SEVERN VALE HOUSING SOCIETY LIMITED

Report and Financial Statements

Year Ended 31 March 2016

Contents

Board Members, Executive Directors, Advisors and Bankers

For the year ended 31 March 2016

Board			
Chair	Mr L James	Independent Representative	
Vice Chair	Mr M Davies	Independent Representative	
Other Members	Mr J Dickson	Independent Representative	
	Mrs M Miller	Independent Representative	
	Mr S Walley	Independent Representative	
	Miss L Church	Independent Representative	Appointed August 2015
	Mrs D Midwinter	Customer Representative	
	Mr A Newall	Customer Representative	Retired May 2015
	Mrs C Wright	Council Representative	Retired May 2015
	Mrs J Perez	Council Representative	Retired May 2015
	Mr R Allen	Council Representative	Appointed June 2015 and resigned June 2016
	Mr D Waters	Council Representative	Appointed June 2015
Executive Directors			
Chief Executive	Mr T Knight		
Finance & Development Director	Mrs J Jones		Appointed May 2015
Governance & Strategy Director	Mrs C Cobban		Appointed April 2015
Customer & Community Director	Mrs F Shanahan		Appointed May 2015
Asset Management Director	Mr M Craggs		Appointed April 2015
Secretary	Mr T Knight		Retired 4 July 2016
	Mrs C Cobban		Appointed 4 July 2016
Registered office	Shannon Way Ashchurch Tewkesbury Gloucestershire GL20 8ND		
Registered number	Co-operative & Community Benefit Society 28557R Homes and Communities Agency (HCA) L4171		
Auditors	Grant Thornton UK LLP The Colmore Building 20 Colmore Circus Birmingham B4 6AT		
Solicitors	Shakespeares Legal LLP Somerset House Temple Street Birmingham B2 5DJ		
Bankers	Barclays Bank Plc 128 High Street Cheltenham Gloucestershire GL50 1EG		
Funders (Joint)	Lloyds Banking Group Plc 3rd Floor 25 Gresham Street London EC2V 7HN		
Funders (Joint)	BAE Systems Pensions Funds Investment Management Limited Burwood House 14/16 Caxton London SW1H 0QT		

Report of the Board

For the year ended 31 March 2016

The Board presents its report and the Group's audited financial statements for the year ended 31 March 2016.

Principal activities

Severn Vale Housing (the Group) consists of Severn Vale Housing Society Limited, the main registered stock holding body, together with Severn Vale Housing Properties Limited, a company established for the purpose of leasing the administrative centre, and Severn Vale Housing Association Limited, both of which are currently dormant.

Severn Vale Housing Society Limited (the Society) is a Co-operative and Community Benefit Society (Registration No. 28557R) administered by a voluntary Board and operating principally within Gloucestershire. It is also a social landlord registered by the HCA and a public benefit entity.

Business review

Details of the Group's performance for the year and future plans are set out in the Strategic Report that follows this Report of the Board.

Donations

The Group made donations totalling £9,000 during the financial year (2015: £530).

Events after the end of the reporting period

There have been no events since the year end which have had a significant effect on the Group's financial position.

Payment of creditors

In line with Government guidance, the Group's policy is to pay purchase invoices within 28 days of receipt, or earlier if agreed with the supplier. Time taken to pay creditors was 27 days (2015: 26 days).

Financial instruments

The Group's approach to financial risk management is outlined in the Strategic Report.

Employees

The strength of the Group lies in the quality of all its employees. In particular, its ability to meet its objectives and commitments to customers in an efficient and effective manner depends on their contribution.

The Group continues to provide information on its objectives, progress and activities through its formal performance management framework and regular office and departmental meetings.

The Group is committed to equal opportunities and in particular supports the employment of disabled people, both in recruitment and in the retention of employees who become disabled whilst in the employment of the Group.

Health and safety

The Board is aware of its responsibilities on all matters relating to Health and Safety. The Group has prepared detailed Health and Safety policies and provides Board, staff and contractor training and education on Health and Safety issues.

Board Members and Executive Directors

The present Board Members and the Executive Directors of the Group are set out on page 3.

None of the directors hold an interest in any of the Group's shareholdings and act as executives within the authority delegated by the Board.

Service Contracts:	The Chief Executive and other Executive Directors are employed primarily on the same terms as other staff, their notice periods ranging from three to six months.
Pensions:	The Chief Executive is a member of the Gloucestershire County Council Pension Fund scheme; the remaining Directors are members of Social Housing Pension Fund schemes. They participate in the scheme on the same terms as all other eligible staff. The Group contributes to the scheme on behalf of its Executive Directors in the same way that it does for its employees.
Other Benefits:	The Directors are entitled to other benefits such as the provision of health care insurance. Full details of their individual remuneration packages are included in note 7 to the audited financial statements.

The Group has insurance policies that indemnify its Board members and Executive Directors against liability when acting for the Society.

Report of the Board (continued)

For the year ended 31 March 2016

National Housing Federation (NHF) Code of Governance

The Board is pleased to report that the Group complies with the recommendations of the NHF Code of Governance 2015.

Statement of compliance

The Board confirms that the Group complies with the Homes & Communities Agency's Governance and Financial Viability Standard.

Regulation

The Group started the financial year with a governance rating of G2 and following implementation of a wide-ranging governance improvement plan, was delighted to be re-awarded G1 status on 30 March 2016. On the same date, our financial viability rating of V1 changed to V2. Further information about this is included in the Strategic Report.

The Board confirms that it has complied with United Kingdom Generally Accepted Accounting Practice (UK GAAP) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Internal controls assurance

The Board acknowledges its overall responsibility, applicable to all organisations within the Group, for establishing and maintaining the whole system of internal control and for reviewing annually its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk, and to provide reasonable assurance that the key business objectives and expected outcomes will be 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 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 and is consistent with principles incorporated in HCA guidance.

The process adopted by the 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 ongoing process of management review in each area of the Group's activities. The results continue to be reviewed by the Board on a quarterly basis. The Governance & Strategy Director is responsible for reporting significant risks or any changes in significant risks facing the Group to the Board within these reports.

Monitoring and corrective action

The Audit Committee is responsible for ensuring the process of control through self-assessment is effective and that management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a rigorous procedure for ensuring that effective monitoring is in place and that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

Control environment and control procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, financial, and compliance issues including treasury strategy and new investment projects. The Board has adopted, and disseminated to all employees, a comprehensive set of policies and procedures. These are reviewed regularly to ensure they are relevant, up to date and fit for purpose. They set out the Group's policies with regard to the quality, integrity and ethics of its employees. They also cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection, detection and prevention of fraud, protection of public funds and assets, anti-corruption and whistle-blowing.

Report of the Board (continued)

For the year ended 31 March 2016

Internal controls assurance (continued)

Information and financial reporting systems

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board also reviews key performance indicators at least quarterly to assess progress towards the achievement of key business objectives, targets and outcomes.

The internal controls framework and the risk management process is subject to regular review by Internal Audit (PricewaterhouseCoopers - PwC) who are responsible for providing independent assurance to the Board through its Audit Committee. The Audit Committee considers internal controls and risk each year.

PwC conducted a review of the effectiveness of the system of internal controls throughout 2015/16 and submitted an annual report to the Society's Audit Committee.

In their annual report PwC concluded that: "Our work identified low, medium and high rated findings. Based on the work completed, we believe that these are isolated to...specific systems and processes and when taken in aggregate are not considered pervasive to the system of internal control as a whole."

The trend of internal audit findings is summarised in the table below:

Finding rating	Number of Findings			
	2015-16	2014-15	2013-14	2012-13
Critical	None	None	None	None
High	3	None	None	1
Medium	8	7	10	17
Low	4	9	13	13
Total	15	16	23	31
Number of audits	**6**	**4**	**6**	**6**

The high risk findings were identified in relation to health and safety where we were unable to demonstrate at that time that we had a robust control framework, particularly around fire, asbestos and electrical safety management. Action plans have been agreed to address the findings raised, with immediate action taken on areas of high risk.

The Board ensures any necessary action is taken where changes are needed to maintain the effectiveness of the risk management and control processes; and confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group.

Going concern

After making enquiries, the Board is satisfied 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.

Annual General Meeting

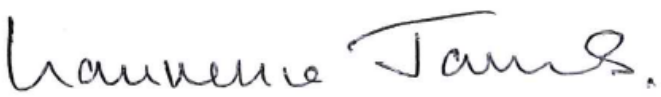
The annual general meeting will be held as part of the Board meeting on 1 August 2016 at the Society's registered office address.

External auditors

The Board has approved the appointment of Beever & Struthers LLP as external auditors from the year ending 31 March 2017. The Board would like to express its appreciation to its outgoing external auditors Grant Thornton LLP for their contribution to the Group.

Approval

The Report of the Board was approved by the Board on 1 August 2016 and signed on its behalf by



Laurence James, Chair

Strategic Report

For the year ended 31 March 2016

Background of activities

At 31 March 2016 the Group owned 3,828 (2015: 3,775) properties, comprising 3,462 (2015: 3,409) social housing units, 9 (2015: 9) of which are mortgage rescue properties that are charged intermediate rent (80% of market rent); 84 (2015: 84) market rented properties; and 282 student units over four student accommodation blocks (Gloucester - 86 units; Cheltenham, Regency Hall - 100 units; St. Mary's - 13 units [35 Bed-spaces]; and one in Worcester - 83 units).

The Group is non-charitable and operates five key business streams:

- **general needs housing for rent** - primarily by families who are unable to rent or buy at open market rates
- **sheltered housing** - for people who need enhanced housing management services
- **low-cost home ownership** - primarily shared ownership whereby residents purchase a share in the equity of their homes and pay rent to the Group on the remainder, and Rent to Homebuy whereby residents pay rent while saving a deposit with a view to eventually purchasing the property from the Group
- **student accommodation**
- **market rent**

The Group also provides 'Helplines' for tenants and non-tenants; provides full governance and management services to Gloucestershire Rural Housing Association; provides housing management and repair services for NASUWT; and provides development agency services to a number of other local Registered Providers.

Corporate strategy

In 2015, the Group undertook a wide-ranging review of its corporate strategy to ensure it was fit for purpose for the group going forward. Led by an independent consultant from outside of the housing sector, the review initiated a programme of improvements throughout the business. A new 3 year corporate plan was created, alongside revised values and behaviours that would underpin our strategic objectives.

Our core values are:

Caring

Creative

Purposeful

Professional

Trustworthy

This new way of working triggered a cultural shift in the organisation as it moved towards being more business-like. The appointment of the new Executive team in spring 2015 finished laying the foundations needed for the Group to move forward and implement this new corporate plan.

However, in July 2015, we had to stop, take stock, and re-evaluate our priorities following the Government's announcement that our agreed rent increase formula of CPI plus 1% must be changed to give residents a 1% rent cut for the next four years. The compound effect of this loss in rent meant that by 2020 we would be almost £3m a year worse off than we had previously forecast.

Over the summer we worked together as a whole organisation to evaluate ways we could increase our income, become more efficient, and reduce our costs. This reinforced the principles in the corporate plan of becoming more business-like and commercial; only we had to do it much quicker and to a greater extent.

We felt it was necessary to review our vision, and simplified it so that by 31 March 2020 we would like:

To be recognised as the leading housing provider in Gloucestershire

In looking at the types of services we provided we had to make tough decisions that certain community activities we funded before would have to be delivered going forward by working with partner agencies or by attracting grants to fund the provision of those services. As a consequence this meant that a number of colleagues had to leave the business in early 2016, and we thank them for their hard work and the contribution they made to our communities.

