Severn Vale Housing Society

Annual Report and Financial Statements for the Year Ending 31 March 2018

Co-operative and Community Benefit Society Registration Number **28557R**

Regulator of Social Housing Registration Number **L4171**

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Strategic Report

Chair's Introduction

In April 2018, Severn Vale celebrated its twentieth anniversary since the transfer of its housing stock from Tewkesbury Borough Council to a newly formed independent housing association. Over this period, Severn Vale has changed significantly although it has remained completely aligned to its social purpose, which is to provide high quality housing and associated services to local people. From the time of the transfer in 1998, Severn Vale has invested heavily in refurbishing its properties and developing over 600 new homes. Furthermore, we also manage properties on behalf of other organisations which is an important part of our business. Severn Vale is a non-profit making organisation and any surplus that is made is all reinvested back into the business which inevitably means the development of even more homes. There is, of course, a cost to fulfilling our purpose and it comes in the form of long term bank loans which attract significant interest payments each year.

With these inevitable overheads it is essential that we look at ways to become more efficient and this is something that we have being working hard to achieve. Over the last two years, initiatives to reduce our overheads have resulted in significant savings being made; However, there have been a number of external factors that have had a negative impact upon our business, none more so than the Government's announcement in July 2015 to reduce rents by 1% per annum for a period of four years. While this was a welcome surprise for tenants, it fundamentally changed the economics of our business and it meant that, as a Board, we had to reassess our ability to not only fulfil our social purpose over the long term but also maintain reserves that we could call upon should the need arise.

We were not alone in this position, and many other housing associations faced similar challenges and were having the same debates about their future. Last October, the Board and the Executive Directors carried out a thorough review of the business, taking into account all the factors that had, or were likely to have, an impact upon Severn Vale going forward. They came to the conclusion that, while the finances of the business were sound and we could continue to manage our established housing stock going forward, we could not continue to develop new homes and services at the rate at which we believe we should, and therefore, in our view, we could not realistically fulfil our social purpose. To put this into context, Tewkesbury Borough Council is looking for over 9,900 new homes to be developed by 2031, of which 35% will be affordable housing. As the 'resident' housing association in the area, Severn Vale should be looking to fulfil this need, however, in reality this is simply not possible given the financial resources that we have available. It is for this reason that the Board took the decision to seek a partner that shared the same vision for the future as us, but also had the financial resources to support this vision to build new homes and improve services to tenants. It was a difficult decision, but one that the Board believes is absolutely right for both existing and potential new tenants.

In coming to this conclusion, we involved Tewkesbury Borough Council and the Senate, our stakeholder representative body, and both groups were very supportive of our plans.

Naturally, this decision creates uncertainty within the organisation and we have made every effort to reassure staff about the future and to ensure we retain a significant presence in Tewkesbury for the benefit

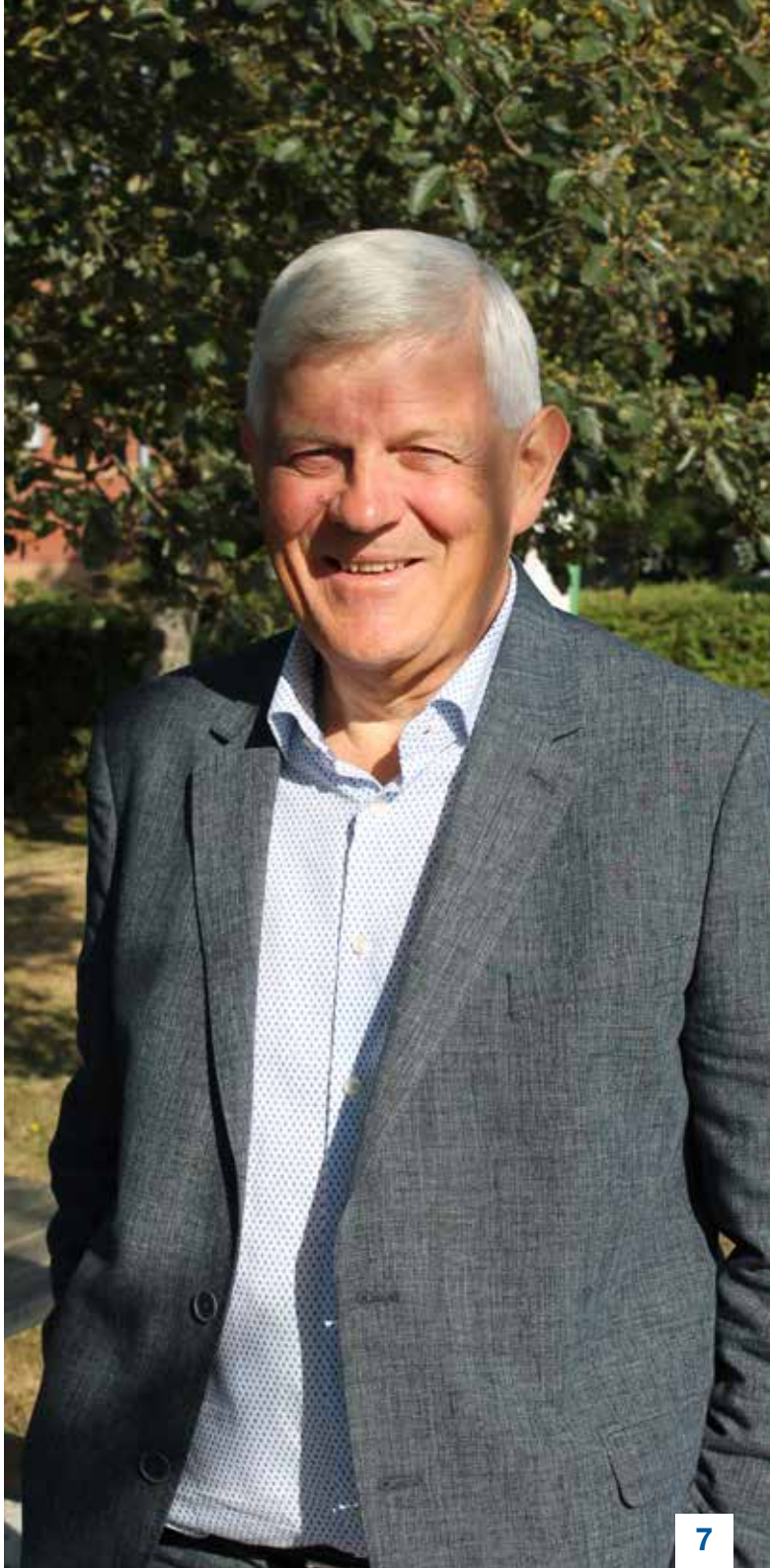
of both tenants and staff. Over the last four years, Severn Vale has undergone an unbelievable level of change and the management and staff have responded to every challenge that has been set them. The organisation has become far more efficient, service standards have improved significantly and we have continued to implement innovative solutions to the challenges that inevitably arise in a fast changing world. I would therefore like to thank them on behalf of the Board for their continued hard work and support without which our future would not be so positive.

Early in the financial year, Severn Vale went through an In Depth Assessment (IDA) by the Regulator and, whilst recognising progress made over the last three years, some concerns remained which resulted in a downgrade to G2. At the time of writing, all actions have been addressed and we are awaiting feedback from the Regulator and revaluation of grading.

I would like to thank Debbie Midwinter, Richard Carey and David Waters, our Tenant and Council Board members who stepped down from the Board in October 2017. Their contribution and support during their tenure was invaluable. At the same time, I would like to welcome Helen Adlard and Stephen Lomax to the Board, who both bring a wealth of knowledge and experience to the table. I would also like to thank Mike Owen for his service during his time on the Board.

It goes without saying 2017/18 has been a significant year for Severn Vale Housing and one which is likely to become a watershed in its history. The Board has every confidence that the decision to seek a collaborative partner is the right one for both tenants and staff. It will bring uncertainty and concern in the short term but the right partner will take the organisation to a new level which will benefit all stakeholders and achieve the Board's ambition of becoming 'The leading housing provider in Gloucestershire' in the long term.

Laurence James Board Chair



Chief Executive's Statement

The social housing sector has had to face some difficult challenges over the last few years including the introduction of welfare reform, not least the impact of what has become known as the 'bedroom tax', as well as Universal Credit, both of which significantly impact upon our customers; with a knock-on effect for the Society in having to support customers much more to ensure they are living in affordable accommodation that suits their needs.

When overlaid with the annual rent cut imposed by Government in 2016, this has put significant financial pressure on the Society. Pleasingly, the Society has been able to respond to this, albeit in the short-term, again generating an operating margin of over 40% for the second successive year, continuing the improving trend in profitability year on year since 2014 (30%).

Despite this operating margin being at a higher level than our peers in Gloucestershire, the Society is also one of the smallest housing associations in the area and, as such, it remains challenging to offer a top-level service with so little resource.

It has only been possible to make the savings necessary to match the reduced rental income by expanding significantly the Society's own maintenance workforce. By insourcing 92% of repair and maintenance work the Society has saved significant sums in terms of VAT and 'contractor profit' previously incurred when the work was outsourced.

However, the Society is starting to feel the impacts of Brexit in terms of being able to recruit enough people with the right skill-sets it requires to continue this strategy. This is also likely to impact the Society's ability to develop new properties in the future, something which has led to research being undertaken to find alternative methods of construction centred on modular solutions being used elsewhere in Europe.

Lack of appropriate labour is likely to become a bigger problem as time goes on, both locally and nationally, hence the Society continues to help invest in apprenticeships to help alleviate some this.

It is widely recognised that there is a large shortage of affordable housing, whether that be for rent or for purchase, so it is very important new ways of delivering new homes are found.

With the impact of Grenfell and the resulting increasing expectations around customer involvement, and also the tightening up of building regulations, there is now even more to do with these scarce resources to ensure customers are kept safe. In recognition of this the Society's Board requested the Executive to undertake a strategic review of the organisation. More detail about our strategic review can be found on page 31. This concluded in October 2017 with the Board adopting a strategy to seek a collaborative partner.

Having reviewed the options, our Board was happy to announce on 26 March 2018 that the Society has agreed to join the new Bromford / Merlin Partnership which came in to effect 2 July 2018. Both Board members and staff are really excited about the opportunities this new partnership will offer to our customers and the local communities we serve.

Tim Knight Chief Executive

Our Business Model

Severn Vale's overarching mission is:

'Offering housing and property services to enhance communities'.

So, at the heart of our business are our customers, and the services and homes we deliver to them.

As a business, our Corporate Plan set our vision for 2020:

'To be recognised as the leading housing provider in Gloucestershire.'

We are committed to provide the best services to our customers and communities, and to ensure we grow as a business to reach even more people in need of a home.

To achieve our vision, we are guided by three corporate objectives:

Efficiency

To be the leading housing provider means for us we will improve the efficiency of our service delivery so we ensure we can make our and our customers' money go further. We will improve the affordability and quality of our homes by investing in our properties to make them fit for the future and support our tenants to keep their living costs low.

Growth

We aim to maximise our funding to ensure we can invest in homes and services. We will seek partnerships to deliver more and better services and to improve the health and wellbeing of our customers and communities. We will ensure our business structure is fit for purpose and will deliver sustainable growth.

Adaptability

We will create a more flexible and resilient business and workforce by investing in our staff and Board members, creating a positive culture through a comprehensive cultural change programme. We will build and maintain an adaptable governance structure built on a clear understanding and management of our risks and opportunities.

Absolutely key to achieving our vision are our values:

Severn Vale Housing Values

CARING

- Understand our customers' and communities' needs
- Proactively ensure services are delivered and resourced effectively and efficiently
- Recognise that staff are our greatest asset and we will nurture their talent
- Reflect on and learn from feedback given to us

Severn Vale Housing Values

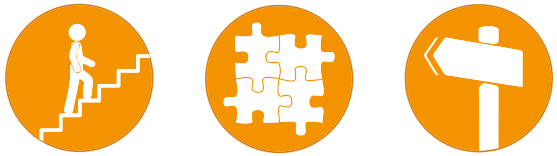
CREATIVE

- Develop and deliver services by understanding our customers and the changing market environment
- Seek new and creative ways to develop and deliver improved and efficient services
- Have a flexible and adaptable approach to maximise opportunities

Severn Vale Housing Values

PROFESSIONAL

- Make informed and fair business decisions
- Strive to continuously improve the areas in our control
- Keep our staff, customers and information safe
- Build a positive "One Team" spirit
- Pursue personal growth and learning



Severn Vale Housing Values

PURPOSEFUL

- Deliver services with a passion for excellence
- Engage those we work with to help us develop the business
- Recognise and reward achievement
- Encourage all employees to enjoy their work and be proud of it

Severn Vale Housing Values

TRUSTWORTHY

- Committed to promoting respect, openness and honesty in all our work
- Keep our promises and tell the truth
- Have the courage to challenge behaviour not in line with our shared values
- Take personal responsibility for our own development

Risks

The Board maintains overall responsibility for strategic risk management. There are systems in place to ensure the Board and Executive team can analyse, understand, manage and mitigate key strategic and business critical risks. Our approach to risk management is based on good practice and the control environment to manage risk is continually reviewed and monitored by the Audit Committee and assessed by the Board.

