# Housing Plus Group

## Audited Consolidated Financial Statements

## 31 March 2017

The Housing Plus Group Limited,
Acton Court, Acton Gate, Stafford, ST18 9AP

Registration No. 30224R

## CONTENT

## BOARD MEMBERS, EXECUTIVE OFFICERS, AUDITORS AND ADVISERS

| | |
|---|---|
| **Registered Office** | Acton Court,<br>Acton Gate, Stafford,<br>ST18 9AP |
| **Housing Plus Group Limited** | Registered Community Benefit Society No: 30224R<br>Registered by the Homes and Community Agency No: L4491 |
| **Internal Auditors** | **Mazars LLP,**<br>The Broadway,<br>Dudley, West Midlands, DY1 4PY |
| **External Independent Auditors** | **BDO LLP,**<br>Chartered Accountants and Statutory Auditors,<br>Two Snowhill,<br>Birmingham, B4 6GA |
| **Legal Advisors** | **Trowers & Hamlins LLP**<br>55 Princess Street<br>Manchester, M2 4EW |
| | **Anthony Collins LLP**<br>134 Edmund Street<br>Birmingham, B3 2ES |
| **Funders** | **Nationwide Building Society,**<br>Kings Park Road, Moulton Park,<br>Northampton, NN3 6NW |
| | **BAE Systems Pension Funds Investment Management Ltd**<br>Burwood House, 14/16 Caxton Street<br>London, SW1H 0QT |
| | **Canada Life Investments**<br>1-6 Lombard Street,<br>London, EC3V 9JU |
| | **Shropshire Council**<br>The Shirehall, Abbey Foregate,<br>Shrewsbury, SY2 6ND |
| **Bankers** | **Barclays Bank PLC,**<br>One Snowhill,<br>Birmingham, B3 2WN |
| | **National Westminster Bank PLC**<br>8 Mardol Head,<br>Shrewsbury, SY1 1HE |
| **Board of Management** | Dr Mary Griffiths (Chair - Resigned 01/10/16)<br>Mr Rolf Levesley (Chair - From 01/10/16)<br>Mr Alan Hawkesworth (Vice Chair-Resigned 01/10/16)<br>Mr Gareth Evans (Vice-Chair – From 01/10/2016)<br>Mr Peter Bell (Resigned 01/10/16) |

| | |
|---|---|
| | Mrs Jane Richardson (Resigned 01/10/16)<br>Mrs Sarah Boden (Appointed 01/10/16)<br>Mr Jim Bolton (Resigned 31/03/17)<br><br>Mr Andrew Mason (Appointed 01/10/16)<br>Mr Paul Smith (Appointed 01/10/16)<br>Mrs Rachel Bowden (Appointed 01/02/17) |
| **Chief Executive Officer** | Mrs Debbie Griffiths (Resigned 30/09/16)<br>Mrs Sarah Boden (Appointed 01/10/16) |
| **Executive Directors** | |
| Finance Director and Deputy Chief Executive | Mr Philip Ingle |
| Property Services Director | Mr Stephen Collins |
| Neighbourhoods Director | Mrs Jan Goode |
| Care and Support Director | Mr Les Clarke |
| Commercial Director | Mr Peter Donovan (Appointed 01/10/16) |
| Interim Transformation and People Director | Mr Doug Fuller (Interim from (07/09/16) |

## GROUP STRATEGIC REPORT

### Objectives and Strategy

The Housing Plus Group (the Group) is a public benefit entity. The Group has a clear vision and priorities which are shared across the Group. As a newly merged business, the Housing Plus Group and its members are committed to delivering good quality, affordable homes and services in Shropshire and Staffordshire.

Our vision, priorities and values are heartfelt statements of intent. The Group has the skills and expertise needed to deliver these in a difficult and ever changing operating environment.

Our ***vision*** is to be:

*An excellent provider of homes and services*

Our priorities to achieve this vision are:

| | |
|---|---|
| A Resilient & Growing **Business** | • Dynamic, viable and growing perpetuity business<br>• Developing more homes to meet a range of needs<br>• Efficient and compliant business |
| Focussed on **Customers, Communities and Homes** | • Providing excellent homes<br>• Investing in our communities<br>• Engaging and supporting our customers |
| Developing and supporting our **People** | • Supporting staff to embrace change<br>• Knowledgable and caring staff<br>• Enhancing the skills of our people |

***Our Values***

The Group is guided by a set of core values which are:

- Trust
- Partnerships
- Innovation
- Accountable
- Inclusive

Our values are an expression of our culture and underpin everything we do. They provide guidance for the excellent staff across our Group and form the fabric of our relationships and partnerships.

**How we operate**

The Housing Plus Group merged with Severnside Housing on 1st October 2016. This parent company is a non-housing assets holding company which provides 'back office' services to its Group companies. The parent company was originally incorporated by the Financial Conduct Authority on 10th May 2007 (30224R) and was registered with the Homes and Communities Agency (HCA-L4491) on 22nd May 2007.


The Housing Plus Group has a number of subsidiaries.

South Staffordshire Housing Association (SSHA) – Became a subsidiary on 10th August 2007 and is registered with the Homes and Communities Agency. It owns 5,803 social housing units and has funding agreements with Nationwide Building Society and BAE Pension Funds Investment. It has a wholly owned subsidiary, SSHA Development Limited. which generates income from photovoltaic (PV) panels installed on an office building.

Severnside Housing (Severnside) became a subsidiary on 1st October 2016 and is registered with the Homes and Communities Agency. It owns 5,517 social housing units and has funding agreements with Nationwide Building Society, Canada Life and Shropshire Council. It has a wholly owned subsidiary, Severn Homes Limited. which has been established to be a development vehicle for market sale properties.

Care Plus (Staffordshire) Limited (Care Plus) became a subsidiary of Housing Plus in April 2010 and delivers care and support services; primarily to the residents of SSHA. Care Plus does not own any property assets and is an exempt charity from date of its incorporation. Care Plus is registered with the Care Quality Commission (CQC).

Property Plus (Midlands) Limited (Property Plus), formerly known as A Walters Electrical Contractors Limited (AWEC), became a subsidiary of The Housing Plus Group in October 2016. It has historically provided electrical works to Severnside and from April 2017 it will provide general maintenance services to both SSHA and Severnside.

A Walters Electrical Limited (AWEL) became a subsidiary of Housing Plus in October 2016. It has historically provided electrical works to external customers on a commercial basis.
The results of SSHA, Severnside, Property Plus, Care Plus, AWEL, Severn Homes and SSHA Developments have been consolidated into the financial statements of The Housing Plus Group.

***Board members and Executive Officers***

The Housing Plus Group is governed by a Board of Management composed of five non-executive members plus the Group's Chief Executive. Three of the non-executive members are also members of subsidiary Boards. Membership of all Boards across the Group has been stable but, as a consequence of the merger in October 2016, the composition of all Boards was re-configured to meet the new business need.

There are three Group committees: Audit and Risk, Integration and Nominations and Remuneration. Membership of these committees is drawn from all Boards within the Group.

The Group is managed by an Executive Management Team headed by the Group Chief Executive and supported by a Finance Director, Care and Support Director, Commercial Director, Neighbourhoods Director, Property Director and interim Transformation and Change Director. The Executive Management Team attends board meetings.

Each non-executive member of the Housing Plus Board holds one share of £1 in The Housing Plus Group Limited. The Executive Officers of the Group hold no interest in the Group's share capital and, although they do not have the legal status of Directors, they act as Executive Officers within the authority delegated to them by the Board and are termed Directors. The Group has purchased Directors' and Officers' Liability Insurance for the Board Members, Executive Officers and staff of the Group.

Members of the Board receive remuneration. The remuneration of the Chief Executive and, through the Group Chief Executive, the other Executive Officers, is determined by the Housing Plus Board having taken account of the advice of the Nominations and Remuneration Committee. External professional advice is sought as necessary to ensure that regard is taken of remuneration levels in similar organisations within the housing sector and the wider market place. Full details of the remuneration of each Board Member and Executive Management Team Member are provided in note 10 of the financial statements.

***Council and Funders support***

The Housing Plus Group Board wishes to place on record its gratitude for the support of South Staffordshire Council and Shropshire Council - the Members and Officers have been invaluable in their continued contribution to the success of our business. Our thanks are also extended to our Funders; BAE Systems Pension Funds Investment, Canada Life, Shropshire Council and our principal funder Nationwide Building Society who have responded positively to proposals put to them and give us the benefit of their vast experience in the social housing market

***Business & Financial review***

The Group is pleased to report a consolidated surplus for the financial year before actuarial gains/losses of £6,442k (2015/16 £5,039k) which delivered a favourable variance of £1,351k against the budget of £5,091k. This was comprised of the pre- consolidation individual subsidiary results as follows:

| | 2016/17 Budget £k | 2016/17 Actual £k | 2015/16 Actual £k |
|---|---|---|---|
| Housing Plus Group | 422 | 149 | 62 |
| SSHA | 2,521 | 2,581 | 1,592 |
| Severnside | 2,090 | 3,868 | 3,245 |
| Care Plus | 1 | 148 | (106) |
| Property Plus | 0 | (100) | 57 |
| AWEL | 57 | (74) | 6 |
| Total | 5,091 | 6,572 | 4,856 |
| Consolidation Adjustments | 0 | (130) | 184 |
| Consolidated | 5,091 | 6,422 | 5,039 |

The surpluses of our stock holding social landlords, Severnside and SSHA, continue to increase reflecting the efficiencies made to counteract the 1% cut to rent levels applied in accordance with recent government policy directives. Severnside also contributes to its surplus through market sale of properties.

The merger between Housing Plus Group and Severnside has had a major impact on some of the expenditure budgets. In Housing Plus Group Limited, this was evidenced in staffing costs due to the redundancies made at senior management level. Within Severnside there were considerable savings in Repairs and Maintenance budgets through efficiencies and work types undertaken and Central Support Recharges due to vacant posts.

Post-merger the two electrical contractor companies, Property Plus (Midands) Limited (formerly AWEC), and AWEL who had historically been subsidiaries within Severnside were separated into two totally autonomous companies (having previously shared management and back office costs). The workflow within Property Plus was temporarily changed to concentrate on electrical testing and this lower valued work primarily led to the £100k deficit – but is reflected within the savings made in Severnside. Property Plus is now the vehicle through which all in-house repairs and maintenance services will be provided to customers of both SSHA and Severnside and is forecast to make a £450k surplus for 2017/18.

AWEL's deficit was primarily due to the higher level of fixed costs (including managerial and administration staff) that they bore following the split of management responsibilities at the time of merger. From 1st April 2017, the business is completing delivery of existing contracts but the company is no longer providing services to new external customers whilst the focus for its future business operations is reviewed.

Care Plus achieved a £148k surplus compared to the budgeted break even position primarily due to the efficiencies gained from the cessation of using agency staff.

### *Developing more homes to meet a range of needs*

The Housing Plus Group is committed to developing and providing good quality affordable homes and facilities and creating attractive neighbourhoods where people aspire to live. One of the major motivations behind the decision to merge Severnside and Housing Plus was the ability to re-invest the forecast efficiencies that would be gained as a result, to increase the portfolio of properties delivered across all tenures.

For the period 2015-2017 the number of new units delivered by both landlords was:

| | 2014/15 | 2015/16 | 2016/17 |
|---|---|---|---|
| Severnside | 83 | 127 | 176 |
| SSHA | 102 | 45 | 24 |
| Total | 185 | 172 | 200 |

For 2016/17 the tenure split of these units was:

| | Severnside | | | SSHA | | |
|---|---|---|---|---|---|---|
| | Units | Cost £k | Grant £k | Units £k | Cost £k | Grant £k |
| Developed | | | | | | |
| Social Rent | 0 | 0 | 0 | 0 | 0 | 0 |
| Affordable Rent | 56 | 6,906 | 1,336 | 24 | 3,314 | 480 |
| Shared ownership | 0 | 0 | 0 | 0 | 0 | 0 |
| Market Rent | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | | | | |
| Off the Shelf Purchases | | | | | | |
| Social Rent | 10 | 1,022 | 0 | 0 | 0 | 0 |
| Affordable Rent | 83 | 7,894 | 128 | 0 | 0 | 0 |
| Shared ownership | 23 | 3,011 | 0 | 0 | 0 | 0 |
| Market Rent | 4 | 325 | 0 | 0 | 0 | 0 |
| | | | | | | |
| Total | 176 | 19,158 | 1,464 | 24 | 3,314 | 480 |

The first consolidated Business Plan created since merger provides for a further 683 units to be developed for the period 2017-2023. The tenure split for these units is:

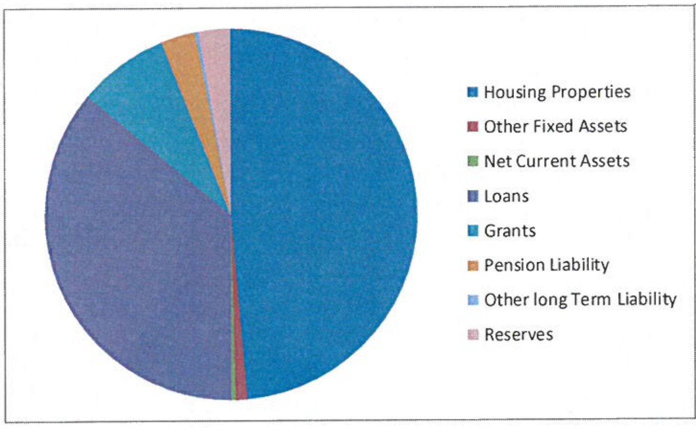
| | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | Total |
|---|---|---|---|---|---|---|---|
| Social Rent | 72 | 58 | 56 | 49 | 9 | 0 | 244 |
| Affordable Rent | 89 | 32 | 13 | 0 | 0 | 0 | 134 |
| Shared Ownership | 54 | 30 | 41 | 31 | 7 | 7 | 170 |
| Market Rent | 18 | 0 | 0 | 0 | 0 | 0 | 18 |
| Outright Sale | 26 | 18 | 41 | 32 | 0 | 0 | 117 |
| | 259 | 138 | 151 | 112 | 16 | 7 | 683 |

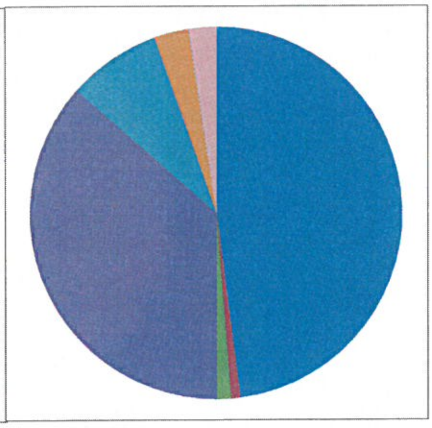
The Business Plan comprises total capital expenditure of £74m, total grant income of £2.8m and sales income from shared ownership and market sales of £31m.

