-	678	678
Charge for the year	-	117	117
Eliminated on disposals	-	-	-
At 31 March 2015	<b>-</b>	<b>795</b>	<b>795</b>
<b>NET BOOK VALUE</b>			
At 31 March 2015	<b>92</b>	<b>70</b>	<b>162</b>
At 31 March 2014	26	185	211



NOTES TO THE FINANCIAL STATEMENTS  
Year ended 31 March 2015

	Group	SHL		
	2015 Number	2014 Number	2015 Number	2014 Number
<b>NUMBER OF UNITS</b>				
<b>Under development at end of year:</b>				
Housing accommodation	39	102	9	11
<b>Under management at end of year:</b>				
Housing general needs	3,933	3,877	-	-
Housing for older people & supported	503	512	-	-
Shared ownership	184	158	-	-
Managed for private landlords	4	4	-	-
Commercial units	21	25	-	-
	4,645	4,576	-	-

Proceeds	1,671	2,163	555	-
Cost	(1,984)	(2,175)	(432)	(637)
Depreciation eliminated on disposal	657	1,085	-	532
Surplus/(deficit) on disposal	344	1,073	123	(105)

INVESTMENTS	GROUP		SHL	
	2015 £	2014 £	2015 £	2014 £
Shares in Joint Venture undertaking:				
At 1 April 2014	40	40	-	-
Addition	-	-	-	-
At 31 March 2015	40	40	-	-

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**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2015**

**10. INVESTMENTS (Continued) – GROUP ONLY**

**South Shropshire Housing Association's share of the joint venture, South Shropshire Local Homes Limited**

	<b>2015</b>		<b>2014</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Share of turnover		-		-
Share of loss before tax	-		-	
Taxation	-		-	
Loss after tax		-		-
Balance brought forward		(22)		(22)
Waived in year		22		-
		-		(22)
Share of assets				
- Fixed assets	-		-	
- Current assets	-		-	
Share of liabilities				
- Due within one year or less	-		(22)	
- Due after more than one year - shares	-		-	
Share of net liabilities		-		(22)
Shares held 40 ordinary £1 shares		-		-
		-		(22)

South Shropshire Local Homes Limited is in the process of being wound up. The liability due to Shropshire Council has been waived and it is expected that the company will be dissolved in 2015.

**11. ASSETS HELD FOR RESALE**

	<b>GROUP</b>		<b>SHL</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Outright sale work in progress	2,690	-	1,561	542
Shared ownership completed units	541	162	-	-
Shared ownership work in progress	101	1,072	-	-
	3,332	1,234	1,561	542

**12. STOCK**

	<b>GROUP</b>		<b>SHL</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Consumable maintenance stock	236	234	-	-

# SHROPSHIRE HOUSING GROUP

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2015

### 13. DEBTORS

	GROUP		SHL	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
<b>Due within one year</b>				
Gross rental arrears	1,342	1,220	-	-
Less: Provision for bad debts	(617)	(702)	-	-
	<u>725</u>	<u>518</u>	<u>-</u>	<u>-</u>
Amounts due from other Group companies	-	-	-	24
Prepayments and accrued income	978	1,551	164	317
	<u>1,703</u>	<u>2,069</u>	<u>164</u>	<u>341</u>

### 14. DEBTORS DUE AFTER MORE THAN ONE YEAR

	GROUP		SHL	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Improvement works	<u>12,245</u>	<u>13,614</u>	<u>-</u>	<u>-</u>

### 15. CURRENT ASSET INVESTMENTS

	GROUP		SHL	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Cash on short term deposit	<u>2</u>	<u>16,018</u>	<u>-</u>	<u>-</u>

### 16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		SHL	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade creditors	1,691	2,250	214	244
Other taxation and social security	122	193	6	73
Corporate tax	7	59	7	37
Rent in advance	324	196	-	-
Social Housing Grant in advance*	136	117	-	-
Accruals and deferred income	2,332	1,816	292	242
Amounts due to other Group companies	-	-	2,164	931**
	<u>4,612</u>	<u>4,631</u>	<u>2,683</u>	<u>1,527</u>

\*Includes recycled capital grant

	£'000
Opening balance Homebuy	
Grant element of Shared Ownership	70
Recycled grant	20
	<u>90</u>
Closing Balance	<u>90</u>

It is envisaged that this will be recycled into another capital scheme in 2016.

\*\* This includes a loan from Meres and Mosses Housing Association of £1,229,623 of a facility of £2,500,000 facility (£1,931,901 undrawn). Interest is charged at a rate of 4.76%. (WACC libor +2%). This is due to be repaid by September 2016.