Strategic Report (continued)

For the year ended 31 March 2016

Corporate strategy (continued)

In October 2015 the Board approved the revised corporate plan, taking us up to 2020, and a new business plan. Our core strategy is now:

VISION	To be recognised as the leading housing provider in Gloucestershire		
OBJECTIVES	Efficiency	Growth	Adaptability
GOALS	We will: • Improve efficiency of our service delivery • Improve affordability and quality of our homes • Improve procurement	We will: • Offer flexible tenures to meet customer demand and increase income • Continually review the long-term financial viability of our assets and maximise the financial return • Increase value from external contracts, partnerships, and formal collaboration. • Work with stakeholders to improve the health & wellbeing of residents, enabling older/vulnerable customers to live independently • Maximise future funding opportunities	We will: • Ensure all staff and stakeholders understand what we aim to achieve and how they contribute • Understand our risks and manage these effectively throughout the business • Invest in staff and Board members so they have the necessary skills to support current and future business needs • Maintain a robust business planning and governance framework, that allows the business to respond quickly to any challenges

Strategic Report (continued)

For the year ended 31 March 2016

Corporate strategy (continued)

This new corporate plan ensures the Society is sustainable as an independent organisation, despite the effects of the Government's July Budget announcements. The Board had to consider all options open to it in regard to ensuring the best possible service is provided to its customers; and that it provides such services to the maximum number of families that are in need of suitable housing. The Board remains fully committed to ensuring our customers live healthy and independent lives, and we explored how we can achieve this in the most effective way.

Our guiding principles remain unchanged from the previous corporate plan:

1. We are supported by robust, transparent and audited governance and strong financial planning
2. We operate under stringent quality controls across all our service areas
3. We identify and effectively manage risks throughout the business
4. We make decisions based on evidence and knowledge of our business, customers and communities
5. We work collaboratively on shared goals, both inside the organisation; and with selected external partners
6. We maximise the commercial value of our assets
7. We invest in and support our staff in achieving their full potential

Voluntary merger code

The Board decided not to adopt the voluntary code for housing associations to consider mergers, group structures, and partnerships, developed by the National Housing Federation.

In line with our corporate plan, the Board continues to identify, discuss and consider a wide range of options to drive business growth and improve our services to customers. All of this is undertaken in an open and transparent manner using factual evidence to support initiatives that are debated fully at all levels.

In practice the Group believes that it already employs good governance and business principles, and adoption of the merger code would not add any material change to the way it considers collaborative opportunities.

Strategic Report (continued)

For the year ended 31 March 2016

Monitoring achievement of corporate strategy

Following adoption of the new corporate plan, the next step was to review our performance management framework to ensure that the Board and Executive team received the information they needed to be able to assess whether our revised objectives are being achieved.

We looked at the key ratios and indicators that the HCA and our lenders require us to monitor, and we devised supplementary indicators to ensure that we are tracking each corporate objective. This was formulated into an overall Board scorecard and individual scorecards for each Directorate. We set targets to monitor how we should be progressing against objectives over the life of the corporate plan and, where relevant, established benchmarks to give an indication of where our performance ranks against our peers. For some indicators we benchmarked ourselves against national averages, but for other more specific indicators we felt it more appropriate to benchmark ourselves against specific local groupings or individual organisations who exhibited the performance we aspire to achieve.

Our performance against these targets at 31 March 2016 is as follows:

Indicator	Actual 2015/16	Benchmark	Target	Actual 2014/15	Trend
Financial viability					
Cash collection % (cash collectable)	97.71%	100.34%	100.47%	100.47%	↓
Rent loss due to voids (%)	0.98%	1.62%	1.00%	0.98%	→
Operating cost per unit (annualised)	£2,469	£3,000	<£2,624	£2,601	↑
Lloyds Asset Cover Ratio	1.29	> 1.13	> 1.13	1.36	↓
Lloyds Net Operating Surplus: Total Interest	1.17	> 0.95	> 0.95	1.11	↑
Lloyds Average Debt Per Unit	£34,390	< £36,000	< £36,000	£33,683	↑
BAE Asset Cover Ratio	1.24	> 1.1	> 1.1	1.13	↑
BAE Net Operating Surplus: Total Interest	1.17	> 0.95	> 0.95	1.11	↑
Productivity					
% operating costs against national average operating cost	-16%	-5%	-5%	n/a	
Number of units/per employee	31.90	30.66	31.00	n/a	
Staff wellbeing	2	3	3	n/a	
Business growth					
% Financial contribution (operating surplus)	38%	31%	>38%	36%	↑
Income from commercial housing products activities (year to date)	£2,289,649	£2,301,600	£2,301,600	£2,191,666	↑
Subcontractor work brought in-house (£)	£123,000	*	To be set	n/a	↑
Business improvement					
Total return on asset %	5.78%	5.50%	5.50%	5.80%	↑
Social value					
Overall customer service	😐	*	☺	n/a	
Governance					
RAG - Regulatory Compliance				n/a	
RAG - Governance Compliance				n/a	
RAG - Reputation		*		n/a	
RAG - Strategic Alignment				n/a	
RAG - Health and Safety and Risk Reporting				n/a	
HCA Governance Rating	G1	G1	G1	G2	↑
HCA Viability Rating	V2	V1	V1	V1	↓
Non-strategic					
Number of properties with a SAP rating below 55	116	n/a	279	n/a	
RAG on procurement compliance		*		n/a	→

* to be reviewed in 2016/17

Strategic Report (continued)

For the year ended 31 March 2016

Monitoring achievement of corporate strategy (continued)

A number of the above measures were not collected in 2014/15 so comparative data is not yet available. There are a number of additional measures we will be benchmarking and monitoring ourselves against in the new financial year; these all link to corporate plan objectives:

- Increase in net income from service charges.
- Amount of extra revenue from changed tenures.
- Amount of social value generated.
- Amount of social value generated from grants secured.

Further details about our achievements this year are included in the following paragraphs.

Corporate projects

As can be seen from our new corporate plan objectives, the Group set itself a challenging set of priorities for the financial year, many of which included reviews and projects whose successful outcome was required to meet our corporate plan objectives.

In order to ensure all project work was clearly scoped, had a robust business case, and was monitored throughout implementation and review, we established during the year a Project Board, which was delegated authority by the Directors' Team to promote oversight, accountability, risk mitigation and strategic alignment for all stages of a project. The Board is led by the Chief Executive and, supported by our Strategic Business Analyst, comprises the lead officers of all cross-function central support departments, namely the ICT Manager, the Head of Human Resources, and the Finance & Development Director. The Project Board meets monthly and reports back to the Directors' Team for approval of new projects and allocation of project spend.

Key corporate projects undertaken during the year include:

- Improvements to the Connect mobile working solution.
- Creation of asset performance evaluation model to support the Property Disposal Policy.
- Creation and implementation of new procurement manual.
- One-team cultural transformation programme.
- Creating new asset register functionality within our housing management system Orchard.
- Review of corporation tax status.
- Creation of new workflows to Orchard to reflect new policies and procedures.
- Mobile housing officer software to enable staff to access to data whilst out of the office.

Value for Money

Value for money is delivered through:

- providing good quality, efficient and effective services to residents;
- our asset management strategy, which seeks to improve the performance of our assets; and
- Using statement of financial position strength and returns from non-social housing activities to increase the provision of affordable homes with less grant.

The Board has given priority to delivering value for money within the Group. We believe VFM will drive the development of more homes and provide good quality services that matter most to our residents. We can only do this by linking VFM into our key corporate objectives and business planning framework.

Looking back over our last plan, we have achieved a great deal and outcomes are described in our Value for Money Self-Assessment Statement which is published on our website. However, we believe we can and should do more. Our self-assessment demonstrates improvements in efficiency and a reduction in costs across most areas of the business.

We believe our investment in online and digital services will yield future improvements in reducing cost and improving service. Our new property disposal policy allows us to identify and dispose of poor-performing stock and reinvest in new homes where people want to live, and the Board has set us challenging targets for how many new homes we need to build with the proceeds received.

In accordance with the requirements of the HCA's Economic Regulatory Standard we have published a Value for Money Self-Assessment Statement on our website.

Strategic Report (continued)

For the year ended 31 March 2016

One team – our culture change journey

In January 2015 we launched our culture change programme, incorporating a wide range of organisational and personal development objectives required in order to change the focus of the business going forward. In February 2015 we brought the business together and launched our new values and our 'One Team' objective.

Four roadmaps were created to guide how we would achieve this 'One Team' objective. These were effected during 2015/16.

- *Meetings culture:* we identified that significant improvements could be made to the efficiency and effectiveness of the business if we improved how we conducted internal meetings. We launched guiding principles of 'What do successful meetings look like?' and deployed mystery shoppers to provide feedback and champion examples of role model behaviours.
- *Leadership roadmap*: with a new Executive team in place it was necessary to develop them as an effective team and identify areas of personal development. Activities undertaken in the year include 360 degree appraisals, profiling using MBTI techniques, and team building exercises. The Group recognises the importance of strong leadership and plans to continue this work in the new financial year by expanding that focus into ensuring the Board is high performing and looking at how the effectiveness of the interface between the Board and the Executive team can be improved.
- *Team effectiveness roadmap:* we recognised that improving the effectiveness of our teams, whether departmental, cross functional, project or organisation-wide was imperative if the Group was to achieve its new corporate plan objectives. We introduced team effectiveness guiding principles and introduced a project to create best practice learning on how to apply these guiding principles.
- *Organisational climate roadmap:* we held organisation-wide workshops on 'how to raise a challenge', giving staff the techniques and encouragement to be able to hold to account behaviours that don't align to our shared values. We worked with staff to design a new performance and development review framework that was rolled out in early 2016.

In addition to the above, we launched a trophy system for colleague recognition called 'The Lovie's', for staff to show appreciation to colleagues for great work and role model behaviour that **L**ives **O**ur **V**alues. There are separate trophies and badges awarded for each of our values, and we are looking forward to celebrating recognition more formally at a staff event later in 2016.

Strategic Report (continued)

For the year ended 31 March 2016

Risks and uncertainties

Risks to the Group are managed and controlled in line with the Risk Management and Assurance Strategy. This involves the proactive review of the risk register on an annual basis by the Board and six monthly intervals by the Audit Committee, as well as monthly and quarterly reviews by the Executive team.

The top risks faced by the Group are summarised below. We monitor the quality of internal controls and assurance to ensure that these risks are appropriately managed to a level that the Board considers acceptable, and have action plans in place to address gaps in assurance levels.

- Failure to have effective governance arrangements in place and/or non-compliance with National Standards.
- Ensure the Society complies with its Health and Safety responsibilities including Gas Services.
- Failure of Responsive Repairs to deliver services in line with Corporate Service Standards.
- Failure to achieve planned maintenance and Housing Quality Standard within agreed budget.
- Re-let times/loss of rent due to voids greater than planned.
- Failure to collect budgeted social housing rental income and service charges.
- Failure to achieve/maintain a Regulatory Judgement from the HCA in line with our strategic objectives.
- Failure of business critical projects to deliver expected benefits within planned costs and timescales.
- Failure to detect fraud/corruption/theft.
- Failure to performance manage effectively.
- Failure to review, evaluate and report risks effectively with no robust assurances in place.
- Failure to meet national standards for Value for Money.
- Failure to prevent or recover quickly from disasters affecting our working operations and the impact on assets, staff and tenants.
- Failure to comply with relevant legislation (excluding Health and Safety and Data Protection).
- Failure to ensure compliance with Data Protection (ISO) Regulations.
- Failure to ensure financial viability including compliance with loan covenants, interest cover, debt per unit and asset cover

Strategic Report (continued)

For the year ended 31 March 2016

Finance

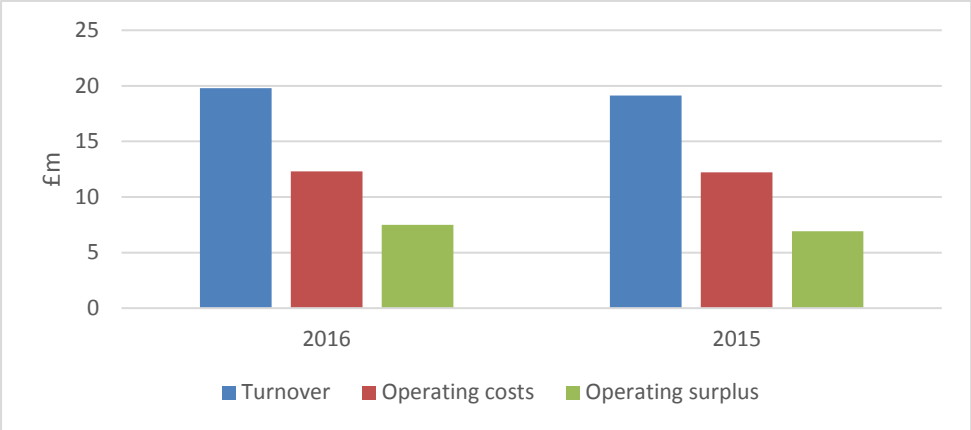
The Board approved a challenging budget for the year to ensure not only compliance with the funders' covenants but also to ensure future long term sustainability of the business while meeting customer service levels and requirements.

