



ANNUAL REPORT AND FINANCIAL STATEMENTS

31 MARCH 2019

South Staffordshire Housing Association Limited
Acton Court, Acton Gate, Stafford, ST18 9AP

Registration No. 28312R

A member of The Housing Plus Group

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BOARD MEMBERS, EXECUTIVE OFFICERS, AUDITORS, ADVISORS AND BANKERS

Registered Office Acton Court,
Acton Gate, Stafford,
ST18 9AP

South Staffordshire Housing Association Limited Registered Community Benefit Society No: 28312R
Registered Provider No: LH4121

Internal Auditors Mazars LLP,
45 Church Street,
Birmingham, B3 2RT

External Independent Auditors BDO LLP,
Chartered Accountants and Statutory Auditors,
Two Snowhill,
Birmingham, B4 6GA

Legal Advisors Trowers & Hamlin LLP
55 Princess Street
Manchester, M2 4EW

Anthony Collins
134 Edmund Street
Birmingham, B3 2ES

Funders Nationwide Building Society,
Kings Park Road, Moulton Park,
Northampton, NN3 6NW

Clydesdale Bank plc
30 St Vincent Place
Glasgow, GH1 2HL

BAE Systems Pension Funds Investment Management Ltd
Burwood House, 14/16 Caxton Street
London, SW1H 0QT

Bankers Barclays Bank PLC,
One Snowhill,
Birmingham, B3 2WN

BOARD MEMBERS, EXECUTIVE OFFICERS, AUDITORS, ADVISORS AND BANKERS (continued)

Board of Management	Mr Peter Phillips (Chair) Mr Tony Pate Mr Philip Ingle (Executive Director) Mr Rory O'Byrne (Vice Chair) Mr Malcolm Price Mrs Catherine Dass Mr Steven Jennings Mr Lionel Haynes (appointed 1 November 2018)
Chief Executive	Mrs Sarah Boden
Executive Directors	
Finance Director and Deputy Chief Executive	Mr Philip Ingle
Property Director	Mr Stephen Collins
Neighbourhoods Director	Mrs Jan Goode
Care and Support Director	Mr Les Clarke
Commercial Director	Mr Peter Donovan – (left 30 September 2018)
People & Transformation Director	Mrs Louise Wagstaff
Company Secretary	Mrs Irene Molyneux

REPORT OF THE BOARD

South Staffordshire Housing Association Limited ('SSHA' 'the Association') started to trade in March 1997 (28312R) following the large scale voluntary transfer of over 5,000 properties from South Staffordshire Council. Its principal activities are the development and management of affordable housing for people in housing need together with appropriate support services in the West Midlands.

Since 1st October 2008, SSHA has been registered as an exempt charity and is also registered with the Regulator of Social Housing (LH4121), and operates four key business streams:

- housing for rent, primarily for customers who are unable to rent or buy at open market rates;
- supported housing for people who need additional housing-related support;
- care housing for older people; and
- low cost home ownership, primarily shared ownership.

SSHA owns the entire issued share capital of SSHA Developments Limited (formerly Acton Gate Limited). The results of SSHA Developments Limited are consolidated into the ultimate controlling party The Housing Plus Group Limited (Housing Plus).

SSHA is the founding member of The Housing Plus Group (Housing Plus). Housing Plus, SSHA's ultimate controlling party, is a non-housing assets holding company which provides the central services for SSHA such as finance, human resource advice, information technology, development advice and management, property care services, legal services, health and safety advice and corporate publicity.

Housing Plus has prepared a Group Strategic Report to accompany the consolidated financial statements. SSHA has taken the exemption not to provide a full strategic report within its own financial statements in line with the Statement of Recommended Practice for registered social housing providers 2018 update. The Statement of Compliance with regulatory policies is available in the Group Strategic Report.

Board Members and Executive Officers

SSHA is governed by a Board of Management composed of six non-executive members and one executive member. SSHA is managed by a senior management team headed by the Chief Executive and supported by the Finance Director/Deputy Chief Executive, Property Director, Neighbourhoods Director, the Care and Support Director and People and Transformation Director. The Executive Management Team attends Board meetings.

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

REPORT OF THE BOARD (continued)

The remuneration of the Board, the Chief Executive and the other Executive Officers is determined by the Housing Plus Board. External professional advice is sought as necessary to ensure that regard is taken of remuneration levels in similar companies and the market place.

Governance

SSHA and its subsidiaries comply with the Regulator of Social Housing's Governance and Financial Viability Standard. In April 2015 Housing Plus adopted the National Housing Federation (NHF) Excellence in Governance as its approved Code of Governance. SSHA complies with the Code.

Statement of compliance

The Board confirms that the Housing Plus Group Strategic Report has been prepared in accordance with the principles set out in the Statement of Recommended Practice for registered social housing providers 2018 update.

The Board confirms that The Housing Plus Group has complied with all relevant regulatory and legal requirements. The Board confirms this for The Housing Plus Group and its subsidiaries through appropriate policies and procedures and a strong control framework (described in the Housing Plus Statement of Internal Controls). 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 the board's responsibilities

The Board is responsible for preparing the Report of the Board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the Board to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

REPORT OF THE BOARD (continued)

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the 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 2019. It 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 ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018 update.

Financial statements are published on the Association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Association's website is the responsibility of the Board. The Board's responsibility also extends to the ongoing integrity of the financial statements contained therein.

Provision of information to auditors

The 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 SSHA's auditors are unaware; the Board Members 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 SSHA auditors are aware of that information.