## *Financial Statistics and Trends*

| Statistics | | 2017 | 2016 | 2015 |
|---|---|---|---|---|
| Housing Plus Group | Operating Surplus for the year as % of Turnover | 32.1% | 28.9% | N/A |
| | EBITDAMRI | 1.53 | 1.33 | N/A |
| | Group Liquidity | 1.30 | 1.76 | N/A |
| SSHA | Operating Surplus for the year as % of Turnover | 29.7% | 27.2% | 28.7% |
| | Rent Arrears at Year End | 716 | 910 | 973 |
| | Current Rent Arrears as % of debit | 1.6% | 2.3% | 2.7% |
| | Rent Losses (voids as % of rent and service charges receiva | 0.6% | 1.6% | 1.6% |
| | EBITDAMRI | 1.31 | 1.18 | 1.19 |
| Severnside | Operating Surplus for the year as % of Turnover | 35.8% | 31.1% | 28.8% |
| | Rent Arrears at Year End | 403 | 405 | 664 |
| | Current Rent Arrears as % of debit | 1.1% | 0.9% | 0.9% |
| | Rent Losses (voids as % of rent and service charges receiva | 0.8% | 0.8% | 0.8% |
| | EBITDAMRI | 1.73 | 1.45 | 1.22 |
| CarePlus | Operating Surplus for the year as % of Turnover | 6.1% | -4.3% | 5.9% |
| | Turnover Growth Rate | -1.0% | -6.5% | 13.4% |
| | Care Service Losses | 2.4% | 0.5% | 0.1% |
| Property Plus | Operating Surplus for the year as % of Turnover | -3.2% | 5.0% | 3.5% |
| | Turnover Growth Rate | 10.6% | 12.2% | 19.2% |
| AWEL | Operating Surplus for the year as % of Turnover | -6.3% | 4.5% | 11.9% |
| | Turnover Growth Rate | 73.8% | 18.9% | 26.8% |

## *Statement of Financial Position*



***Cashflow***

Cash inflows and outflows for the year under review are set out in the Statement of Cash Flows. At 31.03.17 The Housing Plus Group had total cash reserves of £8,234k a decrease in the year of £6,406k. This was predominantly driven by the increase in development spend in respect of the purchase of housing fixed assets.

*Treasury Management*

Treasury management responsibility is delegated by The Housing Plus Group Board to the Finance Director. The strategy is set annually, approved by the Board with quarterly review and monitoring reports.

Total Group borrowing at the financial year end comprised

| | Severnside | SSHA | Total |
|---|---|---|---|
| Nationwide | 88,500 | 90,000 | 178,500 |
| Canada Life | 34,854 | | 34,854 |
| BAE | | 35,000 | 35,000 |
| Shropshire Council | 9,750 | | 9,750 |
| Total | 133,104 | 125,000 | 258,104 |

The Group borrows only in sterling so does not have any currency risk. Any cash surpluses are invested in approved UK institutions in accordance with the approved Group Treasury Management practices.

***Going Concern***

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long-term debt facilities including £31.5m undrawn facilities at 31 March 2017 (2015/16 £39.3 million), which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations for the foreseeable future. The Group has a 30 year business plan which has been subject to robust stress testing and which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

Two subsidiary companies (Property Plus Ltd and AWEL) made losses in the year due to exceptional circumstances in relation to the merger. Both are forecast to make future surpluses.

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

***Accounting policies***

The policies can be found on pages 27 to 34 of the financial statements. Accounting policies are consistent across all Housing Plus entities. These include the effects of material estimates on judgements on the financial statements.

### *Risks and Uncertainties*

The Group understands the importance of a strong risk and assurance framework in growing and creating a perpetuity business that is able to continue to support our communities. Following merger, a key element of our merger work has been the integration and promotion of our group wide risk management arrangements, which are applicable to all member organisations within the Housing Plus Group.

We recognise our assets, customers and staff are vital to the success of the Group, and we operate within a cautious risk range, set out in our risk tolerance matrix, which we consider to be appropriate for our business. There are specific risks that we will not accept which include any course of action that will contribute or could reasonably be anticipated to contribute to the following occurrences:

- Risks that might threaten financial viability;
- Death, permanent personal injury to staff, contractors, agents and customers;
- Risks that impact on maintaining a resilient business (putting social assets at risk, landlord compliance);
- Failure to implement or comply with H&S obligations;
- Any breach of law; and
- Risks that bring intervention or sanction from regulators.

The Group believes that effective risk management is a tool which enables the successful and effective delivery of services, objectives and the promotion of innovation. Also, that identified risks can be reduced to an acceptable level by approaching the control of risks in a strategic and organised manner. In doing so, we are able to grasp and maximise opportunities, improve service delivery, provide a safer environment for staff and the general public and achieve a reduction in unnecessary expenditure.

All Boards within the Group recognise that risk and assurance is not an area for which Boards alone are responsible. The Group is mindful that risk should be understood, assessed and managed across all levels of the organisation. Regular meetings take place with staff to discuss risk management in their specialist areas which includes identifying emerging risks and how these will be either eliminated or controlled and enables the updating of group risk and assurance maps, that include key controls to manage the risk, set out who is responsible for the control and how assurance is gained over the control effectiveness.

All reports presented for discussion at all Board meetings include an assessment of risk and provide assurance on how this is or will be controlled. Specific risks that may prevent the Group achieving its objectives are considered and reviewed quarterly by the Audit and Risk Committee, the Board and Executive Officers. All risks are analysed according to their impact and likelihood as set out in our risk tolerance matrix. The three highest scoring risks for the Group as at 31/03/2017 are:

- Adverse impact of Welfare Reform roll out and application of government policy linked to rent reductions;
- Business fails effectively to manage combining group systems and culture; and
- Failure to meet health and safety obligations which result in death/injury and prosecution

The seven strategic key risk areas that the risk and assurance map covers are:

1. Not maintaining a resilient business
2. Not maintaining financial viability
3. Death or Personal injury to staff, contractors or customers
4. Failure to implement or comply with Health & Safety obligations
5. Government or Local Authority decisions adversely affecting business
6. Interventions by Regulators
7. Merger

The Group recognises the importance of not only identifying risks that are high scoring but also those that are inherently high risk but are mitigated by controls.
The risks that rely on and are heavily dependent on controls (i.e. their residual risk scores reduce significantly) include:

- Breach of IT systems adversely affects business;
- Maintenance of effective governance processes;
- Failure to delivery development programme in accordance with agreed parameters impacts on financial viability.

Controls in place to mitigate identified risks include Board review of Business Plans, stress testing, monitoring of delivery plans, key performance Indicators, comprehensive health and safety policies and procedures and internal audit reviews.

The Group Audit & Risk Committee, in accordance with its delegated responsibilities, acts on behalf of all members of the Group, liaising with them and ensuring that each Board in the Group receives assurance that the controls that mitigate the risks can be relied upon through regular checks by the Internal Auditors or specialist independent companies.

Regular risk management assurance reports are provided to each Group Board and on an annual basis, by way of additional assurance, an overarching risk management/internal control report is provided to each Board from the Executive Team and the Group Audit and Risk Committee.

### *Corporate Plan and Future Projects*

Linked to the merger in October 2016, a new Corporate Plan covering the period 2016-2018 has been developed to support the Group's vision and priorities; a resilient and growing business, focussed on customers, communities and homes and developing and supporting our people. New projects for the Group and its subsidiaries include:

- Develop a strategy of expansion for Care Plus into the Shropshire domiciliary care market whilst reviewing opportunities to harmonise our approach to tenancy sustainment.
- Approve a mixed tenure Development Strategy which delivers the units summarised above but also sets out geographic and tenure priorities and targets for future units to meet demand patterns
- Deliver the integration plan evolved from the decision to merge and ensure identified anticipated VFM efficiencies are delivered
- Development and approval of the Group's risk strategy and risk map to reflect post-merger scale and the political and economic operating environment

- The provision of a new head office, to be based in Telford, providing room for future growth and representing the culture of the group
- Amalgamation of Property Care (Stafford) and Severnside Housing Property Services into one organisation – Property Plus Ltd. providing a full range of repairs & maintenance services to both landlords.
- Develop consistency of contact centre scripting across the Group to maximise first time resolution, call quality and resolution.
- Develop a digital inclusion strategy to address the difficulties faced by the rural communities and financially excluded customers served by the Group to facilitate the shift to on-line channels.
- Review strengths and weaknesses of legacy customer involvement, engagement and scrutiny models from both organisations and agree a new approach and model
- Consider the introduction of "Fair Landlord" across the organisation incorporating the learning from the introduction of the programme at SSHA. SSHA launched their "Fair Landlord" programme in 2015/16 which focussed service provision to ensure that money was only spent in areas that add value to their homes and communities, reallocating other expenditure into an enhanced programme of investment and renewal.
- Consolidate the post-merger staffing structure including, where appropriate, a review and harmonisation of terms and conditions to support the development of a single culture for the new group

***Governance***

The Housing Plus Group complies with the HCA's Governance and Financial Viability Standard. The Group Board makes this statement having reviewed the results of various self-assessments that have been undertaken including those of subsidiary Boards.

The Group maintains an accurate and up to date record of its assets and liabilities. The Board have gained external assurance from internal audit that this is reflective of the Group's position.

In April 2015 the Housing Plus Group Limited adopted the NHF Excellence in Governance, as their approved Code of Governance. The code requires that where there is non-compliance, this needs to be explained. A full review of the status of compliance of the new group has been completed which shows, and as has been reported to the Group Board, that we are fully compliant.

The Group was provided with the highest ratings for Governance **(G1)** and Viability **(V1)** in the latest interim regulatory judgement issued by the HCA published in December 2016. This is testament to the importance that the organisation places on good governance arrangements.

***Value for Money (VFM)***

All Boards within the Group are responsible for ensuring that Value for Money services are delivered to customers. The Homes and Communities Agency (HCA) requires that registered providers ensure that its VFM Standard is met. The board members of The Housing Plus Group confirm that they have received the annual VFM self-assessment and that this is compliant with the regulatory requirements set in the VFM standard.

On an annual basis, in accordance with the requirements of the VFM standard we demonstrate to stakeholders how, as a business, we meet the standard and publish a robust VFM self-assessment that provides stakeholders with a transparent and accessible demonstration of how value for money is being delivered in order to achieve our purpose and objectives.

The self-assessment:

- Enables stakeholders to understand the return on assets measured against the organisation's objectives
- Sets out the absolute and comparative costs of delivering specific services
- Evidences the value for money gains that have been and will be made and how these have and will be realised over time.

The Housing Plus Group objective is to be **An excellent provider of homes and services**, we aim to deliver services with the best balance between quality and cost.
Over the course of 2016/17 Severnside Housing and Housing Plus have merged to become the Housing Plus Group. The Boards of both organisations received and approved their respective annual VFM self-assessments for 2015/16, confirming that both documents complied with the regulatory requirements set in the VFM standard.
Both current VFM self-assessments can be found, along with the Groups new VFM strategy are available on the Housing Plus website via the following link:
www.housingplusgroup.co.uk/about-us/value-for-money

The new Housing Plus Group Board is involved in the development of this year's self-assessment which will be published by September 30th 2017 on the link above. This year's report will demonstrate progress made, and highlight how the new Group will deliver value for money. New corporate objectives and an integration plan set the direction for the decisions that are made to deliver our ambitions. A new Asset Management Strategy has also been approved which sets out our approach to managing our property and land assets with the aim of maximising value and maintaining high quality homes.

### *Statement of Compliance*

The Housing Plus Board confirms that this Strategic Report has been prepared in accordance with the principles set out in the Statement of Recommended Practice, for registered social housing providers 2014.

The Board confirms that the Group has complied with all relevant regulatory and legal requirements. The Board confirm this for the Group and its subsidiaries through appropriate policies and procedures and a strong control framework (described in the Statement of Internal Controls below). The Board also reviews the effectiveness of the control framework and the assurance received from it including receiving external reviews from the Internal Auditor.

## STATEMENT OF INTERNAL CONTROLS

The Housing Plus Board has overall responsibility for establishing and maintaining the whole system of internal control and reviewing its effectiveness. This has included annual reviews at away days and production of improvement programmes. More recently in line with the HCA standards the Boards have considered adoption of the most appropriate Code of Governance and have chosen the National Housing Federation Excellence in Governance – Code for members.

The Housing Plus Board recognises that no system of internal control can provide absolute assurance against misstatement or loss or eliminate all risk of failure to achieve its business objectives.

The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group's assets and interests.

In meeting its responsibilities, the Housing Plus Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed.

The process adopted by the Housing Plus Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework, includes:

***Identification and evaluation of key risks***

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Group's activities.

The executive team regularly considers and receives reports on significant risks facing the Group and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks. The Group Audit and Risk Committee have delegation to oversee this arrangement.

The Nominations Remuneration Committee has the responsibility for overseeing the recruitment and appointment of all Group Board Members and the Executive Management Team. It also makes recommendations with regard to remuneration levels to the Group Board and has general oversight in respect of Board effectiveness reviews.

***Environmental and control procedures***

The Housing Plus Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. Policies and procedures cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

***Information and financial reporting systems***

Financial reporting procedures include preparing for each entity within the Group detailed budgets for the financial year ahead. Detailed management financial statements are produced monthly and presented at least quarterly to the Boards together with forecasts for the remainder of the financial year.

These are reviewed in detail by the executive directors and are considered and approved by the relevant Board. All Boards also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

All Board Members receive regular information on a range of topics plus Board and Committee papers and minutes using our information technology systems. To aid communication with Board members, an area dedicated to Board members in being established linked to the development of the new Group intranet.