As a result of the rent cut announced in July 2015, we had to revise our long-term business plan to show its impact, together with any savings or cuts that might be required in order to remain financially viable. This plan was submitted to the HCA in October 2015 and formed the basis of their annual stability check.

Our viability rating was updated on 30 March 2016 from V1 to V2 *"The provider meets our viability requirements. It has the financial capacity to deal with a reasonable range of adverse scenarios but needs to manage material risks to ensure continued compliance."* Because of the impact of the rent cut, there is less capacity in our business plan to manage adverse variances against financial forecasts. In preparing the business plan we reviewed how frequently we could afford to replace components within properties i.e. kitchens, bathrooms etc. and determined that whilst we still wanted to replace them sooner than the Decent Homes Standard required in the majority of areas, we couldn't afford to replace them as frequently as we had previously hoped. This was an area that the HCA saw as an increased risk and contributed to their assessment.

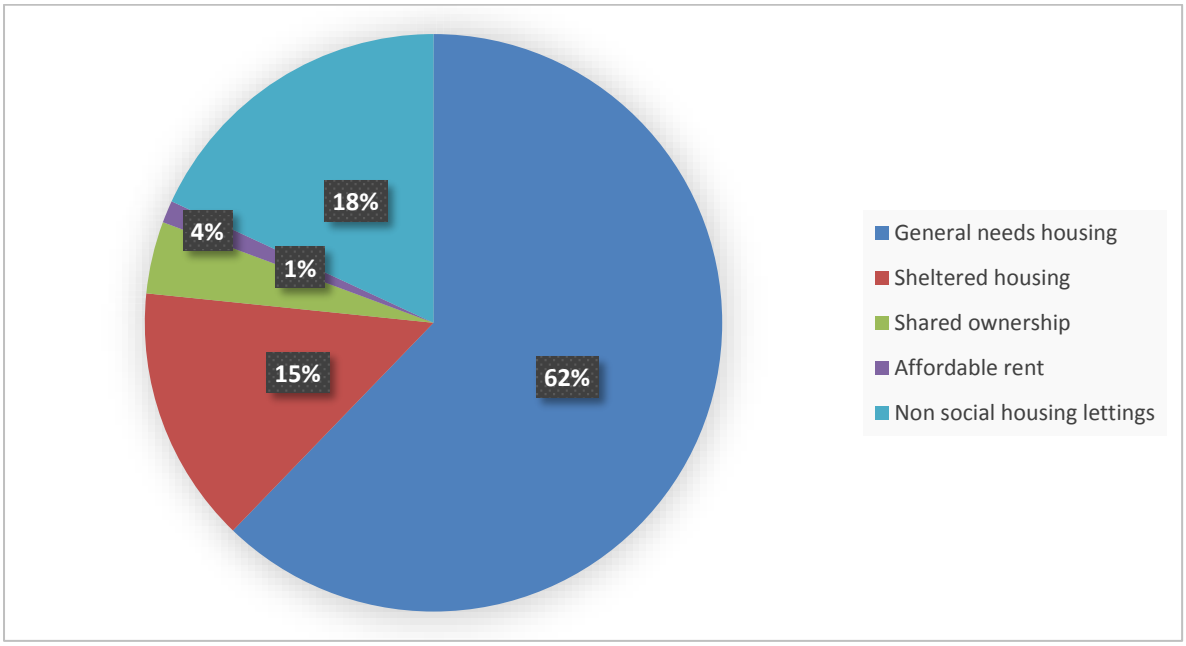
Summary of results for the year

The Group's turnover has increased 3.4% year on year, with a corresponding 8.5% increase in operating surplus.



Income rose across all areas of the business, and efficiency savings in repairs and maintenance and salary costs contributed to the increase in operating margin.

Our operating surplus from lettings of £7m is derived from:



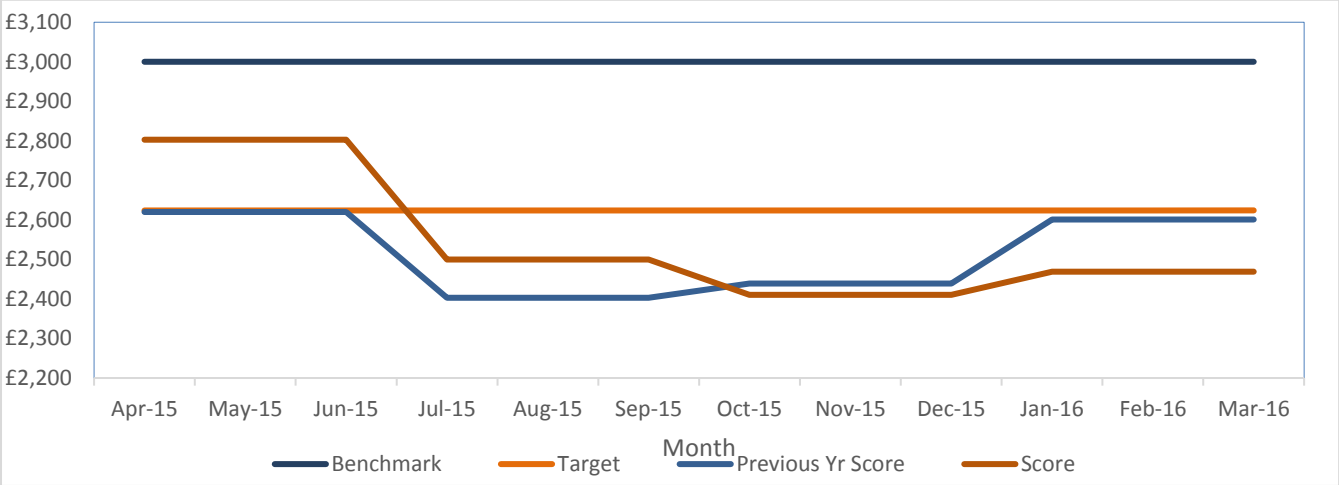
Strategic Report (continued)

For the year ended 31 March 2016

Finance (continued)

Our operating costs per unit under management have been benchmarked against the operating costs of Registered Providers of a similar size within our area of operation and compare favourably against that benchmark and against prior year:

Operating cost per unit



The Group's turnover from market rent properties and student lets increased by 1.7% (£32k) but brought a 9.7% increase in direct operating surplus from those lettings of £157k. This year has seen a lower requirement for planned maintenance of these properties, however our plans indicate that this will increase in 2017.

Following the introduction of FRS 102, we are now required to account for our market rent and student lets as investment properties and show them in the accounts at valuation. In the restated results for 2015 we recognised a gain of £2.8m in respect of the increased value of these properties. Other movements in the income statement include other finance costs of defined benefit pension schemes, which have seen an increased charge in the year largely due to amendments to the contribution schedule in respect of deficit contributions to the Social Housing Pension Scheme:

	2016 £'000	2015 As restated £'000
Operating surplus	7,501	6,914
Surplus on sale of housing properties	5	41
Interest receivable and similar income	23	3
Interest payable and similar charges	(6,335)	(6,447)
Other finance costs	(537)	(17)
Movement in fair value of investment properties	-	2,840
Surplus before taxation	657	3,334
Actuarial gains/(losses) on defined benefit pension schemes	1,186	(780)
Total comprehensive income for the year	1,843	2,554

Our charge for interest payable in the year was lower than 2015 and lower than budget, largely due to interest on the RPI loan being £300k lower than budget due to the current low rate of inflation.

Accounting policies

The Group's principal accounting policies are set out on pages 31 to 36 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties.

In adopting FRS 102 and the Housing SORP 2014 we have chosen to continue stating our social housing properties at cost so as a consequence have adopted the accruals model to account for social housing grant. We have determined that our market rented properties and our student accommodation schemes were not built for social benefit so have accounted for these as investment properties, and shown them on the Statement of Financial Position at valuation.

Strategic Report (continued)

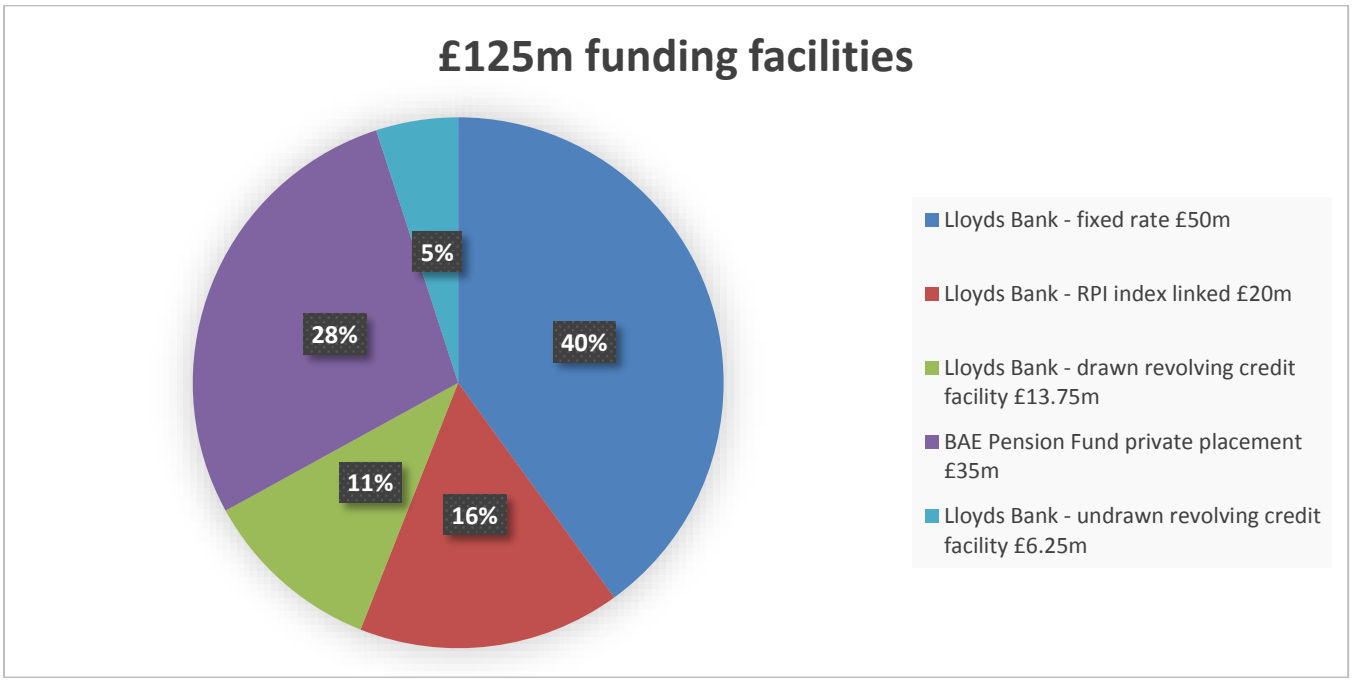
For the year ended 31 March 2016

Treasury

The Group is financed by a combination of long-term debt facilities and social housing grant received either directly from Government or from Recycled Capital Grant Fund.