Independent auditors

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

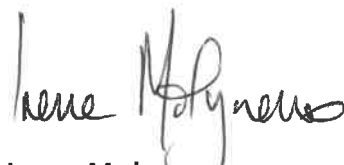
By Order of the Board
23 July 2019



Peter Phillips
Chair



Philip Ingle
Director



Irene Molyneux
Company Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH STAFFORDSHIRE HOUSING ASSOCIATION LIMITED

Opinion

We have audited the financial statements of South Staffordshire Housing Association ("the Association") for the year ended 31 March 2019 which comprise the Association statement of comprehensive income, the Association statement of financial position, the Association statement of changes in reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2019 and of the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance 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 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the board members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The board are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH STAFFORDSHIRE
HOUSING ASSOCIATION LIMITED (continued)**

In connection with our audit of the financial statements, our responsibility is to read the other information including the Report of the Board and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

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 by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 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 Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the Association 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.

Responsibilities of the board

As explained more fully in the board members responsibilities statement set out on page 6, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH STAFFORDSHIRE
HOUSING ASSOCIATION LIMITED (continued)**

Auditor's responsibilities for the audit of the financial statements

This report is made solely to the members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at:
www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

BDO LLP

BDO LLP
Statutory Auditor
Two Snowhill
Birmingham
B4 6GA

Date 7 August 2019

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

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2019

	Note	Year Ended 31 March 2019 £'000	Year Ended 31 March 2018 £'000
Turnover	3	32,490	30,375
Cost of sales	3	(1,816)	(421)
Operating expenditure	3	(22,738)	(19,884)
Surplus on disposal of housing properties	4	270	300
Operating surplus		8,206	10,370
Surplus on disposal of other tangible fixed assets	4	-	3
Interest receivable and similar income	5	25	29
Interest payable and financing costs	6	(7,903)	(7,196)
Gift aid received from subsidiary		150	
Surplus before taxation	7	479	3,206
Taxation	8	-	-
Surplus for the financial year		479	3,206
Actuarial gain/(loss) in respect of pension schemes	20	(688)	230
Loss on transfer of SHPS	20	(1,238)	-
Total comprehensive income for the year		(1,447)	3,436

The accompanying notes form part of these financial statements.

All the turnover and surplus disclosed above are derived from continuing activities.

STATEMENT OF CHANGES IN RESERVES
31 March 2019

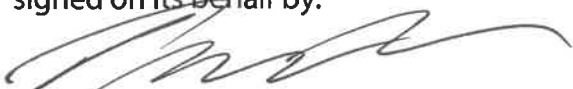
	Year ended 31 March 2019		
	Income and Expenditure Reserve	Restricted Reserve	Total Reserves
	£'000	£'000	£'000
Balance at 1 April 2018	16,071	617	16,688
Capital spend in the year	-	(104)	(104)
Total surplus from Statement of Comprehensive Income	369	110	479
Actuarial gains on defined benefit pension scheme	(688)	-	(688)
Loss on transfer of SHPS	(1,238)	-	(1,238)
Other comprehensive income for the year	(1,926)	-	(1,926)
Balance at 31 March 2019	14,514	623	15,137

	Year ended 31 March 2018		
	Income and Expenditure Reserve	Restricted Reserve	Total Reserves
	£'000	£'000	£'000
Balance at 1 April 2017	12,875	907	13,782
Capital spend in the year	-	(530)	(530)
Total surplus from Statement of Comprehensive Income	2,966	240	3,206
Actuarial gains on defined benefit pension scheme	230	-	230
Other comprehensive income for the year	230	-	230
Balance at 31 March 2018	16,071	617	16,688

STATEMENT OF FINANCIAL POSITION
as at 31 March 2019

	Note	Year Ended 31 March 2019 £'000	Year Ended 31 March 2018 £'000
Tangible fixed assets			
Housing properties	11	197,463	194,084
Other tangible fixed assets	12	2,449	4,270
		199,912	198,354
Current assets			
Stocks	12a	724	1,435
Trade and other debtors	13	11,897	1,131
Investments		7	7
Cash and cash equivalents		1,034	3,727
Less: Creditors: Amounts falling due within one year	14	(5,179)	(6,345)
Net current assets		8,483	(45)
Total assets less current liabilities		208,395	198,309
Creditors: Amounts falling due after more than one year	15	(183,330)	(174,699)
Pension liability	21	(9,928)	(6,922)
Total net assets		15,137	16,688
Reserves	17		
Income and expenditure reserve		14,514	16,071
Restricted reserve		623	617
Total Reserves		15,137	16,688

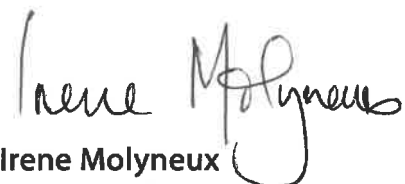
The financial statements were approved by the Board and authorised for issue and are signed on its behalf by:



Peter Phillips
Chair



Philip Ingle
Director



Irene Molyneux
Company Secretary

23 July 2019

NOTES TO THE FINANCIAL STATEMENTS

1. Legal status

SSHA is an exempt charity, registered as a Co-operative and Community Benefit Society and it is registered also with the Regulator of Social Housing (LH4121), under the Housing Association Act 1985, as a social landlord. SSHA 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 the Co-operative and Community Benefit Societies Act 2014, 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 2018 update (early adoption). The financial statements comply with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

The financial statements have been prepared under the historic cost convention.

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

b. Basis of consolidation

The Association is a wholly owned subsidiary and is exempt from the requirement to prepare consolidated financial statements. In preparing separate financials statements the Association has taken advantage of the disclosure exemption in FRS 102 and has not prepared a cash flow statement.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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)

SSHA'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 represent 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 housing assets.