***Fraud reporting systems***

The Group as a whole aims to prevent fraud and corruption by the following measures:

- Code of Conduct for Employees and Board Members
- Policies in respect of: Anti-fraud, Bribery and Corruption, Money Laundering and Whistleblowing
- Standing Orders and Financial Regulations
- Data Protection and Confidentiality Policies
- Internal Audit programmes

These policies and procedures are intended to minimise the opportunity for fraud and highlight any areas of potential fraud and corruption before they occur. Quarterly fraud update reports are provided to the Audit and Risk Committee and during the financial year covered by this report there have been no recorded cases of fraud or potential fraud.

***Monitoring and corrective action***

A process of regular management reporting on control issues provides assurance to senior management and to the Boards across the group. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and the delivery of our services.

The internal control framework and the risk management process are subject to regular review by Internal Audit who advise the senior management team and report to the Group Audit and Risk Committee. The Committee considers internal control and risk at each of its meetings during the year. In their annual report the Internal Auditors listed 23 'adequate' assurance levels out of 23 reviews undertaken in the year. There were 0 reviews which received assurance levels below 'adequate' thus providing reasonable assurance to the Group on their controls.

Based on the Internal Auditors giving adequate assurance that HPG operates an effective internal control environment based on the areas they have audited in the year within the scope of those reviews, the Board confirms that the internal controls within the organisation meet the requirements.

The Group Audit and Risk Committee conducts an annual review of the effectiveness of the system of internal control. A report is prepared which has taken account of any changes needed to maintain the effectiveness of risk management and control process and this report is shared with Board members. The Board confirms that there is an ongoing process for identifying, and managing significant risks faced by the Group. This process has been in place throughout the year under review, up to the date of the annual report and financial statements, and is regularly reviewed by the Board.

## STATEMENT OF THE BOARD OF MANAGEMENT'S RESPONSIBILITIES

The Board is responsible for preparing the Board's Report and Financial Statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with FRS102 (United Kingdom Accounting Standards and applicable laws). Under the Co-operative and Community Benefit Societies Act 2014 the Board must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association and Group for that period.

In preparing these Financial Statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgments and accounting estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice: For Registered Social Housing Providers 2014 (SORP), have been followed, subject to any material departures disclosed and explained in the Financial Statements.
- Prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business. The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Association and enable it to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

The Board is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's and Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. In so far as each of the Board members is aware:

- There is no relevant information needed by the Association's auditors in connection with preparing their report of which the Association's auditors are unaware.
- The Board members have taken all the steps that they ought to have taken to make themselves aware of any relevant information and to establish that the Association's auditors are aware of that information.

### *Provision of information to Auditors*

The Housing Plus Board Members who held office at the date of approval of this Board report confirm that, so far as they are each aware, there is no relevant audit information of which the Parent's auditors are unaware; the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

### *Independent Auditors*

A resolution to appoint External Auditors will be proposed at the next Annual General Meeting.

**By Order of the Board signed:**

**Rolf Levesley**
**Chair**

**Sarah Boden**
**Director**

**Irene Molyneux**
**Company Secretary**

**27 July 2017**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOUSING PLUS GROUP LIMITED

We have audited the financial statements of Housing Plus Group Limited for the year ended 31 March 2017 which comprise the consolidated and parent statement of comprehensive income, the consolidated and parent statement of financial position, the consolidated and parent statement of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and Section 87 of the Co-operative and Community Benefit Societies Act 2014. 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.

### *Respective responsibilities of the board and auditors*

As explained more fully in the statement of board member responsibilities, the board members are 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### *Scope of the audit of the financial statements*

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

### *Opinion on financial statements*

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent's affairs as at 31 March 2017 and of the group's and parent's surplus for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, 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 we are required to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

*BDO LLP, statutory auditor*
*Birmingham*
*United Kingdom*
*Date* 4 August 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | Year Ended 31 March 2017 | | | Year Ended 31 March 2016 Combined | |
|---|---|---|---|---|---|---|
| | | Group | Parent | | Group | Parent |
| | | £'000 | £'000 | | £'000 | £'000 |
| Turnover | 3 | 62,399 | 13,100 | | 62,947 | 12,551 |
| Cost of Sales | 3 | (2,143) | - | | (3,030) | - |
| Operating Costs | 3 | (40,236) | (12,882) | | (41,710) | (12,045) |
| **Operating Surplus/(Deficit)** | | **20,020** | **218** | | **18,207** | **506** |
| Surplus on Disposal of Housing Properties | 4 | 1,397 | - | | 772 | |
| Surplus/(Deficit) on Disposal of Tangible Fixed Assets | 4 | 13 | 26 | | (15) | - |
| Deficit on Disposal of Subsidiary | | (117) | - | | - | - |
| Interest Receivable | 5 | 61 | - | | 48 | - |
| Interest and Financing Costs | 6 | (14,087) | (82) | | (14,001) | (124) |
| Movement in Fair Value of Investment Properties | | (832) | - | | 28 | - |
| Gift Aid Payable to Subsidiary | | - | - | | - | (320) |
| **Surplus/(Deficit) Before Tax** | 7 | **6,455** | **162** | | **5,039** | **62** |
| Taxation | 8 | (13) | (13) | | - | - |
| **Surplus/(Deficit) for the Year** | | **6,442** | **149** | | **5,039** | **62** |
| Actuarial Gain/(Loss) in respect of Pension Schemes | 21 | (3,066) | 322 | | 3,680 | 1,518 |
| **Total Comprehensive Income for the Year** | | **3,376** | **471** | | **8,719** | **1,580** |

The accompanying notes form part of these financial statements.

All the Group and Parent turnover and surplus disclosed above are derived from continuing activities. The above surplus is based on historic costs.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Group | Income and Expenditure Reserve | Restricted Reserve | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Balance at 1 April 2016** | **13,995** | **2,142** | **16,137** |
| **Total surplus from Statement of Comprehensive Income** | **5,105** | **1,337** | **6,442** |
| Actuarial gains/(losses) on defined benefit pension scheme | (3,066) | - | (3,066) |
| **Other Comprehensive Income for the year** | **(3,066)** | **-** | **(3,066)** |
| Transfer from restricted reserve | - | (791) | (791) |
| **Balance at 31 March 2017** | **16,034** | **2,688** | **18,722** |

| Group | Income and Expenditure Reserve | Restricted Reserve | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Balance at 1 April 2015 (Combined)** | **5,680** | **2,182** | **7,862** |
| **Total surplus from Statement of Comprehensive Income** | **4,635** | **404** | **5,039** |
| Actuarial gains/(losses) on defined benefit pension scheme | 3,680 | - | 3,680 |
| **Other Comprehensive Income for the year** | **3,680** | **-** | **3,680** |
| Transfer from restricted reserve | - | (444) | (444) |
| **Balance at 31 March 2016** | **13,995** | **2,142** | **16,137** |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Parent | Income and Expenditure Reserve | Restricted Reserve | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Balance at 1 April 2016** | **(2,839)** | - | **(2,839)** |
| **Total surplus from Statement of Comprehensive Income** | **149** | - | **149** |
| Actuarial gains/(losses) on defined benefit pension scheme | 322 | - | 322 |
| **Other Comprehensive Income for the year** | **322** | - | **322** |
| Transfer from restricted reserve | - | - | - |
| **Balance at 31 March 2017** | **(2,368)** | - | **(2,368)** |

| Parent | Income and Expenditure Reserve | Restricted Reserve | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Balance at 1 April 2015** | **(4,419)** | - | **(4,419)** |
| **Total surplus from Statement of Comprehensive Income** | **62** | - | **62** |
| Actuarial gains/(losses) on defined benefit pension scheme | 1,518 | - | 1,518 |
| **Other Comprehensive Income for the year** | **1,518** | - | **1,518** |
| Transfer from restricted reserve | - | - | - |
| **Balance at 31 March 2016** | **(2,839)** | - | **(2,839)** |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | As at 31 March 2017 | | As at 31 March 2016 Combined | |
|---|---|---|---|---|---|
| | | Group | Parent | Group | Parent |
| | | £'000 | £'000 | £'000 | £'000 |
| **Long Term Assets** | | | | | |
| Intangible Assets and Goodwill | 11 | 75 | 75 | 74 | 74 |
| **Tangible Fixed Assets** | | | | | |
| Housing Properties | 12 | 333,493 | - | 315,305 | - |
| Other Tangible Fixed Assets | 12b | 7,101 | 2,006 | 5,417 | 189 |
| Investment Properties | 12c | 12,953 | - | 13,472 | - |
| | | **353,622** | **2,081** | **334,268** | **263** |
| **Current Assets** | | | | | |
| Stocks | 12d | 2,090 | 84 | 2,443 | 63 |
| Trade and Other Debtors | 13 | 2,436 | 774 | 2,454 | 1,099 |
| Investments | | 7 | - | 7 | - |
| Cash and Cash Equivalents | | 8,234 | 888 | 14,640 | - |
| **Less:** Creditors Amounts falling due within one year | 14 | (9,857) | (2,178) | (11,083) | (1,351) |
| **Net Current Assets/ (Liabilities)** | | **2,910** | **(432)** | **8,461** | **(189)** |
| **Total Assets less Current Liabilities** | | **356,532** | **1,649** | **342,729** | **74** |
| **Creditors:** Amounts falling due after more than one year | 15 | (316,689) | (2,857) | (306,410) | - |
| Pension Liability | 22 | (21,121) | (1,160) | (20,182) | (2,913) |
| **Total Net Assets** | | **18,722** | **(2,368)** | **16,137** | **(2,839)** |
| **Reserves** | | | | | |
| Income and Expenditure Reserve | 18 | 16,034 | (2,368) | 13,995 | (2,839) |
| Restricted Reserve | | 2,688 | - | 2,142 | - |
| **Total Reserves** | | **18,722** | **(2,368)** | **16,137** | **(2,839)** |

The financial statements on the pages 23 to 69 were approved by the Board and authorised for issue and are signed on its behalf by:

**Rolf Levesley**
**Chair**

**27th July 2017**

**Sarah Boden**
**Director**

**Irene Molyneux**
**Company Secretary**

Irene Molyneux

## CONSOLIDATED STATEMENT OF CASH FLOWS

| | Note | Year Ended 31 March 2017 | | Year Ended 31 March 2016 Combined | |
|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 |
| **Net cash generated from operating activities** | 23 | | **28,664** | | **27,950** |
| Taxation paid | | | (13) | | (101) |
| **Cash flow from investing activities** | | | | | |
| Purchase of tangible fixed assets | | (32,844) | | (26,948) | |
| Proceeds from sale of tangible fixed assets | | 2,155 | | 2,256 | |
| Grants received | | 1,530 | | 2,855 | |
| Interest received | | 62 | | 48 | |
| | | | (29,098) | | (21,339) |
| **Cash flow from financing activities** | | | | | |
| Interest paid | | (13,508) | | (13,469) | |
| Loan drawdown/new loans | | 7,549 | | 9,000 | |
| Repayments of borrowings | | - | | (53) | |
| Withdrawal/Transfer from/to deposits | | - | | 1,998 | |
| | | | (5,959) | | (2,524) |
| **Net change in cash and cash equivalents** | | (6,406) | | 3,986 | |
| **Cash and cash equivalents at beginning of the year** | | 14,640 | | 10,654 | |
| **Cash and cash equivalents at the end of the year** | 25 | | **8,234** | | **14,640** |

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Legal Status

The Parent is registered as a Community Benefit Society and it is a non housing asset holding company that was incorporated by the Financial Services Authority on 10th May 2007 and registered with the Housing Corporation (now HCA, former TSA) on 22nd May 2007. Housing Plus is a public benefit entity as described by FRS102.

### 2. Accounting Policies

#### a) Basis of Accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (FRS102), and the Statement of Recommended Practice for registered social housing providers update 2014. The financial statements comply with the Housing Act 1996 and the Accounting Direction for Registered Providers of Social Housing 2015.

The financial statements have been prepared under the historic cost convention except for investment properties which are stated at their fair value.

The Directors have prepared trading and cash flow forecasts for the Group and based on this, appropriate sensitivities, current trading and available facilities have a reasonable expectation that the Group has adequate resources to continue trading for at least one year from the date of signing these financial statements. The Group has therefore prepared its financial statements with Group and subsidiaries continuing as going concern.

The financial statements have been prepared using Merger Accounting as per FRS102. Severnside Housing joined the Housing Plus Group from 1st October 2016. Severnside Housing has been consolidated into the Group from 1st April 2015 with relevant intercompany transactions accounting from the date of merger. The decision to use merger accounting means that transactions have been consolidated and combined based on previously stated costs and not fair value at the point of merger.

#### b) Basis of Consolidation

The Group financial statements consolidate the financial statements of Housing Plus Parent entity, and its wholly owned subsidiaries i.e. South Staffordshire Housing Association (SSHA), Severnside Housing, Severn Homes, Care Plus Staffordshire Limited, Acton Gate Limited, A Walters Electrical Limited and Property Plus (Midlands) Limited at 31 March 2017.

A summary of the key accounting policies, which have been applied consistently across all entities, is set out below with intercompany transactions and balances being eliminated in full.

#### c) Turnover

Turnover represents rental and service charge income receivable net of voids, sales of first tranche shared ownership properties, grant amortisation and care services income for the year. Turnover (representing those items listed above) in the financial statements notes are analysed to identify General Needs, Supported Housing, Care Housing and Shared Ownership properties.

Housing Plus recognises the revenue as per section 23 of FRS102 'Revenue'.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from Low Cost Home Ownership sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Service charges, Supporting People Income and care services are recognised when the service has been performed and expenditure incurred.

**d) Value Added Tax (VAT)**
The Group's main income stream, being rent, is exempt for value added tax (VAT) purposes. The majority of expenditure is subject to VAT, which the Group and subsidiaries are unable to reclaim – this expenditure is therefore shown inclusive of VAT.

VAT can be reclaimed under the partial exemption method for certain other activities.

The balance of VAT payable to or recoverable at the year end is included in the financial statements as a current liability or asset

**e) Interest and Financial Costs**
Interest and financial costs represents the cost of financing the purchase of those properties transferred and property acquisitions as well as new development. Loans are secured on the majority of SSHA and Severnside housing assets.

Interest and financial costs are charged to the Statement of Comprehensive Income in the year in which it is incurred.

