



FINANCIAL STATEMENT

2014/15



south shropshire
housing association

HOMES & COMMUNITIES AGENCY REGISTRATION NO. LH 3943

SOUTH SHROPSHIRE HOUSING ASSOCIATION

Financial Statements

Year ended 31 March 2015

SOUTH SHROPSHIRE HOUSING ASSOCIATION

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SOUTH SHROPSHIRE HOUSING ASSOCIATION

CHAIR'S STATEMENT

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

During this financial year the Association produced strong financial results. We have managed to create a net position surplus of £557,000 which although down on the previous year's surplus of £1,282,000 it demonstrates good financial performance at a time when the governments' welfare reforms could continue to affect our business negatively. The surplus has been re-invested back into existing homes via an improvement programme designed to maintain asset values and into new homes through an ambitious programme of development which across the Group has seen the completion of almost 100 homes this year and is set to deliver at least 50 new homes a year over the life of our Corporate Plan.

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

Maintaining and extending our stock is a key ingredient to our business model whilst also complimenting the needs and aspirations of tenants and communities. Good maintenance of our properties accounts for a significant part of our expenditure and through our membership of the Central Housing Investment Consortium we have continued to drive down procurement costs. In total, planned works and improvements to the value of over £3.6 million have been successfully completed with some marked improvement this year on overall tenant satisfaction and that we represent good value for money.

By constantly appraising our assets through our Dynamic Asset Management Strategy the Association sold 7 properties and released a further 2 through Right to Buy adding capacity to our development programme and facilitating a number of adaptations helping tenants to remain in their properties. We also acquired the Shropshire Hills Discovery Centre in a community asset transfer from Shropshire Council and converted one rural home to Shared ownership.

The Association's development programme has delivered 65 new homes on time and on budget with the Groups' Community Land Trust Services facilitating a range of well received local community led schemes. Our community led projects accounted for the lions share of the Governments' Community Led funding whilst bringing in additional funding from Shropshire Council for ourselves and communities. We have completed our first open market homes for sale this year and shared ownership sales continue to go well, significantly boosting our cash flow.

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

Tim Ralphs
Chair

20th August 2015

STATUS OF THE ASSOCIATION

The Association is registered under the Cooperative and Community Benefit Societies Act 2014, Registered No. 27191R and is also registered with and regulated by the Homes & Communities Agency in accordance with the Housing and Regeneration Act 2008, Registered No. LH 3943. The Association has charitable objects, and is a charity for tax purposes (reference XT4981). South Shropshire Housing Association is a subsidiary of Shropshire Housing Limited

PURPOSES OF THE ASSOCIATION

The Association was formed for the benefit of the community in providing housing, accommodation and assistance to help house people.

STATEMENT OF COMPLIANCE WITH THE NHF CODE OF GOVERNANCE

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

An explanation regarding compliance with section D1 of the Code (terms of office) is as follows. At the end of 2014/15, one Board member, the Chair, had served for over nine years. He remains in office, as part of agreed transition arrangements to the new governance structure which followed a Groupwide governance review and consultation with the Homes and Communities Agency. During the year one other board member passed 9 years service on the board; he retired from the Board on 31st December 2014.

MEMBERS ASSOCIATION

There were two categories of shareholding membership: Tenant Members of which there were 28 and Independent Members of which there were 38, each holding a £1.00 share. As of 24th September 2014 there are 66 shareholders all of which are independent in accordance with the Association's new Rules. Shropshire Housing Limited is also a member and holds a £1.00 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. The Board may include co-opted persons appointed by the Board, who may not be members of the Association, to act as specialist advisers. The Board can have no more than 12 members in total (including co-optees). The Chair is appointed annually by Members of the Board.

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

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

The Board is responsible, through our co-terminous board arrangements, for the Association's continuing strategy and policy framework in areas such as repair and maintenance of its homes,

GOVERNANCE

housing and estate management, resident involvement etc. It delegates the day-to-day management and implementation of that framework to the Executive Team.

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

REMUNERATION OF BOARD MEMBERS

Our Board Members receive a fee from the Group and this is agreed on an annual basis. Reasonable reimbursement is made for travel and subsistence in appropriate circumstances. Details can be found in the SHL Financial Statements.

