

Shropshire Housing Ltd



Financial Statements 2015/2016

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HOMES & COMMUNITIES AGENCY REGISTRATION NO. LH 4494

SHROPSHIRE HOUSING GROUP

Financial Statements

Year ended 31 March 2016

SHROPSHIRE HOUSING GROUP

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SHROPSHIRE HOUSING GROUP

CHAIR'S STATEMENT

I am delighted to say that as part of our ongoing focus on getting the very best value from everything we do and the investments we make, for our business, customers and communities, we have once again been successful in hitting, and in many cases exceeding, our budgets, targets and expectations.

We have responded positively to the announcements made by the Government last July that from the 1st of April 2016 we would be asked to reduce our rents by 1% a year for 4 years as opposed to the "deal" previously agreed with the sector to increase rents modestly against CPI. This is of course good news for our tenants and we have sought to ensure that they see the full benefit of more affordable rents whilst maintaining high quality services. We have taken a long hard look at what is most important to our tenants, our customers and communities and made some really tough decisions about how we run our business and the services we provide. We have remodelled our business plans and adopted a strategy which will see us deliver more back office efficiencies and reduced management costs whilst stepping up our development programme, significantly growing the number of homes in management in coming years.

The new co-terminous Board put in place from September 2014 is working well, serving the interest of both the subsidiaries, Meres and Mosses Housing Association and South Shropshire Housing Association, whilst producing greater overall efficiencies and robust governance. Our new Corporate Plan 2015 -2020 was launched in May 2015 at our Staff Conference and has since formed the centrepiece of what we do.

One of the additional challenges which we faced this year was having to restate our business plans in September to take account of the rent decreases and then to restate our 2014/15 accounts to meet new accounting standards. As usual we have taken the best advice, and done so with pragmatism and due diligence.

Through robust performance management and financial controls the Group has produced strong financial results, creating a net surplus after tax of £4.2m. This represents an improved overall position on last year, allowing greater forward investment into maintaining existing homes and building new homes across our operating area. The number of new homes completed this year is down on last year simply because of where we are in our development cycle relative to the Government's Affordable Housing Programme. Nevertheless we still completed 23 homes and are on site with 81 as part of an agreed and funded programme of 385 new homes by 2020, already exceeding our initial Corporate Plan ambitions. Our private sales through our Floreat Homes brand have performed strongly and this has helped to inform investment decisions to help us to deliver affordable homes with little or no grant in the future.

A significant amount of what we spend every year goes on maintaining and improving existing stock. Our 2014 STAR tenant survey told us that the vast majority of tenants (85%) were satisfied with the quality of their home and we have taken the time since then to speak with our tenants to better understand what would further improve their perception of their home. This year we spent £3.9m overall on revenue servicing, repairs and maintenance, slightly more than the sector average.

By regularly surveying our properties and carefully tracking expenditure, we maintain a robust picture of how our properties perform financially and how attractive they are to tenants and prospective customers. Over the last 12 months we have sold a number of properties, but equally importantly we have a clear strategy in place to sell 61 properties with the lowest net present value/performance and to replace them during 2017/18.

For the Group to have been so effective in delivering on its promises, I depend on my fellow board members and our dedicated staff and I would like to take this opportunity to thank them all for their hard work, dedication and professionalism. I would also like to mention our tenants and members of the Community Panels, and our Scrutiny Panel, TRIP, who have had a successful year - your time and commitment to SHG is very much appreciated.

Tim Ralphs
Chair

28th July 2016

STATUS OF THE ASSOCIATION

Shropshire Housing Limited (SHL), 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 & Communities Agency in accordance with the Housing and Regeneration Act 2008, Registered No. LH 4494. Shropshire Housing Limited, unlike its subsidiary housing associations, 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 in the Code.

An explanation regarding compliance with section D2 of the Code (terms of office) is as follows. At the end of 2015/16, one Board member, the Chair, had served for over nine years (including time served on other Boards within the Group); he remains in office. This arrangement follows consultation with the Homes & Communities Agency and is part of agreed transition arrangements to the current governance structure.

COMPLIANCE WITH THE HCA GOVERNANCE AND FINANCIAL VIABILITY STANDARD

The Board confirms that the Association complies with the requirements of the revised Governance and Financial Viability Standard applicable for the year from 1st April 2015.

MEMBERS OF THE ASSOCIATION

There is one category of shareholding membership within Shropshire Housing Limited, with each of the members holding a £1 share. 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 Group. 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-opted members). The Chair is appointed annually by members of the Board.

The Board membership is drawn from a wide background bringing together professional, commercial and local experience. There has been no turnover in Board membership in the last 12 months. Recruitment to fill vacancies arising in 2016 due to retirement will follow 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 latest review being carried out in January 2016.

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.

The Board delegates the day-to-day management and implementation of the strategic and policy framework to the Chief Executive Officer and Executive Team. 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 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.

SHROPSHIRE HOUSING GROUP

BOARD REPORT

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 & 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 sets out the commitments which each member makes to the Group and the responsibilities of each member. The Chief Executive Officer is also a member of the Board.

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	
Graham Biggs	
Sonia Youd	
Liz Walford	
Gill Jones	
Jake Berriman	Chief Executive Officer
Chris Mellings	
John Stringer	(co-optee - retired 16 th April 2015)

REMUNERATION OF BOARD MEMBERS

The Board Members receive an allowance (detailed on page 24). 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 Group's Budget for 2016/17 and based on normal business planning and control procedures, the members of the Board have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, the financial statements have therefore been prepared on a going concern basis.

RESPONSIBILITY

SHL'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 SHL Board on 19th May 2016, 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 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 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.

SHROPSHIRE HOUSING GROUP

BOARD REPORT

In accordance with regulations, annual financial returns are submitted to the Homes & 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 by internal audit and within the annual plan the work is focused on the areas of greatest risk to the Group. 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.

Approved by the board on _____ 2016
and signed on its behalf by

Tim Ralphs
Chair

BACKGROUND

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

SHL is an association which is registered with the Homes & 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 central support 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:

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 has continued to innovate and has long been recognised nationally as a rural housing specialist punching above it’s weight and host to the first rural Foyer, a women’s refuge and a HomeLife service to paying customers. The Association is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 and has Charitable Rules.

MMHA was formed following a stock transfer and joined the Group in 2007. Having met its promises to the former North Shropshire District Council and tenants, MMHA has committed to an ambitious development programme, recently completing its 114th home whilst developing a reputation for quality, community led delivery. The Association is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Societies Act 2014 and has Charitable Rules.

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. As well as delivering value for money for Group ‘clients’, TRL has been increasingly successful in undertaking work for other landlords, businesses and private individuals returning ‘profit’ to the business as a whole.

SHTL, is a wholly owned private limited company, incorporated on 4th February 2014. The company No. is 08875047.

OPERATING REVIEW

The Group has seen a successful year in terms of its maintenance programme. MMHA and SSHA continue to invest in repairs to their properties.

The Group completed or purchased 23 new properties across Shropshire during the year with a significant development programme planned for 2016/17 and beyond, to build or acquire 385 new homes by 2020.

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 & 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 (2015/16)

Introduction

To meet the Homes & Communities Agency (HCA) requirements 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 best effect to deliver Value for Money. This is a summary of that document.

Delivering Value for Money

SHG is committed to delivering Value for Money (VfM) for all of its tenants and customers. This means clearly explaining our absolute and comparative costs and how we are making the most of our assets to deliver agreed priorities. Our new Corporate Plan was launched in May 2015 whilst our VfM Strategy is refreshed annually in May. An advisory audit completed in May 2016 confirms that a value for money culture runs through SHG and is an everyday part of how the Group operates, providing a return to business, customers, communities on the investments made. The Group Business Plan and Financial Strategy approved for 2016/17 have been thoroughly stress tested and are a direct response to the 1% rent reduction which came into effect in April 2016 for 4 years. They balance on-going savings with growth and place Group finances on a firm footing. The HCA published its new analysis of cost variation across the social housing sector, in June 2016. A fuller account will be taken of this in our comprehensive VfM Self Assessment.

Financial Health

The 2014/15 Global Accounts show that the aggregate sector surplus increased by 28% on the previous year. Over the same period SHG surpluses rose 22% to £3.9m, and by year end 2015/16 they had risen to £4.2m. We have since restated our accounts for 2014/15 to comply with FRS 102 and our restated surplus of £2.7m in 2014/15 increased by 59% to 2015/16. Sector turnover rose by 4.1% in 2014/15 compared to a 5.7 % rise in turnover for SHG over this period. SHG turnover increased again in 2015/16 by 19.5% from £24.9m in 2014/15 to £29.75m. As a percentage of turnover, surpluses increased from 10%** (2014/15) to 14% (2015/16). The 2014/15 Global Accounts show sector operating cost increases of 1.5% compared with a 7.2% reduction at SHG over the same period. In the last 12 months total overheads as a % of turnover improved from 14.15% in 2014/15 to 10.46%. In 2015/16 SHG operating margins improved again to 30.9% (30.7%** in 2014/15, compared to a sector average of 28.3%. The following table summarises our VfM cost indicators and direction of travel.