**f) Pensions**
The Group participates in four funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS), Severnside Housing Defined Contribution scheme (SHDCS) - provided for Severnside by Scottish Widows, .the Staffordshire County Council Local Government Pension Scheme (Staffordshire LGPS) and the Shropshire County Council Local Government Pension Scheme (Shropshire LGPS). The assets of the funds are kept separately from those of the Group being invested in independently managed superannuation funds.

The Group has accounted for the LGPS as a defined benefit scheme and SHPS and SHDCS as a defined contribution scheme as the assets and liabilities cannot be separately identified for the Group. A liability for the contributions payable in relation to the deficit for SHPS has been included in the Statement of Financial Position.

**g) Holiday Pay Accrual**

A current liability is recognised for any unused holiday pay entitlement which has accrued at the Statement of Financial Position date. This is measured at the undiscounted salary cost of the future holiday entitlement at the Statement of Financial position date.

**h) Housing Properties**
Housing properties are principally properties available for rent. Completed housing

properties for lettings are stated at cost less accumulated depreciation and accumulated impairment losses. The cost includes costs of acquiring land and buildings, development costs incurred during the development period and other directly attributable costs. Housing properties under construction are stated at cost less accumulated impairment losses.

Completed housing for lettings and low cost shared ownership properties are also stated in notes of financial statements at the Existing Use Value for Social Housing (EUV-SH) for comparison each year. Full revaluations of the properties are undertaken every three years and interim valuations are carried out where there are indications of a significant change in value.

Completed housing properties are split between their land and structure costs. Freehold land is not depreciated. Housing properties are depreciated on a straight line basis over the useful economic life of the assets. The depreciable amount is arrived at on the basis of original cost.

The Group's housing assets are depreciated as follows:

- Depreciation is charged from the date of acquisition or practical completion of works.
- Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.
- Major components are treated as separable assets and depreciated over their expected useful economic lives or the lives of the structure to which they relate, if shorter, at the following annual rates:

| | |
|---|---|
| Structure | 50-120 years |
| Roof | 60 years |
| Kitchens | 20 years |
| Bathrooms | 30 years |
| Heating System/Boilers | 15 years |
| Wiring System | 30 years |
| Lifts | 30 years |
| UPVC External Doors | 30 years |
| UPVC Windows | 30 years |
| Porches | 30 years |
| Solar Panels | 30 years |

**i) Capitalisation**

Works to existing properties which replace a component that has been treated separately for depreciation purposes are capitalised as improvements.

Major improvements and renovation of tangible fixed assets which extend the life of the asset, increase the rent or considerably reduce the future routine maintenance are capitalised and depreciated over the useful economic life of the asset.

Staff and other costs that are directly attributable to bringing housing properties to practical completion are capitalised. Development costs not capitalised are shown as other activities in the financial statement for the year.

Interest costs relating to new development are capitalised. The interest charged reflects the net interest paid over the period of the developments.

### j) Accounting for Grants

The Group receives Social Housing Grant and grants from Local Authorities. Any grants provided to reduce the capital cost of housing properties held at cost or specific components of housing properties, are recognised by the Group using the accrual model. It means that grants are released to the Statement of Comprehensive Income, on a systematic basis over the expected useful life of the housing property structure or if a Disabled Facilities Grant over the expected useful life of the bathroom.

If an asset (housing property or its component) is disposed of, for which grant was received, and there is no obligation to repay the grant, any grant remaining within liabilities on the Statement of Financial Position is released to the Statement of Comprehensive Income. If the grant is available to be recycled it is credited to a Recycled Capital Grant Fund and included as a liability in the Statement of Financial Position.

Any grants received in respect of revenue expenditure are recognised in the Statement of Comprehensive Income as they become receivable.

Donations of land or other tangible assets acquired below market value from a government source are treated as a non-monetary grant. The difference between the fair value of the tangible asset donated or acquired and the consideration paid is recognised as a liability in the Statement of Financial Position. Once the terms of the donation have been met it is released to the income, to the Statement of Comprehensive Income.

### k) Sale of Housing Property

Under shared ownership arrangements, the Group sells a long term leasehold interest of Shared Ownership housing units to persons who occupy them at a lease premium equal to between 25% and 100% of open Market Value. Proceeds of sale of first tranches are accounted for as turnover in the Statement of Comprehensive Income. The total property cost is apportioned between the shared ownership element and the element remaining in the Group's ownership based on the percentage tranche sold or estimated to be sold. The estimated first tranche value of properties that are developed for sale and are either unsold or work in progress are included in current assets. Subsequent tranches ('Staircasing') are accounted for as disposals. The remaining unsold element remains on the Statement of Financial Position as a fixed asset and is subject to an annual impairment review.

Under Right to Buy and Right to Acquire arrangements SSHA and Severnside sells properties to qualifying tenants. For SSHA - due to the nature of the transfer with South Staffordshire Council it is not possible to separately identify the value of each property sold. An average value is eliminated from the property assets following each sale and charged to the Statement of Comprehensive Income. Receipts from Right to Acquire sales are required to be retained in a ring fenced fund that can only be used for providing replacement housing. The sales receipt less eligible expenses are held in a disposal proceeds fund, which is held in creditors (either current or long term dependent on when it is anticipated to be used).

### l) Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance. The Group's intangible assets include licences, warranties and software. These are stated at cost less accumulated amortisation and any accumulated impairment losses. The cost includes cost of asset purchase and other directly attributable costs.

Intangible assets are amortised on a straight line basis over the useful economic life of the assets as follows:

- Software Warranties & Licences 4 years (25.00% per annum)

## m) Other Tangible Fixed Assets

Other tangible assets are depreciated on a straight-line basis over the useful economic life of the asset as follows:

| | |
|---|---|
| Office Structure | 60 years |
| Vehicles | 4 years |
| Furniture & Equipment | 5 years |
| Photocopiers | 3 years |
| IT Hardware | 2 years |

The threshold for capitalisation is £500 for a single asset or group of assets.

## n) Impairment

The Group carries out an annual impairment review of individual tangible fixed assets and cash generating units. The review takes into account internal and external indicators of impairment including obsolescence, physical damage, expected cashflows, replacement values, market factors and government policy. The Group considers cash generating units to be schemes or geographical areas depending on size.

Where an indicator of impairment exists an impairment assessment is performed where the carrying amount is compared to the recoverable amount. If the carrying amount of an asset or cash generating unit exceeds the recoverable amount then the loss is charged to the Statement of Comprehensive Income as expenditure and as a separate line within operating expenditure where it is considered to be material.

## o) Leased Assets

The Group has no obligations under Finance Leases. Any assets held under finance leases are included in the Statement of Financial Position and depreciated in accordance with the Group's normal accounting policies. The present value of future rentals is shown as a liability.

The interest element of rental obligations is charged to the Statement of Comprehensive Income over the period of the lease in proportion to the balance of capital repayments outstanding.

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

Payments received when the Group is acting as a lessor (Commercial Offices) are treated as rental revenue in the Statement of Comprehensive Income and the leased asset is a fixed asset on the Statement of Financial Position.

## p) Goodwill

Goodwill arising from the purchase of A Walters Electrical represents the difference between the consideration paid and the fair value of the net assets acquired. The goodwill was amortised over 3 years with no charge in the year ended 31 March 2017.

**q) Stocks**

Stocks are stated at the lower of cost and the estimated sales price less costs to complete and sell.

**r) Debtors and Creditors**

Debtors and creditors receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenditure.

**s) Financial Instruments**

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability of another entity. The Group accounts for its financial instruments using sections 11 'Basic Financial Instruments' and 12 'Other Financial Instruments Issues' of FRS102.

The Group's financial instruments are all currently classified as basic and include rent receivable, trade creditors, cash and loans.

Basic financial instruments are initially recognised at transaction price and in subsequent years at amortised cost. Financial assets are derecognised when the rights to the cash flows from the asset expire or are settled. Financial liabilities are derecognised when the obligation is discharged, cancelled or expired. Any difference between the consideration paid or received and the amounts derecognised are recognised in the Statement of Comprehensive Income.

**t) Cash and cash Equivalents**

Cash and cash equivalents consists of cash at bank, cash in hand, deposits and short term investments with am original maturity of three months or less.

**u) Taxation**

The Parent, SSHA, Care Plus and Severnside are all exempt charities. Acton Gate, Severn Homes and Property Plus are liable for Corporation Tax and an annual provision is made to meet any assessed tax liability.

**v) Provisions**

The Group only provides for when:

- there is a present legal or constructive obligation, resulting form a past event, at the Statement of Financial Position date;
- it is probable that a transfer of economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date.

The Group sets a provision against rent arrears of current and former tenants based upon historic trends relating to write offs. All other receivables including trade receivables are provided for on a case by case basis.

**w) Contingent Liabilities**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably.

The Group does not recognise a contingent liability but discloses its existence in the financial statements.

**x) Reserves**

Income received, and expenditure incurred, for restricted purposes is separately accounted for within restricted funds.

**y) Key Estimates and Judgements**

The preparation of the financial statements requires the use of certain accounting estimates and judgements concerning the future. 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:

*i). Impairment of assets*

The Group assesses whether there is any indicator of impairment. Where an indication of impairment exists then an estimate must be made of the recoverable amount of the cash generating unit (CGU). This can require estimation of future cash flows from the CGU or costs of constructing/replacing the CGU if it is not held solely for its cash flows but for its service potential. Estimations are also made in relation to the selection of appropriate discount rates in order to calculate the net present value of those cash flows or costs.

*ii). Defined benefit pension scheme*

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including: life expectancy, asset valuations and the discount rate on corporate bonds. Management relies on the estimates made by actuaries and the pension fund in these areas.

During the year ended 31 March 2017 the assumptions relied upon from the actuary are outlined in Note 20 of the financial statements.

*iii). Classification of Financial Instruments*

The Group must make judgements over the classification of Financial Instruments as either basic or other. The implication of this is that if treated as 'other', the loan would have to be shown at fair value with any movements in fair value reflected in the Statement of Comprehensive Income. All of these adjustments are non-cash and would have no impact on the Group's loan covenants.

The Group's financial instruments are all currently classified as basic and measured at amortised cost. FRS102 does not specify how fixed rate debt with two-way break clauses specified in the loan agreement should be classified. The Group has £40m of fixed rate debt with Nationwide which has two way break clauses and has judged these to be basic.

The judgement that management has made is based upon section 11.9 (b) and 11.9 (c) of FRS102.

Section 11.9(b) states '*There is no contractual provision that could, by its terms, result in the holder (the lender) losing the principal amount or any interest attributable to the current or prior periods*'. Since breakage costs are paid in respect of future interest payments, 11.b (b) would not be failed.

Section 11.9 (c) provides further grounding for this judgement which suggests that compensation on early termination should not be a breach.

*iv). Merger Accounting*

The Group have made a judgement that the creation of the new Group on 1st October should be accounted for using merger accounting as it meets the definition of a merger per FRS102:

- No party to the combination is portrayed as either acquirer or acquiree, either by its own board or management or by that of another party to the combination - It was always portrayed as a merger by both sides internally and externally. Both organisations were of a similar size (both in turnover and social housing units) and make up with no dominant party identifiable.
- There is no significant change to the classes of beneficiaries of the combining entities or the purpose of the benefits provided as a result of the combination - There was no change to the beneficiaries of either party (people in housing need) and the merger has not changed the purpose of the organisation (housing for those in need).
- All parties to the combination, as represented by the members of the board, participate in establishing the management structure of the combined entity and in selecting the management personnel, and such decisions are made on the basis of a consensus between the parties to the combination rather than purely by exercise of voting rights – A new Board and Executive Management Team was created which has expertise from both historic organisations. The selection process was rigorous and externally supported by consultants.

**z) Exemptions**

In preparing the separate financial statements of the parent Company, advantage has been taken of the following disclosure exemptions available in FRS102:

- No cash flow statement has been presented for the company

The company's results are consolidated into the Housing plus group's consolidated financial statements.

## 3. Particulars of turnover, cost of sales, operating expenditure and operating surplus

| Group | Note | Year Ended 31 March 2017 | | | | Year Ended 31 March 2016 Combined | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Turnover | Cost of Sales | Operating Expenditure | Operating Surplus/ (Deficit) | Turnover | Cost of Sales | Operating Expenditure | Operating Surplus/ (Deficit) |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Social housing lettings** | | | | | | | | | |
| Income and expenditure from social housing lettings | 3a | 55,768 | - | (37,935) | 17,833 | 55,605 | - | (39,570) | 16,035 |
| **Other social housing activities** | | | | | | | | | |
| 1st Tranche LCHO sales | | 1,653 | (1,289) | (17) | 347 | 1,166 | (911) | (42) | 213 |
| Leaseholders | | 95 | - | (25) | 70 | 69 | - | (35) | 34 |
| Tenant Garages | | 275 | - | (1) | 274 | 245 | - | (2) | 243 |
| Charges for support services | | - | - | - | - | - | - | - | - |
| External Activities | | 833 | - | (964) | (131) | 950 | - | (962) | (12) |
| Other Activities | | 276 | - | (68) | 208 | 72 | - | - | 72 |
| Office Impairment | | - | - | - | - | - | - | (77) | (77) |
| Intra Group | | - | - | - | - | - | - | - | - |
| | | 3,132 | (1,289) | (1,075) | 768 | 2,502 | (911) | (1,118) | 473 |
| **Activities other than social** | | | | | | | | | |
| Shops | | 68 | - | - | 68 | 62 | - | - | 62 |
| Private Garages | | 396 | - | (1) | 395 | 409 | - | (5) | 404 |
| Market and commercial rent | | 884 | - | (106) | 778 | 754 | - | (110) | 644 |
| Market Sales | | 1,063 | (854) | (7) | 202 | 2,878 | (2,119) | (39) | 720 |
| Commercial Sales | | 1,088 | - | (1,109) | (21) | 626 | - | (598) | 28 |
| Charitable Activity | | - | - | (3) | (3) | 82 | - | (270) | (188) |
| Donations Received | | - | - | - | - | 29 | - | - | 29 |
| | | 3,499 | (854) | (1,226) | 1,419 | 4,840 | (2,119) | (1,022) | 1,699 |
| **Total** | | **62,399** | **(2,143)** | **(40,236)** | **20,020** | **62,947** | **(3,030)** | **(41,710)** | **18,207** |

