

South Shropshire Housing Association



south shropshire
housing association

Financial Statements

2015/2016

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HOMES & COMMUNITIES AGENCY REGISTRATION NO. LH 3943

SOUTH SHROPSHIRE HOUSING ASSOCIATION

Financial Statements

Year ended 31 March 2016

SOUTH SHROPSHIRE HOUSING ASSOCIATION

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SOUTH SHROPSHIRE HOUSING ASSOCIATION

COMPANY INFORMATION

Directors

Directors as at 31st March 2016:

Tim Ralphs
Stephen Donkersley
Jake Berriman
James Williamson
Sonia Youd
Graham Biggs
Elizabeth Walford
Gill Jones
Chris Mellings
Paul Turner

Secretary

Jen Hayball

Auditors

Mazars LLP
45 Church Street
Birmingham
B3 2RT

Funders

Shropshire Council
Shirehall
Shrewsbury
Shropshire
SY8

Bankers

RBS
5th Floor
2 St Philips Place
Birmingham
B3 2RB

Registered number: 27191R

Registered office:
The Gateway
The Auction Yard
Craven Arms
Shropshire
SY7 9BW

SOUTH SHROPSHIRE HOUSING ASSOCIATION

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

The Association is registered under the Co-operative 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 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. 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.

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 ASSOCIATION

There were two categories of shareholding membership: Tenant Members and Independent Members, each holding a £1.00 share. As of 31st March 2016 there are 67 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-opted members). The Chair is appointed annually by Members of the Board.

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 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

SOUTH SHROPSHIRE HOUSING ASSOCIATION

BOARD REPORT

effectiveness is regularly reviewed and monitored, the latest review being carried out in January 2016.

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, housing and estate management, resident involvement etc. It delegates the day-to-day management and implementation of that framework to the Executive Team. The Chief Executive Officer is also a member of the Board.

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

MEMBERS OF THE BOARD

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

Tim Ralphs	Chair
James Williamson	
Paul Turner	
Sonia Youd	
Liz Walford	
Graham Biggs	
Chris Mellings	
Jake Berriman	CEO
Stephen Donkersley	
Gill Jones	

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 OF MANAGEMENT'S RESPONSIBILITIES

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

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

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

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

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 2016/2017 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 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. 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.

By order of the Board

Tim Ralphs
Chair

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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 385 new homes by 2020.

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 tenant.

We have seen another successful year, developing or purchasing 23 new properties, although we have lost 20 properties through the Right to Buy and 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.

REPORTING STRUCTURE

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

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%

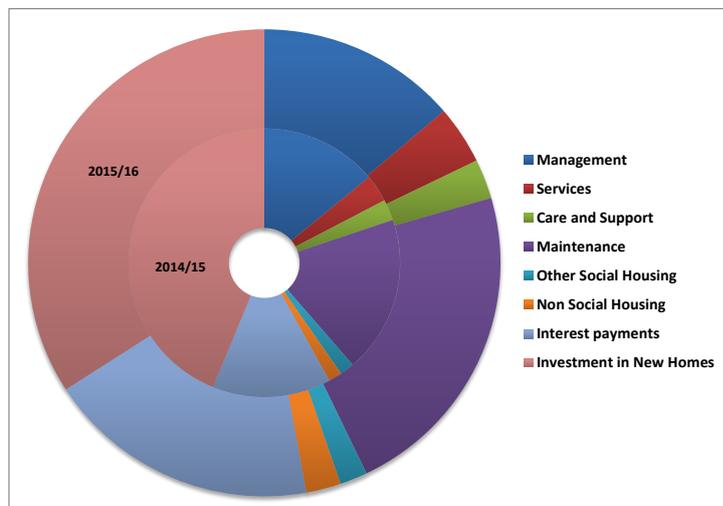
HOW WE SPEND OUR MONEY

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"

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									
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).											

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.