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

f. Pensions

SSHA participates in two defined benefit schemes, the Housing Plus Pension Scheme (HPPS) and the Staffordshire County Council Local Government Pension Scheme (Staffordshire LGPS). The assets of the funds are kept separately from those of the Group being invested in independently managed superannuation funds.

The Association has accounted for the both the HPPS and LGPS as defined benefit schemes. The net liability (or asset, to the extent it is recoverable) is calculated by estimating the amount of future benefit that employees have earned to date, discounted to present value, and deducting the fair value of the scheme's assets. Changes in this net defined benefit liability arising from employee service, introductions, benefit changes, curtailments and settlements during the period are recognised in operating costs. The net interest expense (or income) on the net liability (or asset) for the period is recognised as other finance cost (or income). Remeasurement of the net liability (or asset) is recognised as actuarial gains/losses in Other Comprehensive Income.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 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.

SSHA'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 housing properties 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 Statement of Comprehensive Income for the year.

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

j. Accounting for grants

SSHA 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 SSHA 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 Statement of Comprehensive Income.

k. Sale of housing property

Under shared ownership arrangements, SSHA 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 SSHA'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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Under Right to Buy and Right to Acquire arrangements SSHA sells properties to qualifying tenants. 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).

I. 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.

m. Impairment

SSHA 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. SSHA 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.

n. Leased assets

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the interest rate implicit in the lease. Assets are depreciated over the shorter of the lease term and the estimated useful life of the asset. Assets are assessed for impairment at each reporting date.

The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

o. Stocks

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

p. 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.

q. 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 Association accounts for its financial instruments using sections 11 'Basic Financial Instruments' and 12 'Other Financial Instruments Issues' of FRS102.

The Association'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.

r. Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

s. Taxation

The Association is an exempt charity for corporation tax.

t. Provisions

The Association only provides for when:

- there is a present legal or constructive obligation, resulting from 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 Association 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. A contingent liability exists on grant repayment which is dependent on the disposal of the related property.

u. 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 Association 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 Association does not recognise a contingent liability but discloses its existence in the financial statements.

v. Reserves

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

w. 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 Association 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.

At the reporting date, the Association holds £2.1m of commercial land and buildings. These were valued by Jones Lang LaSalle IP, Inc. (JLL) during the financial year.

The most significant assumptions made for the properties valued by JLL are:

- Capital value per sq. ft.: a 10% fall in this value would reduce the value of these properties by £0.2m.

ii). Defined benefit pension scheme

The Association has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including: life expectancy, 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 2019, the range of assumptions used by the individual schemes of which the Association is a member are shown in Note 20 of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

iii). Classification of Financial Instruments

The Association 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 Association's loan covenants.

The Association'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 Association 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

	Note	Year Ended 31 March 2019			Year Ended 31 March 2018				
		Turnover £'000	Cost of Sales £'000	Operating Expenditure £'000	Operating Surplus/ (Deficit) £'000	Turnover £'000	Cost of Sales £'000	Operating Expenditure £'000	Operating Surplus/ (Deficit) £'000
Social housing lettings									
Income and expenditure from social housing lettings	3a	29,244	-	(16,934)	12,310	29,130	-	(16,436)	12,694
Other social housing activities									
1 st Tranche LCHO sales		2,764	(1,816)	(56)	892	682	(421)	(16)	245
Leaseholders		99	-	(35)	64	126	-	-	126
Tenant garages		86	-	-	86	90	-	-	90
Charges for support services		-	-	(3,850)	(3,850)	-	-	(3,376)	(3,376)
Office dep'n & impairment		-	-	(1,859)	(1,859)	-	-	-	-
Other activities		103	-	-	103	143	-	(52)	91
		3,053	(1,816)	(5,800)	(4,563)	1,041	(421)	(3,444)	(2,824)
Activities other than social housing lettings									
Shops		12	-	(1)	11	18	-	-	18
Private garages		181	-	(3)	178	186	-	(4)	182
		193	-	(4)	189	204	-	(4)	200
Total		32,490	(1,816)	(22,738)	7,936	30,375	(421)	(19,884)	10,070

NOTES TO THE FINANCIAL STATEMENTS (continued)

3a. Income and expenditure from social housing activities

	Year Ended 31 March 2019				Year Ended 31 March 2018
	General Housing £'000	Supported Housing £'000	Low Cost Home Ownership £'000	Care Housing £'000	
Rent receivable net of identifiable service charges	21,942	2,304	574	996	25,722
Service charges income	220	996	323	1,378	2,911
Amortised government grants	313	57	39	102	497
Turnover from social housing lettings	22,475	3,357	936	2,476	29,244
Management	(2,277)	(344)	(92)	(247)	(2,960)
Service charge costs	-	(901)	(12)	(1,560)	(2,473)
Routine maintenance	(1,951)	(118)	(11)	(37)	(2,117)
Planned maintenance	(3,506)	(814)	(10)	(388)	(4,718)
Bad debts	(66)	(12)	-	(11)	(89)
Depreciation	(3,425)	(494)	(142)	(516)	(4,577)
Impairment of housing properties	-	-	-	-	-
Operating expenditure on social housing lettings	(11,225)	(2,683)	(267)	(2,759)	(16,934)
Operating surplus/(deficit) on social housing lettings	11,250	674	669	(283)	12,310
Void losses	(85)	(58)	(3)	(35)	(180)

NOTES TO THE FINANCIAL STATEMENTS (continued)