As part of our risk management strategy, a set of risk triggers is monitored by senior management and the Board alongside our key performance targets. This approach enables the Society to foresee key risks materialising and put in interventions before they adversely impact upon the sustainability of the business and/or the delivery of key business objectives.

We have identified five strategic risks, which are deemed to be business critical. These are:

Strategic Objective	Risk Description	Risk Driver	Actions update
Growth	Long term vision is not achieved	Significant limitations in access to capital to fund future development and investment in services	• Treasury review has identified options for improvement (but still limited) financial position as an independent organisation • Board in partnership discussions to create financially robust organisation to deliver strategic objectives
Adaptability	Non-compliance with legislation or regulation including Health and Safety (H&S) responsibilities	Increased data protection requirements (GDPR) and continued need to embed revised H&S framework	• Implementation of revised H&S framework supported by completion of H&S action plan and continue to embed a positive H&S culture across the organisation. • Completion of GDPR gap analysis and action plan • Ongoing assessment of regulatory and legislative compliance through audits, service and policy reviews
Growth Efficiency	Poor financial viability including compliance with loan covenants, interest cover, debt per unit, asset cover and the impact of FRS102	Limited headroom against covenants	• Continuously monitor financial compliance as part of the monthly management accounting process, with its reliability endorsed by regular internal and external audits • Quarterly Board reports on financial compliance • Delivery of identified efficiency savings
Adaptability	Inability to retain, recruit and manage staff to meet business objectives	Shortfall in local skilled staff (especially trades) and uncertainty over partnership development	• Effective performance management and support • Development of key resources map and ensure there is an effective merger communication strategy in place.
Efficiency	Reduced financial return from social housing activities	Uncertainty over impact of Universal Credit	• Delivery of Welfare Reform Strategy, supported by Digital Strategy • Impact modelling and accounting in annual budget and business plan

Delivering our objectives 2017/18 - Efficiency

Efficiency

To be the leading housing provider means for us we will improve the efficiency of our service delivery so we ensure we can make our and our customers' money go further. We will improve the affordability and quality of our homes by investing in our properties to make them fit for the future and support our tenants to keep their living costs low.

Maintenance and Repairs

Planned Maintenance

We continue to use the Keystone Asset Management (KAM) System to support the planned maintenance team in developing the planned programme for the year and profiling the 40-year business plan.

During 2017/18, we commissioned the insourcing of the previously contracted out work to the new internal commercial team. The team completed the heating, door replacements, electrical inspection programme alongside the Fire Risk Assessment (FRA) works. This has proved to be a successful new venture for the Society and provided significant efficiencies completing the work internally.

Following the implementation of the Keystone Risk Management (KRM) System, we have implemented processes for communal block inspections, Fire Risk Assessment (FRA) actions and Electrical Installation Condition Report (EICR) remedial actions. This allows the Society to give action target dates for completion and to monitor all actions that are required to be carried out. To fully utilise the system, we plan to use the KRM system for legionella remedial actions and solid fuel flue inspections in 2018/19. We have utilised Power BI reporting, that links directly with the KRM system, which allows the team to view all completed actions and monitors progress of the open actions.

Of the 173 managed blocks, FRA's have been completed and will continue to follow a planned schedule to ensure we meet the Regulatory Reform (Fire Safety) Order 2005.

At 31 December 2017, 100% of our properties met the Decent Homes Standard, the average SAP rating is 69%, and we continue to work on the properties that are under SAP 55 strategy. The gas service programme continues to be managed through Keystone Servicing and Inspection (KSI) module and remains compliant at 100%.

Work Completed	Completed in 2017/18
Condensing boilers	138
Doors	78
Electric heating	40
Full central heating	6
Bathrooms	3
Windows	2
Kitchens	1
Roofs	1

Repairs and Maintenance

The focus for 2017/18 was on the continued internalisation of works, which previously would have been sub-contracted externally, thus saving on previously paid VAT.

At the year end, 92% of all repairs had been carried out by our property services department: this was an increase of 22% of the original target agreed by the Board, therefore reducing the use of contractors. This in turn allowed us to create efficiencies that contributed to managing downwards the Society's operating costs for the year.

Over the last two years, the department has increased the delivery of repairs completed 'Right First Time', with successful results, achieving 92%.

During 2017/18, of the 13,000 repairs carried out, the department completed 87% within the target time: this is an improvement of 2% from the 2016/17 target. The Society agreed to set a higher target of 90% in 2017/18 alongside the insourcing of previously sub-contracted works. Having internalised 92% of sub contracted works, this has had a slight

KPIs at a glance	Target 2017/18	Performance 2017/18
Insourcing of subcontracted work	70%	92%
Turnaround time of void properties	20 days	23 days
Repairs completed 'Right First Time'	84%	92%
Repairs completed within target time	90%	87%

effect on the overall target although it has provided greater control over the internalising of the repairs resulting in an overall saving. Disabled adaptations were also insourced and delivered by the in-house team.

The property services department has maintained the NICEIC Certification (National Inspection Council for Electrical Installation Contracting – electrical compliance governing body) and it has insourced periodic electrical testing works, part of the planned maintenance programme, which previously had been outsourced to external contractors. This will further build our reputation as a recognised electrical contractor and allow the department to utilise the skills and experience of the electrical engineers. During the 2017/18 financial year, the department turned around 307 void properties to the Lettable Standard with an average turnaround time of 23 days. By reducing the number of properties outsourced to contractors, this allowed us to deliver below budget.

Through collaboration working with Tewkesbury Borough Council, the Society received £80,000 of Disabled Facilities Grant which enabled six scooter stores to be installled in its sheltered schemes in the Tewkesbury area, along with access ramps to bungalows and a contribution for the replacement of heating systems.

Customer and Communities

Indicator	Performance 2016/17	Target 2017/18	Performance 2017/18
Gross Rent Arrears (% of total rent debit excluding year-end accrued direct Housing Benefit payments)	3.70%	3.00%	3.03%
Cash collection	100.37%	99.00%	100.26%
Rent loss due to voids	0.87%	0.85%	0.83%

Income Management

Due to the uncertainty of the impact of Universal Credit, we set ourselves a target of 99% cash collection and an arrears as a percentage of gross annual debit at 3%. We exceeded our cash collection target and only marginally missed our arrears target by c£5,000. It should be noted that last year's figure is not directly comparable, because we reported net arrears taking into account housing benefit, and we now report on gross arrears.

Universal Credit (UC) has now become live in the majority of our operating areas. We have 134 customers in receipt of UC at an arrears percentage of 7.68%.

Rent Loss from Voids

Our target for the year was to keep void loss below 0.85% of rental income, and we are pleased to report we have exceeded this target (as seen in the table above). This does exclude long term voids for disposal and major works.

Elderly Services

We continue to provide a dedicated scheme manager service for our 12 sheltered housing schemes. We have carried out a review of our sheltered living service which highlighted its value and affordability to our customers, and the decision was taken to continue the service unchanged.

We have also successfully re-negotiated our contract with the National Association of Schoolmasters Union of Women Teachers (NASUWT) for the management service we provide to Rushworth House, bringing the scheme manager service into our own team enabling service continuity. In addition, we provide cover for annual leave/sickness and out of hours cover for Brannigan Court, owned by Stonewater Housing Association.

Our philosophy is to encourage independent living by helping customers sustain their tenancies. Each customer is supported to undertake an annual tenancy review to look at areas where additional help can be provided by external agencies to help maintain their independence, health and wellbeing.

Activities take place on the schemes such as 'Move it or Lose it' and funding has been raised to pay for this through the Society's Grants and Social Values Officer working with customers and scheme managers. Further funds have been raised to help customers join the digital community. Tablet computers with additional training have been donated by our partners, Travis Perkins, as part of the added social value of their contract. These were used to encourage customers to get 'on-line' and be able to use their online account to report repairs and engage with Severn Vale digitally.

Helpline

The helpline alarm service continues to be provided predominantly in the Tewkesbury Borough area with over 570 units in the community. Referrals come from professionals such as hospital social workers, district nurses and directly from individuals who come to us after hospitalisation or a GP visit. Presentations have been given to various agencies to promote our service as widely as possible.

Community Activities

Working across communities to facilitate and empower individuals and community groups is important to us. It has been a highly successful year for our Grants and Social Values Officer who works with customers and community groups across Gloucestershire in a range of ways, including helping people maximise their income, increase grant funding and provide training for governance and grant writing. This has resulted in £103,918 worth of income this year, bringing the total for the project since April 2016 to £313,918.

Highlights for this year include the successful job club running in Priors Park which has had over 130 attendees. We have ensured that a new computer suite has been installed in a Churchdown community centre; been able to get core funding for the community centre in Brockworth and obtained funding so activities can be provided for Winchcombe day care.

We continue to be involved with many community groups including community hubs, active ageing, youth physical activity, ground workers, Gloucestershire Meaningful Activity and Wellbeing Network, Tewkesbury Voluntary Community Sector forum, Big Community Give and Gain, Crimestoppers and Gloucestershire Community Network.

Customer Complaints

During the year we received 70 formal complaints: 14 of these were first stage resolutions, 52 investigation and 4 went to formal investigation stage. Of these, 46 were upheld and 24 not upheld. No cases were reported to the Ombudsman.

Whilst the volume of complaints has been decreasing over the last 12-18 months, the proportion upheld, either in part or in full, has been increasing. This increase may indicate that only genuine complaints are being recorded, in line with our complaints process, and therefore it is likely that a greater proportion of these will be upheld. Also, upholding complaints is a characteristic of a learning organisation, and this may therefore be a consequence of our cultural journey. In addition, our Complaints Co-ordinator ensures a consistency in response, in accordance with policy, which will impact on the categorisation of complaints at closure.

Welfare Reform

We have a robust Welfare Reform Strategy which is focused on helping customers to deal with the changes affecting them. We have increased our housing officer resources and have appointed a dedicated officer for welfare reform whose role is to provide specialist help to customers and signpost them to organisations which are able to provide support where necessary. He also works closely with partner agencies, including the Department for Work and Pensions (DWP). We monitor new lettings closely to ensure our customers can afford to live in our homes, both now and in the future.

We have also undertaken an awareness raising campaign, including visiting customers most likely to be affected, appearing on local radio and TV and keeping our website regularly updated.

Tenancy Review

During the year, we introduced a new tenancy agreement which is easier for our customers to understand and is more up-to-date. We embarked on a programme to contact existing customers to ask them to convert to the new agreement and, by the end of the year, we had 1,317 tenancies on our new tenancy agreement, which was slightly below our original target of 1,563. Going forward, new tenancy agreements will be issued as we re-let properties.

As part of this project, we also wanted, to improve our customer data and have updated or added to information we already held about our customers.

Delivering our objectives 2017/18 - Growth

Growth

We aim to maximise our funding to ensure we can invest in homes and services. We will seek partnerships to deliver more and better services and to improve the health and wellbeing of our customers and communities. We will ensure our business structure is fit for purpose and will deliver sustainable growth.

Financial Performance - Value for Money

The Value for Money (VfM) Standard published by the Regulator of Social Housing (the regulator) in April 2018 sets out that the results listed in this should allow our stakeholders to understand our performance against our own VFM targets along with the metrics set out by the regulator.

The Society's internal VfM Strategy concentrates around eight priorities, which are:

1. Delivering social value
2. Reducing operating costs through efficiency improvements
3. Improving mechanisms for monitoring efficiency achievements
4. Improving the documentation of VfM during procurement
5. Improving benchmarking of our costs and quality
6. Continuing work on improving our return on assets
7. Revisiting treasury management strategy
8. Improving investment decision-making processes

1. Delivering Social Value

It has been two years since Severn Vale Housing Society took a fresh approach to community development. The new model has been helping community organisations, groups and individuals within them. The extent of our involvement included guidance and support in obtaining community grants from government and charities, involvement in the work of local charities, and development and training in a wide range of functions such as setting up constitutions, governance arrangements or recruitment. Essentially, our aim is to ensure these charities and groups can become independent and the individuals involved gain new responsibilities and transferable skills.