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

SOUTH SHROPSHIRE HOUSING ASSOCIATION

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 SOUTH SHROPSHIRE HOUSING ASSOCIATION

We have audited the financial statements of South Shropshire Housing Association for the year ended 31 March 2016 which 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 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, 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 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 2016 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102; 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 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 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

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	2016 £'000	2015 £'000
Turnover	2	15,293	13,324
Operating costs	2	(10,566)	(9,680)
Remeasurement and deficit payment of SHPS pension liability		(383)	179
		<hr/>	<hr/>
Operating Surplus		4,344	3,823
Deficit on sale of fixed assets	11	(235)	(264)
Finance income	3	4	5
Interest payable and financing costs	4	(3,858)	(3,348)
Change in fair value of investment properties	10	-	80
		<hr/>	<hr/>
Surplus on ordinary activities before taxation	5	255	296
Taxation on surplus on ordinary activities	8	(12)	-
		<hr/>	<hr/>
Surplus for the year		243	296
Actuarial gain/(loss) on pension scheme		74	(300)
		<hr/>	<hr/>
Total comprehensive income for the year		317	(4)
		<hr/> <hr/>	<hr/> <hr/>

SOUTH SHROPSHIRE HOUSING ASSOCIATION

STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	2016 £'000	2015 £'000
Fixed Assets			
Intangible assets	9	122	111
Housing properties – cost less depreciation	10a	106,860	103,713
Investment properties	10b	2,697	2,697
Other property, plant & equipment	10b	39	62
		<u>109,718</u>	<u>106,583</u>
Current Assets			
Assets held for resale	13	676	1,536
Current asset investments	15	-	-
Debtors	14	910	1,418
Cash and cash equivalents		328	741
		<u>1,914</u>	<u>3,695</u>
Creditors: amounts falling due within one year	16	<u>(4,382)</u>	<u>(3,352)</u>
Net Current (Liabilities)/Assets		<u>(2,468)</u>	<u>343</u>
Total assets less current liabilities		<u>107,250</u>	<u>106,926</u>
Creditors: amounts falling due after more than one year	17	(100,350)	(100,563)
Defined benefit pension liability	21	(2,723)	(2,503)
Net assets		<u>4,177</u>	<u>3,860</u>
Capital and Reserves			
Called up share capital	20	-	-
Revenue reserve		4,177	3,860
Total reserves		<u>4,177</u>	<u>3,860</u>

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

Tim Ralphs
Chairman

Board Member

Jen Hayball
Secretary

SOUTH SHROPSHIRE HOUSING ASSOCIATION

STATEMENT OF CHANGES IN RESERVES

Year ended 31 March 2016

	Revenue Reserve 2016 £'000	2015 £'000
At 1 April 2015	3,860	3,864
Surplus/(deficit) from statement of comprehensive income	317	(4)
At 31 March 2016	<u>4,177</u>	<u>3,860</u>

SOUTH SHROPSHIRE HOUSING ASSOCIATION

STATEMENT OF CASH FLOWS

Year ended 31 March 2016

	Notes	2016 £'000	£'000	2015 £'000	£'000
NET CASH GENERATED FROM OPERATING ACTIVITIES	(a)		8,845		4,120
CASH FLOWS FROM FINANCING ACTIVITIES					
Finance income		4		5	
Interest payable and financing costs		(3,768)		(3,071)	
Housing loans received/(repaid)		(399)		4,446	
			(4,163)		1,380
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition, construction and improvement of housing properties		(6,059)		(8,919)	
Proceeds from sale of Right To Buy properties & miscellaneous land		578		433	
Capital grants received		460		768	
Purchase of other property, plant & equipment		-		(149)	
Purchase of intangible assets		(74)		-	
			(5,095)		(7,867)
TAXATION			-		-
Net decrease in cash and cash equivalents			(413)		(2,367)
Cash and cash equivalents at the beginning of the year			741		3,108
Cash and cash equivalents at the end of the year			328		741

(a) NET CASH GENERATED FROM OPERATING ACTIVITIES

	2016 £'000	2015 £'000
Operating surplus	4,344	3,823
Depreciation and impairment	1,912	2,225
Decrease/(increase) in debtors	612	(636)
Decrease/(increase) shared ownership cost of sales	860	(1,162)
Increase in creditors	1,185	772
Movement in provisions	(148)	(69)
Joint venture waiver	-	(22)
Amortised grant	(303)	(632)
Actual deficit/(gain) on Pension Trust	383	(179)
Net cash inflow from operating activities	8,845	4,120

SOUTH SHROPSHIRE HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

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. South Shropshire Housing Association 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 South Shropshire Housing Association 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 notes 28 and 29.