** restated 2014/15 figures under FRS102

VfM Indicator	2014/15 outturn	2015/16 outturn
Turnover	£24.888m	£29.749m
Overheads	£3.521m	£3.112m
Total overheads as a % of turnover	14.15%	10.46%
Operating margin	30.7%	30.9%

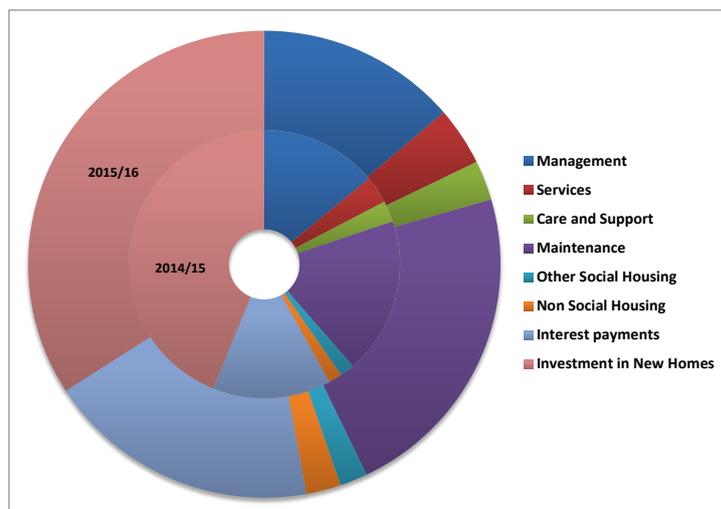
HOW WE SPEND OUR MONEY

Balancing income and expenditure is crucial for good financial health. The total operating cost of Shropshire Housing Group in 2015/16 was £20.176m compared to £17.417m in 2014/15. The increase was due to the cost of sales of outright sales units. In addition to this the Group spent £5.202m on interest payments compared to £4.523m in 2014/15. This non-discretionary cost increased in 2014/15 as a result of refinancing, and the full effect impacted in 2015/16.

We invest the lion's share of our income in new homes and planned maintenance, providing decent homes for our tenants and security for our loans. In addition to the expenditure shown above, the Group spent £9.477m in acquiring, constructing and improving our housing properties. We are a people centred organisation and as we appraise and address business risks we have recognised the increasing pressures that our tenants face from welfare reform and have continued to invest in housing management, and in particular money management, improving income and losses due to bad debts. 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 and complaint handling, and continue to support our tenant scrutiny panel, TRIP, and new Community Panels to refine what we do and deliver local regeneration projects through their "Neighbourhood Plans"

SHROPSHIRE HOUSING GROUP STRATEGIC REPORT

We compare costs of delivering services with other similar organisations like Herefordshire Housing and Severnside and by participating in Housemark's annual core benchmarking exercise. Taken from the HCA's analysis (2016) our operating cost per unit was £3,580 in 2014/15 compared to a sector average of £3,550. SHG's outturn operating costs per unit in 2015/16 had reduced to £3,570 (excluding new development for outright sales, depreciation etc.) and is forecast to fall to £3,230 in 2016/17. We recognise that our rurality and overall organisational complexity for our size contribute to higher operating costs; nevertheless, last year the group set clear VfM targets to become more efficient, to drive down the cost of management and improve our operating margins. Our housing management cost per property increased slightly in 2014/15 against trend whilst we responded to welfare reforms by investing more in income collection and support to sustain tenancies. Our repair and estate costs increased slightly alongside an upward industry trend



whilst we have worked to improve our operational efficiency. Comparison with peers on a repair costs per property basis shows we are on par with the median but are looking again at how we can deliver further efficiencies. The table below shows key comparative cost figures over time in all major service areas. Unfortunately due to publication dates the latest figures only go up to 2014/15.

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Business Activity	Measurement	2014/15				2013/14				2012/13	2011/12
		Our Result	Peer Average	Quartile	Rank	Our Result	Peer Average	Quartile	Rank	Our Result	Our Result
Overheads	% Of Adjusted Turnover	14.15%	11.96%	●	24/27	14.08%	12.49%	●	33/44	12.40%	15.59%
Major Works & Cyclical Maintenance	Total Cost Per Property	£1,520	£1,636	●	11/27	£1,705	£1,391	●	29/44	£1,478	£1,650
Responsive Repairs & Void Works	Total Cost Per Property	£727	£797	●	10/27	£775	£776	●	22/44	£678	£671
Housing Management	Total Cost Per Property	£463	£422	●	17/27	£418	£445	●	17/44	£448	£422
Estate Services	Total Cost Per Property	£120	£128	●	10/27	£102	£142	●	13/44	£100	£110
		● = Top Quartile ● = Upper Median Quartile ● = Lower Median Quartile ● = Bottom Quartile									
<i>The number and selection of organisations taking part in Housemark's core benchmarking varies year to year. For 2014/15 our peer group was LSVT Central organisations (2500-7500 units).</i>											

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. We have carried out a review of void properties and evaluate stock based on demand, demographic and thermal performance. As a result, we have in place a disposal plan for 61 homes during 2016/17 to create a reinvestment reserve for 2017/18.

We disposed of 10 properties in 2015/16 generating a capital receipt of £441,000. We further released 9 properties through Right to Buy and Right to Acquire, which provided a net income of £531,000, releasing £50k to disabled adaptations. Sales proceeds are recycled for new homes. SHG has signed up to the Voluntary Right to Buy deal and will, during the year, put in place a policy and implementation plan. 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 quality of home is hugely important to our business, our tenants and our funders. Working through our in house contractor, Total Response means we plan and schedule work more effectively whilst demonstrating cost savings. From May 2016 TRL are trailing a cost per property model which should release capacity within TRL and save the Group £150,000. Overall in 2015/16 we spent £2.342 million on routine repairs compared to £2.051 million in 2014/15 but following the voids review we are seeking to improve tenant sustainment and void turnaround times. We fitted 142 new bathrooms (113 in 2014/15), 189 Boilers (196) and 173 new kitchens (200) whilst speaking to our customers about the slight fall in satisfaction to 85% in Quality of Home in the 2014 STAR survey.

SHROPSHIRE HOUSING GROUP STRATEGIC REPORT

Applying our New Homes Strategy, we successfully bid into the HCA's 2015-18 programme, initially securing funding for 148 homes, and at year end having a grant programme in place to 2020 for 267 homes. As part of our ambition to build at least 50 affordable homes a year to 2020, this year we completed 23 homes, started 77 and met or exceeded all New Homes Strategy return on investment targets. Through our private housing brand Floreat Homes we have successfully completed two highly regarded schemes providing greater than estimated returns to the business. We plan a managed extension of our open market homes programme through strategic land acquisition and development.

We measure "Social Return on Investment" 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. We recognise some of what we do within the Group does not produce a direct financial return but has wider social value. This year we invested £85,000 on community regeneration projects identified by our Community Panels as providing the greatest return to our customers and communities. Taking a wider perspective, we have once again supported local charities, the Mayfair Trust and Grow, Cook, Learn deliver their community promises whilst helping the Neenton village Community Interest Company purchase, refurbish and extend their community pub. Our approach to Social value was the subject of an advisory audit this year and our Social Accounts published alongside our comprehensive VFM self-assessment.

VALUE FOR MONEY SAVINGS

We built in and delivered 5% savings to our 2013/14 and 2014/15 budgets. For 2015/16 our headline savings target of £200,000 or 4% was built into the base budget and exceeded whilst new approaches, for instance introducing a new stage 0 for complaints, has secured further efficiencies

Meeting our 2015/16 VFM targets

Targets met

- Projected operating margins of 29% ~ margin improved to over 30.9%
- Securing efficiencies in the Board and Executive restructures exceeding £80,000 pa ~ £90,000
- Securing savings over £100,000 pa from procurement exercises including insurances and mobiles
 - Insurance tender secured an initial saving of £115,838.25
 - Mobile and landline tender delivered year on year savings to SHG of £68,386
- Exceeding our 50 new homes a year target on average through efficiencies and recycled sales proceeds
 - Analysis of 2011/15 new home delivery evidences £2.5m of savings against budgets
- 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)
 - Cumulative general needs re-let time for the Group improved from 34.3 days to 29.4 days
- Securing over £25,000 of savings pa following 2014/15 TRIP review of "Right First Time".
 - Responsive repairs completions 96.2% on first visit, equivalent to £26,000 saving.

Targets not met

- Improving first time access for gas servicing from 72.8% to 85% capturing the associated savings
 - Improved to 83.3%, realising savings of £20,975 by the year end.
- Reducing tenancies terminated from 8.8% of stock to 7.3%, by addressing tenancy failure and capturing the associated costs and savings.
 - Tenancy turnover slightly reduced to 8.43% with ongoing focus on improvement.