Examples of some of the projects include funding play sessions for the under 5's, youth work for 11+ including drumming, graffiti and film directing workshops, sports classes and sessions such as glow sports and martial arts.

We assisted in fundraising for a furniture recycling van and helped tenants in our sheltered schemes receive bowls, table tennis and curling sets.

Our next projects are now concentrated around helping our communities respond to welfare changes. These include IT training and employment advice such as the Priors Park Job Club.

We have achieved an impressive grant success rate of 43.5%. Since the introduction of the new model we have generated £313,918 for our communities.

2. Efficiency Improvements - Stretch Target

In 2017/18, the Board set the organisation an efficiency target of £435k. In March 2018, we have reported an overall £448k worth of efficiencies created during 2017/18. Details of these efficiencies are outlined below.

VfM 'Financial Stretch Target Tracker' was created to highlight cost savings made throughout the financial year so that progress could be clearly monitored and reported quarterly to the Board.

The table below shows the efficiencies made in 2017/18, which came at 103% of the target compared with the results last year. We also preset the target of savings/additional income we have aimed to achieve in 2018/19.

	2017/18	2016/17	Target for 2018/19
	£'000	£'000	£'000
Income collection	60	354	50
Asset management	-	163	-
VAT Savings	127	-	40
Bad debts and rent loss savings	126	-	19
Staff cost savings	101	27	99
Operational cost savings	33	54	42
Total	**447**	**598**	**250**
Target	**583**	**435**	**250**

3. Improving mechanisms for monitoring efficiency achievements

It has been a second year that the Board has set up an official efficiency savings target for the organisation.

We have created monitoring reports to allow us to track the savings and additional income separately to our monthly budgetary reports, to ensure transparency and accountability. The efficiency savings reports are presented to the Executive Team monthly and now form part of the monthly management accounts pack. The quarterly report is presented to the Board and it is also sent to the Society's funders as part of the quarterly financial returns.

We are pleased to report that we have achieved our targeted savings for the second year running.

4. Improving the documentation of VfM during procurement

In 2017/18 the Board and Executive Team focused on searching and securing a new partner for the Society to help us establish a much stronger presence in Gloucestershire. Our aim is to bring investment capital to facilitate the development of circa 7,500 new homes in Gloucestershire in the next 10 years.

We are pleased to have the opportunity to pursue a partnership with Bromford Housing Group and are looking to merge in early 2019, subject to completion of the full governance process.

With this in mind, the Society has undertaken very minimal procurement activities and most of our expiring contracts were extended on a monthly rolling basis in order to minimise the contingent liabilities at the point of merger.

Closer to the merger date, the Society will be able to carry out procurement activities jointly with our new partner, which will present us with higher bargaining power and the ability to secure favourable deals for the new organisation going forward.

5. Improving benchmarking and cost quality

The Society is a member of HouseMark and participated in their half-yearly Sector Scorecard Pilot in January 2018, which was created to look at efficiency, value and impact in the sector.

As a result, we have received Sector Scorecard analysis report 2017 comparing the Society to 314 other housing associations, who also took part in the pilot.

The results allow us to assess our performance against our peers and make informed decisions in terms of day-to-day operations and future strategic plans.

We used some of the information provided by HouseMark for comparison of key VFM found on pages 24 and 25.

6. Continuing work on improving our return on assets

The Society continued with its Asset Management Strategy and Stock Rationalisation Programme throughout the 2017/18 financial year. We have sold another six uneconomical units in rural areas and ring-fenced funds for new developments with the aim to replace one poorly-performing unit with two new energy-efficient homes.

In order to manage the quality of our repairs, we have invested in our operatives by providing additional training and development opportunities. As part of the Society's Culture Change Phase 3 we have also focused on leadership training of all managers and team leaders. The training objectives were to enable our managers to become more effective as leaders, learn how to utilise the skills and talents of our staff better and adapt a consistent approach to staff performance management across the whole business.

This has allowed the asset management teams to attract and recruit more talent and, as a result, insource more repairs and planned maintenance programme thanks to our skills and robust repair scheduling system.

Ninety-two percent of all repairs were carried out by our operatives in 2017/18 in comparison to 88% the previous year. This provided the opportunity for the Society to monitor and control costs better while delivering improved quality of workmanship and materials used.

7. Revisiting Treasury Management Strategy

The key objective in reviewing the strategy was to ensure that appropriate and up-to-date measures are in place to monitor financial risks, the main ones being:

Cash and liquidity risk
The Society maintained significant cash balances throughout the year to provide adequate and ongoing funding for the development programme. The Society'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.

Counterparty risk
The Society 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, 75% of debt was fixed (2017: 75%). The Group has no exposure to derivative margin calls.

Loan covenant compliance
Compliance with financial covenants is monitored on a monthly basis, reported to the Board quarterly and was comfortably

met throughout the year and at the year-end for all loan facilities.

The Society has focused on developing financial solutions which will allow us to merge with Bromford Housing Group and free up capacity locked in our housing assets.

8. Improving investment decision making process

In February 2017, a new Project Board was set up as part of our Value for Money Strategy. The purpose of the Project Board is to promote the oversight, accountability, risk mitigation and strategic alignment for all stages of a project within Severn Vale Housing. The Project Board is led by the ICT Manager and supported by Head of Treasury and Financial Planning, Risk and Governance Manager and HR Business Partner.

The key objectives of the Project Board are:

- To promote a positive and professional approach.
- To support the direction of the business and proposed projects.
- To identify strategic and operational risks to drive and improve performance of projects.
- To support staff in following the Project Management Framework and help support the development of solutions.
- To share best practice/lessons learnt from previous projects and support colleagues across the organisation.
- To ensure consideration is given to any regulatory and legislative issues.

At the end of the 2017/18 financial year, the Project Board published its internal annual report outlining the key investments and the costs to the Society. The summary of Society investments is presented to the right.

Project Name	Budget (£)	2017/18 (£)	Anticipated 2018/19 Spend (£)	Status	Project Board Approval Date	Directors Approval Date
Fire Risk Assessment	12,000	13,720	-	Approved - Completed	06/06/2016	22/06/2016
Remote File Access	3,700	3,450	-	Approved - Completed, Pending Review	13/07/2017	20/07/2017
Housing Workflows	14,000	13,629	-	Approved - Completed, Pending Review	11/02/2016	16/02/2016
Learning management system	14,930	18,395	-	Approved - Active	09/08/2017	17/08/2017
E-Trading	22,550	21,614	-	Approved - Completed, Pending Review	17/05/2017	18/05/2017
Lone Working Solution	10,000	7,284	2,716	Approved - Active	17/05/2017	18/05/2017
Fixed/Leased Line	2,750	3,026	-	Approved - Completed	10/11/2017	18/11/2017
GDPR	40,000	6,600	33,400	Approved - Active	08/03/2018	19/03/2018
Mobile Housing Officer	100,000	93,847	6,153	Approved - Active	Pre Project Board	Pre Project Board
Tenancy Agreement Review	5,000	3,147	-	Approved - Completed	14/07/2016	18/07/2016
Total Spent in 2017/18	**272,530**	**224,059**	**42,269**			

Key Value for Money Metrics

In April 2018, the Regulator of Social Housing introduced changes to the way and format Value for Money is to be reported by registered social landlords. As a result, seven key metrics were refined along with technical notes that dictate the precise formulas for calculating them in order to achieve a good level of comparison across the sector.

Below are the seven metrics for Severn Vale Housing.

Metric 1 - Reinvestment %

This metric looks at the investment in properties as a percentage of the value of the total properties held. The reinvestment activities include development and/or acquisition of new properties and major maintenance works carried out in our existing properties (i.e. central heating upgrades, new kitchens and bathrooms installations etc.).

	2017/18	2016/17
Newly built properties acquired	£1,418,000	£556,000
Major works to existing properties	£1,940,000	£1,957,000
Divided by		
Housing properties at cost and/or valuation	£83,123,000	£83,376,000
Metric 1 - Reinvestment %	**4.04%**	**3.01%**
Target for 2018/19		**2.85%**

Metric 2 – New supply delivered %

The new supply metric sets out the number of new social housing and non-social housing units that have been acquired or developed in the year as a proportion of total social housing units and non-social housing units owned at 31 March 2018.

	2017/18	2016/17
A. Social housing units		
Total social housing units developed or newly built units acquired in-year	14	28
Divided by Total social housing units	3,454	3,459
Metric 2 - New supply delivered %	**0.41%**	**0.81%**
Target for 2018/19		**0.40%**

B. Non-Social housing units	**2017/18**	**2016/17**
Total non-social housing units developed or newly built units acquired in-year	0	0
Divided by Total non-social housing units	367	367
Metric 2 - New supply delivered %	**0%**	**0%**
Target for 2018/19		**0%**

In comparison to peer housing associations, the result places the Society within the median score for this metric, according to Sector Scorecard 2017. This is a satisfying achievement considering the Society's limited funding opportunities before entering the new partnership with Bromford Housing Group and government rent cuts.

Metric 3 – Gearing %

This metric assesses how much of the adjusted assets are made up of debt and the degree of dependence on debt finance.

	2017/18	2016/17
Long-term loans less cash equivalents	£108,913,000	£112,826,000
Divided by housing properties at cost and/or valuation	£83,123,000	£83,376,000
Metric 3 - Gearing %	**131.03%**	**135.32%**
Target for 2018/19		**76.00%**

The Society is highly-geared in comparison to the sector, where the median gearing is 42%. This is due to its large development programmes carried out in the last 20 years. Since its inception, the Society has built 891 of social housing units, 77 market rent properties and a portfolio of four student accommodation halls with 282 individual units.

Metric 4 – Earnings Before Interest, Tax, Depreciation, Amortisation, Major Repairs Included (EBITDA MRI) Interest Cover %

The EBITDA MRI interest cover measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates compared to interest payable.

	2017/18	2016/17
EBITDA MRI	£10,334,000	£10,640,000
Interest payable	£6,448,000	£6,171,000
Metric 4 - EBITDA MRI Interest Cover %	**160.27%**	**172.42%**
Target for 2018/19		**115%**

Again, the Society's EBITDA MRI is lower that the sector median owing to continuous development programmes across the past 20 years.

Metric 5 – Headline social housing cost per unit

The Society manages its costs effectively scoring below the national median. It has improved its cost effectiveness on the previous year by putting additional efficiency measures in place, adopting a more challenging budget and seeking ways to reduce overheads by investing in new solutions and technologies such as customer web chat and an online portal, which are less resource-consuming than the old-fashioned call centre.

	2017/18	2016/17
Metric 5 - Headline social housing cost per unit*	**£2,672.84**	**£2,795.32**
Target for 2018/19		**£2,650.00**

*The above metric **(Metric 5 - Headline social housing cost per unit)** was calculated from, management costs, service charge costs, routine maintenance costs planned maintenance costs, major repairs expenditure, capitalised major repairs expenditure for period, other social housing letting costs, development services (operation costs), community services and other social housing activities, divided by the total social housing units owned and managed at the period end.

Metric 6 – Operating Margin %

The operating margin demonstrates the profitability of operating assets.

	2017/18	2016/17
Metric 6 - Operating Margin %		
a. Social housing lettings only	38.05%	37.25%
b. Overall	43.37%	43.13%
Target for 2018/19		a. **39%**
		b. **43%**

The Society's operating margin shows that the organisation uses its resources effectively and is very good at managing its operating costs. Our operating margin confronted with high gearing shows that the above EBITDA MRI metric is relatively high owing to prudent spending and close cost monitoring. In 2017/18, the rate for repairs works as a percentage of all repairs carried out on our properties was 92%, which is an excellent achievement. We have been reducing the number of repairs contracted out to external companies year on year in order to provide better cost management and improve the quality of repairs and services for our customers.

Metric 7 – Return on capital employed (ROCE) %

This metric compares the operating surplus to total assets less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources. The ROCE metric would support registered providers with a wide range of capital investment programmes.