Group priorities are to ensure that there is sufficient cash and liquidity to fund operations in accordance with the Treasury Management Strategy, to ensure security is in place when required, to protect against the impact of adverse movements in interest rates, and to ensure loan covenants are comfortably met.

As at 31 March 2016, we had drawn £118.75m (2015: £114.75m) from our total loan facilities of £125m. Sufficient security is in place to support the total £125m facility together with a minimum 5% asset cover tolerance throughout our 40 year business plan.



Cash and liquidity management

The Group maintained significant cash balances throughout the year to provide adequate and ongoing funding for the development programme. The Group's strategy is to hold cash equivalent to three months' net cash requirement, with a minimum of £500,000 at all times, and cash and liquidity for twelve months' net cash requirement.

Currency risk

The Group borrows and invests surplus cash in sterling only and therefore does not have currency risk in its normal course of business.

Counterparty risk

The Group operates a conservative counterparty risk management strategy that aims to minimise the risk of a financial loss, reputational loss or liquidity exposure resulting from a counterparty to any treasury transaction becoming insolvent.

Interest rate risk management

At the financial year end, 72% of debt was fixed (2015: 74%). The Group has no exposure to derivative margin calls.

Loan covenant compliance

Compliance with financial covenants are monitored on a monthly basis, reported to the Board quarterly and were comfortably met throughout the year and at the year-end for all loan facilities.

Strategic Report (continued)

For the year ended 31 March 2016

Technology

The effective use of technology is key to enabling the Group to realise efficiencies, either through improved services for customers, reducing staff administration time, enabling additional services to be offered to those same customers.

During 2015/16 several new technological projects were completed to enable us to move forward in this regard. These linked to the overall objectives of the Group. They included:

- Creation of asset register functionality within our housing management system, Orchard.
- Implementation of thin client technology across the business, allowing easier central control of the infrastructure and much greater flexibility for all staff around where, when, and on what device they would like to access systems.
- We continued with improvements to our mobile working solution, Connect, completing the roll-out of improved mobile devices to our trades workforce, and inclusion of Voids and Ground Maintenance teams.
- Introduced Mobile Device Management solution (Airwatch) to secure mobile devices and support a future Bring Your Own Device strategy.
- Supported changes within the business meaning major reconfiguration of infrastructure, Orchard and telephone system.
- Replacement of host servers (running all virtual servers and virtual desktops)
- Started development of mobile housing officer solution and Self Service options with Orchard Housing, due to be delivered in 2016/17.
- Implementation of a servicing module to support, primarily, gas servicing.

Human Resources

In order to support the cultural change programme and our 'One Team' initiative, our strategy for the year included a number of initiatives to support how we embed our new values and culture into the way we work. We worked consultatively with staff to implement a revised performance and development review framework, initiated a review of staff terms and conditions, and reviewed a number of our policies and procedures.

This year has seen a number of changes take place within our staffing structure, including the arrival in post of new Executive Directors appointed in the first quarter of 2015/16, the recruitment of staff into new key posts in the Governance and Health & Safety teams, and the restructure of the Customer & Communities Directorate.

We listened to staff concerns over issues with our flexi-time recording system Plantime and replaced it with a more informal spreadsheet recording tool, which contributed to embedding our values by putting our trust in staff to record their own time accurately, while making line managers more accountable for managing their staff's time.

Staff turnover for the year was 25%, compared to 21% for 2015, however 22% staff turnover was non-voluntary, comprising retirements, redundancies, and ending of fixed-term contracts put in place to help us with the transformational change programme started in 2014/15. We worked with a new resourcing partner to successfully fill vacant posts that have historically been difficult to fill due to skills shortages.

In September 2015 we introduced new quarterly staff surveys, consisting of short surveys to gauge movement in staff satisfaction and morale, and to gain evidence of how we are progressing with embedding our new culture and values within the organisation. The clear messages coming out of the surveys to date are that while we have made progress with our One Team initiative, there is still work to do, and also we need to continue with the improvements made to internal communications at all levels.

Sickness levels as at the end of March 2016 averaged 6.52 days per employee, which is a significant improvement on the prior year figure of 8.39 days. This includes both short and long-term sickness. A new sickness policy was implemented during the year, and we continue to offer staff our complementary Employee Assistance Programme for confidential advice and support on a wide range of work and personal issues. Through this programme, practical information and counselling is available to staff and their close families over the telephone and face to face, on issues such as relationship problems, debt issues, stress, anxiety, depression, bullying, bereavement and child care.

Strategic Report (continued)

For the year ended 31 March 2016

Development

The Group's development team had another successful year by completing the development of 44 new homes for affordable rent and 11 for shared ownership sale, all funded entirely from private finance with no grant subsidy.

At the year-end there were a further 32 properties being built due to be handed over in the Spring of 2016.

New homes at Kingsway, in Gloucester.

The Group's ability to build new homes for affordable rent is dependent on being able to charge sufficient rent to recoup the cost of investment, and following the rent cut announced in July 2015 it has been increasingly difficult to achieve viable development schemes. In addition to this, grant is no longer available for affordable rent developments, making it necessary to look at more innovative ways of funding development if we are to continue increasing the number of affordable homes we provide.

During the year the Group was delighted to be appointed as a preferred partner for the delivery of the affordable housing in the Gloucestershire Joint Core Strategy, and we are looking forward to working with other registered providers and development partners on this in the coming years.

As well as developing homes for the Group, our development team continued their work providing development services to other registered providers that include Gloucestershire Rural Housing Association, Cirencester Housing Society, Two Rivers Housing and Wyedean Housing Association.

Customers & Communities

In summer 2015 our new Customer & Communities Director started in post and, in assessing how corporate plan objectives could be met, began a wide-ranging service review of how we provide services to customers.

In 2014 we had established a customer Contact Centre in order to try and resolve a greater number, and wider range, of enquiries at first point of contact. During the year we identified that the efficiencies we had hoped for had not materialised and took the decision that, from the end of the financial year, calls would be routed directly to the team members responsible for delivering the service. So far, this has had a positive effect, for example abandoned calls in April 2016 were down to 7% (April 2015: 29%) which is our lowest in eighteen months.

In conjunction with this, our 'channel shift' strategy commenced, with more emphasis and help and assistance for customers in contacting us digitally. For example, our customers are able to pay their rent via Allpay or through our website rather than having to spend a long time on the phone or visiting our offices. This frees up staff time to deal with other housing management issues and tenancy queries, thereby improving the effectiveness of our limited staff resources.

The service review also identified that efficiencies and service improvements could be achieved by changing the way our housing officers work, and by investing more in data interrogation and analysis. The team was restructured and retrained to move to generic working on a specific patch working basis, with the new structure going live from 1 April 2016. The effectiveness of this change will be monitored during 2016/17.

To support our new ways of working, all relevant policies were reviewed to ensure they were fit for purpose, clear, and reflective of current good practice. In particular, policies such as Anti-Social Behaviour (ASB) and Complaints were written to improve the clarity of what are the Group's responsibilities and what are our customers.

Strategic Report (continued)

For the year ended 31 March 2016

Customers & Communities (continued)

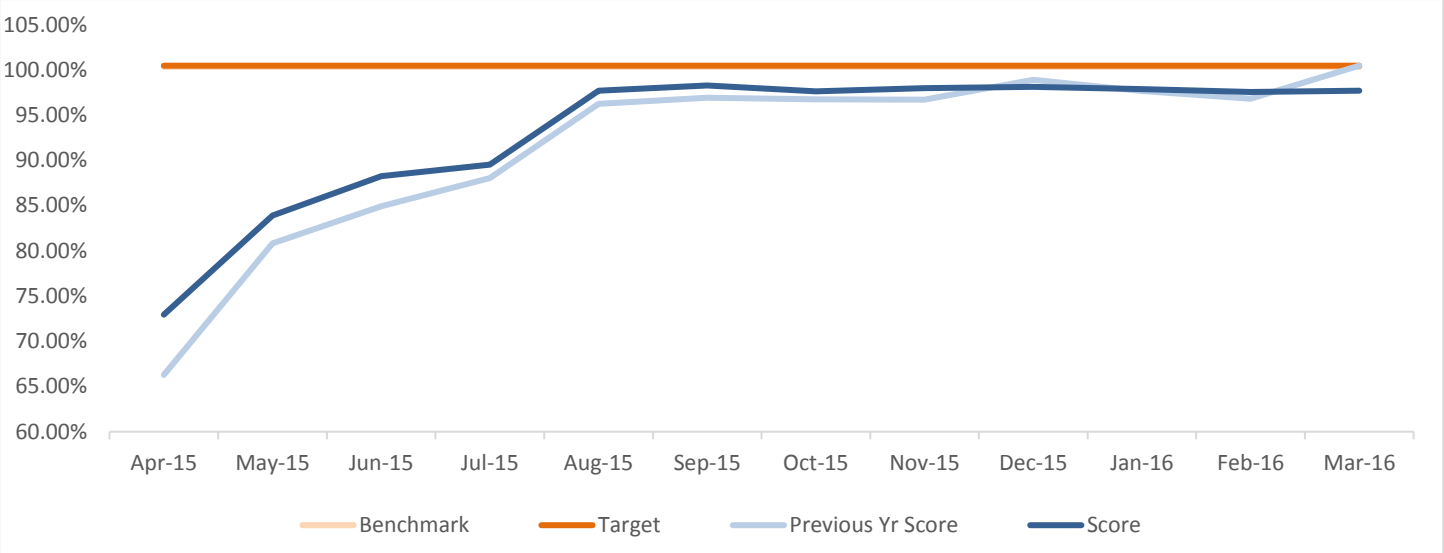
Rent losses from voids and bad debts

The Group's target for the year was to keep rent losses below 1% of rental income receivable. At the year-end voids as a percentage of rent debit was 0.98% (2015: 0.98%), marginally within the target set. This excludes the long-term void properties that have been handed over to Planned Maintenance for major works or to Development for disposal.

Income management

We set a target of 100.47% cash collection for the year, based on our performance in 2015 and compared to a benchmark of 100.34%, and achieved year end performance of 97.71% (2015: 100.47%). In 2015 we saw an improvement in the ratio at the end of the year due to two rent free weeks, however we did not have rent free weeks in the current financial year so saw a more even pattern of cash collection throughout the year.

Cash collection (payments received as a % of rent charged)



Elderly services

The team has continued to provide dedicated Scheme Managers to our 12 retirement schemes across the Borough, as well as continuing to provide management services to Rushworth House in Cheltenham. We have supported the residents by arranging or facilitating events such as regular coffee mornings, exercise classes, day trips, craft afternoons, games evenings and church services.

Our Retirement Forum received a presentation on 'What is ASB?' and visited other providers' schemes to look at community investment and how services are provided to older residents.

We funded three residents with a keen interest in cooking to take a food hygiene course, which they successfully passed.

In preparation for a complete review of our elderly services provision in the new financial year we cross-matched our customers' individual needs with our records of service demands in order to plan how our Scheme Managers' time needs to be spent and what our emergency call response service needs to be. It also provides a framework to assist managers with sensitive conversations when customers' accommodation needs have changed and are in need of more supportive residential care.

During the year we retendered our utility contracts at our retirement schemes achieving savings of over 25% in gas and electricity. These savings will be passed on to residents through reductions to their service charges in the 2017/18 financial year.

Strategic Report (continued)

For the year ended 31 March 2016

Customers & Communities (continued)

The Senate

Following a rigorous recruitment process, our Stakeholder Senate (the Senate) was launched in June 2015.

As well as Laurence James, Chair of the Group Board, the group has 12 customer members. It also has 7 members representing a variety of stakeholder partners including Green Square, Tewkesbury Borough Council, Gloucestershire Fire Service, Turning Point, Gloucestershire Furniture Recycling Project, Tewkesbury School and Tewkesbury Job Centre. The Senate Leader (Richard Carey) and Vice Leader (Deborah Midwinter) roles are ring-fenced for customer members, the Senate Leader position automatically qualifying to sit as a Group Board Member.