3b. Classes of accommodation in management and development

	Year Ended 31 March 2019	Year Ended 31 March 2018
	Units	Units
General housing		
- Social rent	4,746	4,735
- Affordable rent	79	79
Supported housing and housing for older people		
-Social rent	556	556
-Affordable rent	28	28
Low cost home ownership	274	254
Care housing		
- Social rent	200	198
- Affordable rent	50	50
Total social housing units	5,933	5,900
Other	1	-
Leasehold	227	227
Total social housing owned	6,161	6,127
Non Social Leasehold	15	15
Total owned and managed	6,176	6,142
Accommodation in development at the year end	48	67

4. Surplus on disposal of tangible fixed assets

Housing properties	Year Ended 31 March 2019			Year Ended 31 March 2018
	Other Properties £'000	RTB £'000	Total £'000	£'000
Disposal proceeds	353	161	514	488
Cost of sales	(192)	(48)	(240)	(181)
Selling costs	(2)	(2)	(4)	(7)
Net surplus on disposal of housing properties	159	111	270	300

NOTES TO THE FINANCIAL STATEMENTS (continued)

4. Surplus on disposal of tangible fixed assets (continued)

Other tangible fixed assets	Year Ended 31 March 2019	Year Ended 31 March 2018
	£'000	£'000
Disposal proceeds	-	3
Cost of sales	-	-
Net surplus on disposal of other tangible fixed assets	-	3

5. Interest receivable and similar income

	Year Ended 31 March 2019	Year Ended 31 March 2018
	£'000	£'000
Interest received from current asset investments	19	3
Interest received from group undertakings	6	26
Interest receivable and similar income	25	29

6. Interest payable and financing costs

	Year Ended 31 March 2019	Year Ended 31 March 2018
	£'000	£'000
Bank loans	(7,505)	(7,007)
Loan commission and fees	(72)	(68)
Renegotiation fees	(121)	(62)
Capitalised interest	-	114
Net interest expense (pensions)	(205)	(173)
Interest and financing costs	(7,903)	(7,196)

NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Surplus on ordinary activities before taxation

	Note	Year Ended 31 March 2019	Year Ended 31 March 2018
		£'000	£'000
Depreciation:			
Housing assets		4,577	4,284
Other fixed assets		212	180
Impairment:			
Other Tangible Fixed Assets		1,809	-
Grant amortisation		(511)	(497)
Surplus on disposal	4	(270)	(303)
Operating lease rentals:	19		
Office equipment		39	39
External auditors' remuneration (incl. expenses, excl. VAT):			
Fees for the audit of the financial statements		14	18
Fees for other services		-	4

8. Tax on surplus on ordinary activities

There is no corporate tax charge for the year (2018: nil).

9. Employees

The average number of persons employed during the financial year was:

	Year Ended 31 March 2019	Year Ended 31 March 2018
	Number	Number
Administration (paid monthly)	63	50
Housing support and care (wardens, caretakers, cleaners)	-	-
Total	63	50

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Employees (continued)

The average number of persons employed during the financial year expressed as full-time equivalents (37 hours) was:

	Year Ended 31 March 2019	Year Ended 31 March 2018
	Number	Number
Administration (paid monthly)	57	46
Housing support and care (wardens, caretakers, cleaners)	-	-
Total	57	46

Employees' costs:

	Note	Year Ended 31 March 2019	Year Ended 31 March 2018
		£'000	£'000
Wages and salaries		1,558	1,238
Social security costs		143	98
Other pension costs	20	136	87
Total		1,837	1,423

10. Directors' emoluments

The Directors of the Association are its Board Members. Board Members are not members of any Group pension scheme.

Following the merger the Board members of the Association became part of a co-terminus Homes Board with Severnside Housing. The Board members of the two landlords were paid from The Housing Plus Group from 1st November 2016 and are disclosed in the accounts of that entity.

The Executive Directors did not receive any emoluments in respect of their services to the Association (2018: £nil) and none (2018: none) of the Executive Directors were a member of the Association's pension schemes. The Executive Directors are all employed and remunerated through the ultimate controlling party, The Housing Plus Group Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Directors' emoluments (continued)

Staff who received remuneration (including benefits in kind) in excess of £60k are summarised in the following bands:

	Year Ended 31 March 2019	Year Ended 31 March 2018
	£'000	£'000
More than £60,000 but not more than £70,000	-	1
More than £70,000 but not more than £80,000	1	-
More than £90,000 but not more than £100,000	1	1

NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Housing properties at cost

	As at 31 March 2019				Total £'000
	Houses for Letting Complete for Letting £'000	Under Construction £'000	Low Cost Home Ownership Complete for Letting £'000	Under Construction £'000	
COST					
At 1 April	219,277	698	17,615	232	237,822
Additions	3,901	2,164	4	3,359	9,428
Disposals	(772)	-	(318)	-	(1,090)
Transfers (note 12a)	1,463	(1,463)	2,213	(3,320)	(1,107)
At 31 March	223,869	1,399	19,514	271	245,053
LESS ACCUMULATED DEPRECIATION					
At 1 April	(42,020)	-	(1,718)	-	(43,738)
Depreciation charge for year	(4,250)	-	(143)	-	(4,393)
Eliminated in respect of disposals	531	-	10	-	541
At 31 March	(45,739)	-	(1,851)	-	(47,590)
Net book value					
At 31 March	178,130	1,399	17,663	271	197,463
At 1 April	177,257	698	15,897	232	194,084

Note: Included within 'Eliminated in respect of disposals' is accelerated depreciation of £184k (2018: £173k). Of the total additions, £3,905k relate to component replacements (2018: £4,449k).