	2017/18	2016/17
Operating surplus / (deficit) inc. gain / (loss) on disposal of fixed assets (housing properties)	£9,104,000	£10,143,000
Divided by total assets less current liabilities	£116,987,000	£115,207,000
Metric 7 - ROCE%	**7.78%**	**8.80%**
Target for 2018/19		**7.20%**

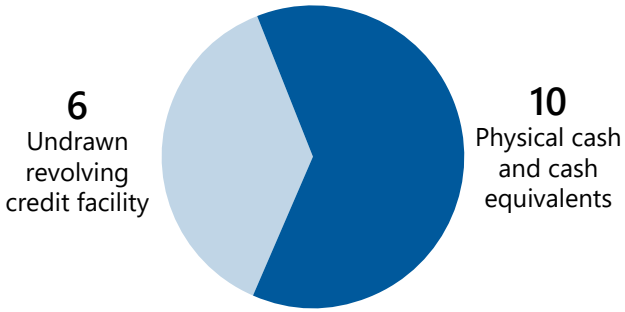
Our operating surplus in relation to the value of our stock is much higher than the national median of 4%. This result shows that the Society manages its assets effectively and is able to bring value for money for its customers despite the lack of the same economies of scale that most of the larger social landlords can achieve.

Treasury

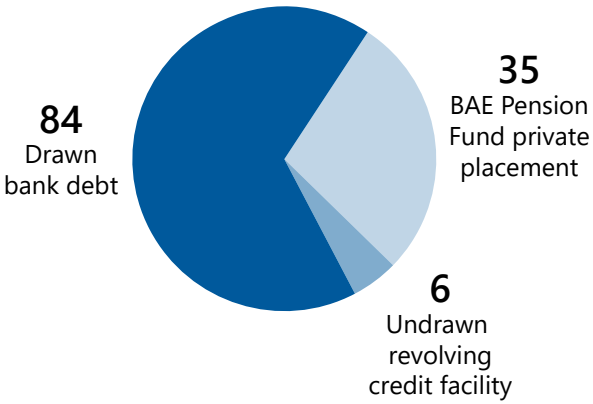
The following table highlights our position on key treasury indicators:

	2017/18	2016/17
Borrowing	£119m	£119m
Undrawn facilities	£6m	£6m
Cash balances	£10m	£6m
Fixed rate borrowing	75%	75%
Cost of borrowing	5.38%	5.08%
Interest cover covenant (min 1.1 times)	1.27 times	1.46 times
Gearing	131.03%	135.32%

Cash and available facilities (£m)



Sources of funding (£m)



Treasury activities currently focus on seeking opportunities to reduce the cost of interest, to have sufficient liquidity in order to meet capital repayments on our loans which commence in March 2019.

Main sources of liquidity are the surpluses from operations.

The Society has not increased its borrowings for the last two years running now due to the small headroom and reduced development activities.

With a strong geographical position and highly-skilled staff base, we have been seeking a partner with whom we can re-structure our debts in order to free up the capacity for building more new homes in Gloucestershire.

In March 2018, we announced that we are seeking to join the Bromford Housing Group with a planned “go live” date 2 January 2019.

At the end of the financial year, we held £10m cash in the Society’s bank accounts and had £6m worth of undrawn revolving credit facilities available to us as the main sources of liquidity.

Development

We have successfully delivered 14 new homes during the financial year comprising four flats at York Road Tewkesbury, and 10 homes (a combination of flats, houses and bungalows) at Oak Lane Bredon which included two for shared ownership. The projects were funded from the Society's own reserves and the project at York Road attracted an element of affordable housing grant.

The Society is currently progressing on site with 13 homes, consisting of 8 flats and 5 bungalows, at our existing independent living scheme at Parklands in Gloucester. A site at Abbeyview Winchcombe, which is owned by Tewkesbury Borough Council, is being considered for modular (volumetric) housing. We are in discussions with modular housing providers with the ambition to replicate a delivery model over several sites.

We continue to provide development services to other Registered Providers such as Gloucestershire Rural Housing Association, Cirencester Housing Society and Wyedean Housing Association and are currently on site delivering 13 new homes at Highfield Road Lydney, with 29 new homes starting on site during 2018/19 in Weston Under Penyard, North Cerney and Coaley. This development agency activity generates a fee income for the Society which supports our own development aspirations.

Non-social Housing Activities

Student accommodation

Between 2005 and 2008, Severn Vale constructed four schemes providing a total of 282 student rooms. One scheme in Worcester is leased to the University of Worcester; one scheme in Cheltenham and one in Gloucester are leased to the University of Gloucestershire and a further scheme in Cheltenham is directly let by the Society. Three of the four schemes are charged to funders. In the 2017/18 financial year, these schemes provided a net income £798,176.

In October 2017, the Board took a strategic decision to carry out a full review of our student accommodation portfolio to determine an appropriate exit strategy on the basis that it does not support the Society's purpose or long term vision.

Each scheme has an up-to-date valuation and a range of options for future use have been considered and the Board has given approval for disposal of the whole portfolio by March 2020.

Market rent properties

The Society has built up a portfolio of 85 properties across Gloucestershire & Worcestershire that are let out to customers on a 'market' rent basis.

The purpose of the introduction of the market rent portfolio originated from the Society's perspective to provide private lettings (market rent) within South Worcestershire & Gloucestershire. The aim is to provide private let properties for those who cannot access social housing but can afford to pay a little more as they cannot afford to purchase outright.

The purpose of the market rent portfolio is to generate a greater income return for the Society, proceeds of which can be used to invest in our core social housing activities.

To ensure we maximise the rental income for the portfolio, arrears reports are produced and monitored monthly.

Our market rent properties are advertised using an independent website, Zoopla. The Society's social rent housing portfolio is advertised through the local authority's choice-based lettings system.

To ensure we maximise rental opportunities, a rent review is carried out on either a void occurring or, if not void, every 3 years.

The current rental projection is £630,000 p.a. (2018/19 Budget)

Current expenditure pa is £102,000 p.a.

Operating surplus is £528,000 p.a.

The current stock is valued at Vacant Possession (2017) £13,549,650 as per the statutory accounts.

Delivering our objectives 2017/18 - Adaptability

Adaptability

We will create a more flexible and resilient business and workforce by investing in our staff and Board members, creating a positive culture through a comprehensive cultural change programme. We will build and maintain an adaptable governance structure built on a clear understanding and management of our risks and opportunities.

Strategic Review

The Society has been on a 'strategic journey' since our Chief Executive Tim Knight and Chair Laurence James were appointed in late 2014.

The Board created a vision to become the leading housing provider in Gloucestershire, and a strategy that would help us get there (2015-2020), based on the key objectives of Efficiency/Growth/Adaptability – this was aimed at delivering the Society's social purpose of providing homes and housing services for the people in Gloucestershire.

The Board understood early on that the strategy would be delivered through working with others. The objective was that in any future collaboration arrangements the Board would be able to choose the best partner (or partners) in any given situation that helped the Society deliver its social purpose. It was recognised that this can take many forms and, at that point, no specific model was conceived.

Over the three years since the strategy was agreed in the Spring of 2015, everything we have done has helped us towards delivering our current strategy.

The current strategic review initiated by the Board in 2016 started by carrying out research in what type of housing and services are needed in Gloucestershire – this work (costs and outputs) was shared with our Gloucestershire Homes and Communities Partnership partners, and wider key decision makers in the county at the 'Let's Talk Housing Event' (How to build 50k homes in Gloucestershire) led by the Society.

Unfortunately, the Joint Core Strategy (Tewkesbury/Gloucester/Cheltenham) that identifies where the new housing should be developed was significantly delayed until late 2017. Pleasingly, the Society successfully applied, and was selected after an interview process, to be a delivery partner within that process.

With the results of the initial housing demand research showing large need for, and several opportunities around, housing and housing services for the elderly, the Board commissioned a more detailed study of this area. Those results were shared with the Board and were worked up as part of an overall proposition, which also considered how the Society would deliver services in the future.

This review showed that, in order to make a significant contribution towards meeting future housing need in Tewkesbury Borough and the wider Gloucestershire area, we would need to be able to access significantly increased resources. The Executive Directors recommended that as a principle the Board should look for 'potential collaboration partners'. The Board agreed and set a number of key criteria that should be used to assess likely candidates.

The criteria used were:- continued local service delivery; geographical presence in Tewkesbury Borough; access to new funding; and a strong cultural fit to the way the Society has created a 'one-team' approach.

With growth opportunities, both in terms of building/managing new homes, and expanding our current services to improve income growth, we recognised that we were unlikely to be able to do this alone; and almost certainly we would not have been able to do it without access to new capital. As a result, Jim Connell was appointed as the Society's new Finance Director, bringing with him excellent treasury management skills that would support the Society to effect its new strategy.

Having assessed all prospective collaborative partners that met the key criteria set by the Society's Board, both Bromford Housing Group and Merlin Housing Society were identified as potential candidates, who showed interest in a joint future.

Further assessment of the opportunity has so far resulted in a public announcement by the Society's Board of their intention to merge the Society in to the Bromford and Merlin partnership (they became new Bromford on 2 July 2018) on 2 January 2019.

The project is currently in the due diligence phase. Concurrently, the Society is consulting on the proposed merger with its customers to gain their views.

Pictured left to right:

Philippa Jones Bromford CEO
Robert Nettleton Bromford CEO Designate
Tim Knight Severn Vale CEO

The four key aims of the Bromford-Merlin-Severn Vale partnership are;

- Invest in neighbourhood coaching across all communities and expansion of the Wellbeing College, a key strand to help the Society fulfil its purpose;
- The Society would combine with Bromford Merlin to deliver the 'Programme One' Transformation Project which will transform the way colleagues work and the way customers access services. Within three years, scaleable, ultra-modern systems infrastructure would be easy for customers and colleagues to use and attractive to other future merger partners;
- The combined organisation will be delivering the largest housing association-led development programme in the area of operation, enabling transformational partnerships to be created to both develop and regenerate communities. The Bromford Merlin business case establishes that a partnership would create a long term sustainable development programme, capable of investing £1.5bn over the next decade to develop 14,000 new homes. Given the further efficiencies that will be achieved, plus the Society's strong operating margin, a new organisation would be expected to be able to invest even more to develop up to 15,000 new homes over the next decade, maximising the use of innovative building methods;
- The combined organisation will create significant opportunities for colleagues across the geography, whilst at the same time attracting the best talent across the operating area. All three organisations are committed to flexible working models and see work as something you do, rather than somewhere you go and, as a result, assumptions about where back office services need to be located are not fundamental. That said, a base in Tewkesbury will be of strategic importance, being both central to the operating geography of 'new' Bromford and to the strategic growth area of Gloucester, Tewkesbury and Cheltenham.

This new partnership will deliver the opportunity for the Society to grow; with growth will come greater financial stability, greater efficiency in terms of lower management costs per unit, and enable us to exploit our local knowledge and contacts for the benefit of our customers and, more widely, the communities in which we work. Just as importantly, it will give the staff currently employed by the Society, in whom the Board have invested heavily over the last three years, the opportunity to grow with the business and ensure we all pull together as one to ensure that new Bromford is recognised as the leading housing provider in Gloucestershire.

Cultural Transformation Journey

Phase 3 of the Society's cultural transformation journey centred around addressing the areas for improvement identified in a staff survey carried out in 2016/17. The areas covered during 2017/18 were:

Behaviours

Objective: To define clearly what behaviours support (and don't support) our values, taking into account commercialisation; and embed them across the Society

Outcome:

- Identified which behaviours colleagues want to see, and do not want to see: Applied these to our staff development training
- 12 behavioural competencies were agreed to underpin our values; launched in December 2017; and embedded via the 1-2-1 process to create accountability
- Mindset Change Toolkit created and shared with staff via the Society's intranet, enabling managers to tackle behavioural issues and help develop individual members of staff
- Values & behaviours induction item created to on-board new starters recruited by the Society

Customer Service

Objective: To identify what great customer service looks like, review current position, identify and close gaps

Outcome:

- Enhanced and relaunched our existing 'Customer Service Standards'
- Relaunched our Customer Relationship Management (CRM) system to gain a consistent approach from colleagues
- CRM review process put in place to monitor standards of service and success
- Increased ability to monitor complaints around communication and customer satisfaction, leading to improved service standards

Leadership Skills & Capabilities

Objective: To review what good leadership skills look like for directors, managers and team leaders; identify where we are now and create a plan to close any gaps

Outcome:

- Leadership soft skills framework created
- 360° feedback process developed to measure leaders against the framework
- External feedback training given to prepare leaders for the 360° feedback
- Leadership development package shaped by 360° results; this will e embedded via 1-2-1's and the HR team during 2018/19.