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 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 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.

Service Charge sinking funds and service costs

Unutilised contributions to service charge sinking funds and over-recovery of service costs which are repayable to tenants or leaseholders or are intended to be reflected in reductions to future service charge contributions are recognised as a liability in the Statement of Financial Position. The amount included in liabilities in respect of service charge sinking funds includes interest credited to the fund. Where there has been an under-recovery of leaseholders' or tenants' variable service charges and recovery of the outstanding balance is virtually certain, the balance is recognised in the Statement of Financial Position as a trade receivable. Debit and credit balances on individual schemes are not aggregated as there is no right of set-off.

Properties for outright sale

Properties developed for outright sale and land held for sale are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes materials, direct labour and an attributable proportion of overheads based on normal levels of activity.

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 measurable 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.

Investment properties

The classification of properties as investment property or property plant and equipment is based upon the intended use of the property. Properties held to earn commercial rentals or for capital appreciation or both are classified as investment properties. Properties that are used for administrative purposes or that are held for the provision of social housing are treated as property plant and equipment. Mixed use property is separated between investment property and property, plant and equipment.

Land is accounted for based on its intended use. Where land is acquired speculatively with the intention of generating a capital gain and/or a commercial rental return it is accounted for as investment property. Where land is acquired for use in the provision of social housing or for a social benefit it is accounted for as property, plant and equipment

1. ACCOUNTING POLICIES (Continued)

Investment properties are measured at fair value annually with any change recognised in surplus or deficit in the Statement of Comprehensive Income.

Intangible assets

Intangible assets are stated at historic cost or valuation, less accumulated amortisation and any provision for impairment. Amortisation is provided on all Intangible assets at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life, as follows:

Computer software	4 years
-------------------	---------

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.

Recycling of grants

Where there is a requirement to either repay or recycle a grant received for an asset that has been disposed of, a provision is included in the Statement of Financial Position to recognise this obligation as a liability. When approval is received from the funding body to use the grant for a specific development, the amount previously recognised as a provision for the recycling of the grant is reclassified as a creditor in the Statement of Financial Position.

For shared ownership staircasing sales, when full staircasing has not taken place, the recycling of the grant may be deferred if the net sales proceeds are insufficient to meet the grant obligation relating to the disposal and is not be recognised as a provision. On subsequent staircasing sales, the requirement to recycle the grant becomes an obligation if sufficient sales proceeds are generated to meet the obligation and a provision is recognised at this point.

On disposal of an asset for which government grant was received, if there is no obligation to repay the grant, any unamortised grant remaining within liabilities in the Statement of Financial Position related to this asset is derecognised as a liability and recognised as revenue in surplus or deficit in the Statement of Comprehensive Income.

Inventories

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

Cash and cash equivalents

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.

1. ACCOUNTING POLICIES (Continued)

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.

Financial Instruments

Financial assets and financial liabilities are recognised when the Association 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 Association'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.

1. **ACCOUNTING POLICIES (Continued)**

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 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.

Defined contribution scheme

The Association has obligations to pay pension benefits to certain employees. The cost of these benefits and the associated 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.

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 South Shropshire Housing Association from 6 August 2007. This is due to HMRC accepting their Charitable Objects.

Gift aid payments

Gift aid payments are charged as distributions of reserves in accordance with the guidance included in the Institute of Chartered Accountants technical release 'Guidance on donations by a company to its parent charity'.

VAT policy

The Association 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 Statement of Comprehensive Income.

1. ACCOUNTING POLICIES (Continued)

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.

Significant management judgements

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

Impairment of social housing properties

The Association has 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.

Estimation uncertainty

The Association 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 Association 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.