# SHROPSHIRE HOUSING GROUP

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2015

### 17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP		SHL	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Improvement works	12,245	13,614	-	-
<b>Housing loans</b>				
<i>Amounts repayable by instalments and not wholly repayable within five years:</i>				
Repayable after five years	94,923	103,256	-	-
Refinancing costs	(1,391)	(243)	-	-
<b>Total</b>	<b>105,777</b>	<b>116,627</b>	<b>-</b>	<b>-</b>

The housing loan funding is represented by:

Funder	£'000	Terms of repayment
RBS/Newcastle	46,000	From 4 years to 26 years
RBS Revolver	13,000	5 years
Lloyds	8,000	From 5 years to 23 years
Canada Life	25,000	33 years
Shropshire Council	2,923	5 years
<b>Total</b>	<b>94,923</b>	<b>N/A</b>

The above loans attract interest rates between 2.75% and 6.405%. The above funding has been sourced from the capital markets by Shropshire Housing Treasury Limited, a wholly owned subsidiary of Shropshire Housing Limited. The proceeds of which are then on-lent to the asset owning subsidiaries within the Group, South Shropshire Housing Association and Meres and Mosses Housing Association.

### 18. CALLED UP SHARE CAPITAL

	GROUP		SHL	
	2015 £	2014 £	2015 £	2014 £
<i>Issued and fully paid shares of £1 each:</i>				
At 1 April 2014	105	106	8	8
Issued during the year	9	1	9	-
Relinquished during the year	(21)	(2)	(8)	-
<b>At 31 March 2015</b>	<b>93</b>	<b>105</b>	<b>9</b>	<b>8</b>

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

### 19. RESERVES

	GROUP £'000	SHL £'000
<b>GROUP</b>		
At 1 April 2014	20,393	(250)
Surplus for the year	3,953	-
Actuarial loss on pension scheme	(885)	-
<b>At 31 March 2015</b>	<b>23,461</b>	<b>(250)</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2015**
**20. PENSION OBLIGATIONS**

The Group's employees are members of the Social Housing Pension Scheme (SHPS) or the Shropshire County Pension Scheme.

Total pension cost for the Group was £698k (2014: £798k) covering 235 (2014: 100) employees. This includes £142k (£152k in 2014) lump sum payment for the Shropshire County Pension Scheme funding deficit.

**(a) Social Housing Pension Scheme**

Shropshire Housing Group participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

The Scheme Actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30<sup>th</sup> September 2014 the market value of the scheme assets was £3,123 million. There is a shortfall of assets compared with liabilities of £1,323 million, equivalent to a past service funding level of 70%.

**(b) Shropshire County Superannuation Fund**

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<sup>st</sup> 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<sup>st</sup> 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/> <hr/>

South Shropshire Housing Association paid contributions at the rate of 25% during the accounting period which is also set for the next 2 years. Member contributions vary between 5.5% and 6.8%. We additionally paid the lump sum of £142k set for the next 2 years.

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2015**

**20. PENSION OBLIGATIONS (Continued)**

Meres and 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 pays a lump sum of £6,600 for the next 2 years.

**Financial assumptions**

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

	<b>31 March 2015</b>	31 March 2014
Rate of CPI inflation	<b>2.0%</b>	2.4%
Rate of increase in salaries	<b>3.5%</b>	3.9%
Rate of increase in pensions	<b>2.0%</b>	2.4%
Discount rate	<b>3.2%</b>	4.4%

**South Shropshire Housing Association & Shropshire Housing Limited**

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

	<b>Rate of return expected at 31 March 2015</b>	<b>Value at 31 March 2015 £'000</b>	<b>Rate of return expected at 31 March 2014</b>	<b>Value at 31 March 2014 £'000</b>
Equities	<b>6.5%</b>	<b>1,852</b>	7.0%	1,710
Bonds	<b>2.9%</b>	<b>513</b>	4.3%	320
Government bonds	<b>2.2%</b>	<b>395</b>	3.4%	434
Property	<b>5.9%</b>	<b>146</b>	6.2%	136
Cash liquidity	<b>0.5%</b>	<b>110</b>	0.5%	82
Other	<b>6.5%</b>	<b>545</b>	7.0%	488
Total market value of assets		<b>3,561</b>		3,170

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

	<b>2015 £'000</b>	2014 £'000
Plan assets	<b>3,561</b>	3,170
Benefit obligations	<b>(4,506)</b>	(3,947)
Deficit in scheme	<b>(945)</b>	(777)

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

	<b>2015 £'000</b>	2014 £'000
Past service cost	-	(207)
Current service cost	<b>(30)</b>	(36)
Employer contribution	<b>170</b>	347
Total operating charge	<b>140</b>	104

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2015**
**20. PENSION OBLIGATIONS (Continued)**

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

	<b>2015</b> <b>£'000</b>	2014 £'000
Expected return on assets	<b>163</b>	143
Interest on liabilities	<b>(171)</b>	(152)
Net charge	<b>(8)</b>	(9)

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

	<b>2015</b> <b>£'000</b>	2014 £'000
Asset gain	<b>207</b>	87
Liability	<b>(507)</b>	(33)
Changes in assumptions underlying the present value of the scheme liabilities	-	-
Actuarial (deficit)/surplus for recognition in the STRSD	<b>(300)</b>	54