Roles & Responsibilities

Objective: To create a framework to help us clearly identify roles and responsibilities

Outcome:

- Identified key areas of confusion and lack of accountability in the business. Filtered this with strategic direction to create a set of 12 generic items to reduce confusion and hold people to account
- RACI model (Responsibility: Accountability: Consulted: Informed) produced to make the 12 generic responsibilities clear and simple for all staff to use; this was launched in mandatory form through the Society's new Learning & Management System (LMS) in June 2018, ensuring all staff are fully aware of what is expected of them

Activity Based Costing / Activity Based management (ABC/ABM)

Objective: To use data collected over the last 3 years to create an ABC of data that will feed into the other work streams (notably Service Value Analysis [SVA] and Customer Service)

Outcome:

- Data used to support research phases of other leadership workstreams
- Methodology created to measure time versus task in all business areas, then data analysed to determine VFM across services and contracts
- Process applied to external contracts to determine viability, and gave us the means to negotiate more cost effective contracts with third parties

Service Value Analysis

Objective: To create a methodology to identify if our internal services are providing good VFM, trial it, then roll out across business

Outcome:

- Methodology created to determine VFM and measure back office service standards against business needs. Trial performed on ICT service
- Methodology trimmed and perfected, then applied via facilitated workshops to all back-office functions with the outcomes recorded and fed into a Board report to help members identify VFM for the Society's back office services; Results confirmed that back-office functions are generally efficient and serving business needs

Communications, Mobilisations and Benefits Tracker

Objective: To support Phase 3 Culture Change with a clear communication and mobilisation plan; and to track the benefits of all workstreams

Outcome:

- Regular consistent communications to all colleagues via multiple channels to keep them updated and involved on the work streams
- Regular updates to Directors
- Cross-team group met on a fortnightly basis to coordinate activities, measure progress, plan future cultural change activities; and keep work streams aligned. The team led an early stage mini-consultative mobilisation event and major Behaviours launch event in December 2017 in support of the Behaviours workstream

Digital Strategy

Our digital strategy was launched in 2017 with a focus on making our services more accessible, and to change the way that we work so that our customers are encouraged to change the way that they interact with us.

In the first year, we have delivered the strategy facilitated by cross-functional sprint teams, to deliver short 'bottom-up' solutions to the challenges we are trying to overcome. This brought new ideas and energy to the strategy which helped moved things forward. We have also continued to drive new changes as well as maintain the foundations that we have already put in place.

What have we been up to?

We have been working on several different initiatives over the past year, which all contribute to our overall aims.

- We have continued to promote the online account, and this has now become business as usual. We have introduced customer service standards around different contact channels and have made sure that digital is the priority, to help drive the growth and usage.

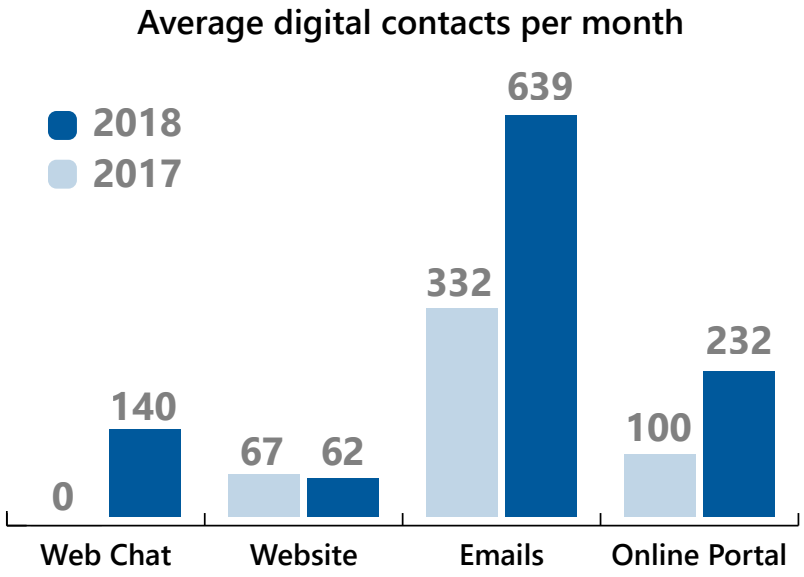
- We successful launched a webchat service on our website. It currently focuses on housing services and repairs but, as our customer service team's knowledge grows we, plan to expand it to other high demand services such as lettings.

- We ran two sprints over the year. The first focused on our approach to printing and how we could reduce volume and cost. The second sprint looked at our phone demand and performance, and what we could do to improve this situation.

- We have carried out several community initiatives such as supporting the job club, where half of those attending were unable to use IT (supported by GreenSquare). We supported Brockworth Library to obtain an IT tutor one day a week, and the GL3 Hub with their new IT suite, where we provided iPads and training for scheme residents.

What impact has this had?

- Use of the online accounts has continued to grow and, on average we are signing up 40 customers a month. We exceeded our target for active online account users by April 2018. Overall, we are satisfied by the take up we have seen, and actual usage is on the increase (as you can see below). We are on target to have 1480 users by 2021 as set out in the strategy.



- Webchat has been a great success, and we have received positive feedback from customers, praising its accessibility and overall helpfulness. We are currently averaging 50 chats a week, but this is on the increase as customers get used to using this channel.

- As part of the printing sprint we have identified around £16k worth of savings that could be made next year by reducing the amount of printing that we do and by using cheaper, more effective and more environmentally-sound communication channels.

Our people

Equality and Diversity

Our employment policies and practices reflect a culture where decisions are based on individual ability and potential in relation to the business' needs. We are committed to promoting equal opportunities and diversity as part of creating an inclusive working environment that attracts, develops and retains the best people. Individuals are treated in a non-discriminatory manner at all stages of their employment, including recruitment and selection, reward, training and development, promotion and career development.

Our Equality and Diversity Policy ensures that every colleague is treated equally and fairly. The policy confirms that there will be no direct or indirect discrimination in respect of age, disability, religious belief, gender, sexual orientation, race, colour, marital status, political belief and nationality, or any other category defined by law in all aspects of employment including recruitment, promotion, and opportunities for training, pay and benefits.

We give full and fair consideration to applications for employment from disabled persons for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, we make every effort to retrain them and/or make reasonable adjustments in order that their employment within the Society may continue. It is Society policy to make training, career development and promotion opportunities available to all employees.

Our open and inclusive approach means we engage and involve colleagues in the direction of the business through the sharing of information and inviting employee comment, and questions.

The following table sets out our diversity balance between men and women at the end of 2017. In 2016/7, women comprised 50.75% of the workforce.

Indicator	2017/18	
	Men %	Women %
Director	60	40
Manager	46.2	53.8
Employee	50.4	49.6
Total	**50.4**	**49.6**

In addition, HR have carried out an assessment of the Society's current pay rates to identify any potential issues with gender pay gaps. The analysis showed there are no areas of concern.

Health and Wellbeing

Our Health, Wellbeing and Lifestyle programme encourages employees to engage in a range of activities with work colleagues and their families to promote work-life balance. Examples through 2017/18 include:

- Musculo-skeletal referrals
- Free drinks/fruit
- Massages
- Flexible working
- Wellbeing room
- Card and board games club
- Childcare vouchers
- Cycle to work scheme
- Walking group

The on-going Employee Assistance Programme (EAP) provides a confidential service to colleagues with access to qualified trained advisers and counsellors who can provide support on life events that affect them or their family. The type of support ranges from help in managing money, relationship issues, personal or family crisis, illness and injury, moving house and retirement.

The Society is committed to ensuring the health, safety and welfare of employees and residents, so far as is reasonably practicable. We also fully accept our

responsibilities for other people who may be affected by our activities. We are committed to taking steps to ensure that our statutory duties are met at all times.

The Health & Safety Business Advisor continues to lead on the development of policy, procedure and good practice in our care facilities and each employee is given such information, instruction and training as is necessary to enable the safe performance of work activities.

Skills and knowledge

One of our strengths is the quality of all our employees; this is a key factor in our ability to meet our objectives and commitments to residents and service users in an effective and efficient way. We have an excellent development offer for all employees, enabling them to achieve work-related qualification success as well as on-the-job training and development to ensure they are able to carry out their duties to the best of their ability. We continue to keep employees informed on and involved in matters affecting them, and on the progress of the Society, and we achieve this in a number of ways, including team briefs, departmental meetings and intranet pages.

Recruitment, Retention and Remuneration

In 2016/17, we reported our staff turnover rate at 17%. In 2017/18, this decreased to 14.75%, sitting comfortably under the industry target of 21%.

We recruited 31 employees over the year taking the level of full time employees (FTE) up from 108 in March 2017 to 114.5 in March 2018. A significant proportion of these recruits were fixed term employments, as part of the organisational change programme. The remuneration of employees is reviewed annually and normally increased in accordance with the Society's financial strength and industry average earnings, benchmarking against pay levels within the sector and organisations of a similar size.

Corporate Governance

Governance is about the effective running of the organisation and the development of a clear vision and strategy for the organisation. At 31 March 2018, the Society is led by a Board of nine Board Directors, which includes seven Non-executive Directors, and two Executive Directors.

The rules of the Society include provisions for the appointment of two tenant members and two Council nominees. In July 2017, the Board set out to pursue the creation of a single status Board, which led to the resignation of the one council member and two tenant members at the time. The Board, under the leadership of the Chair, is committed to the delivery of strong governance practices and to conduct its business with the highest standard of integrity, probity and professionalism. The Board fully embraces the principles set out in the National Housing Federation (NHF) Governance Code.

The Board is supported by the Audit Committee and the Remuneration, Nominations and Governance Committee (RNGC).

Board

Laurence James

Chair of the Board

Date Joined – 23.09.14

Laurence's professional background is in retail and his previous roles include Operations Director at WH Smith and Managing Director of Ladybird Books. For 14 years he held various non-executive roles at Stroud & Swindon Building Society.

Mark Davies

Board Member (Vice Chair of the Board & Chair of Audit Committee)

Date Joined – 20.10.14

Following a successful career with Fujitsu, Mark co-founded a start-up that became a leading European internet company in the late 1990s. Since a successful trade sale of this business, Mark has been leading strategy definition and change programmes for housing sector organisations for over 16 years.

Mary Miller

Board Member (RNGC Chair)

Date Joined – 20.10.16

Mary is a qualified Accountant FCMA/CGMA and has worked within the construction industry for over 35 years. She worked for Westbury Homes for 28 years starting her career of as a Purchase Ledger Clerk, progressing to Managing Director of the West Midlands Region

Jim Dickson

Board Member

Date Joined – 26.03.14

Jim has been involved in the social housing sector for over 30 years, working in both Scotland and England. He retired in July 2013 after 9 years as Chief Executive of a small housing association in Gloucester, prior to which for 12 years he was Director (Chief Executive) of a rural association in the West Highlands.

Tim Knight

Board Member (and Chief Executive of SVHS)

Date Joined – 01.08.16

Tim started his career at Grant Thornton, moving into housing as part of a stock transfer. Having worked as our Finance, ICT and Development Director for eight years, Tim was appointed interim Chief Executive in December 2013. He became the Society's permanent Chief Executive following a rigorous external recruitment process in July 2014.

Jim Connell

Board member (and Finance Director of SVHS)

Date Joined – 08.08.17

Jim is a Chartered Accountant who, after graduating from Reading University with a degree in agriculture, moved into finance and qualified with BDO in London in 1989. Jim has had a wide range of experience across numerous sectors. Throughout his career, Jim has been heavily involved in restructuring, mergers and acquisitions.

Board

Helen Adlard
Board Member
Date Joined – 01.10.17

Helen's 20 years' experience as a planning lawyer with major national firms preceded her being an Executive Director of the Infrastructure Planning Commission setting up the major infrastructure consenting regime and then merging with the Planning Inspectorate. As Executive Director at the Planning Inspectorate she led on professional and integration issues.

Stephen Lomax
Board Member
Date Joined – 01.11.17

Stephen is a Chartered Accountant (FCA), with 32 years' experience with a top four accounting practice. Recently, Stephen has been working as a self-employed management consultant advising a number of organisations specialising on corporate reporting (IFRS), corporate governance and corporate finance advice.

Mike Owen
Board Member
Date Joined – 01.10.17 Resigned - 31.05.18

Mike is CEO of OMP Strategy Group, a strategy and Board facilitation consultancy he co-founded, based today in Malvern. He is an MBA with 25 years' experience as a senior manager, CEO, Board director/ chair and consultant across a wide range of commercial, public and not-for-profit sectors.

Christine Barve

Audit Committee Co-optee

Date Joined – 01.02.17

Christine is a qualified accountant with over 20 years' experience in the NHS, working across provider and commissioning organisations and roles from project-based to Executive Director of Finance.