The group has met at least once per quarter since launch. The group has received presentations about the changes to our Complaints, ASB, Rents, Decent Homes and Disposals processes. Members were given one-to-one support from an independent advisor, who has helped them to identify their training and development needs.

Community activities

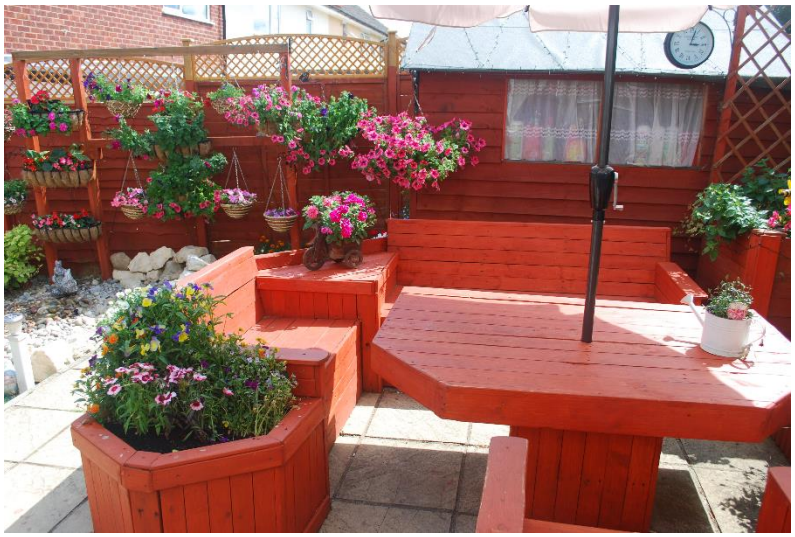
This year, we continued to support residents to sustain their tenancies and assist community groups to maximise their social value. During the year we ran a project called Give & Gain where we encouraged staff to take part in activities to support our communities. Staff donated their own time as well as being allowed time from their working day. We supported activities such as helping out the committees of local organisations, grass cutting, tidying up allotments, supporting lunch clubs, assisting with gardening, furniture recycling, and painting the Tewkesbury Boys Brigade hut.

We approved a grant of £8,500 to the Tewkesbury Furniture Recycling Project to assist with the expansion of their premises. We are working in partnership with them to recycle furniture left in abandoned properties and to supply the refurbished furniture to our tenants.

We were awarded a grant of £2,500 from the Tinder Foundation to support and develop a training programme to teach digital skills. We are also registered as a City & Guilds assessment centre so that customers who take part in training can choose to sit an exam to obtain a professionally recognised qualification.

The third Severn Vale gardening competition for tenants took place this summer, once again judged by Jo Worthy-Jones from the Gloucestershire Wildlife Trust along with two of our staff. This year 23 entries were received (2015: 19), with the successful winner having made a marked improvement to his garden since last entering in 2014. By sharing the photographs and information about the efforts of the competition entrants with Tewkesbury in Bloom, we assisted the town securing a gold prize in the regional 'in bloom' awards.

The Severn Vale Gardening Competition winning garden:



Strategic Report (continued)

For the year ended 31 March 2016

Customers & Communities (continued)

Customer complaints

There were 116 formal complaints made during the year (2015:117). Of these, 80 were upheld (61.5%).

We are pleased to report that during the year we had no cases reported to the Housing Ombudsman. In 2015 we had 3 cases referred to the Housing Ombudsman and 2 cases returned, none of which were found against us.

During the year we identified that improvements needed to be made to both the clarity of our Complaints Policy and to how we learn from the complaints received. A new policy was created that reinforces what our and our tenants' responsibilities are, giving clarity on what is our responsibility as landlord to investigate. It also gives staff suggestions on how to signpost tenants to help in areas that are not our responsibility. As part of the directorate restructure, a post of Complaints Co-ordinator was created to reinforce the application of the policy and ensure complaints are being handled appropriately, and also to lead the learning for the organisation from the complaints received. The new co-ordinator started in post in April 2016 and we hope to see improvements for both the Group and tenants over the coming year.

Marketing & communications

Effective communication to customers and other stakeholders is a key priority for the Group. During the course of the year, following the appointment of our new Marketing and Communications Business Partner, we have improved communication channels and effectiveness as follows:

- We worked with staff and stakeholders to review the content and effectiveness of our external website, and on 1 April 2016 went live with a new website. This coincided with the launch of our new Tenants' Handbook, which is now a series of online animations rather than a physical paper document. This has brought huge efficiencies, both in production costs and in enabling it to be updated instantly when required. We have scheduled roadshows at our Sheltered Schemes over the summer to share this with customers, and are offering support to those customers who do not yet have access to IT facilities.
- We listened to feedback from customers and replaced our 24-Severn magazine with a digital magazine, Connect. This not only improved our communication with customers but also saved us £26,000 per year.
- In line with our 'One Team' vision, the team has revised how we communicate internally and introduced a new schedule of internal briefings to ensure all staff understand what we are doing, how we are doing them and more importantly, why we are doing them.
- We devised a new volunteering scheme, and staff voted Winston's Wish to be our chosen charity of the year for 2016.
- We began work on reviewing and updating our internal intranet to help us improve the flow of important information around the Group.
- We have reviewed how we communicate with stakeholders and launched a new format of stakeholder e-zines to communicate with them regularly about our successes. This will help us improve our reputation locally and enable us to influence key strategic decisions being made by our partners.

In order to assess the effect of our digital strategy we have begun monitoring how tenants use our services digitally, and how they access information on the Group, whether that be through Facebook, Twitter or our website.

As at the end of March 2016, by far the most frequently used way of accessing information about the Group has been Twitter, and during the year we have seen an increase in the number of tenants accessing our website through a mobile device, which has increased from 42.66% in July 2015 when we began collecting the data to 50.97% in March 2016.

Strategic Report (continued)

For the year ended 31 March 2016

Asset management

Planned maintenance

The Group uses the Keystone Asset Management system to profile and manage its 40-year planned maintenance programme. This enables greater control over the upkeep of its housing stock. Stock condition data is reviewed via a rolling programme of surveys. Keystone has also been populated with gas servicing inspection data, and we are currently transferring our manual records of other inspection data into the Keystone inspection module.

During the year we tendered and awarded a new 5 year external painting programme, and a window replacement programme.

Following the announcement of the 1% rent cut, we reviewed our planned maintenance programme in detail and there were certain components where we took the decision to replace less frequently, however all replacements are still being done within the timeframes set out in the Decent Homes Standard.

The planned maintenance budget for the year was £3.277m (2015: £2.311m), the final actual spend was £3.008m (2015: £2.460m). The underspend in the year was due to unplanned delays to works in our market rent and student accommodation schemes, and also an underspend in estate improvement works. We also earmark a budget every year for component replacements that may need replacing quicker than expected, perhaps due to damage or as a result of a re-let. The majority of this budget in the year was spent on heating, with a small amount left unused at year end; which gives us comfort that we are budgeting sufficiently for both scheduled and unscheduled component replacements. (Note: The figures included in the statutory accounts have been adjusted for component accounting).

Response repairs

We continued with the process and performance improvements started last financial year with the appointment, in July 2015, of a Logistics Manager. This role has been critical in ensuring tradesmen are allocated the most efficient schedule of jobs for the day, based on area working; this scheduling has enabled us to bring in-house the responsibility for repairs and maintenance of our market rent properties. During the year we rolled out mobile devices to all our craftsman to allow them to receive new job schedules electronically whilst out of the office.

As a result of poor performance by a number of our sub-contractors in the first half of the financial year, we in-sourced roofing, fencing and ground works. Our strategy is to continue in-sourcing works where there is a clear business case to do so, and we have obtained approval to expand the craftsman and gas engineering team in the new financial year.

During year we completed 83% of all repair jobs on target, compared to 89% in 2015. The main reason for repair jobs not being completed right first time during the year was the availability of materials. In November 2015 we changed our materials supplier and are working with them to ensure they stock the items we need, and we have also reviewed the composition of van stocks to ensure it reflects the work being done.

Build A Home team

During the year we dealt with 234 void properties (2015: 234), 17 of which were long-term major works voids.

We created a new Property Disposal Policy and procedure to help us review long-term void properties or properties in disrepair and assess whether it is economic to retain them in the business. Factors taken into account during this assessment include cost of remedial works, SAP rating, customer demand and location. Using this policy, it was determined that 9 properties should be sold and as at the year end the majority of these were sold subject to receiving disposal consent from the Homes & Communities Agency. As these properties were stock that was originally transferred from Tewkesbury Borough Council we also obtained their consent to sell them. We will earmark the proceeds received from selling these properties and, in line with the corporate plan, use them to fund replacement properties. The Board has set us the target of providing two new homes for every one sold.

The average spend per void repair during the year was £2,635 per property (2015: £2,572), excluding major repairs voids. As last year, the majority of void works were carried out by our in-house tradesmen.

We continued to embed the new Build A Home team and visit new tenants to discuss with them what works are required in their new home and how we can work with them to speed up when they can move in. We will be reviewing the effectiveness of the team in the coming year in order to assess whether it has delivered the value for money gains and service quality improvements we anticipated at the time it was introduced.

Strategic Report (continued)

For the year ended 31 March 2016

Asset management (continued)

Gas servicing & repairs

At 31 March 2016 there were no properties with an outstanding gas service (2015: nil).

As part of continuous improvement we have changed the template of the first appointment letter sent to customers, stressing the importance of the appointment and how to change their appointment if they are unable to arrange access. We have also promoted the importance of gas service appointments in our tenants' newsletter. Through workflow efficiencies delivered by the Keystone Gas Servicing module we have increased the number of services we complete a day from 6 in 2015 to 7 in the current year; this has allowed us to reduce the number of gas engineers we employ from 5 to 4, and also to bring in-house the gas compliance checks for our market rent properties and those we manage on behalf of Gloucestershire Rural Housing Association.

Non-social housing activities

Student accommodation

The Group currently owns 282 Student units over four Student Accommodation blocks. These are let to local Universities as follows:

- University Of Gloucestershire - Ermin Hall, Denmark Road (86 units); Regency Hall, Cheltenham (100 units), St. Mary's (13 units - 35 Bed-spaces)
- University Of Worcester - Sansome Hall (83 units)

All 4 blocks are let on leases for varying periods up to 25 years, but each is subject to a break clause (i.e. *"If either the Landlord or the Tenant shall desire to determine the term hereby granted and shall give to the other party not less than nine calendar months prior notice expiring on the tenth anniversary of the Commencement date of such desire then immediately upon the expiry…the tenant shall yield and deliver up the demised Premises with vacant possession and otherwise…"*); the relevant dates for the breaks being;

- Denmark Road - Commencement Date 19th August 2005; break clause was not exercised
- Regency Hall - Commencement Date 8th September 2006; break clause 2017
- Sansome Hall - Commencement Date 12th September 2008; break clause 2018
- St George's Place - Commencement Date 19th September 2008; break clause 2019

Currently all schemes produce a healthy net income for the Group, after taking expenses such as repairs and refurbishment costs in to account. These are in line with the original approved business case.

Helplines

The Helpline Alarm Service continues to provide a valuable service in the North Cotswolds and in the borough of Tewkesbury with 619 units in operation. The aim is to continue to build up relationships with external agencies such as GP's District Nurses and Village Agents to make sure that the Group has access in to the community to provide this service to vulnerable people. The service is also being promoted as a short term option for people recovering from operations and illness. The Group will continue to market its information wherever possible and is now working with local social prescribing as part of the Well-being agenda.

Statement of compliance

In preparing this Strategic Report, the Board has followed the principles set out in the Housing SORP 2014.