## 3. Particulars of turnover, operating expenditure and operating surplus (continued)

| Parent | Note | Year Ended 31 March 2017 | | | | Year Ended 31 March 2016 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Turnover | Cost of Sales | Operating Expenditure | Operating Surplus/ (Deficit) | Turnover | Cost of Sales | Operating Expenditure | Operating Surplus/ (Deficit) |
| | | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Social housing lettings** | | | | | | | | | |
| Income and expenditure from social housing lettings | 3a | - | - | - | - | - | - | - | - |
| **Other social housing activities** | | | | | | | | | |
| Charges for support services | | 4,006 | - | (4,047) | (41) | 4,213 | - | (3,844) | 369 |
| External Activities | | 54 | - | (77) | (23) | 125 | - | (121) | 4 |
| Intra Group | | 9,040 | - | (8,758) | 282 | 8,212 | - | (8,079) | 134 |
| | | 13,100 | - | (12,882) | 218 | 12,551 | - | (12,045) | 506 |
| **Total** | | **13,100** | - | **(12,882)** | **218** | **12,551** | - | **(12,045)** | **506** |

All social housing activities are undertaken by SSHA and Severnside as the owners of the housing assets within the Group. Other housing activities are undertaken by the Housing Plus and all subsidiaries

## NOTES TO THE FINANCIAL STATEMENTS

### 3a. Income and expenditure from social housing activities

| | Year Ended 31 March 2017 General Housing | Supported Housing | Low Cost Home Ownership | Care Housing | Total | Parent Total | Year Ended 31 March 2016 Combined Total | Parent Total |
|---|---|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Rent Receivable net of identifiable service charges | 44,101 | 4,988 | 631 | 1,014 | 50,734 | - | 50,445 | - |
| Service Charges income | 311 | 1,888 | 173 | 1,723 | 4,095 | | 4,075 | |
| Amortised Government Grants | 542 | 102 | 71 | 224 | 939 | | 910 | |
| Other Income | - | - | - | - | - | | 175 | |
| **Turnover from Social Housing Lettings** | **44,954** | **6,978** | **875** | **2,961** | **55,768** | - | **55,605** | - |
| Management | (11,504) | (1,390) | (213) | (622) | (13,729) | - | (13,925) | - |
| Service Charge Costs | (39) | (1,479) | (39) | (1,295) | (2,852) | - | (3,341) | - |
| Routine Maintenance | (5,107) | (256) | (22) | (75) | (5,460) | - | (5,496) | - |
| Planned Maintenance | (6,381) | (463) | (25) | (262) | (7,131) | - | (8,245) | - |
| Major Repairs Expenditure | - | - | - | - | - | - | - | |
| Bad Debts | (124) | (3) | - | (6) | (133) | - | (214) | - |
| Impairment of Housing Properties | - | - | (62) | - | (62) | | - | |
| Depreciation of Housing Properties | (7,117) | (431) | (207) | (813) | (8,568) | - | (8,349) | - |
| **Operating Costs on Social Housing Lettings** | **(30,272)** | **(4,022)** | **(568)** | **(3,073)** | **(37,935)** | - | **(39,570)** | - |
| **Operating Surplus/(Deficit) on Social Housing Lettings** | **14,680** | **2,956** | **307** | **(112)** | **17,833** | - | **16,035** | - |
| Void Losses | (255) | (108) | 5 | (8) | (366) | - | (679) | - |

### 3b. Classes of Accommodation in management and development

| | Year Ended 31 March 2017 Group | Year Ended 31 March 2017 Parent | Year Ended 31 March 2016 Combined Group | Year Ended 31 March 2016 Combined Parent |
|---|---|---|---|---|
| | Units | Units | Units | Units |
| General Housing | | | | |
| - Social Rent | 9,140 | - | 9,149 | - |
| - Affordable Rent | 473 | - | 314 | - |
| Supported Housing and Housing for Older People | 1,134 | - | 1,143 | - |
| Low Cost Home Ownership | 325 | - | 304 | - |
| Care Housing | | | | |
| - Social Rent | 198 | - | 198 | - |
| - Affordable Rent | 50 | - | 50 | - |
| **Total Social Housing Units** | 11,320 | | 11,158 | |
| Market Rent | 106 | | 103 | |
| Other | 1 | | 1 | |
| Leasehold | 428 | - | 425 | - |
| **Total** | **11,855** | - | **11,687** | - |
| Accommodation managed on behalf of others | | - | - | - |
| **Total Managed** | **11,855** | - | **11,687** | - |
| **Accommodation in development at the year end** | 261 | - | 118 | - |

### 4. Surplus/Deficit on Disposal of Housing Properties

| Group | Year Ended 31 March 2017 LCHO | RTB | Other Properties | Total | Year Ended 31 March 2016 Combined |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Disposal Proceeds | 109 | 1,804 | 178 | 2,091 | 2,260 |
| Cost of Sales | (101) | (548) | (32) | (681) | (732) |
| Selling Costs | (1) | (9) | (3) | (13) | (11) |
| Grant Recycled | - | - | - | - | (745) |
| **Net surplus on disposal of housing properties** | **7** | **1,247** | **143** | **1,397** | **772** |

Housing Plus as a parent disposed of no housing properties (2015/16 none).

## NOTES TO THE FINANCIAL STATEMENTS

### 4b. Surplus/Deficit on Other Tangible Fixed Assets

| | Year Ended 31 March 2017 | | Year Ended 31 March 2016 Combined | |
|---|---|---|---|---|
| | Group | Parent | Group | Parent |
| | £'000 | £'000 | £'000 | £'000 |
| **Net receipts on Sale** | | | | |
| Other Tangible Fixed Assets | 65 | 28 | - | - |
| | **65** | **28** | | |
| Less: Cost of Sales | (52) | (2) | (15) | - |
| Administration and Fees | - | - | - | - |
| **Surplus/(Deficit) on Sale of Tangible Fixed Assets** | **13** | **26** | **(15)** | - |

### 5. Interest receivable and other income

| | Year Ended 31 March 2017 | | Year Ended 31 March 2016 Combined | |
|---|---|---|---|---|
| | Group | Parent | Group | Parent |
| | £'000 | £'000 | £'000 | £'000 |
| Interest received from temporary investments | 61 | - | 48 | - |
| **Interest receivable and other income** | **61** | - | **48** | - |

### 6. Interest payable and financing costs

| | Year Ended 31 March 2017 | | Year Ended 31 March 2016 Combined | |
|---|---|---|---|---|
| | Group | Parent | Group | Parent |
| | £'000 | £'000 | £'000 | £'000 |
| Interest payable for an Intra Group Loan (SSHA) | - | (4) | - | - |
| Loan interest | (13,476) | - | (13,115) | - |
| Loan Commission and valuation fees | (290) | - | (306) | - |
| Renegotiation Fees | (74) | - | 10 | - |
| Capitalised Interest | 405 | - | 103 | - |
| Net interest on pension liability | (652) | (78) | (693) | (124) |
| **Interest payable and similar charges** | **(14,087)** | **(82)** | **(14,001)** | **(124)** |

## 7. Surplus on Ordinary Activities Before Taxation

| | Note | Year Ended 31 March 2017 Group | Year Ended 31 March 2017 Parent | Year Ended 31 March 2016 Combined Group | Year Ended 31 March 2016 Combined Parent |
|---|---|---|---|---|---|
| | | £'000 | £'000 | £'000 | £'000 |
| **Depreciation & Impairment:** | | | | | |
| Housing Assets | | 8,630 | - | 8,350 | - |
| Other Fixed Assets | | 680 | 158 | 724 | 154 |
| **Amortisation:** | | | | | |
| Intangible Fixed Assets | 11 | 37 | 37 | 40 | 40 |
| Goodwill | | - | - | 117 | - |
| Grants | | (939) | - | (910) | - |
| **Gain on Disposal of Housing Properties** | 4 | (1,397) | | (368) | - |
| **Gain on Disposal of Other Fixed Assets** | | (13) | (26) | | |
| **Revaluation (Gain)/Loss** | | 832 | - | (28) | - |
| **Operating lease rentals** | 20 | 167 | 128 | 281 | 100 |
| **External Auditors' Remuneration (incl. expenses, excl. VAT):** | | | | | |
| Fees for the audit of the financial statements | | 51 | 10 | 85 | 9 |
| Fees for other services | | 6 | - | 50 | - |

## 8. Taxation

There is no current or deferred tax as Housing Plus Limited is a charity (conversion during current financial year). SSHA, Severnside and Care Plus are also charities. There is no current or deferred tax liability in the other subsidiaries. The tax charge in the current year in the parent relates to the previous financial year when Housing Plus was liable for corporation tax.

## 9. Employees

The average number of persons employed during the financial year expressed as full-time equivalents (full time equivalents are 35 hours for those on historic Housing Plus and SSHA contracts, 37.5 hours for those on Care Plus contacts and 37 hours for those on historic Severnside) was:

| | Year Ended 31 March 2017 | | Year Ended 31 March 2016 Combined | |
|---|---|---|---|---|
| | Group | Parent | Group | Parent |
| | Number | Number | Number | Number |
| Administration and Management | 271 | 77 | 303 | 77 |
| Property Services | 143 | 56 | 114 | 49 |
| Housing Support and Care | 94 | 7 | 83 | - |
| Other | 16 | 10 | 30 | 2 |
| **Total** | **524** | **150** | **530** | **128** |

Employees' costs:

| | Note | Year Ended 31 March 2017 | | Year Ended 31 March 2016 Combined | |
|---|---|---|---|---|---|
| | | Group | Parent | Group | Parent |
| | | £'000 | £'000 | £'000 | £'000 |
| Wages and salaries | | 14,547 | 5,009 | 15,208 | 4,848 |
| Social Security costs | | 1,327 | 489 | 1,226 | 418 |
| Other pension costs | 20 | 1,204 | 540 | 1,471 | 565 |
| **Total** | | **17,078** | **6,038** | **17,905** | **5,831** |

## 10. Directors' Emoluments

The Directors of the Group are its Board Members. Board Members are not members of any Housing Plus pension scheme. Below there are the emoluments paid to the Board Members.

| Summary of Board Members Pay | Year Ended 31 March 2017 | | Year Ended 31 March 2016 Combined | |
|---|---|---|---|---|
| | Group | Parent | Group | Parent |
| | £'000 | £'000 | £'000 | £'000 |
| Pay | 139 | 75 | 159 | 37 |
| National Insurance | 1 | 1 | - | - |
| **Total** | **140** | **76** | **159** | **37** |

## 10. Directors' Emoluments (continued)

| Details of Board Members Pay (Active at 31/03/2017) | Year Ended 31 March 2017 | Member of: Group Board | Homes Board | Property Plus Board | Care Plus Board | Audit Committee | Nominations Committee | Integration Committee |
|---|---|---|---|---|---|---|---|---|
| | £'000 | | | | | | | |
| Dr Mary Griffiths (HP) | 10 | | | | X | | | X |
| Mr Alan Hawkesworth (HP) | 6 | | | X | | | | X |
| Mr Mike Roughan (HP & Severnside) | 5 | | | | X | | | X |
| Mr Paul Smith (HP & Severnside) | 10 | X | X | | | | | |
| Mr Gareth Evans (HP & Severnside) | 7 | X | | | | | X | X |
| Mr Rolf Levesley (HP & SSHA) | 13 | X | | | | | X | |
| Mr Malcolm Price (HP & Severnside) | 5 | | X | | | | | |
| Mr Peter Bell (SSHA & HP) | 6 | | X | | | X | | |
| Mrs Alyson Lanning (HP & Severnside) | 5 | | X | | | | X | |
| Mr Anthony Pate (SSHA & HP) | 6 | | X | | | | | |
| Mr Andrew Mason (CP & HP) | 6 | X | | X | | | | |
| Mrs Julie Smith (CP & HP) | 5 | | | | X | X | | |
| Mrs Pamela Smith (CP & HP) | 5 | | | | X | | | |
| Mr Rory O'Byrne (HP & Severnside) | 5 | | X | | | | X | |
| Mr Peter Price (HP & Severnside) | 4 | | | X | | X | | |
| Mrs Susan Elaine Ganderton (HP & Severnside) | 5 | | | X | | X | | |
| **Total** | **103** | | | | | | | |

## 10. Directors' Emoluments (continued)

| Details of Board Members Pay | Year Ended 31 March 2017 | Member of: Group Board | SSHA/Severnside Board | Care Plus Board | Property Plus Board/AWE | Audit Committee | Nominations Committee | Integration Committee |
|---|---|---|---|---|---|---|---|---|
| | £'000 | | | | | | | |
| Mr Jim Bolton (left 20/03/17) (CP & HP) | 10 | X | | X | | | | |
| Mrs Jane Richardson (left 30/09/16) (HP) | 3 | X | | | | | | |
| Mr Jonathan Dwyer (left 30/09/16) (HP) | 4 | X | | | | X | | |
| Mrs Carol Hurley (left 30/09/16) (SSHA) | 2 | | X | | | | | |
| Mrs Caroline Bishop (left 30/09/16) (SSHA) | 1 | | X | | | | | |
| Mrs Monica Shafaq (left 30/09/16) (SSHA) | - | | X | | | | | |
| Mrs Jasvinder Hewitt (left 30/09/16) (SSHA) | 2 | | X | | | | | |
| Mr Paul Williams (Death in Service 31/03/17) (PP & Severnside) | 5 | | X | | X | | | X |
| Mr Nigel Wright (left 30/09/16) (CP) | 2 | | | X | | | | |
| Mr Graham Parker (left 30/09/16) (CP) | 2 | | | X | | | | |
| Mr Andrew Parkes (left) (Severnside) | 2 | | X | | | | | |
| Mr Paul Beaman (left) (AWE) | 1 | | | | X | | | |
| Mr Robin Pritchard (left) (Severnside) | 2 | | X | | X | | | |
| **Total** | **36** | | | | | | | |

**10. Directors' Emoluments (continued)**

The aggregate amount of emoluments (including benefits in kind and pension contributions) paid to or receivable by the eight (2015/16 seven) Executive Officers of the Group and of the five (2015/16 seven) in the Parent during the year made up as follows:

| | Year Ended 31 March 2017 | | Year Ended 31 March 2016 Combined | |
|---|---|---|---|---|
| | Group | Parent | Group | Parent |
| | £'000 | £'000 | £'000 | £'000 |
| Emoluments (including Benefits in Kind) | 977 | 587 | 966 | 554 |
| Compensation for loss of office | 135 | 135 | - | - |
| Pension Contribution | 115 | 96 | 188 | 104 |
| **Total** | **1,227** | **818** | **1,154** | **658** |

The emoluments (including benefits in kind and pension contributions) paid to the Chief Executive, and Executive Officers and other higher earners were in the following range:

| | Year Ended 31 March 2017 | | Year Ended 31 March 2016 Combined | |
|---|---|---|---|---|
| | Group | Parent | Group | Parent |
| More than £60,000 but not more than £70,000 | 5 | 3 | 7 | 3 |
| More than £70,000 but not more than £80,000 | 8 | 3 | 6 | 2 |
| More than £80,000 but not more than £90,000 | 2 | 1 | 4 | 3 |
| More than £90,000 but not more than £100,000 | 2 | 1 | - | - |
| More than £100,000 but not more than £110,000 | - | - | - | - |
| More than £110,000 but not more than £120,000 | 1 | 1 | 1 | 1 |
| More than £120,000 but not more than £130,000 | - | - | 3 | 1 |
| More than £130,000 but not more than £140,000 | 2 | 2 | 1 | - |
| More than £140,000 but not more than £150,000 | 1 | - | 1 | 1 |
| More than £150,000 but not more than £160,000 | 1 | 1 | - | - |
| More than £160,000 but not more than £170,000 | - | - | - | - |
| More than £170,000 but not more than £180,000 | - | - | 2 | 1 |
| More than £180,000 but not more than £190,000 | 1 | - | - | - |
| More than £250,000 but not more than £260,000 | 1 | 1 | - | - |

The emoluments paid to the current Chief Executive, Mrs Sarah Boden (excluding benefits in kind and pension contributions) were £162k (2015/16 £139k). The Chief Executive was an ordinary member of the LGPS pension scheme until the 30th September 2016. The Chief Executive left the LGPS pension scheme on the 30th September 2016 and since then has taken the contributions as payment in line with the flexible pension policy.