Here is a summary of some of the cash savings suggested by staff and secured throughout the year:

VFM Item	Savings Made
Renegotiated waste disposal contract	£8,020.27 p/a
The assets team introduced a cyclical inspection and appointment system in April 2014 over the year this has shown a mileage saving	Mileage saving £2,080 p/a
Non-renewal of TPAS membership in favour of purchasing of 'one off' advice	£1,350 p/a
Cancellation of Shropshire Chamber of Commerce subscription	£638.40
Shropshire Star recruitment bundle negotiated savings for the online package	£5,000 saved
Negotiated renewal of the swipe card contract to begin April 2016	£3,000 p/a
Used an energy company to get us the best deal on gas supplies from April 2016	£19,000
Water temperature testing undertaken by staff as part of their H&S checks	£300 p/a
Changed PR consultants and reduced costs	Total £2,695.50
Inside Housing Subscriptions reduced for digital and print versions	£948.64
Implementation of Joint Microsoft licensing agreements and other work with Severnside Housing via uniTe shared IT team	£48,000 p/a

SHROPSHIRE HOUSING GROUP STRATEGIC REPORT

Smart Procurement is central to delivering VfM and with a clear Strategy and programme in place for rolling review we have achieved some significant savings such as mobile phones. 2015/16 brings to the end our fifth year of procuring goods and services through the Central Housing Investment Consortium. We have bench marked 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 £572,188 overall and £175,454 for this year alone.

Future VfM savings are driven by our new Corporate Plan which sets some longer term targets such as growing our surpluses to 12%, increasing operating margins to 29% whilst maintaining a minimum EBITDAMRI of 115% is our working target to create additional capacity in the business.

The following table provides a summary of key performance indicators against our sector peers:

Key Performance Indicator	Cumulative Yearly Performance			Housemark Benchmarking 2014/ 15		
	2015/16	2014/15	2013/14	Upper Quartile	Median	Lower Quartile
Rent Arrears						
Current Tenant Arrears (%)	2.04	2.18	2.50	1.53	2.14	2.85
Former Tenant Arrears (%)	1.49	1.42	1.37	0.55	0.82	1.34
Rent Collected (% of rent debit)	99.4	98.8	99.5	99.75	99.60	99.48
Empty Properties						
Average Relet Time ('standard', days)	29.8	34.3	29.8	19.3	25.5	32.0
Average Relet Time ('major works', days)	66.5	66.8	57.8	41.0	47.5	66.9
Let on First Offer (%)	65.4	58.4	56.0	74.2	70.7	56.6
Time taken for works (days)	13.8	11.9	11.7	Not Available	Not Available	Not Available
Tenancy Turnover (% tenancies terminated)	8.43	8.8	10.2	7.77	8.43	9.14
Anti-Social Behaviour (ASB)						
Respondent Satisfaction with Handling of ASB case (%)	80.5	78.7	73.5	92.0	83.0	73.5
Respondent Satisfaction with Outcome of ASB case (%)	78.8	78.0	74.1	85.9	76.9	72.05
Cases resolved successfully (%)	88.3	90.6	81.4	97.9	95.6	92.8
Repairs						
Appointments Kept (%)	99.4	99.3	98.7	99.3	98.9	96.9
Average time taken to complete repair (days)	9.4	10.4	11.7	6.5	8.2	10.8
Customer satisfaction with repairs service (%)	95.5	95.6	91.0	96.6	94.9	89.5
Average repairs per Property	2.7	3.4	3.5	3.0	3.3	3.8
Servicing and Maintenance						
Gas servicing - Serviced within 12 months of last service (%)	99.9	97.5	99.7	Not Available	Not Available	Not Available
Average SAP(energy efficiency) rating	65.7	65.6	64.5	71.3	70.0	68.1
Homes not meeting Govt. 'Decent Homes' Standard* (%)	0.16	0.11	0.10	0.00	0.00	0.00
Customer Service						
Average call waiting time (seconds)	22.0	19.0	22.5	Not Available	Not Available	Not Available
Corporate						
Staff Turnover (%)	13.05	15.3	11.9	10.8	14.2	18.6
Average sick days per Employee	8.41	7.6	6.7	7.3	9.1	11.3
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 2015/16 are not yet available; we expect this to be published in Autumn 2016.						

Approved by the Board of Management on 28th July 2016 and signed on its behalf by:

Tim Ralphs
Chair

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SHROPSHIRE HOUSING LIMITED

We have audited the financial statements of Shropshire Housing Limited for the year ended 31 March 2016 which, for both the Group and Parent entity, comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Reserves, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard FRS102 "The Financial Reporting Standard" applicable in the UK and Republic of Ireland.

Respective responsibilities of the Board and the auditor

As explained more fully in the Statement of the Board's Responsibilities set out on page 5, 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.

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 2016 and of the Group's and the Parent entity's results 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 2015.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 require 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

STATEMENTS OF COMPREHENSIVE INCOME
For the year ended 31 March 2016

	Notes	GROUP		SHL	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
Turnover	2	29,749	24,888	7,947	6,374
Operating costs	2	(20,176)	(17,417)	(7,591)	(6,399)
Remeasurement and deficit payment of SHPS liability		(383)	179	-	-
Operating surplus / (deficit)		9,190	7,650	356	(25)
Surplus on sale of property, plant & equipment	12	290	344	-	-
Finance income	3	20	30	1	1
Interest and financing costs	4	(5,202)	(4,523)	-	-
Change in fair value of investment properties		-	(808)	-	-
Surplus before taxation		4,298	2,693	357	(24)
Taxation on surplus	8	(89)	(9)	(70)	(5)
Surplus/(deficit) for the year		4,209	2,684	287	(29)
Actuarial surplus/(deficit) on pension scheme	23	258	(885)	-	-
Total comprehensive income for the year		4,467	1,799	287	(29)

SHROPSHIRE HOUSING GROUP

STATEMENTS OF FINANCIAL POSITION
As at 31 March 2016

	Notes	GROUP		SHL	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
FIXED ASSETS					
Intangible assets	10	158	221	2	53
Housing properties - cost less depreciation	9	150,196	144,536	-	-
Other property, plant & equipment	10	3,831	3,895	1	18
		<u>154,185</u>	<u>148,652</u>	<u>3</u>	<u>71</u>
CURRENT ASSETS					
Assets held for resale	13	838	3,332	-	1,652
Inventories	14	238	236	-	-
Debtors	15	1,905	1,703	764	164
Debtors due in more than 1 year	16	11,261	12,245	-	-
Investments	17	1,007	2	-	-
Cash and cash equivalents		5,377	4,706	117	546
		<u>20,626</u>	<u>22,224</u>	<u>881</u>	<u>2,362</u>
CREDITORS: amounts falling due within one year	18	(4,769)	(4,685)	(876)	(2,712)
NET CURRENT ASSETS/(LIABILITIES)		<u>15,857</u>	<u>17,539</u>	<u>5</u>	<u>(350)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>170,042</u>	<u>166,191</u>	<u>8</u>	<u>(279)</u>
CREDITORS: amounts falling due after more than one year	19	(140,449)	(141,187)	-	-
Defined benefit pension liability	23	(3,808)	(3,686)	-	-
		<u>25,785</u>	<u>21,318</u>	<u>8</u>	<u>(279)</u>
CAPITAL AND RESERVES:					
Called up share capital	22	-	-	-	-
Revenue reserve		25,785	21,318	8	(279)
		<u>25,785</u>	<u>21,318</u>	<u>8</u>	<u>(279)</u>

These financial statements were approved by the Board of Management on _____ 2016 and were signed on its behalf by

Tim Ralphs
Chair

Jen Hayball
Secretary

Board Member

SHROPSHIRE HOUSING GROUP

STATEMENTS OF CHANGES IN RESERVES

Year ended 31 March 2016

	Revenue reserve GROUP £'000	SHL £'000
At 1 April 2015	21,318	(279)
Surplus for the year	4,467	287
At 31 March 2016	25,785	8

SHROPSHIRE HOUSING GROUP

STATEMENTS OF CASH FLOWS

Year ended 31 March 2016

	Notes	GROUP		SHL	
		2016 £'000	2015 £'000	2016 £'000	2015 £'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	(a)	14,503	9,029	(431)	1,368
CASH FLOWS FROM FINANCING ACTIVITIES					
FINANCING COST		-	(1,204)	-	-
Finance income		20	38	1	1
Interest and financing costs		(5,052)	(4,004)	-	-
Housing loans repaid		(399)	(8,333)	-	-
		(5,431)	(13,503)	1	1
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition, construction and improvement of housing properties		(9,477)	(14,039)	-	(1,400)
Proceeds on disposal of fixed assets		3	3	-	-
Proceeds from sale of Right To Buy properties & miscellaneous land		1,266	1,668	-	432
Capital grants received		934	1,627	-	-
Purchase of other property, plant & equipment		(49)	(1,279)	-	-
Purchase of intangibles		(68)	-	6	(3)
		(7,391)	(12,020)	6	(971)
TAXATION		(5)	(61)	(5)	(35)
Net increase in cash and cash equivalents		1,676	(16,555)	(429)	363
Cash and cash equivalents at beginning of year		4,708	21,263	546	183
Cash and cash equivalents at end of year		6,384	4,708	117	546