STATEMENT OF BOARD MANAGEMENT'S RESPONSIBILITIES

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

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

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

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

BOARD MEMBERS' INDEMNITY

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

FINANCIAL INSTRUMENTS

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

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

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

GOING CONCERN

After reviewing the Association's Budget for 2015/2016 and based on normal business planning and control procedures, and after making enquiries, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, despite the government's imposed rent reductions over the next four years. For this reason it continues to adopt the going concern basis in the financial statements.

STATEMENT ON INTERNAL CONTROLS ASSURANCE

RESPONSIBILITY

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

CONTROL ENVIRONMENT

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

CONTROL PROCEDURES

Procedures are in place 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 subsidiary Board meeting with any significant variances being reported together with explanations. The current borrowing and investment position is reported at each SHL Board meeting.

In accordance with regulations, annual financial returns are submitted to the Homes & Communities Agency, and quarterly financial returns to the Association's principal lenders. There are regular meetings of the Operational Management Team to review and monitor revenue and capital spending against budget assumptions. Cash balances are checked daily, coupled with revised forecasts of borrowing requirements at regular intervals as necessary. There are a number of annual reports on other functions to the Group's Audit and Risk Committee, and 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 Association. Effectiveness of controls are also tested by independent specialists where appropriate. Monitoring is also done by senior staff and managers.

RISK MANAGEMENT

The Group's staff have a clear responsibility for identifying risk 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 controls relating to them. The highest risks facing the Group are reported to the Audit and Risk Committee and SHL Board at each meeting.

BOARD MEMBERS' REPORT

MEMBERS OF THE BOARD

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

Tim Ralphs	Chair
James Williamson	
Paul Turner	(From 1st January 2015)
Sonia Youd	(From 1st January 2015)
Liz Walford	(From 1st January 2015)
Graham Biggs	(From 1st January 2015)
Chris Mellings	(From 1st January 2015)
Jake Berriman	(From 1st January 2015)
Stephen Donkersley	(From 1st January 2015)
Gill Jones	(From 1st January 2015)
John Stringer	(Resigned 31st December 2014)
Neville Stephens	(Resigned 31st December 2014)
Irene Grant (nee Overton)	(Resigned 31st December 2014)
David Mullins	(Resigned 31st December 2014)
Ian Graves	(Resigned 31st December 2014)
Clare Ratcliff	(Resigned 31st December 2014)
Michelle Thomas (nee Walker)	(Resigned 31st December 2014)

The Board reports that we produced a surplus of £557k compared to the previous year's surplus of £1,282k.

Turnover is £12.69 million compared to £11.96 million the previous year as planned shared ownership sales are higher. Interest charges amounted to approximately £3,302k (2014 £2,757k).

FUTURE DEVELOPMENTS

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

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

HOUSING PROPERTIES AND OTHER FIXED ASSETS

We now hold properties at a historical cost of £71.09 million (2014 £65.7 million) net of housing grants and depreciation. These were financed through grants, and internal funds.

The value for existing use by a housing association of these properties is professionally assessed at in excess of £115.396 million (2014 £107.7 million). As a mature stock transfer association our debt to asset gearing ratio is considered to be in line with similar associations.

There were 65 new properties completed or purchased. We lost 2 properties through the Right to Buy, and disposed of 7 units through the Dynamic Asset Management Strategy including 6 at Edelweiss. At the year end, the number of housing and commercial properties we managed totalled 2,312 (2014 2,255).

CASHFLOW AND LIQUIDITY

The cashflow from operating activities during the year was £4.1 million, compared to £5.9 million in 2014. Loans increased by £5.3m during the year following refinancing in July resulting in total borrowings of £68.3 million (2014 £63.00 million) at the year end.

By order of the Board

Tim Ralphs
Chair

BACKGROUND

South Shropshire Housing Association is a not for profit business formed in the early 1990's to provide high quality affordable social housing in the South Shropshire area, together with properties in Herefordshire and Shrewsbury. We manage approximately 2,300 houses and, with Meres and Mosses Housing Association, will contribute to the Group's aim to build or acquire 250 new homes over the next few years.