NOTES TO THE FINANCIAL STATEMENTS (continued)

11a Housing properties at cost (continued)

Transfers	As at 31 March 2019					As at 31 March 2018
	Houses for Letting		Low Cost Home Ownership		Total £'000	Total £'000
	Complete for Letting £'000	Under Construction £'000	Complete for Letting £'000	Under Construction £'000		
Complete properties Transfer to current assets	1,463	(1,463)	2,213	(2,213)	-	-
	-	-	-	(1,107)	(1,107)	(1,323)
Transfers	1,463	(1,463)	2,213	(3,320)	(1,107)	(1,323)

Interest capitalisation

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
Interest capitalised during the year	-	114
Interest capitalised to date	972	858
Total interest capitalised	972	972
Rate used for capitalisation	5%	5%

NOTES TO THE FINANCIAL STATEMENTS (continued)

11a Housing properties at cost (continued)

Charges against properties

	As at 31 March 2019	As at 31 March 2018
Number of properties on which there is a fixed charge	5,468	5,288
Number of properties not charged	466	612
Total number of properties	5,934	5,900

Social Housing Grant and other grants

The Association has received government grants in order to acquire and develop its 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:

	Year Ended 31 March 2019	Year Ended 31 March 2018
	£'000	£'000
Deferred capital grant at 1 April	44,193	43,730
Grants received during the year	-	430
Grants recycled (to) the recycled capital grant fund	-	-
Transfers from reserves	104	530
Released to income during the year	(512)	(497)
Deferred capital grant at 31 March	43,785	44,193

Housing properties book value, net of depreciation

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
Freehold land and buildings	196,869	193,475
Long leasehold land and buildings	594	609
Total	197,463	194,084

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. Other tangible fixed assets

	As at 31 March 2019						Total £000
	Solar Panels £000	Fixtures, Fittings, Tools & Equipment Furniture & Equipment £000	Computer Equipment & Telephones £000	Software £000	Land & Buildings £000		
COST							
At 1 April	78	1,905	1,636	25	4,567		8,211
Additions	-	38	6	-	156		200
At 31 March	78	1,943	1,642	25	4,723		8,411
Accumulated depreciation & impairment							
Depreciation at 1 April	-	(1,542)	(1,636)	(25)	(738)		(3,941)
Depreciation charge for year	(5)	(168)	-	-	(39)		(212)
Impairment	-	-	-	-	(1,809)		(1,809)
At 31 March	(5)	(1,710)	(1,636)	(25)	(2,586)		(5,962)
Net book value							
At 31 March	73	233	6	-	2,137		2,449
At 1 April	78	363	-	-	3,829		4,270

There is no charge on any of these assets. All land held for other property, plant and equipment is owned freehold.

NOTES TO THE FINANCIAL STATEMENTS (continued)

12a. Stocks

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
LCHO completed properties	667	1,227
LCHO properties under construction	58	208
Total inventories	724	1,435

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 (2018: none).

13. Trade and other debtors

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
Due within one year		
Rent receivable	871	820
Service charges receivable	(5)	(3)
Leaseholders	(24)	(2)
Less: Provision for bad and doubtful debts	(116)	(110)
	726	705
Amounts due from group undertakings		
Housing Plus	579	242
Sevenside	344	11
Care Plus	10	4
Severn Homes	6	-
Other debtors	96	45
Less: Provision for bad and doubtful debts	-	-
	1,035	302
Prepayments & accrued income	136	124
Total due within one year	1,897	1,131
Amounts due from group undertakings	10,000	-
Total due after more than one year	10,000	-
Total debtors	11,897	1,131

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. Creditors: Amounts falling due within one year

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
Loans and borrowings	1,300	1,300
Trade creditors	71	67
Rents and service charges received in advance	513	410
Taxation and social security	-	(3)
Deferred grant income	517	581
Amounts owed to group undertakings		
- Housing Plus	117	99
- Severnside	6	619
- Property Plus	990	1,161
- SSHA Developments	1	78
Employees	61	45
Fixed asset accruals	-	-
Accruals and deferred Income	574	1,024
Accrued loan interest	1,029	814
SHPS pension deficit (note 20a)	-	150
Total Creditors: Amounts falling due within one year	5,179	6,345

The average number of days for the Association between the invoice date and payment is 51 days (2018: 34 days).

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

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
Loans and borrowings	139,400	129,700
Loan arrangement fees	(140)	(140)
Deferred grant income	43,267	43,612
Recycled capital grant and disposal proceeds fund	154	153
SHPS pension deficit (note 20a)	-	805
Other designated funds	649	569
Total Creditors: Amounts falling due after one year	183,330	174,699

NOTES TO THE FINANCIAL STATEMENTS (continued)

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

Movements in Recycled Capital Grant Fund

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
Recycled Capital Grant Fund		
Balance as at 1 April	153	153
Recycled grant input	1	-
Withdrawals	-	-
Balance as at 31 March	154	153

Loan repayments

	Bank Loans 2019	Other Loans 2019	Finance Leases 2019	Total 2019
	£'000	£'000	£'000	£'000
In one year or less	1,300	-	-	1,300
In more than one year but not more than two years	1,300	-	-	1,300
In more than two years but not more than five years	4,550	7,000	-	11,550
In more than five years	126,550	-	-	126,550
	133,700	7,000	-	140,700

	Bank Loans 2018	Other Loans 2018	Finance Leases 2018	Total 2018
	£'000	£'000	£'000	£'000
In one year or less	1,300	-	-	1,300
In more than one year but not more than two years	1,300	-	-	1,300
In more than two years but not more than five years	3,900	6,000	-	9,900
In more than five years	118,500	-	-	118,500
	125,000	6,000	-	131,000

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 the Association owns. The loan repayments commenced in October 2018, with a total repayment of £1.3 million in the 2018/19 financial year. The final scheduled loan repayment is due in July 2039. £81.5m of the Nationwide syndications are repayable after 5 years. 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 for 2018/19 range between 5.40% and 7.08%. As at 31 March 2019 the Association had £16.7million of loans on RPI or a variable rate (2018: £18million).