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

	GROUP		SHL	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Operating surplus / (deficit)	9,190	7,650	356	(25)
Depreciation and impairment	3,091	3,514	70	117
(Increase)/decrease in debtors	43	(2,142)	(604)	180
Current assets held for resale	2,493	(1,079)	1,652	-
(Increase) in stock	(2)	(2)	-	-
Increase / (decrease) in creditors	(264)	1,999	(1,905)	1,096
Movement in provisions	(101)	(60)	-	-
Joint Venture Waiver	-	(22)	-	-
Amortised Grant	(330)	(650)	-	-
Remeasurement of SHPS pension liability	383	(179)	-	-
Net cash inflow/(outflow) from operating activities	14,503	9,029	(431)	1,368

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements are prepared under the historical cost convention, in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015, the Statement of Recommended Practice for Registered Social Housing Providers 2014 (SORP) and the Housing and Regeneration Act 2008. Shropshire Housing Limited is a public benefit entity (PBE), as defined in FRS 102 and applies the relevant paragraphs prefixed "PBE" in FRS 102.

Statement of compliance

This is the first year that Shropshire Housing Limited has prepared financial statements in accordance with FRS 102, accordingly the financial information as at 1 April 2014 (being the date of transition) and for the year ended 31 March 2015 have been restated for material adjustments on adoption of FRS 102 in the current year. For more information refer to note 30.

Turnover

Turnover represents rents and service charges receivable in respect of tenanted properties (net of losses from voids), residential care charges and amounts invoiced in respect of the provision of management services.

Property, plant & equipment (PP&E) and depreciation

PP&E 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

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 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
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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 Statement of Comprehensive Income. 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 any provision for depreciation or impairment.

Impairment of social housing properties

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in surplus or deficit in the Statement of Comprehensive Income. The recoverable amount of an asset is higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measureable model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in surplus or deficit in the Statement of Comprehensive Income.

Social Housing and Other Capital Grants

Grants relating to assets are recognised in income on a systematic basis over the expected useful life of the asset. Grants received for housing properties are recognised in income over the expected useful life of the housing property structure.

Grants received from non-government sources are recognised as revenue using the performance model.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Cash and cash equivalents

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 and financing costs

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.

Interest on the loan financing a development is capitalised up to the date of practical completion. Interest charges arises after that date are charged to the statement of comprehensive income.

1. **ACCOUNTING POLICIES (Continued)**

Financial Instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets carried at amortised cost

Financial assets carried at amortised cost comprise rent arrears, trade and other receivables and cash and cash equivalents. Financial assets are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

If there is objective evidence that there is an impairment loss, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced accordingly.

A financial asset is derecognised when the contractual rights to the cash flows expire, or when the financial asset and all substantial risks and reward are transferred.

If an arrangement constitutes a financing transaction, the financial asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial liabilities carried at amortised cost

These financial liabilities include trade and other payables and interest bearing loans and borrowings.

Non-current debt instruments which meet the necessary conditions in FRS 102, are initially recognised at fair value adjusted for any directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs in the Statement of Comprehensive Income. Discounting is omitted where the effect of discounting is immaterial.

A financial liability is derecognised only when the contractual obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.

Financing transactions

For rent arrears where the arrangement constitutes, in effect, a financing transaction because of extended credit arrangements the arrears are measured at the present value of the future payments discounted at an appropriate market rate of interest.

Pension costs

Contributions payable to the Group's pension schemes are charged to the Statement of Comprehensive Income so as to spread the cost of pensions over the service lives of employees in the schemes.

Multi-employer defined benefit pension scheme – Social Housing Pension Scheme

The Association participates in an industry wide multi-employer defined benefit pension scheme where the scheme assets and liabilities cannot be separately identified for each employer. This is accounted for as a defined contribution scheme as there is insufficient information available to account for the scheme as defined benefit. For this multi-employer scheme, there is a contractual agreement between the scheme and the Association that determines how the deficit will be funded and a liability is recognised in the Statement of Financial Position and the resulting expense in surplus or deficit in the Statement of Comprehensive Income for the present value of the contributions payable that arise from the agreement to the extent that they relate to the deficit.

Local Government Pension Scheme

The Association participates in a local government pension scheme which is a multi-employer schemes where it is possible for individual employers as admitted bodies to identify their share of the assets and liabilities of the pension scheme. For this scheme the amounts charged to operating surplus are the costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements and curtailments. They are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to revenue and included

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the Association, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit credit method. The actuarial valuations are obtained at least triennially and are updated at each Statement of Financial Position date

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the year end and is carried forward to future periods.

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 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 in the Statement of Comprehensive Income.

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 for the work is shown under debtors. The obligation to carry out these works is shown in the provisions for liabilities and charges.

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, Shropshire Housing Treasury Limited and Total Response Limited for the year ending 31st March 2016.

Significant management judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(a) Significant management judgements

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

Impairment of social housing properties

The Group have to make an assessment as to whether an indicator of impairment exists. In making the judgement, management considered the detailed criteria set out in SORP.

(b) *Estimation uncertainty*

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Defined benefit pension scheme

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

SHROPSHIRE HOUSING GROUP

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	GROUP					SHL				
	2016 Turnover £'000	2016 Operating costs £'000	Operating surplus £'000	2015 Turnover £'000	2015 Operating Surplus £'000	2016 Turnover £'000	2016 Operating costs £'000	Operating /surplus (deficit) £'000	2015 Turnover £'000	2015 Operating/ surplus/ (deficit) £'000
Lettings	23,301	14,773	8,528	22,620	6,940	-	-	-	-	-
Other Social Housing:										
Supporting People	553	519	34	563	24	-	-	-	-	-
Foyer non letting	8	8	-	11	-	-	-	-	-	-
VAT	66	-	66	93	93	-	-	-	-	-
	23,928	15,300	8,628	23,287	7,057	-	-	-	-	-
Contribution to pension scheme	-	(101)	101	-	60	-	-	-	-	-
Non social housing lettings	150	134	16	281	199	-	-	-	-	-
Group activities	-	-	-	-	-	5,298	5,452	(154)	5,819	(148)
Impairment	-	-	-	-	-	-	-	-	-	-
Outright/shared ownership sales	5,052	4,316	736	578	77	2,649	2,139	510	555	123
External work TRL	408	316	92	513	78	-	-	-	-	-
External facilities management	211	211	-	205	-	-	-	-	-	-
External CBL	-	-	-	24	-	-	-	-	-	-
	29,749	20,176	9,573	24,888	7,471	7,947	7,591	356	6,374	(25)

SHROPSHIRE HOUSING GROUP

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

2. INCOME AND EXPENDITURE FROM LETTINGS (Continued)	2016 GROUP			2015	
	Housing Accommodation	Supported Housing for Older People And Others	Shared Ownership	Total	Total
	£'000	£'000	£'000	£'000	£'000
INCOME					
Net rental income	18,693	2,060	516	21,269	20,422
Net service charges income	313	442	30	785	616
Charges for support services	-	209	-	209	203
NET RENTAL INCOME	19,006	2,711	546	22,263	21,241
Revenue grants from Homes & Communities Agency and Local Authority	-	487	-	487	572
Aids & Adaptations Grant	139	-	-	139	65
Other revenue grants	-	14	-	14	14
Other income	61	7	-	68	78
Amortisation of government grants	253	39	38	330	650
TOTAL INCOME FROM LETTINGS	19,459	3,258	584	23,301	22,620
EXPENDITURE ON LETTINGS					
Management	3,204	531	83	3,818	4,481
Services	650	453	18	1,121	1,052
Care and support	95	667	-	762	814
Routine maintenance	3,394	472	-	3,866	3,996
Planned maintenance	2,088	254	-	2,342	2,051
Rent losses from bad debts	30	8	-	38	62
Depreciation	2,447	276	103	2,826	3,224
TOTAL EXPENDITURE ON LETTINGS	11,908	2,661	204	14,773	15,680
OPERATING SURPLUS	7,551	597	380	8,528	6,940
VOID LOSSES	(152)	(65)	-	(217)	(289)

SHROPSHIRE HOUSING GROUP

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

3. FINANCE INCOME

	GROUP		SHL	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Interest receivable from bank deposits	20	30	1	1

4. INTEREST PAYABLE AND FINANCE COSTS

	GROUP		SHL	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Net finance charge on pension (note 23)	97	56	-	-
On bank loans, overdrafts and other loans repayable - wholly or partly in more than 5 years	5,381	4,708	-	-
Less: interest capitalised	(276)	(241)	-	-
	5,202	4,523	-	-