SOUTH SHROPSHIRE HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

2a TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	2016			2015	
	Turnover £'000	Operating costs £'000	Operating Surplus £'000	Turnover £'000	Operating surplus £'000
Lettings (note 2b)	12,369	8,296	4,073	12,207	3,234
Other social housing					
Supporting People	521	487	34	527	24
Foyer non letting	8	8	-	11	-
VAT	49	-	49	71	71
	12,947	8,791	4,156	12,816	3,329
Sale of shared ownership first tranche	564	507	57	271	34
Outright sales	1,546	1,383	163	-	-
(Gain)/ loss on pension scheme	-	(147)	147	-	69
Non social housing lettings	236	32	204	237	212
	15,293	10,566	4,727	13,324	3,644

SOUTH SHROPSHIRE HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

2b INCOME AND EXPENDITURE FROM LETTINGS (Continued)

	2016			2015	
	Housing Accommodation	Supported Housing for Older People and Foyer and Refuge	Shared Ownership	Total	Total
	£'000	£'000	£'000	£'000	£'000
Income					
Net rental income	9,094	1,333	429	10,856	10,348
Net service charges income	174	311	14	499	396
Charges for support services	-	131	-	131	130
Net Rental Income	9,268	1,775	443	11,486	10,874
Revenue grants from Homes & Community Agency and Local Authority	-	486	-	486	572
Aids & Adaptations Grant	40	-	-	40	65
Other revenue grants	-	14	-	14	14
Other income	33	7	-	40	50
Amortisation of government grants (note 19)	235	39	29	303	632
Total Income From Lettings	9,576	2,321	472	12,369	12,207
Expenditure On Lettings					
Management	1,678	275	65	2,018	2,267
Services	331	340	10	681	668
Care and support	95	579	-	674	728
Routine maintenance	1,656	304	-	1,960	1,997
Planned maintenance	985	168	-	1,153	1,142
Rent losses from bad debts	(19)	3	-	(16)	9
Depreciation	1,535	206	85	1,826	2,162
Total Expenditure on Lettings	6,261	1,875	160	8,296	8,973
Operating Surplus	3,315	446	312	4,073	3,234
Void Losses	(73)	(56)	-	(129)	(188)

SOUTH SHROPSHIRE HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

3. FINANCE INCOME

	2016	2015
	£'000	£'000
Interest receivable from bank deposits	<u>4</u>	<u>5</u>

4. INTEREST PAYABLE AND FINANCING COSTS

	2016	2015
	£'000	£'000
Net finance charge on pension (note 21)	57	54
On bank loans, overdrafts and other loans repayable - wholly or partly in more than 5 years	3,923	3,472
Less: interest capitalised	(122)	(178)
	<u>3,858</u>	<u>3,348</u>

5. SURPLUS ON ORDINARY ACTIVITIES

	2016	2015
	£'000	£'000
<i>Surplus on ordinary activities is stated after charging/(crediting):</i>		
Depreciation of tangible fixed assets	1,912	2,034
Impairment of tangible fixed assets	-	174
Auditors' remuneration excluding VAT.		
In their capacity as auditors	11	11
In respect of other services	-	-
Amortisation of government grants (note 19)	(303)	(632)
	<u>(303)</u>	<u>(632)</u>

6. STAFF COSTS

	2016	2015
	£'000	£'000
Wages and salaries	986	1,038
Social security costs	78	82
Other pension costs	174	181
	<u>1,238</u>	<u>1,301</u>

	2016	2015
	Number	Number
Average number of full-time equivalent persons employed during the year based on 35 hours per week	<u>46</u>	<u>47</u>

These were categorised as:

Development	4	4
Housing	2	3
Sheltered/Domestic Support	40	40
	<u>46</u>	<u>47</u>

SOUTH SHROPSHIRE HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

7. DIRECTORS' EMOLUMENTS

	2016	2015
	£'000	£'000
Fees payable by way of expenses and remuneration to Board Members	-	-

8. TAXATION

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

Corporation tax charge £12k on trading activities

	2016	2015
	£'000	£'000
Taxable trading profit	60,000	-
Tax on surplus at 20%	12,000	-
Indexation - cost not deductible for tax purposes	-	-
Capital allowance	-	-
Current charge in the accounts	12,000	-