At 1 April 2018, SSHA held a loan facility of £35 million with BAE, secured against properties that the Association owns. The loan is repaid between August 2038 and August 2042 in equal instalments of £7m. It has a fixed interest rate of 5.00%. During July 2018, an additional loan facility of £10 million was agreed with BAE, secured against properties that SSHA owns. The loan is to be repaid between August 2038 and August 2042 in equal instalments of £2m. It has a fixed interest rate of 3.75%.

On 26 January 2018 the Association entered into a 5 year £15m facility with Clydesdale Bank plc. At 1 April 2018, the Association had utilised £6 million of the facility which was repaid in full in August 2018. The Association drew £7 million from the facility in March 2019 at an interest rate of 1.99%. The facility is repayable in full on 26 January 2023. The loan is secured on SSHA properties.

The weighted average interest rate for the year was 5.47% (2018: 5.59%). At 31 March 2019 the Association had undrawn loan facilities of £8million (2018: £9million).

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Financial instruments

	Note	Year Ended 31 March 2019	Year Ended 31 March 2018
		£'000	£'000
Financial assets that are debt instruments measured at amortised cost			
Rent & service charge receivable	13	726	726
Amounts owed by group undertakings	13	932	257
Other debtors	13	96	45
Investments in short term deposits		7	7
Cash and cash equivalents		1,034	3,727
TOTAL FINANCIAL ASSETS		2,795	4,762
Financial liabilities measured at amortised cost			
Loans	15	(140,700)	(131,000)
Trade creditors	14	(71)	(67)
Accruals	14	(634)	(1,065)
Amounts due to group undertakings	14	(1,114)	(1,957)
TOTAL FINANCIAL LIABILITIES		(142,519)	(134,089)

The Association's financial instruments are all currently classified as basic and measured at amortised cost.

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.

	As at 31 March 2019	As at 31 March 2018
Number of Shareholders as at 1 April	6	6
Shares issued during the financial year	-	-
Returned shares during the financial year	-	-
Number of Shareholders as at 31 March	6	6

Historically there were other groups of shareholders such as tenants and local people who held non-equity share of £1 each. These shares were returned as part of the merger with Severnside Housing in October 2016.

NOTES TO THE FINANCIAL STATEMENTS (continued)

18. Capital commitments

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
Expenditure contracted but not provided in the financial statements	4,947	7,983
Expenditure authorised by the Board but not contracted	31,088	23,610
Total capital commitments	36,035	31,593

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 £8 million (2018: £9 million).

The following amounts describe the way the Association funds the development:

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
Operating surpluses	15,776	17,511
SHG	3,637	910
Other grant funding	138	-
Forecast sales	16,754	13,172
Total gross expenditure	36,035	31,593

19. Leases

Operating leases

The Association held coin operated washing machines and lone working safety devices on cancellable operating leases. At 31 March 2019 the total of future minimum lease payments under non cancellable operating leases for each of the following periods:

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
Leases for equipment:		
Not later than one year	39	31
Later than one year and not later than five years	7	10
Later than five years	-	-
Total	46	41

The expenditure charged in the Statement of Comprehensive Income during the year in relation to minimum lease payments was £39k (2018:£39k).

Finance leases

The Association as a lessee does not have any leases that have been classified as finance leases.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension

a) Social Housing Pension Scheme

The Association previously participated 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. As it was not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme, it accounted for it 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.

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

Deficit contributions

Tier 1	£40.6m per annum
From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1 st April)

Tier 2	£28.6m per annum
From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1 st April)

Tier 3	£32.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 st April)

Tier 4	£31.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 st April)

The Association previously recognised a provision for its share of these deficit funding payments. On 31 October 2018, the Association exited the defined benefit section of SHPS, transferring its share of assets and liabilities to the Housing Plus Pension Scheme (HPPS), a defined benefit scheme which the Association also accounts for as such. This transfer triggered a change in accounting treatment of that specific part of the Association's pension scheme portfolio and the £1.2 million shortfall between the £0.9 million provision at the date of the transfer and the £2.1 million net defined benefit liability recognised is included in Other Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension (continued)

	31 Mar 2019	31 Mar 2018
	£'000	£'000
Present value of provision	-	955

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
Movement in provision		
Provision at start of period	955	1,100
Unwinding of the discount factor (interest expense)	-	12
Deficit contribution paid	-	(144)
Remeasurements – impact of any change in assumptions	-	(13)
Transfer to net pension liabilities	(955)	-
Provision at end of period	-	955

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
Pension deficit provision		
Due within one year	-	150
Due after more than one year	-	805
Provision at end of period	-	955

b) Staffordshire County Council Scheme

The Association 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 actuary has estimated that the net pension asset/liability as at 31 March 2019 is a liability of £7,465,000 (2018: £6,922,000).