We have developed services and expertise in a wide range of housing and related services. For example, in addition to improving, managing and maintaining our general needs homes, we run a foyer for young people, a refuge for women fleeing domestic violence, sheltered schemes for older people and provide housing support services for vulnerable people.

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

OPERATING REVIEW

On 30th July 2007 we became part of the Shropshire Housing Group, with the newly formed Meres & Mosses Housing Association (MMHA) and Total Response Limited. At this time we adopted charitable rules. The formation of the Group has created efficiencies in administrative costs which are being used to improve frontline services, following consultation with tenants.

We have seen another successful year, developing or purchasing 65 new properties, although we have lost 2 properties through the Right to Buy. We disposed of 7 assets as part of the dynamic asset management strategy.

Once again, the combined expenditure on routine and planned maintenance and improvements has increased from the previous year's level, with specific attention being directed towards bathrooms, doors, windows, kitchens and roofing. The majority of planned works is now capitalised in line with our component accounting policy.

ACHIEVING VALUE FOR MONEY

Introduction

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

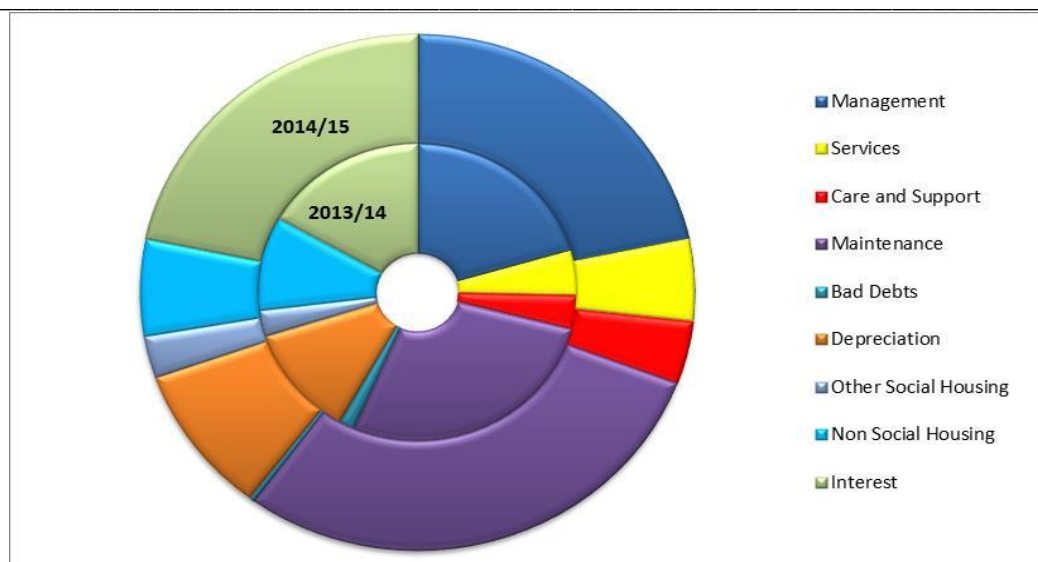
Our Strategy for Delivering Value for Money

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

HOW WE SPEND OUR MONEY

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

SOUTH SHROPSHIRE HOUSING ASSOCIATION OPERATING AND FINANCIAL REVIEW



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

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

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

We have continued to invest in planned maintenance with an additional £0.5m of expenditure this year, providing decent homes for our tenants. As we appraise and address business risks we recognise the increasing pressures that our tenants face from welfare reform and have continued to invest in housing management and in particular money management. Addressing anti-social behaviour has continued to be an investment priority to our communities and we are now seeing some great returns in terms of cases successfully resolved. We have also invested significantly in digital inclusion activity and supported other small social enterprises working with us to improve IT literacy and support into work projects for tenants. We have invested in customer support, complaint handling, our tenant scrutiny panel, TRIP and have established new Community Panels to deliver local regeneration projects through their "Neighbourhood Plans".