9. INTANGIBLE ASSETS - SOFTWARE

	2016	2015
	£'000	£'000
At 1 April 2015	176	89
Additions	74	87
At 31 March 2016	250	176
At 1 April 2015	65	22
Charge for year	63	43
At 31 March 2016	128	65
NET BOOK VALUE		
At 31 March 2016	122	111
At 31 March 2015	111	67

SOUTH SHROPSHIRE HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

10a. HOUSING PROPERTIES

	General needs completed	General needs in the course of construction	Shared Ownership completed	Shared Ownership In course of construction	Sheltered and supported accommodation	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2015	91,957	894	14,212	8	19,261	126,332
Additions	2,966	2,918	281	612	45	6,822
Schemes completed	361	(361)	-	-	-	-
Disposals	(1,585)	-	(521)	-	(101)	(2,207)
Transferred to current asset	(84)	(122)	-	(180)	-	(386)
	<u>93,615</u>	<u>3,329</u>	<u>13,972</u>	<u>440</u>	<u>19,205</u>	<u>130,561</u>
Depreciation and impairment						
At 1 April 2015	18,341	-	842	-	3,434	22,617
Charge for the year	1,536	-	85	-	205	1,826
Eliminated on disposals	(706)	-	-	-	(36)	(742)
	<u>19,171</u>	<u>-</u>	<u>927</u>	<u>-</u>	<u>3,603</u>	<u>23,701</u>
Net book value						
At 31 March 2016	<u>74,444</u>	<u>3,329</u>	<u>13,045</u>	<u>440</u>	<u>15,602</u>	<u>106,860</u>
At 31 March 2015	<u>73,616</u>	<u>894</u>	<u>13,370</u>	<u>8</u>	<u>15,827</u>	<u>103,713</u>

Works to existing properties during the year amounted to £3,400k (2015 £3,630k). This has been accounted for as follows:-

Planned maintenance – revenue £1,153k (2015 £1,142k)

Improvements – capital £2,247k (2015 £2,488k)

Unit numbers:

	2016 Number	2015 Number
Under development at end of year:		
Housing accommodation	<u>51</u>	<u>5</u>
Units owned/managed at end of year:		
Housing general needs	<u>1,847</u>	<u>1,831</u>
Housing for older people and other supported	<u>315</u>	<u>313</u>
Shared Ownership	<u>148</u>	<u>145</u>
Commercial units	<u>19</u>	<u>19</u>
Total properties	<u>2,329</u>	<u>2,308</u>

Included above are 45 properties out of management and in addition 5 properties are managed for private landlords

SOUTH SHROPSHIRE HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

10b. OTHER PROPERTY, PLANT & EQUIPMENT

	Commercial Property	Office Equipment	Total
Cost / Valuation	£'000	£'000	£'000
At 1 April 2015	2,697	450	3,147
Additions	-	-	-
	<u>2,697</u>	<u>450</u>	<u>3,147</u>
At 31 March 2016	<u>2,697</u>	<u>450</u>	<u>3,147</u>
	<u><u>2,697</u></u>	<u><u>450</u></u>	<u><u>3,147</u></u>
Depreciation / impairment			
At 1 April 2015	-	388	388
Charge for the year	-	23	23
	<u>-</u>	<u>23</u>	<u>23</u>
At 31 March 2016	<u>-</u>	<u>411</u>	<u>411</u>
	<u><u>-</u></u>	<u><u>411</u></u>	<u><u>411</u></u>
Net book value			
At 31 March 2016	<u>2,697</u>	<u>39</u>	<u>2,736</u>
	<u><u>2,697</u></u>	<u><u>39</u></u>	<u><u>2,736</u></u>
At 31 March 2015	<u>2,697</u>	<u>62</u>	<u>2,759</u>
	<u><u>2,697</u></u>	<u><u>62</u></u>	<u><u>2,759</u></u>

11. DISPOSAL OF FIXED ASSETS

	2016 £'000	2015 £'000
Proceeds	495	433
Cost	(1,472)	(1,297)
Depreciation eliminated on disposal	742	600
	<u>(235)</u>	<u>600</u>
Deficit on disposal	<u>(235)</u>	<u>(264)</u>