Assumptions as at	31 Mar 2019	31 Mar 2018
	%p.a.	%p.a.
Salary increases	2.9%	2.8%
Pension increases	2.5%	2.4%
Discount rate	2.4%	2.6%

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension (continued)

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 2019	Assets at 31 Mar 2018
	%	%
Equities	68	73
Bonds	21	14
Property	8	8
Cash	3	5

Net pension liability as at	31 Mar 2019	31 Mar 2018
	£'000	£'000
Fair value of employer assets	8,477	8,107
Present value of funded obligations	(15,873)	(14,962)
Net (under)funding in funded plans	(7,396)	(6,855)
Present value of unfunded liabilities	(69)	(67)
Net pension (liability)	(7,465)	(6,922)

The estimate of the liability comprises of approximately £1,595,000 (2018: £1,177,000), £5,801,000 (2018: £5,268,000) and £8,477,000 (2018: £8,517,000) in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2019. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension (continued)

	Year to 31 Mar 2019	Year to 31 Mar 2018
Amount charged to operating surplus	£'000	£'000
Current service cost*	(200)	(172)
Total operating charge	(200)	(172)
Amount charged to financing costs		
Interest income on plan assets	206	203
Interest cost on defined benefit obligation	(387)	(376)
Total net interest	(181)	(173)
Total defined benefit cost recognised in surplus for the year	(381)	(345)

* The Service Cost figures include an allowance for administration expenses of 0.5% (2018: 0.5%) of payroll.

Re-measurements recognised in Other Comprehensive Income	Year to 31 Mar 2019	Year to 31 Mar 2018
	£'000	£'000
Change in financial assumptions	(785)	246
Change in demographic assumptions	-	-
Other experience	(2)	-
Return on assets (excluding amounts included in net interest)	520	(16)
Total re-measurements recognised in Other Comprehensive Income	(267)	230

Reconciliation of defined benefit obligation	Year to 31 Mar 2019	Year to 31 Mar 2018
	£'000	£'000
Opening defined benefit obligation	15,029	15,209
Current service cost	200	172
Interest cost	387	376
Contributions from members	35	29
Actuarial (gains)/losses	787	(246)
Estimated unfunded benefits paid	(3)	(3)
Estimated benefits paid	(493)	(508)
Closing defined benefit obligation	15,942	15,029

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension (continued)

Reconciliation of fair value of employer assets	Year to 31 Mar 2019	Year to 31 Mar 2018
	£'000	£'000
Opening fair value of employer assets	8,107	8,315
Expected return on assets	520	(16)
Interest income on plan assets	206	203
Contributions from members	35	29
Contributions from employer	102	84
Contributions in respect of unfunded benefits	3	3
Assets distributed on settlement		
Unfunded benefits paid	(3)	(3)
Benefits paid	(493)	(508)
Closing fair value of employer assets	8,477	8,107

History of gains and losses	Year to 31/03/19	Year to 31/03/18
	£'000	£'000
Fair value of employer assets	8,477	8,107
Present value of defined benefit obligations	(15,942)	(15,029)
Deficit	(7,465)	(6,922)

c) Housing Plus Pension Scheme

The Association participates in the Housing Plus Pension Scheme which is a defined benefit Scheme in the UK.. This is a separate trustee administered fund set up on 31 October 2018 following the transfer of obligations from the Social Housing Pension Scheme (SHPS). The Scheme holds the pension scheme assets to meet long term pension liabilities. Scheme liabilities have been based on data used to calculate the amount of assets to be transferred on 31 October 2018, and have been updated to 31 March 2019 by a qualified actuary, independent of the Association. The major assumptions used by the actuary are shown below.

The Association has agreed an interim schedule of contribution with the Trustee and a full schedule of contributions will come into force following the completion of the first actuarial valuation which is expected to be with an effective date of 30 September 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension (continued)

The actuary has estimated that the net pension asset/liability as at 31 March 2019 is a liability of £2,463,000 (31 October 2018: £2,193,000).

Financial assumptions as at	31 Mar 2019 %p.a.	31 Oct 2018 %p.a.
Discount rate	2.45%	2.80%
Inflation (RPI)	3.20%	3.25%
Inflation (CPI)	2.20%	2.25%
Deferred revaluation	3.20%	3.25%
Pension increases in payment:		
• CPI max 5% p.a	2.25%	2.30%
• CPI max 3% p.a	1.90%	1.95%

Demographic assumptions as at	31 Mar 2019	31 Oct 2018
Mortality		
Base Tables	Pre retirement: nil Post retirement: 103% of S2PXA	Pre retirement: nil Post retirement: 103% of S2PXA
Improvement allowance	CMI_2018 (1.25%) for males CMI_2018 (1.0%) for females	CMI_2018 (1.25%) for males CMI_2018 (1.0%) for females
Smoothing parameter	7.5	7.5
Life expectancy from age 65		
Pensioners (currently aged 65)	Male: 21.5 Female :23.3	Male: 21.8 Female: 23.5
Non-pensioners (currently aged 65)	Male: 22.9 Female: 24.5	Male: 23.2 Female 24.7
Commutation	75% of maximum allowance	75% of maximum allowance
Other demographic assumptions	As per most recent Technical Provisions assumptions	As per most recent Technical Provisions assumptions

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension (continued)

Categories of plan assets	Assets at 31 Mar 2019
	£'000
Equities	3,037
Bonds	2,568
Property	30
Total market value of assets	5,635

Net pension liability as at	31 Mar 2019
	£'000
Fair value of employer assets	5,635
Present value of scheme liabilities	(8,098)
Surplus / (deficit)	(2,463)
Effect of asset ceiling	-
Net pension (liability)	(2,463)