Non-Executives who left the Board during the year:

Kathy James

Audit Committee Co-optee

(resigned September 2017)

David Waters

Council Board Member

(resigned October 2017)

Debbie Midwinter

Tenant Board Member

(resigned October 2017)

Richard Carey

Tenant Board Member

(resigned November 2017)

Board Membership at 31 March 2018

Remuneration and Meeting Attendance

Name	Remuneration Detail	Board	Audit Committee	RNGC	Board meeting attendance
Laurence James	£11,311	Chair		Member	11 out of 11
Mark Davies	£5,235	Vice Chair	Chair		9 out of 11
Mary Miller	£4,545	Member		Chair	9 out of 11
Jim Dickson	£4,327	Member		Member	9 out of 11
Helen Adlard	£2,052	Member		Member	6 out of 6
Mike Owen	£2,000	Member	Member		6 out of 6
Stephen Lomax	£2,579	Member	Member		4 out of 4
Christine Barve	£2,020		Co-optee		4 out of 4
Tim Knight	£0	Member			11 out of 11
Jim Connell	£0	Member			6 out of 6

Notes: The total number of Board meetings held in the year was 11. The Chief Executive and the Finance Director received no remuneration in respect of being a Member of the Board. **Kathy James** resigned as an Audit Committee Co-optee in September 2017 having attended 2 meetings and received a remuneration of £1,438; **David Waters** resigned from the Board in October 2017 having attended 6 meetings and did not receive a remuneration as he was a council representative. **Debbie Midwinter** resigned from the Board in October 2017 having attended 6 meetings and received a remuneration of £2,357; **Richard Carey** resigned from the Board in November 2017 having attended 5 meetings and received a remuneration of £2,693. Following a selection process for Non-Executive Directors, **Helen Adlard** and **Mike Owen** joined the board in October 2017 and **Stephen Lomax** joined the Audit Committee in October 2017 and the Board in November 2017.

Executive Team

Tim Knight
Chief Executive
(appointed July 2014)

Claudia Cobban
Governance and Strategy Director
(appointed April 2015)

Company Secretary
(appointed July 2016)

Mike Craggs
Asset, Development and Commercial Director
(appointed May 2015)

Jim Connell
Finance and Treasury Director
(appointed July 2017)

Denise Shuker
Customer and Communities Director
(appointed November 2017)

Registered Office

Shannon Way
Ashchurch
Tewkesbury
Gloucestershire
GL20 8ND

Advisors and Bankers

External Auditors - Beever and Struthers
St George's House, 215-219, Chester Road,
Manchester, M15 4JL

Bankers - Barclays Bank PLC
128 High Street, Cheltenham,
Gloucestershire, GL50 1EG

Funders (Joint) - Lloyds Bank Plc
25 Gresham Street, London, EC2V 7HN

Funders (Joint) - BAE Systems Pension Funds Investment Management Ltd
Burwood House, 14/16 Caxton Street, London SW1H 0QT

Our Structure

Severn Vale Housing Society
A Registered Society under the Co-operative
and Community Benefit Act 2014
Registration Number – 28557R
Registered Social Housing Registration number L4171

Severn Vale Housing Association - Dormant for the period

Severn Vale Housing Properties - Dormant for the period

Stakeholder Senate

The Stakeholder Senate (the Senate) is an independent group that provides a formal link between stakeholders and Severn Vale Housing Society. Its purpose is to champion the voice of those who receive, or are affected by, the Society's services and ensure that this perspective is understood by the Board and factored in to any decisions they make.

The Senate is made up of a majority of customer members, the Chair of the Society's Board and representatives of stakeholder partners.
Over the last year, Senate members have been consulted and participated in several working groups and continue to review, comment on the impact of, and make suggested improvements to policies which directly affect the Society's customers.

The Senate meets once a quarter, with additional opportunities for the members to join working groups, participate in complaint panels and attend events. Additional training is given to support the Senate members in their role. The Senate developed a Scorecard which tracked the Society's performance in key areas, identified by the Senate members. The Scorecard is supported by presentations from both within the organisation and from the stakeholder partners who provide additional contextual information.

The Senate further supported the Society to evaluate potential merger partners and to design and assess the customer consultation about our plans to merge with Bromfordand Merlin.

Governance Review

The National Housing Federation (NHF) Governance Code 2015 requires Boards to regularly review the effectiveness of their governance arrangements and in 2017 the assessment was carried out by an external company, Independent Audit.

The results showed that the Board benefits from a constructive and inclusive meeting dynamic; it has a skilled and professional Chair and conscientious and diverse Non-Executive Directors. The review identified areas to improve while recognising the Society has improved its governance arrangements significantly. Any areas for improvement were incorporated in the Governance Development Plan.

At the time of the review, the Board was in the process of reviewing its composition to ensure it has the skills and flexibility to discharge its responsibilities effectively. The review led to the decision, in principle, and subject to consultation with tenants and Tewkesbury Borough Council, to move to a fully skills-based Board, by removing automatic nomination rights for council and tenant members. This decision coincided with the resignation of the Council nominee, David Walters, and the tenant members Debbie Midwinter and Richard Carey.

During 2017/18, the Board also considered the option for Severn Vale to become an exempt charity, as this would reflect closely the business model of the Society, and would enable a more efficient tax strategy. The Board agreed to become an exempt charity, subject to consultation with tenants and Tewkesbury Borough Council, and obtaining the required consents from funders, in February 2018.

At the end of the financial year, funder consents had been obtained and following the assessment of the customer feedback, the Board approved for the Society to obtain charitable status in June 2018.

This has subsequently been completed, and the Society has registered a revised set of rules, reflecting charitable status and the fully skills-based Board, in July 2018 with the Financial Conduct Authority (FCA).

The Board also welcomed new members during 2017/18, who bring with them a wealth of skills and experience to the Board. More details about the new Board Members Helen Adlard and Stephen Lomax are found on page 44.

In-depth Assessment

In April and May 2017, the Regulator of Social Housing (RSH) carried out an In-Depth Assessment (IDA) of the governance and viability of the Society.

The assessment found that the Society continued to meet the requirements on governance set out in the Governance and Financial Viability Standard. It recognised that, over the previous three years, the Society had delivered significant improvements in its governance arrangements and the Regulator had assurance that the foundations of good governance are in place.

However, following the IDA, the Regulator concluded that the Society needed to improve the effectiveness of some aspects of its arrangements to support continued compliance, particularly given inherent risks stemming from its financial position and low forecast headroom on future covenant compliance. Consequently, our governance rating was moved to G2.

The Regulator's assessment of Severn Vale's compliance with the financial viability element of the governance and financial viability standard remained at V2. The Regulator had assurance that the Society's financial plans were consistent with its financial strategy and stress testing demonstrated it has the financial capacity to deal with a reasonable range of exposures but needs to manage the material risks identified.

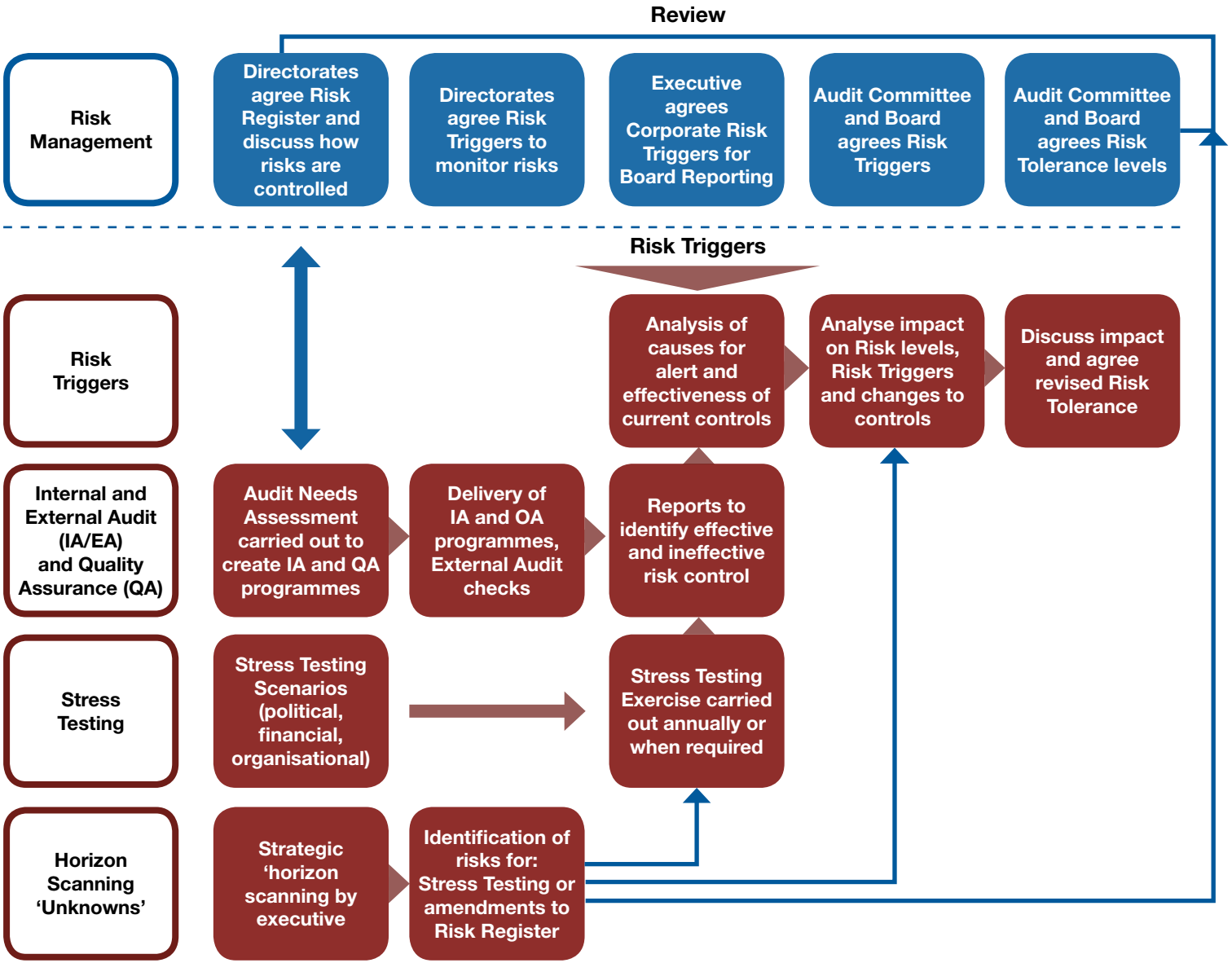
Following the IDA, the Board oversaw the implementation of a set of actions, which were agreed with the regulator in September 2017, to ensure any weaknesses identified were addressed. The delivery of improvements was swift as these had already been under way or included in our governance development planning, and all actions had been completed by February 2018. The regulator was in the process of evaluating the progress made by the Society at the time of publication (July 2018).

Risk Management and Control

As with any business, Severn Vale Housing Society (SVHS) faces numerous risks. These risks have the potential to disrupt the achievement of the organisation's strategic and operational objectives. The aim is not to have risk eliminated completely, but rather to ensure that every effort is made by the organisation to manage risk appropriately, to maximise potential opportunities and minimise the adverse effects of risk.

Risks to the Society are managed and controlled in line with the Risk Management and Assurance Strategy. This involves a proactive review of the Risk Register, internal controls and risk reporting every quarter to the Directors team, which is then presented to the Audit Committee and Board.

The process for managing risks are outlined in the Risk Management and Assurance Framework to the right.



Audit Committee Report

Role and Performance

The Committee considers the operations of internal audit and the appointment of external auditors, the scope of their work and their reports. The committee monitors the implementation of our risk management strategy and internal audit plans. It reports to the Board on the effectiveness of the internal control arrangements and considers the financial statements before they are presented to the Board for approval.

The Committee is composed of three independent Non-Executive Directors and one independent Audit Committee co-optee. Meeting are attended by Executive Directors upon invitation, and representatives of internal and external audit. It has met on a quarterly basis (a total of four times).