RETURN ON ASSETS

We aim to make the most of all the property we own and make informed decisions about sales and investment. We use systematic stock condition surveys, Net Present Value (NPV) calculations and industry

SOUTH SHROPSHIRE HOUSING ASSOCIATION OPERATING AND FINANCIAL REVIEW

standard software to help manage costs around attribute lifecycles, inform our business plans and explain improvement plans to tenants and from 2015/16 we plan further work in evaluating stock on demand, demographic and thermal performance. Of great concern to us has been increasing re-let times and our voids review will conclude next year describing a concerted effort to improve effectiveness and to capture business efficiencies.

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

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

Reduced our responsive repairs spend by £290k from our 2013/14 outturn position (target £300k)

Reduced the churn of empty properties from 10.5% of tenancies terminated as a % of stock in 2013/14 to 8.3% in 2014/15

Fitted 135 new bathrooms (119 in 2013/14), 196 boilers (200 in 2013/14), and 200 new kitchens (180 in 2013/14), and

Increased individual customer satisfaction on responsive repairs from 91% in 2013/14 to 95.7%. As part of our 2014 STAR survey we improved overall satisfaction with repairs and maintenance to 83% from 81% in 2012. Disappointingly, customer satisfaction in the quality of homes fell to 85% from 87% (2012). By jointly procuring the STAR survey with partner Shropshire landlords we saved nearly £900k.

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

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

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

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

VALUE FOR MONEY SAVINGS

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

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

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

Meeting our 2014/15 VFM targets:

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

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

Specific targets for 2015/16 include:

- Securing 4% or £200,000 Vfm reductions in controllable budgets built into 2015/16 base budgets;
- Protecting operating margins of 29%;
- Securing efficiencies in the Board and executive restructures exceeding £80,000 pa;
- Securing savings over £100,000 pa from procurement exercises including insurances and mobiles;
- Exceeding our 50 new homes a year target through efficiencies and recycled sales proceeds;
- Reducing tenancies terminated from 8.3% of stock to 7.3%, by addressing tenancy failure and capturing the associated costs and savings;
- Reducing average re-let times towards our target of 25.3 days improving income at an average of £12.51 per property per day (based on a Group average weekly rent of £87.62);
- Improving first time access for gas servicing from 77.8% to 85% capturing the associated savings; and
- Securing over £25,000 of savings pa within TRL following 2014/15 TRIP review of "right first time"

**SOUTH SHROPSHIRE HOUSING ASSOCIATION
OPERATING AND FINANCIAL REVIEW**

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

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

Respective responsibilities of the Board and the auditor

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors. This report, including our opinion, has been prepared for and only for the Association's members as a body in accordance with the Co-operative and Community Benefit Societies Act 2014 and the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body for our audit work, for this report, or for the opinions we have formed.

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion the financial statements;

- give a true and fair view of the state of the Association's affairs as at 31 March 2015 and of its surplus 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, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Matters on which we are required to report by exception

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

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

Mazars LLP, Chartered Accountants (Statutory Auditor)

**45 Church Street
Birmingham
B3 2RT**

SOUTH SHROPSHIRE HOUSING ASSOCIATION

INCOME AND EXPENDITURE ACCOUNT

For the year ended 31 March 2015

	Notes	2015 £'000	2014 £'000
TURNOVER	2	12,692	11,961
Operating costs	2	(8,574)	(8,460)
OPERATING SURPLUS	2	4,118	3,501
(Deficitt)/Surplus on sale of fixed assets	9	(264)	528
SURPLUS ON ORDINARY ACTIVITIES BEFORE INTEREST		3,854	4,029
Interest receivable and similar income	3	5	10
Interest payable and similar charges	4	(3,302)	(2,757)
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	557	1,282
Taxation on surplus on ordinary activities	8	-	-
SURPLUS FOR THE YEAR TRANSFERRED TO RESERVES		557	1,282

The above results relate wholly to continuing operations which have been calculated on the historical cost basis.