5. SURPLUS / (DEFICIT) ON ORDINARY ACTIVITIES

	GROUP		SHL	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<i>Surplus / (deficit) on ordinary activities before interest is stated after charging/(crediting):</i>				
Depreciation of tangible fixed assets and intangibles	3,091	3,323	70	117
Impairment of tangible fixed assets	-	174	-	-
Auditors' remuneration (excluding VAT):				
In their capacity as auditors	34	28	34	28
In respect of other services	26	16	36	16
Amortisation of government grants	(330)	(650)	-	-

6. STAFF COSTS

	GROUP		SHL	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Wages and salaries	6,647	6,825	2,735	2,848
Social security costs	529	531	222	232
Other pension costs	695	698	372	371
	7,871	8,054	3,329	3,451
	Number	Number	Number	Number

Average number of full-time equivalent persons employed during the year based on 35-39 hours per week

	262	261	103	98
--	-----	-----	-----	----

These were categorised as:

Central Support including customer services	50	45	50	44
Development	9	8	1	-
Asset Management	20	21	20	21
Housing	32	33	30	31
TRL	110	112	1	-
Sheltered / Domestic Support / SP	41	42	1	2
	262	261	103	98

Average number of full time equivalent persons paid during year based on 35 -39 hours per week;

£70,000 - £80,000	2	2	2	2
£80,000 - £90,000	1	1	-	-
£90,000 - £100,000	1	1	1	1
£100,000 - £110,000	1	1	1	1
£110,000 - £120,000	-	-	-	-
£120,000 - £130,000	1	1	1	1

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2016

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:

	GROUP		SHL	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Total emoluments	488	551	458	507
The emoluments of directors disclosed above (excluding pension contributions) includes the following amounts paid:				
Group Chief Executive	117	116	117	116
Group Director Resources	-	71	-	71
Group Director Corporate Services	77	74	77	74
Group Executive Director Development and Assets	86	83	86	83
Group Executive Director Neighbourhoods	88	85	88	85
Finance Director and Managing Director TRL	84	83	54	39
	452	512	422	468
Aggregate amount of directors' pension contributions	37	39	37	39
Fees payable by way of expenses and Remuneration to Board Members	60	101	60	101

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 Chief Executive was £8k (2015 £8k). Board members were paid at the following rates during the year:

Role	Fees 2016 £
Group Chair	9,000
Vice Chair	500
Parent/SSHA/MMHA Board Member (incl. co-optees)	3,000
R and HR Committee Chair	2,500
R and HR Committee Member	500
Audit and Risk Committee Chair	2,500
Audit and Risk Committee Member	1,000
Total Reponse Ltd. Chair	2,500
Total Response Ltd. Board Member	500

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.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2016

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	Board and Committee attendance
Tim Ralphs	18 of 19
Jake Berriman	18 of 19
Graham Biggs	23 of 24
Stephen Donkersley	19 of 19
Gill Jones	17 of 19
Chris Mellings	18 of 20
Paul Turner	14 of 19
Liz Walford	17 of 19
James Williamson	19 of 19
Sonia Youd	23 of 24

8. TAXATION - GROUP

	Group 2016 £'000	Group 2015 £'000	SHL 2016 £'000	SHL 2015 £'000
United Kingdom Corporation Tax				
Current	89	9	70	(24)
Charge in accounts	89	9	70	5

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/(deficit) on ordinary activities before tax	4,298	2,693	357	(24)
Tax on surplus/(deficit) on ordinary activities at 20%	860	539	71	(5)
Costs not deductible for tax purposes (primarily depreciation of properties)	-	-	(1)	5
Surpluses arising during period with charitable status	(771)	(530)	-	-
Adjustments in respect of prior periods	-	-	7	-
Short term timing differences	-	-	(7)	-
	89	9	70	5

SHROPSHIRE HOUSING GROUP

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

9. HOUSING PROPERTIES - GROUP	Freehold housing properties £'000	Freehold housing properties in the course of construction £'000	Shared Ownership properties £'000	Shared Ownership in course of construction £'000	Supported housing Accommodation £'000	Total £'000
Cost						
At 1 April 2015	132,094	2,868	15,368	314	22,341	172,985
Additions	4,432	4,728	716	778	49	10,703
Schemes completed	1,308	(1,308)	406	(406)	-	-
Disposals	(1,763)	-	(604)	-	(101)	(2,468)
Transferred to current assets	(84)	(122)	(55)	(236)	-	(497)
At 31 March 2016	135,987	6,166	15,831	450	22,289	180,723
Depreciation and impairment						
At 1 April 2015	23,592	-	902	-	3,955	28,449
Charge for the year	2,459	-	104	-	275	2,838
Impairment	-	-	-	-	-	-
Eliminated on disposals	(724)	-	-	-	(36)	(760)
At 31 March 2016	25,327	-	1,006	-	4,194	30,527
Net book value						
At 31 March 2016	110,660	6,166	14,825	450	18,095	150,196
At 31 March 2015	108,502	2,868	14,466	314	18,386	144,536

Works to existing properties during the year amounted to £5,523k (2015 £5,842k). This has been accounted for as follows:-

Planned maintenance – revenue	£2,342k (2015 £2,051k)
Improvements – capital	£3,181k (2015 £3,791k)

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.

SHROPSHIRE HOUSING GROUP

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

10. OTHER PROPERTY, PLANT AND EQUIPMENT – GROUP

	Commercial property £'000	Office equipment and plant and machinery £'000	Total £'000
Cost			
At 1 April 2015	3,597	1,478	5,075
Additions		49	49
Disposals	-	(195)	(195)
	<u>3,597</u>	<u>1,332</u>	<u>4,929</u>
At 31 March 2016			
Depreciation and impairment			
At 1 April 2015	-	1,180	1,180
Charge for the year	-	113	113
Eliminated on disposals	-	(195)	(195)
	<u>-</u>	<u>1,098</u>	<u>1,098</u>
At 31 March 2016			
Net book value			
At 31 March 2016	<u>3,597</u>	<u>234</u>	<u>3,831</u>
At 31 March 2015	<u>3,597</u>	<u>298</u>	<u>3,895</u>

INTANGIBLE ASSETS - SOFTWARE

	Group 2016 £'000	SHL 2016 £'000
Cost as at 1 April 2015	868	592
Additions	77	3
Disposals	(77)	(77)
	<u>868</u>	<u>518</u>
Cost as at 31 March 2016		
Depreciation at 1 April 2015	647	539
Charge for year	140	54
Eliminated on disposal	(77)	(77)
	<u>710</u>	<u>516</u>
Depreciation 31 March 2016		
NET BOOK VALUE		
At 31 March 2016	<u>158</u>	<u>2</u>
At 31 March 2015	<u>221</u>	<u>53</u>

SHROPSHIRE HOUSING GROUP

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

10. OTHER PROPERTY, PLANT AND EQUIPMENT (continued) - SHL

	Office equipment, fixtures & fittings £'000	Total £'000
COST		
At 1 April 2015		
Additions	274	274
Disposals	(79)	(79)
	<u>195</u>	<u>195</u>
At 31 March 2016		
	<u><u>195</u></u>	<u><u>195</u></u>
DEPRECIATION		
At 1 April 2015	256	256
Charge for the year	17	17
Eliminated on disposals	(79)	(79)
	<u>194</u>	<u>194</u>
At 31 March 2016		
	<u><u>194</u></u>	<u><u>194</u></u>
NET BOOK VALUE		
At 31 March 2016	<u>1</u>	<u>1</u>
At 31 March 2015	<u>18</u>	<u>18</u>

SHROPSHIRE HOUSING GROUP

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2016

11. HOUSING STOCK

	Group		SHL	
	2016 Number	2015 Number	2016 Number	2015 Number
NUMBER OF UNITS				
Under development at end of year:				
Housing accommodation	81	39	-	9
Units owned/managed at end of year:				
Housing general needs	3,956	3,933	-	-
Housing for older people & supported	508	503	-	-
Shared ownership	193	184	-	-
Commercial units	21	21	-	-
	4,678	4,641	-	-

Included above are 50 properties out of management and 5 properties managed for other landlords.