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Statement of the responsibilities of the Board for the report and financial statements

For the year ended 31 March 2016

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

Co-operative and Community Benefit Society legislation 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Co-operative and Community Benefit Society legislation 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 Society and Group for that period. In preparing these financial statements, the Board are 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 Housing SORP 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 Society 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 Society 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 2012. It is also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Severn Vale Housing Society Limited

We have audited the financial statements of Severn Vale Housing Society Limited for the year ended 31 March 2016 which comprise the Consolidated and Society Statements of Comprehensive Income, the Consolidated and Society Statements of Financial Position, the Consolidated and Society Statements of Changes in Reserves, the Consolidated Statements of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the society's members, as a body, in accordance with regulations made under Sections 87 and 98(7) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society'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 society and the society'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 the auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 24, the board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's 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 Financial Reporting Council'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 and parent society's affairs as at 31 March 2016 and of the group and parent's income and expenditure for the year then ended;
- 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 2015.

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

8 September 2016

Consolidated and Society Statement of Comprehensive Income

For the year ended 31 March 2016

	Note	2016 £'000	2015 £'000
Turnover	3	19,796	19,138
Operating costs	3	(12,295)	(12,224)
Operating surplus	4	7,501	6,914
Surplus on sale of housing properties	4,11	5	41
Interest receivable and similar income	5	23	3
Interest payable and similar charges	6	(6,335)	(6,447)
Other finance costs	7	(537)	(17)
Surplus before taxation		657	494
Tax on surplus	8	-	-
Surplus for the financial year		657	494
Movement in fair value of investment properties	12	-	2,840
Actuarial gains/(losses) on defined benefit pension schemes		1,186	(780)
Total comprehensive income for the year	19	1,843	2,554

All of the above results derive from the continuing operations of the Group and Society.

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

The notes on pages 31 to 55 form part of these financial statements.

Consolidated and Society Statement of Financial Position at 31 March 2016

	Note	Group 2016 £'000	Society 2016 £'000	Group 2015 £'000	Society 2015 £'000
Fixed assets					
Tangible fixed assets – housing properties	9	85,679	85,679	81,171	81,171
Tangible fixed assets – head office building	9	1,478	1,478	1,522	1,522
Other tangible fixed assets	9	289	289	549	549
Investment properties	12	25,895	25,895	25,895	25,895
Investments in subsidiary	13	-	-	-	-
		113,341	113,341	109,137	109,137
Current assets					
Properties held for sale	14	310	310	-	-
Debtors due within one year	15	1,374	1,374	1,194	1,194
Stocks		87	87	71	71
Cash at bank and in hand		519	519	1,125	1,125
		2,290	2,290	2,390	2,390
Creditors: Amounts falling due within one year	17	(3,418)	(3,418)	(3,948)	(3,948)
Net current liabilities		(1,128)	(1,128)	(1,558)	(1,558)
Total assets less current liabilities		112,213	112,213	107,579	107,579
Creditors: Amounts falling due after more than one year	18	134,196	134,196	130,219	130,219
Net pension liability	7	4,671	4,671	5,857	5,857
		138,867	138,867	136,076	136,076
Capital and reserves					
Income and expenditure reserve		(26,654)	(26,654)	(28,497)	(28,497)
Group and Society funds		(26,654)	(26,654)	(28,497)	(28,497)
		112,213	112,213	107,579	107,579

The notes on pages 31 to 55 form part of these financial statements.

The financial statements were approved by the Board on 1 August 2016 and signed on its behalf by:

Laurence James
Board Chair

Mark Davies
Vice Chair

Tim Knight
Chief Executive

Julie Jones
Finance and Development Director

Consolidated and Society Statement of Changes in Reserves

For the year ended 31 March 2016

	Income and expenditure reserve £'000	Total £'000
Balance as at 1 April 2014	(31,051)	(31,051)
Total comprehensive income for the year	2,554	2,554
Balance as at 31 March 2015	(28,497)	(28,497)
Total comprehensive income for the year	1,843	1,843
Balance as at 31 March 2016	**(26,654)**	**(26,654)**

Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	2016		2015	
	£'000	£'000	£'000	£'000
Net cash generated from operating activities		8,872		7,848
Cash flow from investing activities				
Interest received	23		3	
Purchase of housing properties including capitalised improvements	(7,264)		(7,018)	
Payments to acquire other fixed assets	(61)		(446)	
Social housing grant received	-		249	
Sale of housing properties	5		1,149	
Net cash from investing activities		**(7,297)**		**(6,063)**
Cash flow from financing activities				
Housing loans received	4,000		5,250	
Interest paid	(6,181)		(6,293)	
Net cash from financing activities		**(2,181)**		**(1,043)**
Net change in cash and cash equivalents		(606)		742
Cash and cash equivalents at beginning of year		1,125		383
Cash and cash equivalents at end of year		519		1,125

Notes to the Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	2016		2015	
	£'000	£'000	£'000	£'000
Reconciliation of operating surplus to net cash generated from operating activities				
Operating surplus	7,501		6,602	
Depreciation charges	2,092		1,919	
Components written off	719			
Refinancing fees amortised	(77)		(77)	
Increase in debtors	(180)		(279)	
Decrease in creditors	(675)		165	
Decrease in stock	(15)		36	
Increase in sinking fund	44		24	
Pension operating costs	151		239	
Other finance costs	(142)		(17)	
Pension contributions paid	(546)		(764)	
		8,872		7,848

Notes to the Financial Statements

For the year ended 31 March 2016

1. Legal status

The Society is registered under the Co-operative and Community Benefit Societies Act 2014 with the reference number 28557R and is registered with the HCA as a housing provider under reference L4171.

2. Accounting policies

Basis of accounting

The financial statements of the Group and Society are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014:Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

This is the first year in which the financial statements have been prepared under FRS 102. Refer to note 28 for an explanation of the transition.

The financial statements are presented in Sterling (£).

The **individual** accounts of the Society have also adopted the following disclosure exemptions:

- the requirement to present a statement of cash flows and related notes

- financial instrument disclosures, including:

  - categories of financial instruments,
  - items of income, expenses, gains or losses relating to financial instruments, and

- exposure to and management of financial risks.

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 which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants. 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 at least 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.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The following are the significant management judgements made in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Capitalisation of property development costs

Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation management monitors the asset and considers whether changes indicate that impairment is required. No amounts were capitalised in the year.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different:

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components.

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

2. Accounting policies (continued)

Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 7).

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices.

Basis of consolidation

The Group accounts consolidate the accounts of the Society and all its subsidiaries at 31 March using the purchase method.

Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the Society and entities (including special purpose entities) controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate, using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Turnover and revenue recognition

Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover, and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Investment properties

Investment properties consist of commercial properties and other properties not held for the social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in income and expenditure.

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

2. Accounting policies (continued)

Government grants

Government grants include grants receivable from the Homes and Communities Agency (the HCA), local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the HCA. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors. If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to income and expenditure. Upon disposal of the associated property, the Group is required to recycle these proceeds and recognise them as a liability.

Depreciation

The Group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

The Group depreciates the major components of its housing properties at the following annual rates:

	Years
Structure	
Traditional General Needs Stock Built Pre-war	50
Non-Traditional Construction Units	60
Traditional General Needs Stock Built 1946-1964	75
Traditional General Needs Stock Built 1964-1980	100
Traditional General Needs Stock Built Post 1980	120
Student Accommodation	100
Roofs	60
Kitchens	20
Bathrooms	30
Windows	30
Heating	30

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

2. Accounting policies (continued)

Depreciation (continued)

The principal annual rates used for other assets are:

	Years
Office Furniture and Equipment	4
Computer Equipment and Software	2
Leased Assets	10
Head Office	50
Motor Vehicles	5

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

The Group's policy is to capitalise all costs relating to a capital project or any other asset costing more than £2,000.

Leasehold properties are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Impairment

Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as expenditure in income and expenditure. Where an asset is currently deemed not to be providing service potential to the Society, its recoverable amount is its fair value less costs to sell.

Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Pensions

The Group participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Gloucestershire County Council Pension Fund (GCCPF).

For the SHPS, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The charge to the income and expenditure represents the employer contribution payable to the scheme for the accounting period. Contributions payable from the Society to the SHPS under the terms of its funding agreement for past deficits are recognised as a liability in the Society's financial statements.

For the GCCPF, scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the Group through reduced contributions or through refunds from the plan.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income.

Bad and doubtful debts

Provision is made against rent arrears of current and former tenants of the Group as well as other miscellaneous debts to the extent that their recovery is considered doubtful.

Right to Buy

Under the terms of the transfer agreement dated 27 April 1998 a proportion of the proceeds from right to buy sales are shared with Tewkesbury Borough Council. On completion of a right to buy sale contract, the full proceeds are credited to Statement of Comprehensive Income and the share payable to the Council is treated as a cost of sale.

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

2. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax relating to investment property that is measured at fair value is measured using the tax rates and allowances that apply to the sale of the asset, except for investment property that has a limited useful life and is held in a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference. With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and

- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Value Added Tax

The Group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Interest payable

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents

a) interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or

b) a fair amount of interest on borrowings of the association as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to income and expenditure in the year.

Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit.

Debtors

Short term debtors are measured at transaction price, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

2. Accounting policies (continued)

Stocks

Stocks consisting of stationery, IT consumables and the Direct Service Organisation's maintenance parts, are stated at the lower of cost and net realisable value.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Group recognises annual rent expense equal to amounts owed to the lessor. The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Properties for sale

Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Provisions for liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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 consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in Statement of Comprehensive Income in the period it arises.

The Group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Reserves

The Group establishes restricted reserves for specific purposes where their use is subject to external restrictions.

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

3. Turnover, cost of sales, operating costs and operating surplus

GROUP - continuing activities	Turnover £'000	2016 Operating costs £'000	Operating Surplus £'000
Social housing lettings	17,244	(11,399)	5,845
Other social housing activities			
Lifelines	104	(55)	49
External contract work	150	-	150
First tranche shared ownership sales	214	(135)	79
Other	149	-	149
	617	(190)	427
Non-social housing activities			
Lettings	1,891	(600)	1,291
Other	44	(106)	(62)
	1,935	(706)	1,229
Turnover from continuing activities	19,796	(12,295)	7,501

GROUP - continuing activities

	Turnover £'000	2015 Operating costs £'000	Operating Surplus £'000
Social housing lettings	16,614	(11,666)	4,948
Other social housing activities			
Lifelines	106	(73)	33
External contract work	143	-	143
First tranche shared ownership sales	216	(141)	75
Other	97	-	97
	562	(214)	348
Non-social housing activities			
Lettings	1,918	(307)	1,611
Other	44	(37)	7
	1,962	(344)	1,618
Turnover from continuing activities	19,138	(12,224)	6,914

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

3. Turnover, Cost of Sales, Operating Costs and Operating Surplus (continued)

Particulars of Income and Expenditure

GROUP AND SOCIETY

	General Needs housing £'000	Supported housing & housing for older people £'000	Shared ownership £'000	Affordable Rent £'000	Total for social housing lettings £'000	Market rents £'000	Garages £'000	Student let £'000	Other £'000	2016 Total £'000	2015 Total £'000
Income from lettings											
Rent receivable net of identifiable service charges	13,974	1,718	466	209	**16,367**	648	174	1,157	10	**18,356**	**17,736**
Service charges receivable - housing benefit allowable	266	578	45	-	**889**	-	-	-	34	**923**	**936**
Amortised government grants	144	-	-	-	**144**	-	-	-	-	**144**	**144**
Gross rents receivable	**14,384**	**2,296**	**511**	**209**	**17,400**	**648**	**174**	**1,157**	**44**	**19,423**	**18,816**
Less rent losses from voids	(122)	(31)	(2)	(1)	**(156)**	(17)	(71)	-	-	**(244)**	**(239)**
Total income from lettings	**14,262**	**2,265**	**509**	**208**	**17,244**	**631**	**103**	**1,157**	**44**	**19,179**	**18,577**
Expenditure on lettings activities											
Services	(397)	(588)	(9)	(1)	**(995)**	(8)	-	-	(8)	**(1,011)**	**(897)**
Management	(3,914)	(464)	(144)	(56)	**(4,578)**	(129)	(23)	(359)	(63)	**(5,152)**	**(5,434)**
Housing asset depreciation	(1,012)	(114)	(61)	(59)	**(1,246)**	-	-	-	-	**(1,246)**	**(1,400)**
Bad debts	(45)	-	-	-	**(45)**	-	-	-	-	**(45)**	**(63)**
Routine maintenance	(2,176)	(72)	(8)	(3)	**(2,259)**	(33)	(4)	(13)	(12)	**(2,321)**	**(2,475)**
Major repairs	(2,276)	-	-	-	**(2,276)**	-	-	(30)	(77)	**(2,383)**	**(1,815)**
Total expenditure on letting activities	**(9,820)**	**(1,238)**	**(222)**	**(119)**	**(11,399)**	**(170)**	**(27)**	**(402)**	**(160)**	**(12,158)**	**(12,084)**
Operating surplus	**4,442**	**1,027**	**287**	**89**	**5,845**	**461**	**76**	**755**	**(116)**	**7,021**	**6,493**