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

	Notes	2015 £'000	2014 £'000
Surplus for the year		557	1,282
Actuarial (loss)/gain	18	(300)	54
Total recognised surplus relating to the year		257	1,336

SOUTH SHROPSHIRE HOUSING ASSOCIATION

BALANCE SHEET As at 31 March 2015

	Notes	2015 £'000	2014 £'000
TANGIBLE FIXED ASSETS			
Tangible assets cost	9	128,690	119,244
Less Depreciation	9	(17,998)	(17,395)
Less Social Housing Grant and other capital grants	9	(37,889)	(36,110)
		<u>72,803</u>	<u>65,739</u>
Investments / Joint Ventures	10	-	(22)
		<u>72,803</u>	<u>65,717</u>
CURRENT ASSETS			
Assets held for resale	11	1,536	374
Debtors	12	1,418	997
Cash at bank and in hand		741	3,108
		<u>3,695</u>	<u>4,479</u>
CREDITORS: amounts falling due within one year	14	(3,339)	(1,941)
NET CURRENT ASSETS		<u>356</u>	<u>2,538</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>73,159</u>	<u>68,255</u>
CREDITORS: amounts falling due after more than one year	15	67,275	62,796
Provision for pension liability	18	945	777
CAPITAL AND RESERVES			
Called up share capital	16	-	-
Revenue reserve	17	4,939	4,682
		<u>73,159</u>	<u>68,255</u>

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

Tim Ralphs
Chairman

Board Member

Jen Hayball
Secretary

SOUTH SHROPSHIRE HOUSING ASSOCIATION

CASH FLOW STATEMENT

Year ended 31 March 2015

	Notes	2015 £'000	2014 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	(a)	4,120	5,984
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		5	10
Interest paid		(3,071)	(2,652)
		(3,066)	(2,642)
CAPITAL EXPENDITURE			
Acquisition, construction and improvement of housing properties		(8,919)	(3,914)
Proceeds from sale of Right To Buy properties & miscellaneous land		433	1,955
Capital grants received		768	138
Purchase of other tangible fixed assets		(149)	(123)
		(7,867)	(1,944)
TAXATION FINANCING			
Loan financing costs		(839)	
Net housing loans received/(repaid)	(b)	5,285	(32)
Net shares issued		-	-
		4,446	(32)
(DECREASE)/INCREASE IN CASH	(c)	(2,367)	1,366

NOTES TO THE CASH FLOW STATEMENT

Year ended 31 March 2015

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

	2015	2014
	£'000	£'000
Operating surplus	4,118	3,501
Depreciation and impairment	1,203	1,818
(Increase)/decrease in debtors	(636)	847
Shared ownership cost of sales increase in stock	(1,162)	(270)
Increase in creditors	759	192
Movement in provisions	(140)	(104)
Joint venture waiver	(22)	-
Net cash inflow from operating activities	4,120	5,984

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

	2015	2014
	£'000	£'000
(Decrease)/increase in cash in the year	(2,367)	1,366
Housing loans (received)/repaid	(5,285)	32
Change in net debt	(7,652)	1,398
Net debt brought forward	(59,898)	(61,296)
Net debt carried forward	(67,550)	(59,898)

(c) ANALYSIS OF CHANGES IN NET DEBT

	At 31	Cashflow	At 31
	March 2014	£'000	March 2015
	£'000		£'000
Investments	-	-	-
Cash at bank and in hand	3,108	(2,367)	741
		(2,367)	
Debt due after 5 years	(63,006)	(5,285)	(68,291)
Total	(59,898)	(7,652)	(67,550)

1. ACCOUNTING POLICIES

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

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

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

Fixed assets and depreciation

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

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

Housing Properties

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

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

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

Housing properties – 99 years

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

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

1. ACCOUNTING POLICIES (Continued)

Shared Ownership Properties

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

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

Impairment

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

Social Housing and Other Grants

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

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

Stock

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

Liquid resources

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

Operating leases

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

Interest charges

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

Capitalisation of interest

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

Pension costs

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

1. ACCOUNTING POLICIES (Continued)**Taxation**

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

VAT policy

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

Supported People income and expenditure

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

2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2015			2014	
	Turnover	Operating costs	Operating Surplus	Turnover	Operating surplus
	£'000	£'000	£'000	£'000	£'000
LETTINGS	11,575	7,747	3,828	11,037	3,395
OTHER SOCIAL HOUSING					
Supporting People	527	503	24	506	(38)
Foyer non letting	11	11	-	12	-
VAT	71	-	71	21	21
	12,184	8,261	3,923	11,576	3,378
Sale of shared ownership first tranche	271	237	34	117	37
(Gain)/contribution to pension scheme	-	(140)	140	-	104
Non social housing lettings	237	216	21	268	232
Impairment	-	-	-	-	(250)
	12,692	8,574	4,118	11,961	3,501