Matters Considered during 2017/18 included:-

- Review of financial statements for Board approval
- Review of the proposed budget and financial plan prior to consideration by the Board
- Annual and quarterly review of the Corporate Risk Register and supporting controls
- Approval of external audit plan and review of external audit findings
- Approval of the annual internal audit strategy and plan
- Review of internal audit reports and monitoring of internal audit actions
- Annual review of the system of internal control
- Annual review of insurance provision
- Compliance with regulatory standards
- Overview of asset compliance performance
- Review of the Society's pension provision and future strategy
- Commissioning the external review of the Society's risk management and internal assurance framework and the delivery of resulting action plan
- Review of fraud prevention and protection strategy
- Oversight of delivery of Audit Committee effectiveness review action plan

Audit Committee members:

Mark Davies
Chair

Mike Owen
Member

Stephen Lomax
Member

Christine Barve
Co-optee

Remuneration, Nominations and Governance Committee Report

Role and Performance

The Committee is responsible for developing and maintaining our governance framework, which includes arrangements for the recruitment, induction, appraisal and development of Board members and reviewing the roles and responsibilities of Board members. The Committee also considers our policy on remuneration, contracts of employment and conditions of service generally for executive directors and recommends to Board the specific remuneration packages for each of the Directors, including pension rights and any compensation/severance payments. It also approves and keeps under review our Board member payment (Non-Executive Directors) structure and policies, including levels of payment, and recommends changes to the Board as necessary.

The Committee is composed of four independent Non-Executive Directors. Meeting are attended by Executive Directors upon invitation. It has met on a quarterly basis with one additional extraordinary meeting (a total of five times).

Matters considered during 2017/18 included:-

- Review of Board effectiveness (incl. review of report of external Board effectiveness review) and monitoring of delivery resulting action plan
- Review of outcomes of individual Director's performance appraisals
- Development and delivery of annual Governance Development Plan
- Review of Board and Committee Terms of Reference, composition and skills
- Oversight of Board and Committee re-appointment and recruitment
- Oversight of Executive Director recruitment
- Annual Pay review (Board members, Executive Directors and staff)
- Monitor and review Board member induction and training
- Review of compliance with NHF Code of Governance 2015
- Delivery of Human Resources Strategy
- Development of Equality and Diversity Policy and Strategy
- Development and delivery of action plan following the In Depth Assessment by the Regulator

Remuneration, Nominations and Governance Committee members:

Mary Miller
Chair

Laurence James
Member

Jim Dickson
Member

Helen Adlard
Member

Board's Responsibility

Statement of Board's responsibilities in respect of the strategic report, the Board's report and the financial statements:

The Board is responsible for preparing the Board's report and the financial statements in accordance with applicable law and regulations. Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board has elected to prepare the financial statements in accordance with UK Accounting Standards applicable in the UK and Republic of Ireland.

The financial statements are required by law to give a true and fair view of the state of affairs of the Society and of its income and expenditure for that period. In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice 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 books of account that disclose with reasonable accuracy at any time the financial position of the Society and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Society and to prevent and detect fraud and other irregularities.

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

Disclosure of information to auditors

The directors who held office at the date of approval of this statement confirm, so far as they are each aware, there is no relevant audit information of which our independent auditors are unaware; and each director has taken all the steps he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that our independent auditors are aware of that information.

Independent auditors

Beever and Struthers was appointed as external auditors for the year ended 31 March 2018 and has expressed their willingness to continue in office as the Society's auditors.

Board Statements

System of Internal Controls

Purpose

The statement of internal control provides an opinion to internal and external stakeholders on how effectively the Society governs its business so as to manage the key risks to the successful delivery of its business and financial plan.

Sources of assurance

A key element of providing this opinion is based upon Severn Vale's internal control framework, which pulls together assurance from a number of sources which feed into the annual statement of internal controls.

These sources include:

- Internal audit
- External audit
- Insurance
- Information governance
- Treasury advisors
- Risk management strategy
- Health and safety management approach
- External specialist reviews

Outcomes

Outcomes for the different elements of the internal control framework were as follows:

1. The outcomes from internal audit reviews have demonstrated a robust control and compliance culture. The significant majority of reports provide a positive opinion and weaknesses identified have either been addressed or management are in the process of addressing these.

2. External audit opinion is unmodified.

3. Risk management strategy has been externally assessed by Campbell Tickell during 2017/18 and was found to provide key insight into Severn Vale's business risks. Stress testing has been improved and mitigation plans have been developed should any key scenarios materialise.

4. The health and safety management approach adopted by Severn Vale continues to deliver the robust and improving management of H&S risks.

5. Insurance risks continue to be managed effectively with no increase in premiums for 2017-18 due to a weakening profile.

Executive opinion

The Executive team provides the Board and the Audit Committee with an opinion regarding the effectiveness of the sources of assurance operating within Severn Vale:

"Based on the risk and assurance work undertaken in 2016-17, the overall opinion is that Severn Vale's internal control (financial and non-financial) environment supported by risk management and governance arrangements is operating with sufficient effectiveness to provide reasonable assurance to the Audit Committee and Board".

Statement of Compliance

The Board has adopted the National Housing Federation (NHF) Code of Governance (promoting Board Excellence for Housing Association) 2015. The Board further confirms that the Society complies with the Regulator of Social Housing's Governance and Financial Viability Standard.

Compliance with the code and the standard has been internally reviewed and assessed by the Audit Committee, resulting in the conclusion that the Society is fully compliant.

Shareholding

As agreed in 2014 as part of the upgrade to the Society´s Rules at that time, Severn Vale's Board Members (apart from any person who is an employee of the Society) the Council and Tenant Board Members are the only Shareholders of the Society and have paid the sum of £1 to the Society for each share. No shareholder can hold more than one share. to the Society and they automatically cease to be Shareholders when they cease to be Board Members. As part of the upgrade to the Society's Rules in 2018, the only Shareholders going forward will be the Society´s Board Members.

As at 31.03.18, the Shareholders of the Society were –

- Laurence James
- Jim Dickson
- Mark Davies
- Mary Miller
- Helen Adlard
- Stephen Lomax
- Michael Owen (since resigned so no longer a Shareholder)
- Tewkesbury Borough Council (Will no longer be a Shareholder with effect from the updated Rules in summer 2018)

Going concern

After making enquiries the Severn Vale Board has a reasonable expectation the Society has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board has adopted the going concern basis in the financial statements.

Approval

The report of the Board was approved by the Board on 23 July 2018 and signed on its behalf by

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Laurence James
Board Chair

Independent Auditor's Report

Opinion

We have audited the financial statements of Severn Vale Housing Society Limited (the Society) and its subsidiaries (the Group) for the year ended 31 March 2018 which comprise the consolidated and Society Statement of Comprehensive Income, the consolidated and Society Statement of Financial Position, the consolidated and Society Statement of Changes in Reserves, the consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Society's affairs as at 31 March 2018 and of the Group's and the Society's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Cooperative and Community Benefit Societies Act 2014, the Cooperative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Cooperative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in the Statement of Board's Responsibilities set out on page 55, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Society's members, as a body, in accordance with section 87(2) of the Cooperative 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.

Beever and Struthers, Statutory Auditor
St George's House
215/219 Chester Road
Manchester
M15 4JE

Beever and Struthers.

Date: 6 August 2018

Financial Statements

Contents

Board Members, Executive Directors, Advisors and Bankers

for the year ended 31 March 2018

Board			
Chair	Mr L James	Independent Representative	
Vice Chair	Mr M Davies	Independent Representative	
Other Members	Mrs M Miller	Independent Representative	
	Mr J Dickson	Independent Representative	
	Mr S Lomax	Independent Representative	Appointed 1 November 2017 (Previously appointed as an Audit Committee Co-optee on 1st October 2017)
	Mrs H Adlard	Independent Representative	Appointed 1 October 2017
	Mr M Owen	Independent Representative	Appointed 1 October 2017
	Mrs D Midwinter	Customer Representative	Resigned 31 October 2017
	Mr R Carey	Customer Representative	Resigned 30 November 2017
	Mr D Waters	Council Representative	Resigned 31 October 2017
	Mr T Knight	Executive Board Member	
	Mr J Connell	Executive Board Member	Appointed 8 August 2017
	Mrs C Barve	Audit Committee Co-optee	
	Ms K James	Audit Committee Co-optee	Resigned 30 September 2017
Executive Directors			
Chief Executive	Mr T Knight		
Finance & Treasury Director (interim)	Mr J Connell		Appointed 7 July 2017
Governance & Strategy Director	Mrs C Cobban		
Customer & Community Director	Mrs F Shanahan		Resigned 24 August 2017
Customer & Community Director (Interim)	Mrs D Shuker		Appointed 30 October 2017
Asset & Commercial Director	Mr M Craggs		
Secretary	Mrs C Cobban		

Registered office	Shannon Way Ashchurch Tewkesbury Gloucestershire GL20 8ND
Registered number	Co-operative & Community Benefit Society 28557R Regulator of Social Housing (RSH) L4171
Auditors	Beever and Struthers St George's House 215-219 Chester Road Manchester M15 4JE
Solicitors	Shakespeare Martineau Bridgeway House Stratford-Upon-Avon CV37 6YX
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
	BAE Systems Pensions Funds Investment Management Limited Burwood House 14/16 Caxton London SW1H 0QT

Consolidated and Society Statement of Comprehensive Income

for the year ended 31 March 2018

	Note	2018 £'000	2017 £'000
Turnover	3	20,867	21,506
Operating Expenditure	3	(11,816)	(12,231)
Operating surplus before disposal of Housing Properties and Movement in Fair Value of Investment Properties	4	9,051	9,275
Gain on disposal of housing properties	4,11	974	163
Increase/(decrease) in valuation of investment properties	12	(921)	705
Operating surplus after disposal of Housing Properties and Movement in Fair Value of Investment Properties		9,104	10,143
Interest receivable and similar income	5	-	1
Interest payable and similar charges	6	(6,346)	(6,037)
Other finance costs	7	(102)	(134)
Surplus before taxation		2,656	3,973
Tax on surplus	8	(167)	-
Surplus for the financial year		2,489	3,973
Actuarial (loss)/gain on defined benefit pension schemes	7	484	(695)
Total comprehensive income for the year		2,973	3,278

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 73 to 99 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 23 July 2018 and signed on its behalf by:

Laurence James
Board Chair

Mark Davies
Vice Chair

Tim Knight
Chief Executive

Claudia Cobban
Governance and Strategy Director and Secretary

Consolidated and Society Statement of Financial Position

at 31 March 2018

	Note	Group 2018 £'000	Society 2018 £'000	Group 2017 £'000	Society 2017 £'000
Fixed assets					
Tangible fixed assets – housing properties	9	83,123	83,123	83,376	83,376
Tangible fixed assets – head office building	10	1,392	1,392	1,435	1,435
Other tangible fixed assets	10	22	22	51	51
Investment properties	12	25,679	25,679	26,600	26,600
Investments in subsidiary	13	-	-	-	-
		110,216	**110,216**	**111,462**	**111,462**
Current assets					
Properties held for sale	14	-	-	37	37
Stocks	15	100	100	87	87
Trade and other debtors	16	916	916	1,050	1,050
Cash and cash equivalents	17	9,837	9,837	5,924	5,924
		10,853	**10,853**	**7,098**	**7,098**
Creditors: Amounts falling due within one year	19	(4,082)	(4,082)	(3,353)	(3,353)
Net current assets		6,711	6,711	3,745	3,745
Total assets less current liabilities		**116,987**	**116,987**	**115,207**	**115,207**
Creditors: Amounts falling due after more than one year	20	134,599	134,599	134,938	134,938
Net pension liability	7	2,791	2,791	3,645	3,645
		137,390	**137,390**	**138,583**	**138,583**
Reserves					
Income and expenditure reserve		(20,403)	(20,403)	(23,376)	(23,376)
Total reserves		(20,403)	(20,403)	(23,376)	(23,376)
		116,987	**116,987**	**115,207**	**115,207**

The notes on pages 73 to 99 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 22 July 2018 and signed on its behalf by:

Laurence James
Board Chair

Mark Davies
Vice Chair

Tim Knight
Chief Executive

Claudia Cobban
Governance and Strategy Director and Secretary

Consolidated and Society Statement of Changes in Reserves

for the year ended 31 March 2018

	Income and expenditure reserve £'000	**Total** £'000
Balance as at 1 April 2016	(26,654)	(26,654)
Total comprehensive income for the year	3,278	3,278
Balance as at 31 March 2017	(23,376)	(23,376)
Total comprehensive income for the year	2,973	2,973
Balance as at 31 March 2018	**(20,403)**	**(20,403)**

The notes on pages 73 to 99 form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 March 2018

	2018		2017	
	£'000	£'000	£'000	£'000
Net cash generated from operating activities		10,953		11,082
Cash flow from investing activities				
Purchase and construction of housing properties	(1,418)		(556)	
Improvements to housing properties	(613)		(959)	
Payments to acquire other fixed assets	(17)		(7)	
Sale of housing properties	1,296		1,804	
Interest received	-		1	
Net cash from investing activities		**(752)**		**283**
Cash flow from financing activities				
Interest paid	(6,288)		(5,960)	
Net cash from financing activities		**(6,288)**		**(5,960)**
Net change in cash and cash equivalents		3,913		5,405
Cash and cash equivalents at beginning of year		5,924		519
Cash and cash equivalents at end of year		**9,837**		**5,924**

The notes on pages 73 to 99 form part of these financial statements.