The emoluments paid to the previous Chief Executive, Mrs Deborah Griffiths (excluding benefits in kind and pension contributions) were £259k (2015/16 £134k). The previous Chief Executive left the organisation on 30th September 2016. The previous Chief Executive was an ordinary member of the LGPS pension scheme and no enhanced or special terms applied.

## NOTES TO THE FINANCIAL STATEMENTS

### 11. Intangible Assets and Goodwill

| | As at 31 March 2017 | | As at 31 March 2016 Combined | |
|---|---|---|---|---|
| | Group Total | Parent Total | Group Total | Parent Total |
| | £'000 | £'000 | £000 | £000 |
| **Cost** | | | | |
| At 1 April | 521 | 171 | 504 | 154 |
| Additions | 38 | 38 | 17 | 17 |
| Disposals | - | - | - | - |
| **At 31 March** | **559** | **209** | **521** | **171** |
| **Accumulated Amortisation** | | | | |
| At 1 April | (447) | (97 | (290) | (57) |
| Charge for the year | (37) | (37) | (157) | (40) |
| **At 31 March** | **(484)** | **(134)** | **(447)** | **(97)** |
| **Net book value** | | | | |
| At 31 March | 75 | 75 | 74 | 74 |
| At 1 April | 74 | 74 | 214 | 97 |

## 12. Housing Properties at Cost

| Group | As at 31 March 2017 | | | | | As at 31 March 2016 |
|---|---|---|---|---|---|---|
| | Houses for Letting | | Low Cost Home Ownership | | | Combined |
| | Complete for Letting | Under Construction | Complete for Letting | Under Construction | Group Total | Group Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **COST** | | | | | | |
| At 1 April | 346,972 | 10,860 | 19,397 | 195 | 377,424 | 361,129 |
| Additions | 19,735 | 8,359 | 4 | 878 | 28,976 | 27,431 |
| Disposals | (1,600) | - | (102) | - | (1,702) | (4,277) |
| Transfers (note 12a) | 8,537 | (8,723) | (956) | (458) | (1,600) | (6,859) |
| **At 31 March** | **373,644** | **10,496** | **18,343** | **615** | **403,098** | **377,424** |
| **LESS ACCUMULATED DEPRECIATION AND IMPAIRMENT** | | | | | | |
| At 1 April | (60,557) | - | (1,562) | - | (62,119) | (54,866) |
| Depreciation charge for year | (7,966) | - | (224) | - | (8,190) | (7,909) |
| Eliminated in respect of Disposals | 748 | - | 18 | - | 766 | 656 |
| Impairment (Losses)/Reversals | - | - | (62) | - | (62) | - |
| **At 31 March** | **(67,775)** | **-** | **(1,830)** | **-** | **(69,605)** | **(62,119)** |
| **Net book value** | | | | | | |
| At 31 March | 305,869 | 10,496 | 16,513 | 615 | 333,493 | 315,305 |
| At 1 April | 289,063 | 10,860 | 15,187 | 195 | 315,305 | 306,263 |

Note: Included within 'Eliminated in respect of disposals' is accelerated depreciation of £378k

## NOTES TO THE FINANCIAL STATEMENTS

### 12a Housing Properties at Cost

| | As at 31 March 2017 | | | | | As at 31 March 2016 |
|---|---|---|---|---|---|---|
| | Houses for Letting | | Low Cost Home Ownership | | | |
| | Complete for Letting | Under Construction | Complete for Letting | Under Construction | Group Total | Group Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Complete Properties | 8,505 | (8,505) | 8 | (8) | - | - |
| Write-off to Income & Expenditure (Aborted Schemes) | - | (218) | - | - | (218) | (19) |
| Staircasing sale | 32 | - | (32) | - | - | - |
| Transfer to Investment Properties | - | - | - | - | - | (4,758) |
| Transfer to Current Assets | - | - | (932) | (450) | (1,382) | (2,081) |
| **Transfers** | **8,537** | **(8,723)** | **(956)** | **(458)** | **(1,600)** | **(6,858)** |

SSHA and Severnside hold all housing assets within the Group. The ultimate controlling party – Housing Plus is a non-housing assets holding company.

There is an annual valuation of SSHA properties using the Existing Use Value as Social Housing method (EUV.SH), which assumes a sale approved by the HCA to another Registered Social Landlord who will manage the property in accordance with the HCA and SSHA tenancy guarantees. There is an annual desktop valuation of Severnside properties performed for the properties charged to Canada Life and a triennial valuation for those held by Nationwide (last valuation 2014). The valuations also used EUV.SH.

The cash generating unit for the impairment review was taken at a scheme level as it was determined that this grouped assets with similar values and rents. The primary technique used to calculate the recoverable amount was EUV-SH. This methodology highlighted that new additions to stock since transfer had a higher carrying value than the EUV-SH valuation. However, these units were developed for social benefit and as such in line with SORP guidance the Group used Value in Use – Service Potential (VIU-SP) as a the basis for the recoverable amount. The calculation of VIU-SP was a depreciated replacement cost.

The review in 2016/17 identified 3 Low Cost Home Ownership properties in SSHA where the carrying value exceeded the calculated Value in Use – Service Potential. The total excess of carrying value over VIU – SP of £61,797 has been recognised under operating expenditure in the Statement of Comprehensive Income. There are no accumulated brought forward impairments.

## NOTES TO THE FINANCIAL STATEMENTS

### 12a Housing Properties at Cost (continued)

#### Charges against properties

| | As at 31 March 2017 | As at 31 March 2016 Combined |
|---|---|---|
| Number of Properties on which there is a fixed charge | 10,165 | 9,938 |
| Number of Properties not charged | 1,155 | 1,222 |
| **Total Number of Properties** | **11,320** | **11,160** |

SSHA and Severnside have received government grants in order to acquire and develop the housing properties. Grants are amortised through the Statement of Comprehensive Income over the useful economic life of the structure of the property. Any unamortised grant is held as deferred income. A breakdown of this grant is shown below:

| | As at 31 March 2017 | As at 31 March 2016 Combined |
|---|---|---|
| | £'000 | £'000 |
| Deferred capital grant at 1 April | 57,347 | 54,891 |
| Grants received during the year | 1,046 | 2,855 |
| Grants recycled from/(to) the recycled capital grant fund | (44) | (19) |
| Transfers from reserves | 797 | 529 |
| Releases to income during the year | (939) | (909) |
| **Deferred capital grant at 31 March** | **58,207** | **57,347** |

#### Housing properties book value, net of depreciation and impairments

| | As at 31 March 2017 | As at 31 March 2016 Combined |
|---|---|---|
| | £'000 | £'000 |
| Freehold land and buildings | 332,927 | 314,739 |
| Long leasehold land and buildings | 566 | 566 |
| **Total** | **333,493** | **315,305** |

## 12b. Other Property, Plant and Equipment

| Group | As at 31 March 2017 | | | | | As at 31 March 2016 |
|---|---|---|---|---|---|---|
| | Fixtures, Fittings, Tools & Equipment | | | | | |
| | Vehicles | Furniture & Equipment | Computer Equipment & Software | Land & Buildings | Total | Total Combined |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **COST** | | | | | | |
| At 1 April | 819 | 2,497 | 5,132 | 5,205 | 13,653 | 13,465 |
| Additions | 62 | 389 | 333 | 1,637 | 2,420 | 499 |
| Reclassifications | - | 3 | (3) | - | - | |
| Disposals | (120) | (64) | (16) | (2) | (202) | (310) |
| **At 31 March** | 761 | 2,825 | 5,446 | 6,840 | 15,871 | 13,653 |
| **Accumulated Depreciation & Impairment** | | | | | | |
| Depreciation at 1 April | (636) | (1,925) | (4,660) | (1,015) | (8,236) | (7,806) |
| Depreciation charge for year | (105) | (189) | (304) | (86) | (684) | (645) |
| Reclassifications | - | 1 | (1) | - | - | |
| Impairment | - | - | - | - | - | (77) |
| Eliminated in respect of Disposals | 119 | 17 | 12 | 2 | 150 | 292 |
| **At 31 March** | (622) | (2,096) | (4,953) | (1,099) | (8,770) | (8,236) |
| **Net book value** | | | | | | |
| At 31 March | 139 | 728 | 493 | 5,741 | 7,101 | 5,417 |
| At 1 April | 183 | 572 | 472 | 4,190 | 5,417 | 5,659 |

## 12b. Other Property, Plant and Equipment (continued)

| Parent | As at 31 March 2017 | | | | | As at 31 March 2016 |
|---|---|---|---|---|---|---|
| | Fixtures, fittings, Tools & Equipment | | | | | |
| | Vehicles | Furniture & Equipment | Computer Equipment & Software | Land & Buildings | Total | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **COST** | | | | | | |
| At 1 April | 577 | 42 | 1,068 | - | 1,687 | 1,630 |
| Additions | 62 | 217 | 69 | 1,627 | 1,975 | 57 |
| Disposals | (114) | - | - | - | (114) | - |
| **At 31 March** | 525 | 259 | 1,137 | 1,627 | 3,548 | 1,687 |
| **Accumulated Depreciation & Impairment** | | | | | | |
| Depreciation at 1 April | (549) | (12) | (937) | - | (1,498) | (1,344) |
| Depreciation charge for year | (29) | (20) | (109) | - | (158) | (154) |
| Eliminated in respect of Disposals | 114 | - | - | - | 114 | - |
| **At 31 March** | (464) | (32) | (1,046) | - | (1,542) | (1,498) |
| **Net book value** | | | | | | |
| At 31 March | 61 | 227 | 91 | 1,627 | 2,006 | 189 |
| At 1 April | 28 | 30 | 131 | - | 189 | 286 |

There is no charge on any of these assets. All land held for other assets is owned freehold.

### 12c. Investment Properties

| Group | As at 31 March 2017 | As at 31 March 2016 Combined |
|---|---|---|
| | £'000 | £'000 |
| Balance at 1 April | 13,472 | 8,690 |
| Additions | 325 | 4,754 |
| Transfer | (12) | - |
| Net Gain/(Loss) from Fair Value adjustments | (832) | 28 |
| **Balance at 31 March** | **12,953** | **13,472** |
| **Historical Net Book Value** | **13,750** | **13,437** |

All investment properties were valued as at 31st March 2017 using the valuation methodology – market value subject to tenancies (MV-STT). The valuations were performed by independent valuers with recognised and relevant qualifications (Savills and Towler Shaw Roberts Surveyors). There are no restrictions on the investment property and there are no contractual obligations to purchase, construct or develop investment property.

### 12d. Stocks

| Group | As at 31 March 2017 | As at 31 March 2016 Combined |
|---|---|---|
| | £'000 | £'000 |
| LCHO Completed Properties | 1,363 | 1,324 |
| LCHO Properties Under Construction | 613 | 162 |
| **Total Low Cost Home Ownership** | **1,976** | **1,486** |
| Open Market Sale Completed Properties | - | 819 |
| Other Stocks | 114 | 138 |
| **Total Inventories** | **2,090** | **2,443** |

Inventories are held at the lower of actual cost and estimated selling price less costs to complete and sell. There have been no impairments in the year (2015/16 none).