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

	<b>2015</b> <b>£'000</b>	2014 £'000
Deficit at the beginning of the year	<b>(777)</b>	(926)
Movement in year:		
- Past service cost	-	(207)
- Current service cost	<b>(30)</b>	(36)
- Contributions	<b>170</b>	347
- Net return from other financial income	<b>(8)</b>	(9)
- (loss)/gain in STRSD	<b>(300)</b>	54
Deficit at the end of year	<b>(945)</b>	(777)

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

	<b>2015</b> <b>£'000</b>	<b>2015</b> <b>As a % of</b> <b>Scheme</b> <b>assets/</b> <b>liabilities</b>	2014 £'000	2014 As a % of Scheme assets/ liabilities
Asset gain	<b>207</b>	<b>5.8%</b>	87	2.7%
Experience loss on liabilities	<b>(507)</b>	<b>11.3%</b>	(33)	0.8%
Total amount recognised in the STRSD	<b>(300)</b>	<b>6.7%</b>	54	1.4%

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2015**

**20. PENSION OBLIGATIONS (Continued)****Meres & Mosses Housing Association**

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

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

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

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

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

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

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

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



**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2015**
**20. PENSION OBLIGATIONS (Continued)**

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

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

- xi) Movement in Financial Reporting Standard 17 deficit during the year

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2015**

**21. CAPITAL COMMITMENTS – GROUP ONLY**

	<b>GROUP</b>		<b>SHL</b>	
	<b>2015</b>	2014	<b>2015</b>	2014
	<b>£'000</b>	£'000	<b>£'000</b>	£'000
Capital expenditure contracted for but not provided in the financial statements	<b>8,482</b>	12,360	<b>425</b>	1,783
Capital expenditure authorised by the Board of Management but not yet under contract	<b>16,258</b>	24,450	-	-

The Board of Management expects the expenditure it has authorised to be fully financed by a combination of Social Housing Grant, private loan finance, or from the Group's own funds.

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

**22. OTHER FINANCIAL COMMITMENTS**

The Group and Association were committed to making the following annual payments under non-cancellable operating leases:

	<b>GROUP</b>			<b>SHL</b>	
	<b>2015</b>		2014	<b>2015</b>	2014
	<b>Property</b>	<b>Plant</b>	<b>Total</b>	<b>Property &amp; Total</b>	<b>Property &amp; Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Operating leases which expire:</b>					
Within 1 year	-	<b>13</b>	<b>13</b>	1	24
1 - 2 years	-	<b>83</b>	<b>83</b>	83	16
2 - 5 years	-	<b>191</b>	<b>191</b>	28	99
over 5 years	-	-	-	-	-
	-	<b>287</b>	<b>287</b>	112	139

**23. CONTINGENT LIABILITIES – GROUP ONLY**

South Shropshire Housing Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2014. As of this date the estimated employer debt for South Shropshire Housing Association was £10.949 million. This has not been provided for, as no such decision has been taken.

**24. LEGISLATIVE PROVISIONS**

The Group consists of five members:

- 1) Shropshire Housing Limited, which is registered by the Financial Conduct Authority under the Co operative and Community Benefit Societies Act 2014, registered no 30269R, and is also registered with the Homes and Communities Agency in accordance with the Housing and Regeneration Act 2008, registered no L4494;
- 2) A wholly owned private limited company Total Response Limited, company number 6178863; and three further subsidiaries;
- 3) South Shropshire Housing Association registered by the Financial Conduct Authority under the Co operative and Community Benefit Societies Act 2014, Registered No. 27191R and also registered with the Homes and Communities Agency in accordance with the Housing and Regeneration Act 2008, Registered No. LH 3943. The Association has charitable objects with effect from 6 August 2007, reference XT4981;
- 4) Meres & Mosses Housing Association by the Financial Conduct Authority under the Co operative and Community Benefit Societies Act 2014. Registered No 30241R and also registered with the Homes and Communities Agency in accordance with the Housing and Regeneration Act 2008, Registered No. LH4493. The Association has charitable objects with effect from first day of trading, reference XT4980.
- 5) Shropshire Housing Treasury Limited, a wholly owned private limited company, incorporated on 4<sup>th</sup> February 2014. The company number is 08875047.

**25. RELATED PARTY TRANSACTIONS**

**Grow, Cook, Learn and Discovery Centre**

The Discovery Centre was purchased from the Council during the year. We have a lease agreement with Grow, Cook, Learn and Service Level Agreements to deliver various functions such as accounts preparation, HR and IT services. There is a loan agreement in place between SSHA and Grow, Cook, Learn, £150k of a £250k facility had been drawn down by Grow, Cook, Learn as at 31<sup>st</sup> March 2015. This is included in Note 13 under prepayments and accrued income.

**26. INTRAGROUP TRANSACTIONS BETWEEN REGULATED AND NON-REGULATED ENTITIES**

Total Response Limited has undertaken maintenance and improvement work for South Shropshire Housing Association and Meres and Mosses Housing Association to the value of £2,421k and £3,120k respectively.

These charges are based upon an agreed benchmarked price.

The entity has elected to take advantage of the FRS 8 exemption from disclosing certain intra-group transactions.