12. DISPOSAL OF FIXED ASSETS

	Group		SHL	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Proceeds	1,231	1,671	-	-
Cost	(1,701)	(1,984)	-	-
Depreciation eliminated on disposal	760	657	-	-
Surplus on disposal	290	344	-	-

SHROPSHIRE HOUSING GROUP

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

13. ASSETS HELD FOR RESALE

	GROUP		SHL	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Outright sales completed units	374	-	-	-
Outright sale work in progress	122	2,690	-	1,561
Shared ownership completed units	106	541	-	91
Shared ownership work in progress	236	101	-	-
	<u>838</u>	<u>3,332</u>	<u>-</u>	<u>1,652</u>

14. INVENTORIES

	GROUP		SHL	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Consumable maintenance goods	<u>238</u>	<u>236</u>	<u>-</u>	<u>-</u>

15. DEBTORS

	GROUP		SHL	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Due within one year				
Gross rental arrears	1,436	1,342	-	-
Less: Provision for bad debts	(580)	(617)	-	-
	<u>856</u>	<u>725</u>	<u>-</u>	<u>-</u>
Amounts due from other Group companies		-	590	-
Prepayments and accrued income	491	397	174	164
Trade debtors	56	237	-	-
Other debtors	502	344	-	-
	<u>1,905</u>	<u>1,703</u>	<u>764</u>	<u>164</u>

16. DEBTORS DUE AFTER MORE THAN ONE YEAR

	GROUP		SHL	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Improvement works	<u>11,261</u>	<u>12,245</u>	<u>-</u>	<u>-</u>

17. CURRENT ASSET INVESTMENTS

	GROUP		SHL	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Cash on short term deposits	<u>1,007</u>	<u>2</u>	<u>-</u>	<u>-</u>

SHROPSHIRE HOUSING GROUP

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		SHL	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Holiday pay	71	73	29	29
Trade creditors	1,360	1,684	132	214
Other taxation and social security	184	122	67	6
Corporate tax	91	7	72	7
Rent in advance	389	324	-	-
Social Housing Grant in advance*	96	136	-	-
Accruals and deferred income	2,537	2,308	119	261
Amounts due to other Group companies	-	-	416	2,164
Other creditors	41	31	41	31
	4,769	4,685	876	2,712

*Includes recycled capital grant

	£'000	£'000
Homebuy	90	70
At 1 April 2015	35	20
Recycled grant new	(90)	-
Recycled grant used		
At 31 March 2016	35	90

It is envisaged that this will be recycled into another capital scheme in 2016/2017.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

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

	GROUP		SHL	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Improvement works	11,261	12,245	-	-
Government Grants	36,007	35,410	-	-
Housing loan				
<i>Amounts repayable by instalments and not wholly repayable within five years:</i>				
Repayable after five years	94,524	94,923	-	-
Facility fees	(1,343)	(1,391)	-	-
Total	<u>140,449</u>	<u>141,187</u>	<u>-</u>	<u>-</u>

The housing loan is represented by:

Funder	Amount £'000	Terms of repayment
RBS/Newcastle	46,000	From 4 years to 26 years
RBS Revolver	6,000	5 years
Lloyds	8,000	From 5 years to 23 years
Canada Life	25,000	33 years
Shropshire Council	9,524	From 23 to 25 years
	<u>94,524</u>	

The above loans attract interest rates between 2.75% and 6.405%. The above funding excluding Shropshire Council 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 owing subsidiaries within the Group, South Shropshire Housing Association and Meres and Mosses Housing Association.

20. FINANCIAL INSTRUMENTS

The carrying values of the Group's financial assets and liabilities are set out in the following notes to the financial statements:

Financial assets

Measured at fair value through Statement of Comprehensive Income

- Current asset investments (see note 17)

Measured at undiscounted amount receivable

- Rent arrears and other debtors (see note 15)

Financial liabilities

Measured at amortised cost

- Loans payable (see note 19)

Measured at undiscounted amount payable

- Trade and other creditors (see note 18)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2016

21. DEFERRED INCOME – GOVERNMENT GRANTS GROUP

	2016	2015
	£'000	£'000
At 1 April 2015	35,410	35,292
Grants receivable	926	768
Amortisation to statement of comprehensive income	(329)	(650)
At 31 March 2016	36,007	35,410
Due < 1 year	329	658
Due > 1 year	36,678	34,752

22. CALLED UP SHARE CAPITAL

	GROUP		SHL	
	2016	2015	2016	2015
	£	£	£	£
<i>Issued and fully paid shares of £1 each:</i>				
At 1 April 2015	93	105	9	8
Issued during the year	-	9	-	9
Relinquished during the year	-	(21)	-	(8)
At 31 March 2016	93	93	9	9

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

23. PENSION OBLIGATIONS

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

(a) Social Housing Pension Scheme

SSHA 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 Company participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore is accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

PENSION OBLIGATIONS - continued

The scheme is classified as a 'last-man standing arrangement'. Therefore SSHA is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

Tier 1 From 1 April 2016 to 30 September 2020:	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1 April)
Tier 2 From 1 April 2016 to 30 September 2023	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1 April)
Tier 3 From 1 April 2016 to 30 September 2026	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1 April)
Tier 4 From 1 April 2016 to 30 September 2026	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1 April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 and 3 deficit contributions.

Where the scheme is in deficit and where SSHA has agreed to a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

SSHA has agreed to a deficit funding arrangement therefore SSHA recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate details in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

	2016	2015
	£'000	£'000
Total pension liability comprises of		
SHPS liability	1,958	1,558
Shropshire Council for SSHA	765	945
Shropshire Council for MMHA	1,085	1,183
	3,808	3,686
Further explanation below		
	2016	2015
	£'000	£'000
Present value of provision		
Present value of provision	1,958	1,558

NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 March 2016

Reconciliation of opening and closing provisions	2016	2015
	£'000	£'000
Provision at start of year	1,558	1,620
Unwinding of the discount factor (interest expense)	28	46
Deficit contribution paid	(186)	(178)
Remeasurements – impact of any change in assumptions	(12)	71
Remeasurements – amendments to the contribution schedule	569	-
Provision at end of year	1,958	1,558

Please note to table above positive amounts are costs/debits and negative amounts are income/credits.

Statement of Comprehensive Income Impact

	2016	2015
	£'000	£'000
Interest expense	28	46
Remeasurements – impact of any change in assumptions	(12)	71
Remeasurements – amendments to the contribution schedule	569	-
Contributions paid in respect of future service	-	-
Costs recognised in income and expenditure account	-	-
	585	117

ASSUMPTIONS

	2016	2015
	%	%
Rate of discount	2.06	1.92

(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 31st 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 31st March 2013 (last full actuarial valuation) was as follows:

	£'m
Equities	556
Other	679
Market Value	1,235
Past Service liabilities	(1,618)
Past Service deficit	(383)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2016

SSHA paid contributions at the rate of 25% during the accounting period and will pay 25% for the next year. Member contributions vary between 5.8% and 6.8%. We additionally paid the lump sum of £142,200 and will do for the next year.

Financial assumptions

A qualified independent actuary, Mercer Limited, carried out an actuarial valuation at 31 March 2016 for disclosure purposes for SSHA and MMHA. The major assumptions used were:

	31 March 2016	31 March 2015	31 March 2014
Rate of CPI inflation	2.0%	2.0%	2.4%
Rate of increase in salaries	3.5%	3.5%	3.9%
Rate of increase in pensions	2.0%	2.0%	2.4%
Discount rate	3.5%	3.2%	4.4%

SSHA

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

	Rate of return expected at 31st March 2016	Value at 31st March 2016 £'000	Rate of return expected at 31st March 2015	Value at 31st March 2015 £'000
Equities	6.5%	1,804	6.5%	1,852
Bonds	2.9%	521	2.9%	513
Government bonds	2.2%	396	2.2%	395
Property	5.9%	196	5.9%	146
Cash liquidity	0.5%	61	0.5%	110
Other	Dependent on type of asset	593	6.5%	545
Total market value of assets		<u>3,571</u>		<u>3,561</u>

i) Liability and funding status of South Shropshire Housing Association's part of the fund.

	2016 £'000	2015 £'000
Plan assets	3,571	3,561
Benefit obligations	(4,336)	(4,506)
Deficit in scheme	<u>(765)</u>	<u>(945)</u>

ii) Analysis of the amount which has been charged to operating surplus.

	2016 £'000	2015 £'000
Past service cost	-	-
Current service cost	(35)	(30)
Employer contribution	170	170
Total operating charge	<u>135</u>	<u>140</u>

SHROPSHIRE HOUSING GROUP

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2016

iii) Analysis of the amount which has been charged to interest payable and financing costs.

	2016	2015
	£'000	£'000
Administration expenses	(1)	-
Expected return on assets	114	163
Interest on liabilities	(142)	(171)
Net charge	<u>(29)</u>	<u>(8)</u>

iv) Analysis of amount which has been recognised in the statement of Comprehensive Income (SOCl)

	2016	2015
	£'000	£'000
Asset (loss)/gain	(122)	207
Liability loss	196	(507)
Changes in assumptions underlying the present value of the scheme liabilities	-	-
Actuarial surplus/(deficit) for recognition in the SOCl	<u>74</u>	<u>(300)</u>

v) Movement in the deficit during the year

	2016	2015
	£'000	£'000
Deficit at the beginning of the year	(945)	(777)
Movement in year:		
- Past service cost	-	-
- Current service cost	(35)	(30)
- Contributions	170	170
- Net return from other financial income	(29)	(8)
- Surplus/(deficit) in SOCl	74	(300)
Deficit at the end of year	<u>(765)</u>	<u>(945)</u>

vi) History of experience (deficits) / surpluses.