SOUTH SHROPSHIRE HOUSING ASSOCIATION**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 March 2016

13. ASSETS HELD FOR RESALE

	2016	2015
	£'000	£'000
Open market sales	374	-
Open market units work in progress	122	1,129
Shared ownership completed units	-	407
Shared ownership work in progress	180	-
	<u>676</u>	<u>1,536</u>

14. DEBTORS

	2016	2015
	£'000	£'000
DUE WITHIN ONE YEAR		
Gross rental arrears	707	683
Less: Provision for bad debts	(300)	(354)
	<u>407</u>	<u>329</u>
Amounts due from other Group companies	-	539
Prepayments and accrued income	29	56
Trade debtors	77	191
Other debtors	397	303
	<u>910</u>	<u>1,418</u>

15. CURRENT ASSET INVESTMENTS

	2016	2015
	£'000	£'000
Cash on short term deposit	-	-
	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

16 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£'000	£'000
Trade creditors	383	863
Other taxation and social security	79	88
Rent in advance	208	182
Social Housing Grant in advance*	96	136
Amounts due to other Group companies	2,057	729
Accruals and deferred income	1,547	1,354
Corporation Tax	12	-
	4,382	3,352

* Includes recycled capital grant

	£'000	£'000
Opening balance Homebuy	90	70
Grant element of Shared Ownership/indexation	-	20
Recycled grant addition	35	-
Recycled grant used	(90)	-
Closing Balance	35	90

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

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

	2016	2015
	£'000	£'000
Government grants (note 19)	33,440	33,288
Housing Loan Funding		
Amounts repayable by instalments and not wholly repayable within five years:		
Housing loan funding	67,892	68,291
Refinancing costs	(982)	(1,016)
	100,350	100,563

The housing loan funding is represented by:

Funder	£'000	Terms of repayment
RBS/Newcastle	46,000	From 3 years to 25 years
RBS Revolver	6,000	4 years
Canada Life	6,368	32 years
Shropshire Council	9,524	23 to 25 years
Total	67,892	N/A

The above, excluding Shropshire Council funding, has been sourced by Shropshire Housing Treasury Limited and on-lent to the Association on the above terms.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

18. 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 15)
- Measured at undiscounted amount receivable
- Rent arrears and other debtors (see note 14)

Financial liabilities

Measured at amortised cost

- Loans payable (see note 17)

Measured at undiscounted amount payable

- Trade and other creditors (see note 16)

19. DEFERRED INCOME – GOVERNMENT GRANTS GROUP

	2016	2015
	£'000	£'000
At 1 April 2015	33,288	33,152
Grants receivable	455	768
Amortisation to statement of comprehensive income	(303)	(632)
At 31 March 2016 (note 17)	33,440	33,288
Due < 1 year	303	632
Due > 1 year	33,137	32,656

20. CALLED UP SHARE CAPITAL

	2016	2015
	£	£
Issued and fully paid shares of £1 each:		
At 1 April 2015	67	76
Issued during the year	1	-
Relinquished during the year	-	(9)
At 31 March 2016	68	67

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

21. PENSION OBLIGATIONS

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

(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 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.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company 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 the company 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.

SOUTH SHROPSHIRE HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

The Association has agreed to a deficit funding arrangement therefore the Association 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
	2,723	2,503

Further explanation below

	2016	2015
	£'000	£'000
Present value of provision	1,958	1,558

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

21. PENSION OBLIGATIONS (Continued)**(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 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. 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%

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
		<hr/>		<hr/>
Total market value of assets		3,571		3,561
		<hr/> <hr/>		<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