	5 months to 31 Mar 2019
Amount charged to operating surplus	£'000
Current service cost	-
Expenses	(17)
Past service cost / (credit) – plan amendments / curtailments	-
Settlement losses / (gains)	-
Total operating charge	(17)
Amount charged to financing costs	
Interest income on assets	62
Interest cost on defined benefit obligation	(86)
Total net interest	(24)
Total defined benefit cost recognised in surplus for the year	(41)

NOTES TO THE FINANCIAL STATEMENTS (continued)

20. Pension (continued)

Re-measurements recognised in Other Comprehensive Income	5 months to 31 Mar 2019
	£'000
Return on assets excluding interest income	138
Experience gains / (losses) on liabilities	-
Gain / (loss) from change of demographic assumptions	65
Gain / (loss) from change of financial assumptions	(624)
Total re-measurements recognised in Other Comprehensive Income	(421)

Reconciliation of defined benefit obligation	5 months to 31 Mar 2019
	£'000
Opening defined benefit obligation	(2,193)
Current service cost	-
Past service (costs) / credits – plan amendments	-
Net interest (cost) / credit	(24)
Expenses	(17)
Re-measurements included in other comprehensive income	(421)
Employer contributions	192
Closing defined benefit obligation	(2,463)

Reconciliation of fair value of employer assets	5 months to 31 Mar 2019
	£'000
Opening fair value of employer assets	5,303
Interest income on assets	62
Expenses	(17)
Return on assets excluding interest income	138
Employer contributions	192
Member contributions	-
Benefits paid	(43)
Closing fair value of employer assets	5,635

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. Pension liability

The Association had the following liabilities during the year:

	LGPS £'000	HPPS £'000	Total £'000
At 1 April 2018	(6,922)	-	(6,922)
Transfer in of SHPS assets / (liabilities)	-	(2,193)	(2,193)
Additions dealt within surplus	(95)	175	80
(Reductions) dealt within other comprehensive income	(267)	(421)	(688)
Interest costs	(181)	(24)	(205)
At 31 March 2019	(7,465)	(2,463)	(9,928)

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. The weighted average duration of the expected future discounted cash flows is 15.7 years.

The association acknowledges that a ruling has been made regarding age discrimination arising from public sector pension scheme transition arrangements. Court of Appeal judgements were made in cases affecting judges pensions (eg McCloud) and firefighter pensions (eg Sergeant) which had previously been considered by employment tribunals. The rulings have implications for the LGPS, Police and Fire schemes since similar reforms were implemented.

The final situation in terms of employer pension liabilities and financial impact is not clear, since the government may appeal and any remediation process, including cost cap considerations, may affect the resolution and financial impact for entities. Timescales for the resolution of this matter may be lengthy.

The association has sought advice from the scheme actuary to assess the potential impact the judgement could have upon the scheme should the ruling apply to the scheme. The calculations provided by the actuary indicate that the estimated impact of the recent McCloud ruling would be £10k in respect of past service costs. As this figure is not deemed to be material to the financial statements, no adjustment has been made.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Pension liability - HPPS

The HPPS pension scheme is a defined benefit Scheme in the UK.. This is a separate trustee administered fund set up on 31 October 2018 following the transfer of obligations from the Social Housing Pension Scheme (SHPS). An independent 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. Related party transactions

There are no Board members that are also Tenants (2018: nil).

The total compensation for the Board of the Association was £nil (2018: £nil). Following the merger all Board members are paid by the parent, Housing Plus.

During the financial year the Association purchased services in the ordinary course of business from Housing Plus, at a total cost of £8,578,880 (2018: £3,733,201) and provided services to Housing Plus at a cost of £56,489 (2018: £53,619). The Association received £nil interest from Housing Plus during the year (2018: £25,180). The Association was owed £578,919 at the year end (2018: £242,484) and owed £117,360 (2018: £99,194) to Housing Plus.

The Association purchased services in the ordinary course of business from Care Plus Staffordshire Ltd, at a cost of £1,752,574 (2018: £1,635,617), and provided services to Care Plus Staffordshire Ltd at a cost of £72,605 (2018: £4,368). The Association was owed £9,600 at the year end (2018: £3,693).

The Association provided services in the ordinary course of business to Severnside Housing at a cost of £388,471 (2018: £733,063), and purchased services from Severnside at a cost of £190,909 (2018: £2,098). The Association was owed £343,588 from Severnside at the year end (2018: £11,242) and owed £5,605 (2018: £618,712).

The Association purchased services in the ordinary course of business from Property Plus (Midlands) Ltd, at a cost of £9,781,747 (2018: £8,939,332), and provided services to Property Plus (Midlands) Ltd at a cost of £620 (2018: £464,001). The Association was owed £99 at the year end (2018: £nil) and owed £989,672 to Property Plus at the year end (2018: £1,160,599).

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. Related party transactions (continued)

The Association purchased services in the ordinary course of business from SSHA Developments Ltd at a cost of £nil (2018: £78,194) and owed SSHA Developments £nil at the year end (2018: £78,194).

On 26 March 2019 SSHA granted a loan of £10,000,000 to Severn Homes. Interest was received on the loan at LIBOR plus a margin of 3%, totalling £6,305. At the year end SSHA was owed £10,000,000 (2018: £nil) by Severn Homes.

All related party transactions within the group are provided on an arms length basis. Amounts owned by and to the Association are disclosed in notes 13, 14 and 15. These amounts are related to intragroup balances both in payables and receivables.

24. Group companies

The ultimate parent undertaking and controlling party is the Housing Plus Group Limited, a registered provider (Registered Community Benefit Society No. 30224R). The consolidated financial statements of The Housing Plus Group Limited are available from the Company Secretary, Housing Plus Group Limited, Acton Court, Acton Gate, Stafford, ST18 9AP.