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

4. Operating surplus

Surplus is stated after charging:

	2016 £'000	2015 £'000
Depreciation of housing properties	1,727	1,400
Depreciation of other tangible fixed assets	364	248
Auditors' remuneration:		
External auditors	28	23
Taxation services	10	8
Internal auditors	43	32

5. Interest receivable and other income

	2016 £'000	2015 £'000
Interest receivable (other)	23	3

6. Interest payable and similar charges

	2016 £'000	2015 £'000
Interest on bank loans	6,258	6,370
Refinancing fees amortised	77	77
	6,335	6,447

7. Employees

The average number of persons employed during the year was:

	2016 No.	2015 No.
Directors	5	3
Business services	21	18
Developments	2	2
Finance	6	5
ICT	4	4
Community	3	3
Housing (incl. scheme managers)	36	40
Planned maintenance	7	6
Responsive repairs	35	33
	119	114

There is no material difference between the average number of persons employed disclosed above and the full-time equivalents.

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

7. Employees (continued)

Staff costs:	2016 £'000	2015 £'000
Wages and salaries	3,568	3,357
Employer's contribution - national insurance	314	306
Employer's contribution - pension	310	326
	4,192	3,989

Directors' remuneration

The Directors are defined for this purpose as the Chief Executive and any other person who is a member of the Directors' Team reporting to the Chief Executive or directly to the Board and whose total emoluments exceed £40,000 per year.

	Salary & N.I. £'000	Benefits in kind £'000	Pension £'000	2016 £'000	2015 £'000
Chief Executive - Tim Knight	126	2	25	153	154
Finance & Development Director– Julie Jones	89	-	9	98	-
Customer & Communities Director – Fay Shanahan	57	1	3	61	-
Governance & Strategy Director – Claudia Cobban	91	1	9	101	-
Assets & Commercial Director – Michael Craggs	78	2	6	86	-
Interim Finance Director – David Johnson	83	-	6	89	49
Former Operations Director - Judith Tector	-	-	-	-	58
Former Business Services Director - Ann Wolstencroft	-	-	-	-	144
	524	6	58	588	405

These Directors are also considered to be key management personnel.

Payments of £37,732 in respect of emoluments and expenses were made to members of the Board during the year (2015: £3,279).

Two of the Directors were ordinary members of the GCCPF during the year (2015: 2), the remaining Directors were members of the Social Housing Pension Scheme. No enhanced or special terms apply and the Group makes no contribution to any individual pension arrangements.

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

7. Employees (continued)

Pension Scheme

The Group participates in two pension schemes. One is run by the Pensions Trust which administers the Social Housing Pension Scheme (SHPS). The other is the GCCPF run by Gloucestershire County Council (GCC) as an admitted body. Both schemes provide defined benefit schemes. SHPS also provide a defined contribution scheme.

Employer contributions paid over in the year are as follows (excluding employee contributions):

	2016 £'000	2015 £'000
Social Housing Pension Scheme	347	329
Gloucestershire County Council Pension Fund	508	602
	855	**931**

a) Social Housing Pension Scheme

The Group participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

We operate a final salary 1/60th accrual rate benefit structure that is now closed to new employees. We offer a career average re-valued earnings (CARE) structure with a 1/60th accrual rate; this is not open to new employees. New employees are entitled to join the SHPS defined contribution scheme.

It is 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 Group 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 Group is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

7. Employees (continued)

a) Social Housing Pension Scheme (continued)

Where the scheme is in deficit and where the Group has agreed to a deficit funding arrangement, the Group 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.

Present values of provision

	2016	2015	2014
	£'000	£'000	£'000
Present value of provisions	1,412	1,168	1,217

Reconciliation of opening and closing provisions

	2016	2015
	£'000	£'000
Provision at start of period	1,168	1,217
Unwinding of the discount factor (interest expense)	21	35
Deficit contribution paid	(142)	(136)
Remeasurements – impact of any change in assumptions	(8)	52
Remeasurements – amendments to the contribution schedule	373	-
Provision at end of period	**1,412**	**1,168**

Income and expenditure impact

	2016	2015
	£'000	£'000
Interest expense	21	35
Remeasurements – impact of any change in assumptions	(8)	52
Remeasurements – amendments to the contribution schedule	373	-
Contributions paid in respect of future service*	142	136
Costs recognised in income and expenditure account	205	193
	733	**316**

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes. To be completed by the company.

Assumptions

	2016	2015	2014
Rate of discount	2.06%	1.92%	3.02%

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.

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

7. Employees (continued)

b) Gloucestershire County Council - Local Government Scheme (GCCPF)

The Gloucestershire County Council Pension Fund (GCCPF) is a funded scheme with the assets held in separate Trustee administered funds.

The Group's pension costs for this Scheme are determined with the advice of independent qualified actuaries. Triennial actuarial valuations of the Pension Scheme are performed by a qualified actuary using the projected unit method.

In order to assess the actuarial valuation of the Group's liabilities in respect of this Scheme at 31 March 2016, the actuaries have rolled forward the actuarial value of the liabilities reported in the previous triennial valuation.

The major assumptions used by the actuary in assessing Scheme liabilities were:

	2016	2015
Rate of increase in salaries	3.7%	3.8%
Rate of increase in pensionable payments	2.2%	2.4%
Discount rate	3.5%	3.2%
Rate of price inflation	3.2%	2.4%

The valuation was carried out using the PA92C2033 mortality table for non-pensioners and PA92C2007 mortality table for pensioners. The table below illustrates the assumed life expectancy in years for Pension Scheme members at age 65 using these mortality assumptions:

2016 and 2015	Males Assumed life expectancy in Years at age 65	Females Assumed life expectancy in Years at age 65
Current pensioners	22.5	24.6
Future pensioners	24.4	27.6

Amounts recognised in surplus or deficit

	2016 £'000	2015 £'000
Current service cost	151	146
Past service cost	-	76
	151	222
Amounts charged to operating costs		
Interest income on plan assets	374	427
Amounts charged to other finance costs	374	427

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

7. Employees (continued)

b) Gloucestershire County Council - Local Government Scheme (GCCPF) (continued)

Reconciliation of opening and closing balances of the present value of scheme liabilities

	£'000
Opening scheme liabilities	16,275
Current service cost	151
Interest cost on defined benefit obligation	517
Plan participants' contributions	33
Benefits paid	(397)
Remeasurements	(1,538)
Closing scheme liabilities as at 31 March 2016	15,041

Reconciliation of opening and closing balances of the fair value of plan assets

	£'000
Opening fair value of plan assets	11,586
Interest income	374
Plan participants' contributions	33
Employer contributions	546
Benefits paid	(397)
Return on assets (in excess of interest income)	(360)
Closing fair value of plan assets as at 31 March 2016	11,782

Major categories of plan assets as a percentage of total plan assets:

	2016 %	2015 %
Equities	70	74
Bonds	21	17
Properties	8	7
Cash	1	2

Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2016	Approximate % increase to Employer Liability	Approximate monetary amount £'000
0.5% decrease in real discount rate	9%	1,409
1 year increase in member life expectancy	3%	451
0.5% increase in the salary increase rate	2%	322
0.5% increase in the pension increase rate	7%	1,072

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

8. Tax on Surplus on Ordinary Activities

Taxation charge for the period from 1 April 2015 to 31 March 2016:

	2016 £'000	2015 £'000
Surplus on ordinary activities before tax	1,030	183
Tax on surplus on ordinary activities at UK tax rate 20% (2014: 21%)	206	38
Effects of:		
Expenses not deductible for tax purposes	13	48
Fixed assets differences	357	399
Amounts credited/(charged) directly to income	163	(196)
Chargeable gains	(337)	16
Deferred tax not recognised	(385)	(291)
Other timing differences	217	(14)
Adjustments to brought forward values	(234)	-
Total current tax charge	-	-

9. Tangible fixed assets – Housing properties

Group and Society

	Freehold housing properties completed £'000	Freehold housing properties in the course of construction £'000	Shared ownership properties completed £'000	Shared ownership properties in the course of construction £'000	Total £'000
Cost					
At 1 April 2015 as restated	87,435	1,136	8,628	261	97,460
Additions	1,568	4,856	-	931	7,355
Schemes completed	4,005	(4,005)	921	(921)	-
Transfer to current assets	(108)	-	(235)	-	(343)
Disposals	(889)	-	(311)	-	(1,200)
Aborted scheme costs	-	(92)	-	-	(92)
At 31 March 2016	92,011	1,895	9,003	271	103,180
Depreciation and Impairment					
At 1 April 2015 as restated	(15,750)	-	(539)	-	(16,289)
Charged in year	(1,652)	-	(75)	-	(1,727)
Transfer to current assets	33	-		-	33
Eliminated on disposal	468	-	14	-	482
At 31 March 2016	(16,901)	-	(600)	-	(17,501)
Net book value at 31 March 2016	75,110	1,895	8,403	271	85,679
Net book value at 31 March 2015	71,685	1,136	8,089	261	81,171

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

9. Tangible fixed assets – Housing properties (continued)

Expenditure on works to existing properties

Group and Society

	2016 £'000	2015 £'000
Amounts capitalised	1,568	1,347
Amounts charged to income and expenditure account	2,276	1,747
	3,844	3,094

Social Housing Grant	2016 £'000	2015 £'000
Total accumulated SHG receivable at 31 March was:		
Capital grant – housing properties		
Recycled Capital Grant Fund	308	227
Disposal Proceeds Fund	84	84
Held as deferred income	15,784	16,010
	16,176	16,321

Impairment

The Group and Society considers individual schemes to be separate Cash Generating Units (CGU's) when assessing for impairment, in accordance with the requirements of Financial Reporting Standard 102 and SORP 2014.

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

10. Tangible fixed assets - Other

Group and Society

	Freehold Head office building £'000	Office equipment fixtures and fittings £'000	Vehicles £'000	Total £'000
Cost				
At 1 April 2015	2,130	2,903	58	2,961
Additions	-	61	-	61
At 31 March 2016	2,130	2,964	58	3,022
Depreciation				
At 1 April 2015	(608)	(2,354)	(58)	(2,412)
Depreciation charged in year	(44)	(321)	-	(321)
At 31 March 2016	(652)	(2,675)	(58)	(2,733)
Net book value at 31 March 2016	1,478	289	-	289
Net book value at 31 March 2015	1,522	549	-	549

11. Sale of properties

	2016 Housing properties RTB £'000	2016 Housing properties RTA £'000	2016 Shared ownership £'000	2016 Total £'000	2015 Total £'000
Sale proceeds	91	-	176	267	335
Less: Cost of sales (non-cash)	(25)	-	(176)	(201)	(66)
Less: Cost of sales (cash)	(13)	(4)	-	(17)	(19)
Less: Cost of Capital Improvements	(8)	-	-	(8)	(49)
Less: Amount due to Tewkesbury Borough Council	(36)	-	-	(36)	(160)
Surplus on disposal	9	(4)	-	5	41

Cost of sales includes legal and valuation fees incurred in connection with the sale of properties.