SOUTH SHROPSHIRE HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

2. INCOME AND EXPENDITURE FROM LETTINGS (Continued)

	2015			2014
	Housing Accommodation	Supported Housing for Older People and Foyer and Refuge	Shared Ownership	Total
	£'000	£'000	£'000	£'000
INCOME				
Net rental income	8,677	1,289	382	10,348
Net service charges income	130	254	12	396
Charges for support services	-	130	-	126
NET RENTAL INCOME	8,807	1,673	394	10,874
Revenue grants from Homes & Community Agency and Local Authority	-	572	-	552
Aids & Adaptations Grant	65	-	-	25
Other revenue grants	-	14	-	14
Other income	43	7	-	26
TOTAL INCOME FROM LETTINGS	8,915	2,266	394	11,575
EXPENDITURE ON LETTINGS				
Management	1,860	323	71	2,254
Services	380	283	5	668
Care and support	106	622	-	728
Routine maintenance	1,710	287	-	1,997
Planned maintenance	987	155	-	1,142
Rent losses from bad debts	(2)	11	-	9
Depreciation	736	153	60	949
TOTAL EXPENDITURE ON LETTINGS	5,777	1,834	136	7,747
OPERATING SURPLUS/(DEFICIT)	3,138	432	258	3,828
VOID LOSSES	(117)	(68)	(3)	(159)

SOUTH SHROPSHIRE HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

3. INTEREST RECEIVABLE AND SIMILAR INCOME

	2015 £'000	2014 £'000
Interest receivable from bank deposits	5	10

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £'000	2014 £'000
Net finance charge on pension (note 18)	8	9
On bank loans, overdrafts and other loans repayable - wholly or partly in more than 5 years	3,472	2,761
Less: interest capitalised	(178)	(13)
	3,302	2,757

5. SURPLUS ON ORDINARY ACTIVITIES

	2015 £'000	2014 £'000
<i>Surplus on ordinary activities is stated after charging:</i>		
Depreciation of tangible fixed assets	1,029	1,568
Impairment of tangible fixed assets	174	250
Auditors' remuneration excluding VAT. (This is shown within the Group costs):		
In their capacity as auditors	11	11
In respect of other services	-	-

6. STAFF COSTS

	2015 £'000	2014 £'000
Wages and salaries	1,025	948
Social security costs	82	90
Other pension costs	181	194
	1,288	1,232

	2015 Number	2014 Number
Average number of full-time equivalent persons employed during the year based on 35 hours per week	47	46

These were categorised as:

Development	4	3
Housing	3	3
Sheltered/Domestic Support	40	40
	47	46

SOUTH SHROPSHIRE HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

7. DIRECTORS' EMOLUMENTS

	2015	2014
	£'000	£'000
Fees payable by way of expenses and remuneration to Board Members	<u>-</u>	<u>-</u>

8. TAXATION

The Association was accepted as a charity with effect from 6 August 2007.

SOUTH SHROPSHIRE HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

9. TANGIBLE FIXED ASSETS

	General needs constructed	General needs in the course of construction	Shared Ownership constructed	Shared Ownership In course of construction	Sheltered and supported accommodation	Commercial Property	Office Equipment	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At 1 April 2014	83,947	1,232	12,271	368	19,197	1,751	478	119,244
Additions	5,602	1,191	1,387	8	131	-	149	8,468
Schemes completed	400	(400)	368	(368)	-	-	-	-
Disposals	(1,131)	(1,129)	(304)	-	(67)	-	-	(2,631)
Transferred to other Group company	3,119	-	490	-	-	-	-	3,609
At 31 March 2015	91,937	894	14,212	8	19,261	1,751	627	128,690
Depreciation and impairment								
At 1 April 2014	14,088	-	416	-	2,476	29	386	17,395
Charge for the year	757	-	60	-	132	12	68	1,029
Impairment Adjustment	-	-	-	-	-	174	-	174
Eliminated on disposals	(538)	-	(2)	-	(60)	-	-	(600)
At 31 March 2015	14,307	-	474	-	2,548	215	454	17,998
Social Housing grants and other capital grants								
At 1 April 2014	25,141	392	4,592	77	5,908	-	-	36,110
Receivable	557	-	192	-	-	-	-	749
Schemes completed	392	(392)	77	(77)	-	-	-	-
Transfer between other Group company	873	-	157	-	-	-	-	1,030
At 31 March 2015	26,963	-	5,018	-	5,908	-	-	37,889
Net book value								
At 31st March 2015	50,667	894	8,720	8	10,805	1,536	173	72,803
At 31st March 2014	44,718	840	7,263	291	10,813	1,722	92	65,739