21. PENSION OBLIGATIONS (Continued)

i) Liability and funding status of South Shropshire Housing Association's part of the fund.		
	2016	2015
	£'000	£'000
Plan assets	3,571	3,561
Benefit obligations	(4,336)	(4,506)
	<u>(765)</u>	<u>(945)</u>
Deficit in scheme	<u>(765)</u>	<u>(945)</u>
ii) Analysis of the amount which has been charged to operating surplus.		
	2016	2015
	£'000	£'000
Past service cost	-	-
Current service cost	(35)	(30)
Employer contribution	170	170
	<u>135</u>	<u>140</u>
Total operating charge	<u>135</u>	<u>140</u>
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)
	<u>(29)</u>	<u>(8)</u>
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 gain	(122)	207
Liability loss	196	(507)
Changes in assumptions underlying the present value of the scheme liabilities	-	-
	<u>74</u>	<u>(300)</u>
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)
	<u>(765)</u>	<u>(945)</u>
Deficit at the end of year	<u>(765)</u>	<u>(945)</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

21. PENSION OBLIGATIONS (Continued)

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 SOCI	<u>74</u>	<u>1.7%</u>	<u>(300)</u>	<u>6.7%</u>

22. CAPITAL COMMITMENTS

	2016	2015
	£'000	£'000
Capital expenditure contracted for but not provided in the financial statements	<u>3,680</u>	<u>2,815</u>
Capital expenditure authorised by the Board of Management but not yet under contract	<u>600</u>	<u>10,322</u>

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.

23. OTHER FINANCIAL COMMITMENTS

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

24. 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 2015. As of this date the estimated employer debt for South Shropshire Housing Association was £12,505k. This has not been provided for, since there is currently no intention to withdraw from the scheme.

25. LEGISLATIVE PROVISIONS

The Association is registered with the Financial Conduct Authority under the Co-operative 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 Co-operative 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.

26. RELATED PARTY TRANSACTIONS

Grow, Cook, Learn and Discovery Centre

The Discovery Centre was purchased from the Council last 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 a £250k loan agreement as at the balance sheet date.

27. 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 £3,176k (£3,120k 2015). 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 exemption from disclosing certain intra-group transactions.

28. TRANSITION TO FRS 102

This is the first year the Association 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.

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 £13k on transition FRS 102.

Grant

Under FRS102 government grants must be accounted for using the accruals model or the performance model. As the Association 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. A total of £36,110 of capital grant has been recognised at transition before amortisation now included as specifically identified grant. After amortisation, the net amortised grant recognised in the opening reserves is £3,969.

With the FRS 102 treatment of grant it no longer offsets property costs when calculating depreciation. This resulted in an increase to property depreciation £1,017 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 Association is a member, was accounted for by the Association as a defined contribution scheme. It is not possible for the Association 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 Association has agreed to a deficit funding arrangement the Association 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 credit to the Statement of Comprehensive Income of £80k 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 £68k at 1 April 2014 and £111k at 1 April 2015, has been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the Association'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 Association'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.

The impact of these changes is set out in note 29.

SOUTH SHROPSHIRE HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

29 (a) 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	Depn	Amortised Grant	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
ASSETS							
Fixed assets	63,925	36,110	-	(320)	(4,082)	-	95,633
Intangible assets	-	-	68	-	-	-	68
Property, plant and equipment	92	-	(68)	-	-	-	24
Investment properties	1,722	-	-	1,206	29	-	2,957
Investments joint venture	(22)	-	-	-	-	-	(22)
	<u>65,717</u>	<u>36,110</u>	<u>-</u>	<u>886</u>	<u>(4,053)</u>	<u>-</u>	<u>98,660</u>
Current assets							
Inventories	374	-	-	-	-	-	374
Trade and other receivables	997	-	-	-	-	-	997
Investments	-	-	-	-	-	-	-
Cash and cash equivalents	3,108	-	-	-	-	-	3,108
	<u>4,479</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,479</u>
Total assets	<u>70,196</u>	<u>36,110</u>	<u>-</u>	<u>886</u>	<u>-</u>	<u>-</u>	<u>103,139</u>
LIABILITIES							
Current liabilities							
Trade and other payables	1,941	36,110	-	-	-	(3,969)	34,082
	<u>1,941</u>	<u>36,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,969)</u>	<u>34,082</u>
Non-current liabilities							
Loans and borrowings	62,796	-	-	-	-	-	62,796
	<u>62,796</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,796</u>
Total liabilities	<u>64,737</u>	<u>36,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,878</u>
Net assets	<u>5,459</u>	<u>-</u>	<u>-</u>	<u>886</u>	<u>(4,053)</u>	<u>3,969</u>	<u>6,261</u>
EQUITY							
Share capital	-	-	-	-	-	-	-
Pension liability	777	-	-	-	-	-	777
Revenue reserve	4,682	-	-	886	(4,053)	3,969	5,484
Total equity	<u>5,459</u>	<u>-</u>	<u>-</u>	<u>886</u>	<u>(4,053)</u>	<u>3,969</u>	<u>6,261</u>