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

12. Investment properties

	Market rent properties £'000	Student housing £'000	Total £'000
As at 1 April 2015	13,155	12,740	25,895
As at 31 March 2016	13,155	12,740	25,895

All investment properties were valued as at 31 March 2015. The Group considers this to be the fair value as at both 31 March 2015 and 2016.

The market rent properties were valued by Savills, professional external valuers. The full valuation of properties was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors. The valuation basis was market value subject to the tenancies.

The student housing properties were valued by CBRE Limited, professional external valuers. A discounted cash flow methodology was used having regard to the occupational leases in place and the current income receivable. The discount rate used was 7.5%.

13. Investments

	Group 2016 £	Society 2015 £	Group 2015 £	Society 2015 £
Investment in subsidiary	-	2	-	2

Investment in subsidiary consists of 100% of the issued share capital of Severn Vale Housing Properties Limited, being two £1 shares.

14. Properties for sale

Group and Society	2016 £'000	2015 £'000
Freehold housing properties	75	-
Completed shared ownership properties	235	-
	310	-

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

15. Debtors

	Group 2016 £'000	Society 2016 £'000	Group 2015 £'000	Society 2015 £'000
Amounts falling due within one year				
Arrears of rents and service charges	856	856	546	546
Less: Provision for doubtful debts	(127)	(127)	(127)	(127)
	729	729	419	419
Other debtors	539	539	506	506
Car loans *	19	19	36	36
Prepayments and accrued income	87	87	233	233
	1,374	1,374	1,194	1,194

*Car loans are made to employees of the Group under an assisted car purchase scheme and are repayable in instalments over a period not exceeding 5 years.

16. Deferred Taxation

Potential deferred taxation asset not provided for in the accounts is as follows:

	Group 2016 £'000	Society 2016 £'000	Group 2015 £'000	Society 2015 £'000
Accelerated capital allowances	(548)	(548)	726	726
Tax losses	(1,387)	(1,387)	(2,123)	(2,123)
Other timing differences	(19)	(19)	(11)	(11)
Total deferred tax	(1,954)	(1,954)	(1,398)	(1,398)

17. Creditors: Amounts falling due within one year

	Group 2016 £'000	Society 2016 £'000	Group 2015 £'000	Society 2015 £'000
Trade creditors	784	784	1,364	1,364
Rent and service charges received in advance	355	355	408	408
Deferred capital grant (note 19)	144	144	144	144
Other taxation and social security	20	20	25	25
Loan interest accrual	659	659	659	659
Other creditors	45	45	163	163
Accruals	693	693	570	570
Recycled Capital Grant fund (note 20)	308	308	308	308
Disposal Proceeds fund	84	84	84	84
Special projects	326	326	223	223
	3,418	3,418	3,948	3,948

Time taken to pay creditors was 27 days (2015: 26 days). The amounts included in creditors in respect of the Disposal Proceeds Fund represent the net proceeds of properties sold under the Right to Acquire legislation. These amounts may only be spent on items of expenditure allowed under Right to Acquire legislation. The Recycled Capital Grant Fund represents the amount of SHG received in respect of those properties sold later.

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

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

	Group 2016 £'000	Society 2016 £'000	Group 2015 £'000	Society 2015 £'000
Housing loans repayable by instalments due after more than 5 years	118,750	118,750	114,750	114,750
Refinancing fees amortised over 10 years	(538)	(538)	(616)	(616)
Unutilised contributions from leaseholders and tenants	344	344	300	300
Deferred capital grant (note 19)	15,640	15,640	15,785	15,785
	134,196	134,196	130,219	130,219

The Group and Society have a total loan facility of £125m with £6.25m remaining undrawn as at 31 March 2016. Housing loans are secured by fixed charges on individual properties.

£35m of senior secured amortising notes are due for repayment in full on 2 December 2043. Interest is 5.25% p.a. A facility agreement £90m with Lloyds Bank plc is as follows:

	£'000	Fixed rate excluding margin)	Maturity
Fixed rate loan	50,000	6.07% until 29 Dec 2017 then 5.96%	31 March 2034
RPI linked loan	20,000	2.1% plus RPI	31 March 2036
Revolving facility	20,000	n/a	2 Dec 2023

19. Deferred grant income

	Group 2016 £'000	Society 2016 £'000	Group 2015 £'000	Society 2015 £'000
At 1 April as originally stated	-	-	-	-
Prior year adjustment	15,928	15,928	15,906	15,906
At 1 April as restated	15,928	15,928	15,906	15,906
Grant received in the year	-	-	265	265
Grant recycled during the year	-	-	(98)	(98)
Grant released to income during the year	(144)	(144)	(144)	(144)
As at 31 March	15,784	15,784	15,929	15,929

	Group 2016 £'000	Society 2016 £'000	Group 2015 £'000	Society 2015 £'000
Amounts to be released within one year	144	144	144	144
Amounts to be released in more than one year	15,640	15,640	15,785	15,785
	15,784	15,784	15,929	15,929

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

20. Recycled Capital Grant Fund

The Group and Society utilised disposal proceeds as follows:

	2016 £'000	2015 £'000
At 1 April	308	210
Interest accrued	-	-
Recycled from disposals	-	98
At 31 March	308	308

No allowance is made for notional interest on the sale proceeds. As at 31 March 2016, £125,000 of the Fund is over three years old and has been earmarked for use on a new development.

21. Disposal Proceeds Fund

The Group and Society utilised disposal proceeds as follows:

	2016 £'000	2015 £'000
At 1 April	84	84
Interest accrued	-	-
Recycled from disposals	-	-
At 31 March	84	84

No allowance is made for notional interest on the sale proceeds. As at 31 March 2016, there are no amounts due for repayment.

22. Called-up Non-Equity Share Capital

Five ordinary members of the Board of Management each hold one share of £1 in the Society, as do a nominee of the Tenants Forum and of the Council. The shares are non-transferable and non-redeemable and carry no rights to receive either income or capital repayments. They are thus classified as non-equity shares in accordance with FRS 102. The shares provide members with the right to vote at General Meetings, but do not provide any rights to dividends or distributions on winding up.

	Group 2016 £	Society 2016 £	Group 2015 £	Society 2015 £
Shares of £1 each issued and fully paid:				
As at 1 April 2015 and 31 March 2016	6	6	6	6

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

23. Commitments and contingencies

The Group and Society's expenditure commitments are as follows:

	2016 £'000	2015 £'000
Capital commitments		
Capital expenditure contracted for but not provided for in the financial statements	660	6,261

The above commitments will be financed primarily through borrowings.

The Group and Society had no contingent liabilities at 31 March 2016 (2015: Nil).

24. Units in management

	2016 Number	2015 Number
General needs accommodation	2,834	2,787
Affordable rents accommodation	34	33
Mortgage rescue	9	9
Sheltered accommodation	409	410
Shared ownership	169	162
Rent to Home Buy	7	8
Total social housing	3,462	3,409
Market rents	84	84
Student accommodation	282	282
	3,828	3,775

25. Related parties

There is one tenant member of the Board. Her tenancy is on normal commercial terms and she is not able to use her positon to her advantage. During the year ended 31 March 2016 she paid rent of £5,663 (2015: £5,449) and as at 31 March 2016 the rent account was in credit by £229 (2015: arrears of £36).

Two members of our board, Mr D Waters and Mr R Allen, are councillors with Tewkesbury Borough Council, a local authority having nomination rights over tenancies for certain group properties. All transactions with the Council are on normal commercial terms and the councillors are not able to use their position to their advantage.

Disclosures in relation to key management personnel are included in note 7.

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

26. Financial assets and liabilities

Group and Society

	2016 £'000	2015 £'000
Categories of financial assets and liabilities		
Financial assets measured at historical cost:		
Trade receivables	856	546
Other receivables	558	542
Cash and cash equivalents	519	1,125
Total financial assets	1,933	2,213

	2016 £'000	2015 £'000
Financial liabilities measured at historical cost:		
Trade creditors	784	1,364
Other creditors and accruals	18,618	18,669
Financial liabilities measured at amortised cost:		
Loans payable	118,750	114,750
Total financial liabilities	138,152	134,783

27. Subsidiary undertakings

Severn Vale Housing Properties Limited (SVHP) is a private limited company, and its principal activity is property leasing. It is a subsidiary by virtue of the fact that Severn Vale Housing Society holds 100% of the shares in SVHP, and thus is able to direct the activities of the company; and therefore in accordance with Financial Reporting Standards and the Co-operative and Community Benefit Societies Act 2014, the Group is required to prepare consolidated financial statements.

Severn Vale Housing Association Limited (SVHA) is a Co-operative and Community Benefit Society incorporated on 4 November 2005. Its principal activities will be charitable but it is currently dormant and will remain so until suitable opportunities for using it are identified.

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

28. Transition to FRS 102

The Group has adopted FRS 102 for the year ended 31 March 2016 and has restated the comparative prior year amounts.

Changes for FRS 102 adoption

i) Social Housing Pension Scheme

Under section 28 the Group is now required to recognise the net present value of any contractual agreements to make additional payments for a past deficit. Using a discount rate of 1.92% a liability of £1.217m has been recognised as a provision in the opening reserves.

ii) Gloucestershire County Council Pension Fund

The net pension finance cost recognised in the income and expenditure account for the year ended 31 March 2015 under the previous UK GAAP was the net of the expected return on pension plan assets and the interest on pension liabilities. FRS 102 requires the recognition in the Statement of Comprehensive Income, of a net interest cost, calculated by multiplying the net plan obligations by the market yield on high quality corporate bonds (the discount rate applied). The change has had no effect on net assets as the measurement of the net defined benefit plan obligation has not changed. Instead, the decrease in the surplus for the year has been mirrored by a reduction in the actuarial losses presented within Other Comprehensive Income.

iii) Holiday pay provision

A provision is now made for entitlement to holiday at the year-end which has not been taken by employees. This has been calculated based on payroll records and totalled £20,810 as a liability in opening reserves.

iv) Grant accounting

Grants were previously netted off the cost of the related asset. Under FRS 102, government grants must be accounted for using the accruals model or the performance model. As the Group and Society accounts for properties at cost, it has adopted the accruals model for government grants, as required by SORP 2014.

Under the accruals model, the government grants have been allocated to the related assets and amortised over the useful economic life of those assets. The unamortised amount is held within deferred income split between < 1 year and > 1 year. The amount of amortised grant that has been recognised in opening reserves is £1,229,731.

v) Investment properties

SORP 2014 requires that properties held to earn commercial rentals or for capital appreciation, or both, must be treated as investment properties. This applies to the Group's properties held for market rent, and student properties. These properties are now shown at fair value on the statement of financial position. Opening reserves have been credited with £4.7m, being the difference between the fair value and the original historical cost.

Notes to the Financial Statements (continued)

For the year ended 31 March 2016

28. Transition to FRS 102

Restated Statement of Financial Position – Group and Society

	2015 £'000	2014 £'000
Original opening reserves	**(28,398)**	**(27,646)**
Reversal of depreciation on investment properties	2,951	2,536
Holiday pay accrual	(20)	(21)
Social Housing Pension Scheme	(1,168)	(1,217)
Investment properties at fair value	(1,862)	(4,703)
Restated reserves	**(28,497)**	**(31,051)**

Restated surplus for the year ended 31 March 2015

	£'000
Original surplus on ordinary activities before taxation	**2,840**
Adjustment to disclosure of costs of Social Housing Pension Scheme	(155)
Movement in investment properties at fair value	2,840
Movement in holiday pay accrual	1
Movement in Social Housing Pension Scheme provision	49
Reversal of depreciation on investment properties	416
Restated surplus for the financial year	**3,334**