Works to existing properties during the year amounted to £3,630k (2014 £3,050k). This has been accounted for as follows:-

Planned maintenance – revenue £1,142k (2014 £879k)

Improvements – capital £2,488k (2014 £2,171k)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015
9. TANGIBLE FIXED ASSETS (Continued)

Housing properties and housing properties in the course of construction include £2,631k (2014 £2,447 k) of accumulated capitalised interest.

	2015	2014
	Number	Number
Under development at end of year:		
Housing accommodation	5	21
Under management at end of year:		
Housing general needs	1,831	1,774
Housing for older people and other supported	313	322
Shared Ownership	145	131
Managed for private landlords	4	4
Commercial units	19	24
	2,312	2,255

DISPOSAL OF FIXED ASSETS

	2015	2014
	£'000	£'000
Proceeds	433	1,955
Cost	(1,297)	(1,929)
Depreciation eliminated on disposal	600	502
(Deficit)/Surplus on disposal	(264)	528

10. INVESTMENTS

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

In 2005, the Association acquired 40 ordinary shares of £1 each in South Shropshire Local Homes Limited, out of a total of 99 issued. Dividends on sale or winding up of the company will entitle the 3 shareholders equal amounts on distribution irrespective of share numbers held. The accounting period is the year ended 31 March 2015.

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

SOUTH SHROPSHIRE HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

10. INVESTMENTS (Continued)

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

	£'000	£'000
Share of turnover		-
Share of loss before tax	-	
Taxation	-	
Loss after tax		-
Balance brought forward		(22)
Waived in year		22
		-
Share of assets		
Fixed assets	-	
Current assets	-	
Share of liabilities		
Due within one year or less	-	
Due after more than one year-shares	-	
Share of net liabilities		-
Shares held 40 ordinary £1 shares		-
Approval was received from the Council to waive the balance on the loan account		-

11. ASSETS HELD FOR RESALE

	2015 £'000	2014 £'000
Open market units work in progress	1,129	-
Shared ownership completed units	407	28
Shared ownership work in progress	-	346
	1,536	374

SOUTH SHROPSHIRE HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

12 DEBTORS

	2015 £'000	2014 £'000
DUE WITHIN ONE YEAR		
Gross rental arrears	683	638
Less: Provision for bad debts	(354)	(399)
	<u>329</u>	<u>239</u>
Amounts due from other Group companies	539	278
Prepayments and accrued income	550	480
	<u>1,418</u>	<u>997</u>

13 CURRENT ASSET INVESTMENTS

	2015 £'000	2014 £'000
Cash on short term deposit	-	-

14 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £'000	2014 £'000
Trade creditors	863	416
Other taxation and social security	88	81
Rent in advance	182	113
Social Housing Grant in advance*	136	117
Amounts due to other Group companies	729	306
Accruals and deferred income	1,341	908
	<u>3,339</u>	<u>1,941</u>

* Includes recycled capital grant

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

It is envisaged that this will be recycled into another capital scheme in 2015.

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

Housing loans

	2015 £'000	2014 £'000
Amounts repayable by instalments and not wholly repayable within five years:		
Housing loan funding	68,291	63,006
Refinancing costs	(1,016)	(210)
	<u>67,275</u>	<u>62,796</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

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

The housing loan funding is represented by:

Funder	£'000	Terms of repayment
RBS/Newcastle	46,000	From 4 years to 26 years
RBS Revolver	13,000	5 years
Canada Life	6,368	33 years
Shropshire Council	2,923	5 years
Total	68,291	N/A

The above funding has been sourced by Shropshire Housing Treasury Limited and on-lent to the Association at interest rates between 2.75% and 6.495%.