## 13. Trade and Other Debtors

| | As at 31 March 2017 | | As at 31 March 2016 Combined | |
|---|---|---|---|---|
| | Group | Parent | Group | Parent |
| | £'000 | £'000 | £'000 | £'000 |
| **Due within one year** | | | | |
| Rent Receivable | 1,112 | - | 1,310 | - |
| Service Charges Receivable | - | - | - | - |
| Leaseholders | 7 | - | 5 | - |
| Less: Provision for bad and doubtful debts | (142) | - | (313) | - |
| | 977 | - | 1,002 | - |
| Care Service Receivable | 76 | - | 72 | - |
| Less: Provision for bad and doubtful debts | (19) | - | (3) | - |
| | 57 | - | 69 | - |
| Amounts due from Other Group Associations | | | | |
| South Staffordshire Housing Association | - | 465 | - | 777 |
| Property Plus | - | 26 | - | - |
| Severnside | - | 6 | - | - |
| Care Plus | - | - | - | 1 |
| Acton Gate | - | - | - | - |
| Social Housing Grant Receivable | - | - | 100 | - |
| Other Debtors | 822 | 23 | 629 | 22 |
| Less: Provision for bad and doubtful debts | (96) | (16) | (192) | (14) |
| | 726 | 504 | 537 | 786 |
| Prepayments & Accrued Income | 666 | 260 | 836 | 303 |
| **Total due within one year** | **2,426** | **764** | **2,444** | **1,089** |
| Due after more than one year | 10 | 10 | 10 | 10 |
| **Total Debtors** | **2,436** | **774** | **2,454** | **1,099** |

## 14. Creditors: Amounts falling due within one year

| | Year Ended 31 March 2017 | | Year Ended 31 March 2016 Combined | |
|---|---|---|---|---|
| | Group | Parent | Group | Parent |
| | £'000 | £'000 | £'000 | £'000 |
| Rents and service charges received in advance | (1,145) | - | (269) | - |
| Loans payable within one year | (292) | - | (56) | |
| Loan Interest | (1,733) | - | (1,713) | - |
| Trade creditors | (422) | (97) | (2,460) | (99) |
| Fixed asset creditors | (175) | (8) | (414) | - |
| Bank overdraft | - | - | (7) | (7) |
| Employees | (351) | (188) | (278) | (178) |
| SHPS pension deficit* | (317) | (173) | - | |
| Taxation and social security | (155) | - | (195) | - |
| Hire purchase | (25) | - | (31) | - |
| HMRC | (71) | (3) | (1) | (1) |
| Accruals and deferred income | (3,291) | (838) | (3,480) | (1,052) |
| Deferred income – grant | (1,837) | - | (1,939) | - |
| Other creditors | (43) | - | (240) | - |
| Intra group creditors (SSHA) | - | (765) | | |
| Intra group creditors (Care Plus) | - | (12) | | |
| Intra group creditors (Severnside) | - | (94) | - | (13) |
| **Total Creditors: Amounts falling due within one year** | **(9,857)** | **(2,178)** | **(11,083)** | **(1,351)** |

The average number of days for the parent between the invoice date and payment is 29 days (2015/16 34 days).

*Note – this was included as a provision in the 2015/16 financial statements The amount payable falling after one year is shown in Note 15.

## 15. Creditors: Amounts falling due after more than one year

| | Year Ended 31 March 2017 | | Year Ended 31 March 2016 Combined | |
|---|---|---|---|---|
| | Group | Parent | Group | Parent |
| | £'000 | £'000 | £'000 | £'000 |
| **Amounts falling due between one and five years** | | | | |
| Nationwide Syndications | (178,500) | - | (178,500) | - |
| Other Loans | (9,458) | - | (2,145) | - |
| BAE Loan | (35,000) | - | (35,000) | - |
| Canada Life Loan | (34,854) | - | (34,850) | - |
| Recycled capital grant and disposal proceeds fund | (153) | - | (109) | - |
| Deferred Income – Grants | (56,370) | - | (55,407) | - |
| Hire Purchase | (9) | - | (34) | - |
| Intra Group Loan (SSHA) | - | (2,000) | - | - |
| SHPS Pension Deficit Contribution* | (1,813) | (857) | - | - |
| Other Designated Funds | (532) | - | (365) | - |
| **Total Creditors: Amounts falling due after more than one year** | **(316,689)** | **(2,857)** | **(306,410)** | **-** |

*Note – this was included as a provision in the 2015/16 financial statements.

### SHPS Pension Deficit Contribution

| | Group | Parent |
|---|---|---|
| | £'000 | £'000 |
| **At 1 April 2016** | **2,334** | **1,150** |
| Charged to income and expense: | | |
| - Additions | - | - |
| - Re-measurements | 56 | 24 |
| Unwinding of discount | 45 | 22 |
| Contributions paid | (305) | (166) |
| **Balance as at 31 March 2017** | **2,130** | **1,030** |

### Movements in recycled Capital Grant Fund

| | As at Year Ended 31 March 2017 | | As at Year Ended 31 March 2016 Combined | |
|---|---|---|---|---|
| | Group | Parent | Group | Parent |
| | £'000 | £'000 | £'000 | £'000 |
| Balance as at 1 April | 109 | - | 90 | - |
| Recycled Grant Input | 75 | - | 44 | - |
| Withdrawal | (31) | - | (25) | - |

| | | | | |
|---|---|---|---|---|
| **Balance as at 31 March** | **153** | - | **109** | - |

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Creditors: Amounts falling due after more than one year (continued)

**Movements in Disposal Proceeds Funds**

| | As at Year Ended 31 March 2017 | | As at Year Ended 31 March 2016 | |
|---|---|---|---|---|
| | Group | Parent | Group | Parent |
| | £'000 | £'000 | £'000 | £'000 |
| **Disposal Proceeds Fund** | | | | |
| Balance as at 1 April | - | - | - | - |
| Inputs arising from disposals | - | - | - | - |
| Withdrawals | - | - | - | - |
| **Balance as at 31 March** | - | - | - | - |

**Repayment of Debt**

| Group | Bank Loans 2017 | Other Loans 2017 | Hire Purchase 2017 | Total 2017 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| In one year or less | - | 292 | 25 | 317 |
| In more than one year but not more than two years | 1,300 | 300 | 9 | 1,609 |
| In more than one year but not more than five years | 9,675 | 950 | - | 10,625 |
| | **10,975** | **1,542** | **34** | **12,551** |

| Group | Bank Loans 2016 | Other Loans 2016 | Finance Leases 2016 | Total 2016 |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| In one year or less | - | 56 | - | 56 |
| In more than one year but not more than two years | - | 57 | - | 57 |
| In more than one year but not more than five years | 22,400 | 190 | - | 22,590 |
| | **22,400** | **303** | - | **22,703** |

## 15. Creditors: Amounts falling due after more than one year (continued

**Security, terms of repayment and interest rates**

The Nationwide Syndications loan is secured by the properties that SSHA and Severnside owns. The loan repayments are scheduled to commence from October 2018 until 2045. During the loan period decisions are made to fix the rate of interest for periods within the overall loan period. The fixed rates of interest range in 2016/17 between 4.29% and 7.712%.

The BAE loan is secured against properties that SSHA owns. The loan is repaid between August 2038 and August 2042 in equal instalments of £7m. It has a fixed interest rate of 5.0%.

The Canada Life loan is secured by the properties that Severnside owns. The interest rate is fixed at 4.54%.

The Shropshire Council loans are secured by the properties that Severnside owns. The interest rates are fixed at 4.32% and 2.3%.

At 31 March 2017 the Group had undrawn loan facilities of £31.5million.

## 16. Financial Instruments

| | Note | Year Ended 31 March 2017 | | Year Ended 31 March 2016 Combined | |
|---|---|---|---|---|---|
| | | Group | Parent | Group | Parent |
| | | £'000 | £'000 | £'000 | £'000 |
| **Financial assets that are debt instruments measured at amortised cost** | | | | | |
| Rent & Service Charge Receivable | 13 | 1,118 | - | 1,315 | - |
| Care Service Receivable | 13 | 76 | - | 72 | - |
| Intra group | 13 | - | 497 | - | 777 |
| Other debtors | 13 | 823 | 22 | 738 | 33 |
| Investments in short term deposits | | 7 | - | 7 | - |
| Cash and Cash Equivalents | | 8,234 | 888 | 14,640 | - |
| | | **10,258** | **1,407** | **16,772** | **810** |
| **Financial Liabilities measured at amortised cost** | | | | | |
| Loans | 14/15 | (258,104) | - | (250,554) | - |
| Bank Overdraft | 14 | - | - | (7) | (7) |
| Finance leases and hire purchase | 14/15 | (34) | - | (65) | - |
| Trade creditors | 14 | (422) | (97) | (2,460) | (99) |
| Accruals | 14 | (3,291) | (838) | (3,549) | (1,052) |
| Intra group | 14 | - | (871) | - | (13) |
| Other creditors | 14 | (2,869) | (372) | (1,858) | (180) |
| | | **(264,720)** | **(2,178)** | **(258,493)** | **(1,351)** |

### 17. Called Up Non Equity Share Capital

Each member of the Board of Management holds one non equity share of £1 each. These shares carry the right to vote at General Meetings on the basis of one share one vote. The shares are not transferable, non redeemable and carry no right to receive income or capital payments.

| Parent: | Year Ended 31 March 2017 | Year Ended 31 March 2016 |
|---|---|---|
| Number of Shareholders as at 1 April | 7 | 7 |
| Returned Shares | (2) | - |
| Shares issued during the financial year | - | - |
| **Number of Shareholders as at 31 March** | **5** | **7** |

### 18. Capital commitments

| | As at 31 March 2017 | | As at 31 March 2016 Combined | |
|---|---|---|---|---|
| | Group | Parent | Group | Parent |
| | £'000 | £'000 | £'000 | £'000 |
| Expenditure contracted but not provided in the financial statements | 12,806 | - | 14,636 | - |
| Expenditure authorised by the Board but not contracted | 45,330 | 5,000 | 37,434 | - |
| **Total Capital commitments** | **58,136** | **5,000** | **52,070** | - |

The expenditure contracted but not provided in the financial statements will be funded by a drawdown from the unused loan facilities the total of which is £31.5million.

The expenditure authorised by the Board but not contracted relates to the current bid to Homes and Communities Agency (HCA). The following amounts describe the way SSHA funds the development:

| | As at 31 March 2017 | As at 31 March 2016 Combined |
|---|---|---|
| **Group** | £'000 | £'000 |
| Net Expenditure | 28,004 | 28,915 |
| SHG | 213 | 830 |
| Other Grant Funding | 948 | 1,174 |
| Forecast sales | 28,971 | 21,151 |
| **Total Gross Expenditure** | **58,136** | **52,070** |

## 19. Leases

### 19.1 Operating Leases

The Group holds vehicles, offices, coin operated washing machines, printers and lone working safety devices on non-cancellable operating leases. At 31 March 2017 the total of future minimum lease payments under non cancellable operating leases for each of the following periods:

| | As at 31 March 2017 | | As at 31 March 2016 Combined | |
|---|---|---|---|---|
| | Group | Parent | Group | Parent |
| | £'000 | £'000 | £'000 | £'000 |
| **Leases for vehicles:** | | | | |
| Not later than one year | 116 | - | - | - |
| Later than one year and not later than five years | 703 | 587 | 170 | 54 |
| Later than five years | 116 | - | - | - |
| **Leases for buildings:** | | | | |
| Not later than one year | - | - | - | - |
| Later than one year and not later than five years | 105 | 105 | 154 | 154 |
| Later than five years | - | - | - | - |
| **Leases for equipment:** | | | | |
| Not later than one year | 18 | - | 3 | - |
| Later than one year and not later than five years | 29 | 4 | 92 | 8 |
| Later than five years | 18 | - | - | - |
| | **1,105** | **696** | **419** | **216** |

The expenditure charged in the Statement of Comprehensive Income during the year in relation to minimum lease payments was £301k for the Group and £128k for the Parent.

### 19.2Finance Leases and Hire Purchase

The total of group future minimum lease payments under finance leases and hire purchase:

| | As at 31 March 2017 | | As at 31 March 2016 Combined | |
|---|---|---|---|---|
| | Group | Parent | Group | Parent |
| | £'000 | £'000 | £'000 | £'000 |
| Not later than one year | 25 | - | 31 | - |
| Later than one year and not later than five years | 9 | - | 34 | - |
| Later than five years | - | - | - | - |
| **Total** | 34 | - | 65 | - |

## 20. Pension

### a) Social Housing Pension Scheme

Housing Plus 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 it 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.

Housing Plus has agreed to a deficit funding arrangement and 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. During the year until 31 March 2017 the present value of the provision for Housing Plus has decreased by £120,000. The decreases have a positive impact on the surplus for the year in the Statement of Comprehensive Income.

| | 31 March 17 | 31 March 16 | 31 March 15 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Present Value of Provision | 1,030 | 1,150 | 1,089 |

| | 31 March 17 | 31 March 16 | 31 March 15 |
|---|---|---|---|
| Rate of Discount | 1.33% | 2.06% | 1.92% |

During the year until 31 March 2017 the present value of the provision for SSHA has decreased by £84,000. The decreases have a positive impact on the surplus for the year in the Statement of Comprehensive Income in SSHA's financial statements. There is no SHPS liability in Severnside.

## NOTES TO THE FINANCIAL STATEMENTS

**20. Pension (continued)**

**a) Social Housing Pension Scheme**

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

During the accounting year ended 31 March 2017 Housing Plus paid no contributions for the Defined Benefit Scheme, and between 1% and 10% for Defined Contribution Scheme (2014/15 between 1% and 10%). Members' contributions varied between 1% and 7%.

As at the Statement of Financial Position date there were 52 (50 as at 31st March 2016) active members of the Scheme employed by Housing Plus, all in Defined Contribution Scheme (2015/16 all in Defined Contribution Scheme).

Housing Plus Board reviewed current schemes arrangement for employees and ceased to offer membership of the Scheme to its current employees and new employees in the financial year 2014/15.

**b) Staffordshire County Council Scheme**

Housing Plus participates in the Local Government Pension Scheme which is a multi employer defined benefit Scheme, is funded and is contracted out of the state scheme.

The funding rate for the employer for the year ended 31 March 2017 was 19.6% (2015/16 19.6%). The number of Housing Plus employees in the scheme as at 31 March 2017 was 74 (31 March 2016 – 78).

The disclosures necessary in respect of FRS102 are shown in various tables below. The actuary has estimated that the net pension liability for Housing Plus as at 31 March 2017 is a liability of £1,160,000 (2015/16 £1,763,000), for Severnside a liability of £13,067,000 (2015/16 £10,579,000) and for SSHA is a liability of £6,894,000 (2015/16 £5,506,000) as disclosed in Severnside and SSHA financial statements for the year ended 31 March 2017.

| Assumptions as at | 31 Mar 2017 %p.a. | 31 Mar 2016 %p.a. | 31 Mar 2015 %p.a. | 31 Mar 2014 %p.a. | 31 Mar 2013 %p.a |
|---|---|---|---|---|---|
| Salary increases* | 2.8% | 4.2% | 4.3% | 4.4% | 5.1% |
| Pension increases | 2.4% | 2.2% | 2.4% | 2.8% | 2.8% |
| Discount Rate | 2.6% | 3.5% | 3.2% | 4.3% | 4.5% |

**20. Pension (continued)**

**b) Staffordshire County Council Scheme**

The assumptions at the accounting date are consistent with the duration of the employer's past service liabilities. As at 31 March2013 the weighted average duration of the past service liabilities was 21.9 years. Please note this reflects funded obligations only and does not include the unfunded pensioner liabilities.