	2016	2016	2015	2015
	£'000	As a % of Scheme assets/ liabilities	£'000	As a % of Scheme assets/ liabilities
Asset (loss)/gain	(122)	3.4%	207	5.8%
Experience gain/(loss) on liabilities	196	4.5%	(507)	11.3%
Total amount recognised in the SOCl	<u>74</u>	<u>1.7%</u>	<u>(300)</u>	<u>6.7%</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2016

23. PENSION OBLIGATIONS (Continued)**MMHA**

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

MMHA 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 £7,200 for the next year.

	Rate of return expected at 31 March 2016	Value at 31 March 2016 £'000	Rate of return expected at 31 March 2015	Value at 31 March 2015 £'000
Equities	6.5%	2,198	6.5%	2,262
Bonds	2.9%	635	2.9%	627
Government bonds	2.2%	483	2.2%	483
Property	5.9%	239	5.9%	178
Cash liquidity	0.5%	74	0.5%	135
Other		722	6.5%	666
Total market value of assets		<u>4,351</u>		<u>4,351</u>

i) Liability and funding status of MMHA's part of the fund.

	2016 £'000	2015 £'000
Plan assets	4,351	4,351
Benefit obligations	(5,436)	(5,534)
Deficit in scheme	<u>(1,085)</u>	<u>(1,183)</u>

ii) Analysis of the amount which has been charged to operating surplus

	2016 £'000	2015 £'000
Current service cost	(188)	(157)
Past service cost curtailment loss	-	-
Employer contributions	142	148
Total operating charge	<u>(46)</u>	<u>(9)</u>

iii) Analysis of the amount which has been charged to interest costs

	2016 £'000	2015 £'000
Administrative expenses	(3)	-
Expected return on assets	144	197
Interest on liabilities	(181)	(199)
Net return	<u>(40)</u>	<u>(2)</u>

SHROPSHIRE HOUSING GROUP

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 March 2016

iv) Analysis of the amount which has been recognised in the Statement of Comprehensive Income (SOCl)

	2016 £'000	2015 £'000
Asset (loss)/gain	(154)	246
Liability gain/(loss)	338	(831)
Changes in assumptions underlying the present value of the scheme liabilities	-	-
Actuarial surplus/(deficit) for recognition in the SOCI	184	(585)

v) Movement in deficit during the year

	2016 £'000	2015 £'000
Deficit at the beginning of the year	(1,183)	(587)
Movement in year:		
- Past service cost	-	-
- Current service cost	(188)	(157)
- Contributions	142	148
- Net interest	(40)	(2)
- Surplus/(deficit) in SOCI	184	(585)
Deficit at the end of year	(1,085)	(1,183)

vi) History of experience surpluses/(deficits)

	2016 £'000	2016 As a % of Scheme assets / liabilities	2015 £'000	2015 As a % of Scheme assets / liabilities
Asset (loss)/gain	(154)	3.5%	246	5.7%
Change in assumptions	338	6.2%	-	-
Experience gain/(loss) on liabilities	338	6.2%	(831)	15%
Total amount recognised in the SOCI	184	3.4%	(585)	10.6%

24. CAPITAL COMMITMENTS

	GROUP		SHL	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Capital expenditure contracted for but not provided in the financial statements	4,921	8,482	-	-
Capital expenditure authorised by the Board of Management but not yet under contract	1,800	16,258	-	-

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.

SHROPSHIRE HOUSING GROUP

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

There is a formal borrowing facility in place via Shropshire Housing Treasury Limited with Newcastle Building Society, The Royal Bank of Scotland plc, Canada Life and Lloyds Bank to fund all planned capital expenditure requirements for SSHA and MMHA and further a funding agreement with Shropshire Council and SSHA.

25. OTHER FINANCIAL COMMITMENTS

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

	GROUP		SHL	
	2016	2015	2016	2015
	Total £'000	Total £'000	Total £'000	Total £'000
Operating leases which expire:				
Within 1 year	273	290	110	118
2 - 5 years	183	482	70	195
over 5 years	-	-	-	-
	<u>456</u>	<u>772</u>	<u>180</u>	<u>313</u>

26. CONTINGENT LIABILITIES

SSHA 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 2015. As of this date the estimated employer debt for SSHA was £12,505 million. This has not been provided for, as no such decision has been taken.

27. 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 & Communities Agency in accordance with the Housing and Regeneration Act 2008, registered no L4494;
- 2) Total Response Limited, a wholly owned private limited company number 6178863;
- 3) South Shropshire Housing Association registered by the Financial Conduct Authority under the Cooperative and Community Benefit Societies Act 2014, Registered No. 27191R and also registered with the Homes & 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 registered by the Financial Conduct Authority under the Cooperative and Community Benefit Societies Act 2014,. Registered No 30241R and also registered with the Homes & 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. The company No is 08875047.

28. RELATED PARTY TRANSACTIONS

During the year the following significant transactions took place between group members:

From Company	To Company	Amount £'000	Reason for payment
SHL	TRL	120	Management charge
SHL	MMHA	2,506	Management charge
SHL	SSHA	2,485	Management charge
SSHA	TRL	3,176	Repairs and contract work
MMHA	TRL	2,423	Repairs and contract work

29. 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 £3,176k and £2,423k respectively.

These charges are based upon an agreed benchmarked price.

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

30. TRANSITION TO FRS 102

This is the first year the Group has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the year ended 31 March 2015 and the date of transition to FRS 102 was therefore 1 April 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

The impact of these changes is set out in the note below.

Explanation of transition to FRS 102

Holiday pay

FRS102 requires short term employee benefits to be charged in the surplus or deficit to the Statement of Comprehensive Income as the employee service is received. This has resulted in the Group recognising a liability for holiday pay of £73k on transition FRS 102.

Grant

Under FRS102 government grants must be accounted for using the accruals model or the performance model. As the Group accounts for its properties at cost, it has adopted the accruals model for government grants, as required by SORP 2014. Non-government grants are accounted for under the performance model.

Under the accruals model, the government grants have been allocated to the related assets and amortised over the economic life of those assets. The total of £38,580 of capital grant has been recognised at transition before amortisation now included as specifically identified grant.

With the FRS 102 treatment of grant it no longer offsets property costs when calculating depreciation. This resulted in an increase to property depreciation £1,100 for the year to 31 March 2015.

Multi-employer defined benefit pension scheme

Under previous UK GAAP the Social Housing Pension Scheme, a multi-employer defined benefit pension scheme of which the Group is a member, was accounted for by the Group as a defined contribution scheme. It is not possible for the Group to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme and so continues to account for the scheme as a defined contribution scheme. Where the scheme is in deficit and where the Group has agreed to a deficit funding arrangement the Group now recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The unwinding of the discount rate is recognised as a finance cost. During the year to 31 March 2015 an additional charge of £117k was recognised in surplus or deficit in the Statement of Comprehensive Income and the liability at 31 March 2015 was £1,558k.

Investment properties

Commercial properties and offices are recognised at fair value rather than historical cost resulting in a charge to the Statement of Comprehensive Income of £808k in 2015.

Other Adjustments arising on transition to FRS 102

In addition to the transition adjustments identified above which affect the surplus for the financial year, the following adjustments have arisen which have had no effect on net reserves or Statement of Comprehensive Income but which have affected the presentation of these items on the Statement of Financial Position. The main items are:

- a) Computer software, with a net book value of £247k at 1 April 2014 and £220k at 1 April 2015, has been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the Group's net assets nor on the surplus for the year, except that the previous depreciation charge is now described as amortisation.
- b) Statement of cash flows

The Group's cash flow statement reflects the presentation requirements of FRS 102, which is different to that prepared under FRS 1. In addition the cash flow statement reconciles to cash and cash equivalents whereas under previous UK GAAP the cash flow statement reconciled to cash. Cash and cash equivalents are defined in FRS 102 as 'cash on hand and demand deposits and short term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value' whereas cash is defined in FRS 1 as 'cash in hand and deposits repayable on demand with any qualifying institution, less overdrafts from any qualifying institution repayable on demand'. The FRS 1 definition is more restrictive.