16. CALLED UP SHARE CAPITAL

	2015	2014
	£	£
Issued and fully paid shares of £1 each:		
At 1 April 2014	76	77
Issued during the year	-	1
Relinquished during the year	(9)	(2)
	<u>67</u>	<u>76</u>
At 31 March 2015	<u>67</u>	<u>76</u>

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

17. RESERVES

	2015	2014
	£'000	£,000
At 1st April 2014	4,682	3,346
Surplus for the year	557	1,282
Actuarial (loss)/gain on pension scheme	(300)	54
	<u>4,939</u>	<u>4,682</u>
At 31st March 2015	<u>4,939</u>	<u>4,682</u>

18. PENSION OBLIGATIONS

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

Total pension cost for the Association was £181k (2014: £194k) covering 44 (2014: 18) employees. This includes £142k (£152k in 2014) lump sum payment for the Shropshire County Pension Scheme funding deficit.

(a) Social Housing Pension Scheme

South Shropshire Housing Association 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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

18. PENSION OBLIGATIONS (Continued)

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

The share actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30th September 2014, the market value of the scheme's assets was £3,123 million. There was a shortfall of assets captured with the value of liabilities of £1,323 million, equivalent to a past service funding level of 70%.

(b) Shropshire County Superannuation Fund

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

The last formal valuation of the Scheme was performed at 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
	<hr/>
Market Value	1,235
Past Service liabilities	(1,618)
	<hr/>
Past Service deficit	(383)
	<hr/> <hr/>

South Shropshire Housing Association paid contributions at the rate of 25% during the accounting period and will pay 25% for the next 2 years. Member contributions vary between 5.8% and 6.8%. We additionally paid the lump sum of £142,200 and will do for the next 2 years.

Financial assumptions

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

	31 March 2015	31 March 2014	31 March 2013
Rate of CPI inflation	2.0%	2.4%	2.4%
Rate of increase in salaries	3.5%	3.9%	3.9%
Rate of increase in pensions	2.0%	2.4%	2.4%
Discount rate	3.2%	4.4%	4.2%

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2015

18. PENSION OBLIGATIONS (Continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SOUTH SHROPSHIRE HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2015

19. CAPITAL COMMITMENTS

	2015	2014
	£'000	£'000
Capital expenditure contracted for but not provided in the financial statements	2,815	4,520
Capital expenditure authorised by the Board of Management but not yet under contract	10,322	13,703

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 Association's own funds.

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

20. OTHER FINANCIAL COMMITMENTS

The Association is not committed to making any annual payments under non-cancellable operating leases.

21. CONTINGENT LIABILITIES

The Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2014. As of this date the estimated employer debt for South Shropshire Housing Association was £10.949 million. This has not been provided for, since there is currently no intention to withdraw from the scheme.

22. LEGISLATIVE PROVISIONS

The Association is registered with the Financial Conduct Authority under the Cooperative and Community Benefit Societies Act 2014. Registered No. 27191R and is 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.

The ultimate parent undertaking is Shropshire Housing Limited, also registered with the Financial Conduct Authority under the Cooperative and Community Benefit Societies Act 2014 and regulated by the Homes & Communities Agency. Consolidated financial statements of which South Shropshire Housing Association are part are available from the registered office address; The Gateway, The Auction Yard, Craven Arms, Shropshire, SY7 9BW.

23. RELATED PARTY TRANSACTIONS

Grow, Cook, Learn and Discovery Centre

The Discovery Centre was purchased from the Council during the year. We have a lease agreement with Grow, Cook, Learn and SLA's to deliver various functions such as accounts preparation, HR and IT services. We have a loan agreement and have lent £150k of a £250k agreement as at the balance sheet date.

24. INTRAGROUP TRANSACTIONS BETWEEN REGULATED AND NON REGULATED ENTITIES

Total Response Limited has undertaken maintenance and improvement work for South Shropshire Housing Association to the value of £3,120k (£3,257k 2014). These charges are based upon an agreed percentage below schedule of rates and agreed control process. Total Response also administer the facilities management for the Gateway on behalf of South Shropshire Housing Association.

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