SOUTH SHROPSHIRE HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

29 (b) Reconciliation of net assets and reserves at 1 April 2015

	UK GAAP as previously reported £'000	2014					Effect of transition into FRS 102		FRS 102
		FRS above	Holiday pay	Grant to creditors £'000	Software £'000	Investment £'000	Depn £'000	£'000	
ASSETS									
Fixed assets	71,094	31,708	-	-	1,779	-	(1,208)	103,373	
Intangible assets	-	68	-	-	87	-	-	111	
Property, plant and equipment	173	(68)	-	-	(87)	-	-	62	
Investment properties	1,536	1,235	-	-	-	75	29	3,037	
Investments – Homebuy loans receivable	-	-	-	-	-	-	-	-	
	72,803	32,943	-	-	1,779	75	(1,017)	106,583	
Current assets									
Inventories	1,536	-	-	-	-	-	-	1,536	
Trade and other receivables	1,418	-	-	-	-	-	-	1,418	
Investments	-	-	-	-	-	-	-	-	
Cash	741	-	-	-	-	-	-	741	
	3,695	-	-	-	-	-	-	3,695	
Total assets	76,498	32,943	-	-	1,779	75	(1,017)	110,278	
LIABILITIES									
Current liabilities									
Trade and other payables	-	-	-	-	-	-	-	36,640	
Loans and borrowings	3,339	32,141	13	(632)	1,779	-	-	-	
Derivative financial instruments	-	-	-	-	-	-	-	-	
	3,339	32,141	13	(632)	1,779	-	-	36,640	
Non-current liabilities									
Loans and borrowings	67,275	-	-	-	-	-	-	67,275	
	67,275	-	-	-	-	-	-	67,275	
Total liabilities	70,614	32,141	13	(632)	-	-	-	103,915	
Net assets	5,884	802	(13)	632	-	75	(1,017)	6,363	
EQUITY									
Share capital	-	-	-	-	-	-	-	2,503	
Pension provision	945	-	-	-	1,558	-	-	2,503	
Revenue reserve	4,939	802	(13)	632	(1,558)	75	(1,017)	3,860	
Revaluation reserve	-	-	-	-	-	-	-	-	
Restricted reserve	-	-	-	-	-	-	-	-	
Total equity	5,884	802	(13)	632	-	75	(1,017)	6,363	

SOUTH SHROPSHIRE HOUSING ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2016

29 (c) 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
		Holiday pay	Grant	Pension	Investment property	Depn	
	£'000		£'000	£'000	£'000	£'000	£'000
Turnover	12,692	-	632	-	-	-	13,324
Operating expenditure	8,574	13	-	71	-	1,023	9,681
Operating Surplus	4,118	(13)	632	(71)	-	(1,023)	3,643
Gain/(loss) on disposal of property, plant and equipment	(264)	-	-	-	-	-	(264)
Interest receivable	5	-	-	-	-	-	5
Interest and financing costs	(3,302)	-	-	(46)	-	-	(3,348)
Change in fair value of financial instruments	-	-	-	-	-	-	-
Deficit on revaluation of investment properties	-	-	-	-	80	-	80
Surplus for year	557	(13)	632	(117)	80	(1,023)	116
Unrealised surplus/(deficit) on revaluation of housing properties	-	-	-	-	-	-	-
Actuarial (loss)/gain in respect of pension schemes	(300)	-	-	179	-	-	(121)
Change in fair value of hedged financial instruments	-	-	-	-	-	-	-
Total comprehensive income for the year	257	(13)	632	62	80	(1,023)	(5)