The life expectancy is based on the Fund's VitaCurves and based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | Males | Females |
|---|---|---|
| Current Pensioners | 22.1 years | 24.4 years |
| Future Pensioners* | 24.1 years | 26.4 years |

* Figures assume members aged 45 as at the last formal valuation date

| Categories of plan assets as a % of total plan assets | Assets at 31 Mar 2017 | Assets at 31 Mar 2016 | Assets at 31 Mar 2015 | Assets at 31 Mar 2014 | Assets at 31 Mar 2013 |
|---|---|---|---|---|---|
| | % | % | % | % | % |
| Equities | 74 | 75 | 76 | 75 | 79 |
| Bonds | 13 | 11 | 11 | 13 | 12 |
| Property | 8 | 9 | 8 | 8 | 8 |
| Cash | 5 | 5 | 5 | 4 | 1 |

**20. Pension (continued)**
**b) Staffordshire County Council Scheme (continued)**

| Net Pension Liability as at | 31 Mar 2017 | 31 Mar 2016 | 31 Mar 2015 | 31 Mar 2014 | 31 Mar 2013 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Fair value of Employer Assets | 18,799 | 12,571 | 11,480 | 9,104 | 7,962 |
| Present Value of Funded Obligations | (19,959) | (14,334) | (14,837) | (11,371) | (10,093) |
| Net (under) / Overfunding in Funded Plans | (1,160) | (1,763) | (3,357) | (2,267) | (2,131) |
| Present Value of Unfunded Liabilities | - | - | - | - | - |
| Unrecognised Past Service Cost | - | - | - | - | - |
| **Net Pension Liability** | **(1,160)** | **(1,763)** | **(3,357)** | **(2,267)** | **(2,131)** |

The estimate of the liability comprises of approximately £13,847,000 (2015/16 £10,734,000), £3,316,000 (2015/16 £1,929,000) and £2,796,000 (2015/16 £1,671,000) in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2017. The approximation involved in the roll forward model means that the split of scheme liabilities between the three classes of member may not be reliable for certain types of employer. However, the Actuary is satisfied that the approach used leads to reasonable estimates for the aggregate liability figure.

| | Year to 31 Mar 2017 | Year to 31 Mar 2016 |
|---|---|---|
| **Amount Charged to Operating Surplus** | £'000 | £'000 |
| Service Cost* | (648) | (807) |
| Past Service Cost | (326) | (10) |
| Curtailment and Settlement | - | - |
| **Total Operating Charge** | **(974)** | **(817)** |
| **Amount Charged to Financing Costs** | | |
| Expected Return on Employer Assets | 463 | 383 |
| Interest on Pension Scheme Liabilities | (519) | (487) |
| **Total net interest** | **(56)** | **(104)** |
| **Total defined benefit cost recognised in Surplus/Deficit for the year** | **1,030** | **(921)** |

* The Service Cost figures include an allowance for administration expenses of 0.5% of payroll.

**20. Pension (continued)**
**b) Staffordshire County Council Scheme (continued)**

| Reconciliation of Defined Benefit Obligation | Year to 31 Mar 2017 | Year to 31 Mar 2016 |
|---|---|---|
| | £000 | £000 |
| **Opening Defined Benefit Obligation** | **14,334** | **14,837** |
| Current Service Cost | 648 | 807 |
| Interest Cost | 519 | 487 |
| Contributions from Members | 195 | 207 |
| Actuarial Losses/(Gains) | 4,080 | (1,778) |
| Past Service Costs | 326 | 10 |
| Result) on Curtailments | - | - |
| Liabilities extinguished on Settlement | - | - |
| Estimated Unfunded Benefits Paid | - | - |
| Estimated Benefits Paid | (143) | (236) |
| **Closing Defined Benefit Obligation** | **19,959** | **14,334** |

| | Year to 31 Mar 2017 | Year to 31 Mar 2016 |
|---|---|---|
| | £000 | £000 |
| **Opening Fair Value of Employer Assets** | **12,571** | **11,480** |
| Interest Income on Plan Assets | 463 | 383 |
| Contributions from Members | 195 | 207 |
| Contributions from Employer | 1,311 | 997 |
| Contributions in respect of Unfunded Benefits | - | - |
| Actuarial Gains | 4,402 | (260) |
| Assets distributed on Settlement | - | - |
| Unfunded Benefits Paid | - | - |
| Benefits Paid | (143) | (236) |
| **Closing Defined Benefit Asset** | **18,799** | **12,571** |

**20. Pension (continued)**
**b) Staffordshire County Council Scheme (continued)**

| History of Gains and Losses | Year to 31/03/17 | Year to 31/03/16 | Year to 31/03/15 | Year to 31/03/14 | Year to 31/03/13 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Fair Value of Employer Assets | 18,799 | 12,571 | 11,480 | 9,104 | 7,962 |
| Present Value of Defined benefit Obligations | (19,959) | (14,334) | (14,837) | (11,371) | (10,093) |
| **Deficit** | **(1,160)** | **(1,763)** | **(3,357)** | **(2,267)** | **(2,131)** |

**21. Pension Liability**

The Group had the following provisions during the year:

| | SHPS Deficit | Shropshire LGPS | Staffordshire LGPS | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| At 1 April 2016 | 2.334 | 10,579 | 7,269 | 20,182 |
| Additions/(Reductions) dealt with surplus/deficit | (249) | (78) | (322) | (649) |
| Additions/(Reductions) dealt within other comprehensive income | - | 2,202 | 864 | 3,066 |
| Interest costs | 45 | 364 | 243 | 652 |
| Reclassified to Creditors (Notes 14 and 15) | (2,130) | - | - | (2,130) |
| **At 31 March 2017** | - | **13,067** | **8,054** | **21,121** |

### 21. Pension Liability (continued)

The Parent had the following liabilities during the year:

| | Staffordshire LGPS |
|---|---|
| | £000 |
| At 1 April 2016 | 1,763 |
| Additions/(Reductions) dealt with surplus/deficit | (337) |
| Additions/(Reductions) dealt within other comprehensive income | (322) |
| Interest costs | 56 |
| **At 31 March 2017** | **1,160** |

**Pension Liability - LGPS**

The LGPS pension scheme is a multi employer defined benefit scheme. Each year the actuary values the assets and liabilities of the scheme using a set of assumptions. Changes in assumptions and performance of the assets/liabilities in the year means that the present value of the defined benefit obligation is subject to uncertainty.

### 22. Restricted Reserves

Restricted reserves constitute surpluses accruing from sales of LSVT units under the Right to Buy. The receipts are to be used solely for the provision of new housing or disabled facility grants, subject to approval by the relevant local authority.

## 23. Reconciliation of surplus to net cash flow from operating activities

| Group | Year Ended 31 March 2017 | Year Ended 31 March 2016 Combined |
|---|---|---|
| | £'000 | £'000 |
| **Surplus for the year** | **6,455** | **5,040** |
| **Adjustments for non cash items:** | | |
| Amortisation | 37 | 156 |
| Depreciation & Impairment | 9,314 | 9,072 |
| Decrease/(increase) in stock | 473 | 114 |
| Decrease/(increase) in trade and other debtors | (222) | 87 |
| Increase/(Decrease) in trade and other creditors | (1,425) | 65 |
| Market Sale/LCHO Cost of Sale | 1,282 | 2,524 |
| Clawback | (54) | |
| Disposal of Subsidiary | 117 | |
| Pension costs less contributions payables | 330 | (965) |
| Valuation movements | 832 | (28) |
| Non cash amount of tangible fixed asset disposals | 528 | 1,101 |
| | **11,212** | **12,126** |
| **Adjustments for investing or financing activities** | | |
| Proceeds from the sale of tangible fixed assets | (2,090) | (2,260) |
| Government grants realised in the year | (939) | (909) |
| Interest payable | 14,087 | 14,001 |
| Interest receivable | (61) | (48) |
| | **10,997** | **10,784** |
| **Net cash flow generated from operating activities** | **28,664** | **27,950** |

## 24. Reconciliation of net cash flow to movement in net debt

| Group | Year Ended 31 March 2017 | Year Ended 31 March 2016 |
|---|---|---|
| | £'000 | £'000 |
| Increase in cash and cash equivalents in the financial year | (6,406) | 3,978 |
| Cash inflow from increase in debt | 7,549 | (8,953) |
| Cash outflow from increase/(decrease) in short term investments | - | (1,998) |
| **Total changes in net debt for the year** | **1,143** | **(6,973)** |
| Net debt at 1 April | (235,915) | (228,942) |
| **Net debt at 31 March** | **(234,772)** | **(115,425)** |

## 25. Analysis of changes in net debt during year

| Group | Year Ended 31 March 2017 | Cash Flow | Year Ended 31 March 2016 |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Cash at bank and in hand | 8,234 | (6,406) | 14,640 |
| Short Term Deposits | 7 | - | 7 |
| | 8,241 | (6,406) | 14,647 |
| Housing Loans due after one year | (258,102) | (7,548) | (250,554) |
| **Total changes in net debt** | **(249,861)** | **(13,954)** | **(235,907)** |

## 26. Related Party Transactions

The Board of Housing Plus does not have any resident members. SSHA and Severnside also do not have any members that are also residents (2015/156 none).

The total compensation for the Board of in 2016/17 was £139,208 (2015/16 £169,509) split between £75,215 for Housing Plus (2015/16 £39,817), £19,255 for SSHA (2015/16 £45,796), £17,747 for Care Plus (2015/16 £39,396) and £26,990 for Severnside (with £4,500 recharged to Property Plus (Midlands) Ltd) (2015/16 £47,500).

During the financial year 2016/17 Housing Plus purchased services in the ordinary course of business from SSHA at a total cost of £23,482 (2015/16 £nil). However, Housing Plus provided services to SSHA at a total cost of £13,945,504 (2015/16 £12,044,588). Housing Plus paid interest to SSHA of £4,454 following a £2,000,000 loan from SSHA during the year (2015/16 £nil). At the year end Housing Plus was owed £464,530 (2015/16 £776,915) and owed £765,299 (2015/16 £12,868) to SSHA.

## 26. Related Party Transactions (continued)

Housing Plus also provided services in the ordinary course of business to Care Plus (Staffordshire) Ltd. at a cost of £352,078 (2015/16 £352,078), and to SSHA Developments Limited at cost of £427 (2015/16 £427). £12,377 was owed to Care Plus at the year end (2015/16 nil).

Housing Plus also provided services in the ordinary course of business to Severnside Housing at a cost of £263,821 (2015/16 £nil). At the year end Housing Plus was owed £93,552 (2015/16 nil) and owed £6,045 to Severnside (2015/16 nil). Housing Plus provided services to Property Plus at cost of £26,115 (2015/16 £nil); which was all outstanding at the year end but purchased no services from either company.

Housing Plus did not have any transactions with AWE or Severn Homes during the year (2015/16 nil).

All related party transactions within the group are provided on an arms length basis.

Amounts owned by and to the Housing Plus are disclosed in notes 13, 14 and 15. These amounts are related to intragroup balances both in creditors and in debtors.

## 27. Group Companies

The immediate parent undertaking is The Housing Plus Group Limited (The Parent) which is a non charitable industrial and provident society (30224R). It is a registered provider with the Homes and Communities Agency, former the Tenant Services Authority (TSA) (L4491). It has a wholly owned subsidiary South Staffordshire Housing Association Limited (SSHA) which is an exempt charity industrial provident society (28312R). It is also a registered provider with the HCA (LH4121). Housing Plus also has a wholly owned subsidiary SSHA Developments Limited, registered with Companies House (3565494). The ultimate parent, Housing Plus has also another wholly owned subsidiary Care Plus Staffordshire Limited which is an exempt charity industrial provident society (30948R).

The Housing Plus Group merged with Severnside Housing on 1st October 2016. Severnside became a subsidiary on 1st October 2016. Severnside owns housing properties and has funding agreements with Nationwide Building Society, Canada Life and Shropshire Council. Severnside is an exempt charity, registered provider with the HCA (LH4325) and is registered with Companies House. Severnside also has a wholly owned subsidiary called Severn Homes which is a development vehicle for market sales properties.

Property Plus (Midlands) Limited (Property Plus) and Andy Walters Electrical Limited (AWE) became subsidiaries of Housing Plus in October 2016. Property Plus has historically provided electrical works on behalf of Severnside and AWE to external customers.

The Parent, Housing Plus, provides all subsidiaries with services such as finance, payroll, human resources advice and recruitment, development advice and management legal service and information technology services. Additionally for SSHA the parent, Housing Plus provides repairs and maintenance to its properties.

## 28. Merger

On 1st October 2016 the Housing Plus Group Limited (including its subsidiaries South Staffordshire Housing Association, Care Plus (Staffordshire) Limited and Acton Gate Limited) merged with Severnside Housing (including its subsidiaries A Walters Electrical Contractors Limited, A Walters Electrical Limited and Severnside Community Association Limited).

An analysis of the total comprehensive income and net assets is detailed below:

| | Pre Merger Housing Plus Group | Pre Merger Severnside Housing Group | Post Merger New Group |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| Analysis of Total Comprehensive Income for 2016/17 (before actuarial movements)* | 2,408 | 1,887 | 3,042 |
| 2015/16 Total Comprehensive Income | 4,105 | 4,403 | N/A |
| Aggregate Value of Net Assets at Date of Merger | 12,796 | 3,716 | N/A |

* Actuarial movements are a year end adjustment only and therefore not available when analysing the pre merger total comprehensive income as at 1st October 2016.

As part of the merger the Group created a new set of aligned accounting policies. These were as follows:

- Change in useful economic lives of lifts in SSHA (from 40 to 30 years). The lift adjustment (£146k) accelerated depreciation) was put through in 2016/17 as accelerated depreciation it related to a change in estimate.
- Changes in useful economic lives of other fixed assets in Severnside. The net adjustment (£6k) was put through in 2016/17 as accelerated depreciation it related to a change in estimate.
- Change in calculation of the rental bad debt provision in Severnside to be based on historic trends of write offs. Previously the provision had been based on percentages relating to how old he debt was. The change was made in 2016/17 with no restatement as it related to a change in estimate.
- Change in the classification of loans with 2 way break clauses in Severnside from 'other' to 'basic' in line with relevant guidance. The adjustment was £4k.
- Change in the classification of surpluses accruing from sales of LSVT units under the Right to Buy for Severnside Housing from creditors to restricted reserves.