SHROPSHIRE HOUSING GROUP

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2016

30 (a) Group reconciliation of net assets and reserves at 1 April 2014 - date of transition to FRS 102

	UK GAAP as previously reported	Effect of transition into FRS 102				FRS 102
		Grant to creditors	Software	Investment properties	Depreciation	FRS 102
	£'000	£'000	£'000	£'000	£'000	£'000
ASSETS						
Housing properties	101,574	38,580	-	(320)	(4,158)	135,676
Intangible assets	-	-	247	-	-	247
Property, plant & equipment	447	-	(247)	-	-	200
Investment properties	2,602	-	-	1,235	-	3,837
Investments joint venture	(22)	-	-	-	-	(22)
	<u>104,601</u>	<u>38,580</u>	<u>-</u>	<u>915</u>	<u>(4,158)</u>	<u>139,938</u>
Current assets						
Inventories	234	-	-	-	-	234
Trade and other receivables	2,069	-	-	-	-	2,069
Investments	5,245	-	-	-	-	5,245
Assets for resale	1,234	-	-	-	-	1,234
Cash and cash equivalents	16,018	-	-	-	-	16,018
Debtors more than 1 year	13,614	-	-	-	-	13,614
	<u>38,414</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,414</u>
Total assets	<u>143,015</u>	<u>38,580</u>	<u>-</u>	<u>915</u>	<u>(4,158)</u>	<u>178,352</u>
LIABILITIES						
Current liabilities						
Trade and other payables	4,631	38,580	-	-	(3,988)	39,223
	<u>4,631</u>	<u>38,580</u>	<u>-</u>	<u>-</u>	<u>(3,988)</u>	<u>39,223</u>
Non-current liabilities						
Loans and borrowings	116,627	-	-	-	-	116,627
	<u>116,627</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,627</u>
Total Liabilities	<u>121,258</u>	<u>38,580</u>	<u>-</u>	<u>-</u>	<u>(3,988)</u>	<u>155,850</u>
Net assets	<u>21,757</u>	<u>-</u>	<u>-</u>	<u>915</u>	<u>(170)</u>	<u>22,502</u>
EQUITY						
Share capital	-	-	-	-	-	-
Pension provision	1,364	-	-	-	-	1,364
Revenue reserve	20,393	-	-	915	(170)	21,138
Total Equity	<u>21,757</u>	<u>-</u>	<u>-</u>	<u>915</u>	<u>(170)</u>	<u>22,502</u>

SHROPSHIRE HOUSING GROUP

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2016

30 (b) Group reconciliation of net assets and reserves at 1 April 2015

	UK GAAP 2014		Effect of transition into FRS 102					FRS 102
	as previously reported		Holiday pay	Grant to creditors	Software	Investment properties	Depreciation	FRS 102
	FRS 102	FRS above						
ASSETS								
Fixed assets	109,930	34,102	-	1,468	-	-	(1,304)	144,196
Intangible assets		247	-	-	(27)	-	-	220
Property, plant & equipment	518	(247)	-	-	27	-	-	298
Investment properties	3,306	1,235	-	-	-	(808)	204	3,937
Investments joint venture	-	-	-	-	-	-	-	-
	<u>113,754</u>	<u>35,337</u>	<u>-</u>	<u>1,468</u>	<u>-</u>	<u>(808)</u>	<u>(1,100)</u>	<u>148,651</u>
Current assets								
Inventories	236	-	-	-	-	-	-	236
Trade and other receivables	1,703	-	-	-	-	-	-	1,703
Investments	2	-	-	-	-	-	-	2
Assets for resale	3,332	-	-	-	-	-	-	3,332
Cash	4,706	-	-	-	-	-	-	4,706
Debtors more than 1 year	12,245	-	-	-	-	-	-	12,245
	<u>22,224</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,224</u>
Total assets	<u>135,978</u>	<u>35,337</u>	<u>-</u>	<u>1,468</u>	<u>-</u>	<u>(808)</u>	<u>(1,100)</u>	<u>170,875</u>
LIABILITIES								
Current liabilities								
Trade and other payables	4,612	34,592	73	818	-	-	-	40,095
Loans and borrowings	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
	<u>4,612</u>	<u>34,592</u>	<u>73</u>	<u>818</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,095</u>
Non-current liabilities								
Loans and borrowings	105,777	-	-	-	-	-	-	105,777
Total Liabilities	<u>110,389</u>	<u>34,592</u>	<u>73</u>	<u>818</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>145,872</u>
Net assets	<u>25,589</u>	<u>745</u>	<u>(73)</u>	<u>650</u>	<u>-</u>	<u>(808)</u>	<u>(1,100)</u>	<u>25,003</u>
EQUITY								
Share capital	-	-	-	-	-	-	-	-
Pension provision	2,128	-	1558	-	-	-	-	3,686
Revenue reserve	23,461	745	(73)	650	-	(808)	(2,658)	21,317
Revaluation reserve	-	-	-	-	-	-	-	-
Total Equity	<u>25,589</u>	<u>745</u>	<u>1,485</u>	<u>650</u>	<u>-</u>	<u>(808)</u>	<u>(2,658)</u>	<u>25,003</u>

SHROPSHIRE HOUSING GROUP

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2016

30 (c) Group reconciliation of total comprehensive income for the year ended 31 March 2015

	UK GAAP as previously reported	Effect of transition into FRS 102					FRS 102 £'000
		Holiday pay	Grant £'000	Pension £'000	Investment properties £'000	Depreciation	
Turnover	24,238	-	650	-	-	-	24,888
Operating expenditure	16,173	73		71	-	1,100	17,417
Operating surplus	8,065	(73)	650	(71)	-	(1,100)	7,471
Gain / (loss) on disposal of property, plant and equipment	344	-	-	-	-	-	344
Interest receivable	30	-	-	-	-	-	30
Taxation	(9)	-	-	-	-	-	(9)
Interest and financing costs	(4,477)	-	-	(46)	-	-	(4,523)
Deficit on revaluation of investment properties	-	-	-	-	(808)	-	(808)
Surplus for the year	3,953	(73)	650	(117)	(808)	(1,100)	2,505
Unrealised surplus / (deficit) on revaluation of housing properties	-	-	-	-	-	-	-
Actuarial (loss) / gain in respect of pension schemes	(885)	-	-	179	-	-	(706)
Change in fair value of hedged financial instruments	-	-	-	-	-	-	-
Total comprehensive income for the year	3,068	(73)	650	62	(808)	(1,100)	1,799
Other comprehensive income:							
Unrealised surplus / (deficit) on revaluation of housing properties	-	-	-	-	-	-	-
Actuarial (loss) / gain in respect of pension schemes	-	-	-	-	-	-	-
Change in fair value of hedged financial instruments	-	-	-	-	-	-	-
Total comprehensive income for the year	3,068	(73)	650	62	(808)	(1,100)	1,799

SHROPSHIRE HOUSING GROUP

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2016

30 (d) SHL reconciliation of net assets and reserves at 1 April 2015 - date of transition to FRS 102

	UK GAAP as previously reported	PP classification	Software /Holiday pay	FRS 102
	£'000	£'000		£'000
ASSETS				
Fixed assets				
Property, plant and equipment	162	(91)	(53)	18
Intangible	-	-	53	53
Investments – Homebuy loans receivable	-	-	-	-
	<u>162</u>	<u>(91)</u>	<u>-</u>	<u>71</u>
Current assets				
Inventories	1,561	91	-	1,652
Trade and other receivables				
Investments	164		-	164
Cash	546		-	546
	<u>2,271</u>	<u>91</u>	<u>-</u>	<u>2,362</u>
Total assets	<u>2,433</u>	<u>-</u>	<u>-</u>	<u>2,433</u>
LIABILITIES				
Current liabilities				
Trade and other payables	2,683	-	29	2,712
Loans and borrowings	-	-	-	-
	<u>2,683</u>	<u>-</u>	<u>29</u>	<u>2,712</u>
Non-current liabilities				
Loans and borrowings	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets	<u>(250)</u>	<u>-</u>	<u>(29)</u>	<u>(279)</u>
EQUITY				
Share capital	-	-	-	-
Revenue reserve				
Revaluation reserve	(250)	-	(29)	(279)
Total equity	<u>(250)</u>	<u>-</u>	<u>(29)</u>	<u>(279)</u>

SHROPSHIRE HOUSING GROUP

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2016

30 (f) SHL reconciliation of total comprehensive income for the year ended 31 March 2015

	UK GAAP previously reported	PP as classification £,000	Holiday pay	FRS 102 £'000
	£'000	£,000		£'000
Turnover	5,819	555	-	6,374
Operating expenditure	5,938	432	29	6,399
Operating surplus	(119)	123	(29)	(25)
Gain / (loss) on disposal of property, plant and equipment	123	(123)	-	-
Interest receivable	1	-	-	1
Interest and financing costs 4	-	-	-	-
Change in fair value of financial instruments	-	-	-	-
Surplus for the year	5	-	-	(24)
Unrealised surplus / (deficit) on revaluation of housing properties	-	-	-	-
Tax	(5)	-	-	(5)
Actuarial (loss) / gain in respect of pension schemes	-	-	-	-
Change in fair value of hedged financial instruments	-	-	-	-
Total comprehensive income for the year	-	-	-	(29)
Other comprehensive income:				
Unrealised surplus / (deficit) on revaluation of housing properties	-	-	-	-
Actuarial (loss) / gain in respect of pension schemes	-	-	-	-
Change in fair value of hedged financial instruments	-	-	-	-
Total comprehensive income for the year	-	-	(29)	(29)