Notes to the Consolidated Statement of Cash Flows

for the year ended 31 March 2018

	2018		2017	
	£'000	£'000	£'000	£'000
Reconciliation of operating surplus to net cash generated from operating activities				
Surplus for the year	2,489		3,973	
Depreciation of housing properties	1,962		2,204	
Depreciation of other fixed assets	89		288	
Amortisation of Grants	(155)		(169)	
(Increase) in stock	(13)		-	
Decrease in properties held for sale	37		273	
Decrease in debtors	134		324	
Increase / (Decrease) in creditors	471		(800)	
Pension costs less contributions payable	(456)		(416)	
Carrying amount of shared ownership disposals	-		103	
Adjustments for investing or financing activities				
Gain on disposal of housing properties	(974)		(163)	
Interest receivable and similar income	-		(1)	
Interest payable and similar charges	6,346		6,037	
Other finance costs	102		134	
Decrease / (increase) in valuation of investment properties	921		(705)	
		10,953		11,082

Notes to the Financial Statements

for the year ended 31 March 2018

1. Legal status

The Society is incorporated under the Co-operative and Community Benefit Societies Act 2014 with the reference number 28557R and is registered with the RSH as a Private Registered Provider of Social Housing under reference L4171.

The registered office is Shannon Way, Ashchurch, Tewkesbury, Gloucestershire, GL20 8ND.

2. Accounting policies

Basis of accounting

The financial statements of the Group and Society have been prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for Registered Social Housing Providers: Housing SORP 2014.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

The accounts are prepared on the historical cost basis of accounting as modified by the revaluation of investments properties.

The Group's financial statements have been prepared in compliance with FRS 102. The Group meets the definition of a Public Benefit Entity (PBE).

The financial statements are presented in Sterling (£) rounded to the nearest £'000.

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

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

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.

2. Accounting policies (continued)

Estimation uncertainty

Information about estimates and assumptions that have the most significant affect 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.

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.

2. Accounting policies (continued)

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.

Government grants

Government grants include grants receivable from Homes England, 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 Homes England. 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.

2. Accounting policies (continued)

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
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.

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.

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.

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.

2. Accounting policies (continued)

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.

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 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).

2. Accounting policies (continued)

Deferred taxation (continued)

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 is material and 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 Social Housing Grant (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.

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

2. Accounting policies (continued)

Leases (continued)

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 2018

3. Particulars of turnover, operating expenditure and operating surplus

Group and Society - continuing activities

Group and Society - continuing activities	2018			2017		
	Turnover	Operating expenditure	Operating Surplus	Turnover	Operating expenditure	Operating Surplus
	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings	17,288	(10,710)	6,578	17,449	(10,931)	6,518
Other social housing activities						
Lifelines	101	(50)	51	103	(58)	45
External contract work	171	-	171	131	-	131
First tranche shared ownership sales	176	(92)	84	592	(338)	254
Disposal of housing properties	1,005	(37)	968	1,015	(41)	974
Other	196	-	196	163	-	163
	1,649	**(179)**	**1,470**	**2,004**	**(437)**	**1,567**
Non-social housing activities						
Lettings	1,875	(859)	1,016	1,989	(790)	1,199
Other	55	(68)	(13)	64	(73)	(9)
	1,930	**(927)**	**1,003**	**2,053**	**(863)**	**1,190**
Turnover from continuing activities	**20,867**	**(11,816)**	**9,051**	**21,506**	**(12,231)**	**9,275**

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

3. Particulars of turnover and operating expenditure from social housing lettings

Group and Society

2018	General Needs housing	Supported housing & housing for older people	Shared ownership	Affordable Rent	Total for social housing lettings	Market rents	Garages	Student let	Other	2018 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income										
Rent receivable net of identifiable service charges and net of voids	13,773	1,694	478	162	**16,107**	634	153	1,088	17	**17,999**
Service charge income	314	663	49	-	**1,026**	-	-	-	38	**1,064**
Amortised government grants	155	-	-	-	**155**	-	-	-	-	**155**
Total turnover from social housing lettings	**14,242**	**2,357**	**527**	**162**	**17,288**	**634**	**153**	**1,088**	**55**	**19,218**
Operating expenditure										
Management	(3,460)	(439)	(135)	(41)	**(4,075)**	(150)	(30)	(400)	(75)	**(4,730)**
Service charge costs	(404)	(519)	(11)	-	**(934)**	-	-	-	(9)	**(943)**
Routine maintenance	(1,881)	(332)	(14)	(16)	**(2,233)**	(85)	(5)	(114)	(9)	**(2,446)**
Major repairs expenditure	(1,327)	-	-	-	**(1,327)**	-	-	(75)	(25)	**(1,427)**
Bad debts	(179)	-	-	-	**(179)**	-	-	-	-	**(179)**
Depreciation of housing properties	(1,680)	(151)	(82)	(49)	**(1,962)**	-	-	-	-	**(1,962)**
Total operating expenditure on social housing letting	**(8,931)**	**(1,431)**	**(242)**	**(106)**	**(10,710)**	**(235)**	**(35)**	**(589)**	**(118)**	**(11,687)**
Operating surplus on social housing letting	**5,311**	**926**	**285**	**56**	**6,578**	**399**	**118**	**499**	**(63)**	**7,531**
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	(111)	(34)	(1)	-	**(146)**	(30)	(82)	-	-	**(258)**

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

3. Particulars of turnover and operating expenditure from social housing lettings

Group and Society

2017	General Needs housing	Supported housing & housing for older people	Shared ownership	Affordable Rent	Total for social housing lettings	Market rents	Garages	Student let	Other	2017 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income										
Rent receivable net of identifiable service charges and net of voids	13,886	1,711	471	172	**16,240**	703	112	1,174	20	**18,249**
Service charge income	322	665	53	-	**1,040**	-	-	-	44	**1,084**
Amortised government grants	169	-	-	-	**169**	-	-	-	-	**169**
Total turnover from social housing lettings	**14,377**	**2,376**	**524**	**172**	**17,449**	**703**	**112**	**1,174**	**64**	**19,502**
Operating expenditure										
Management	(3,818)	(475)	(138)	(47)	**(4,478)**	(161)	(24)	(416)	(75)	**(5,154)**
Service charge costs	(421)	(525)	(10)	(1)	**(957)**	(4)	-	-	(9)	**(970)**
Routine maintenance	(2,148)	(64)	(6)	(1)	**(2,219)**	(44)	(4)	(22)	(11)	**(2,300)**
Major repairs expenditure	(998)	-	-	-	**(998)**	(9)	-	(106)	(36)	**(1,149)**
Bad debts	(75)	-	-	-	**(75)**	-	-	-	-	**(75)**
Depreciation of housing properties	(1,875)	(147)	(76)	(106)	**(2,204)**	-	-	-	-	**(2,204)**
Total operating expenditure on social housing letting	**(9,335)**	**(1,211)**	**(230)**	**(155)**	**(10,931)**	**(218)**	**(28)**	**(544)**	**(131)**	**(11,852)**
Operating surplus on social housing letting	**5,042**	**1,165**	**294**	**17**	**6,518**	**485**	**84**	**630**	**(67)**	**7,650**
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	(118)	(32)	(1)	(1)	**(152)**	(8)	(63)	-	-	**(223)**

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

4. Operating surplus

Surplus is stated after charging:

	2018 £'000	2017 £'000
Depreciation of housing properties	1,962	2,204
Depreciation of other tangible fixed assets	89	288
Auditors' remuneration (excluding VAT):		
External auditors		
• Audit of the financial statements	17	17
• Taxation services	5	-
Internal auditors	27	20

5. Interest receivable and other income

	2018 £'000	2017 £'000
Interest receivable (other)	-	1

6. Interest payable and similar charges

	2018 £'000	2017 £'000
Interest on bank loans	6,265	5,960
Refinancing fees amortised	77	77
Notional Interest on RCGF and DPF	4	-
	6,346	**6,037**

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

7. Employees

The average number of persons employed during the year expressed in full time equivalents (37 hours per week) was:

	2018 £'000	2017 £'000
Excutive Directors	4	5
Business services	25	24
Development	2	2
Finance	8	8
ICT	4	4
Community	1	1
Housing (incl. scheme managers)	33	30
Planned maintenance	5	4
Responsive repairs	45	40
	127	**118**

Staff costs

	2018 £'000	2017 £'000
Wages and salaries	3,924	3,642
Employer's contribution - national insurance	370	359
Employer's contribution - pension	328	304
Pension deficit contributions	695	628
	5,317	**4,933**

Aggregate number of full time equivalent staff whose remuneration (including compensation for loss of office) exceeded:

	2018 £'000	2017 £'000
£60,001 - £70,000	-	-
£70,001 - £80,000	-	1
£80,001 - £90,000	1	2
£90,001 - £100,000	1	1
£100,001 - £110,000	-	-
£110,001 - £120,000	-	-
£120,001 - £130,000	-	-
£130,000 – £140,000	-	-
£140,000 – £150,000	1	1
	3	**5**

Key management personnel remunerations

Remuneration paid to the executive directors including the Chief Executive was:

	2018 £'000	2017 £'000
Emoluments	358	418
Employer's Pension Contribution	51	52
Employer's National Insurance Contribution	45	53
Benefits in Kind	9	9
Fees	85	-
	548	**532**

Remuneration and expenses paid to the non-executive directors (Board Members) was:

	2018 £'000	2017 £'000
L James	11	11
M Davies	5	5
M Miller	5	5
J Dickson	4	4
D Midwinter	2	4
R Carey	3	4
S Lomax	3	-
H Adlard	2	-
M Owen	2	-
S Walley	-	2
L Church	-	2
	37	**37**

Key management personnel are defined for this purpose as the non-executive members of the Board, Chief Executive and any other person who is a member of the Directors' Team reporting to the Chief Executive.

Total key management personnel remuneration for the year was £585k (2017: £569k).

The highest paid Director's salary (excluding pension) was £116.5k (2017: 115.5k).

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

7. Employees (continued)

The Chief Executive is an ordinary member of LGPS Final Salary Pension and SVHS's rate of contribution is 30.2% per annum.

No enhanced or special terms apply and the Group makes no contribution to any individual pension arrangements.

Pension scheme

The Group participates in two pension schemes. One is run by the TPT Retirement Solutions 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):

	2018 £'000	2017 £'000
Social Housing Pension Scheme	404	397
Gloucestershire County Council Pension Fund	619	535
	1,023	**932**

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 (over the page).

7. Employees (continued)

a. Social Housing Pension Scheme (continued)

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.

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

	2018 £'000	2017 £'000	2016 £'000
Present value of provisions	1,104	1,291	1,412

Reconciliation of opening and closing provisions

	2018 £'000	2017 £'000
Provision at start of period	1,291	1,412
Unwinding of the discount factor (interest expense)	16	27
Deficit contribution paid	(189)	(182)
Remeasurements – impact of any change in assumptions	(14)	34
Remeasurements – amendments to the contribution schedule	-	-
Provision at end of period	**1,104**	**1,291**

Income and expenditure impact

	2018 £'000	2017 £'000
Interest expense	16	27
Remeasurements – impact of any change in assumptions	(14)	34
Remeasurements – amendments to the contribution schedule	-	-
Contributions paid in respect of future service*	194	188
Costs recognised in income and expenditure account	209	209
	405	**458**

*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.

Assumptions

	2018 £'000	2017 £'000	2016 £'000
Rate of discount	1.72%	1.33%	2.06%

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 2018

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 2018, the actuaries have rolled forward the actuarial value of the liabilities reported in the previous triennial valuation as at 31 March 2017

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

	2018	2017
Rate of increase in salaries	2.7%	2.7%
Rate of increase in pensionable payments	2.4%	2.4%
Discount rate	2.6%	2.5%

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:

2018	Males Assumed life expectancy in Years at age 65	Females Assumed life expectancy in Years at age 65
Current pensioners	22.4	24.6
Future pensioners	24.0	26.4

Amounts recognised in surplus or deficit

	2018 £'000	2017 £'000
Current service cost	163	119
Past service cost	-	-
Amounts charged to operating costs	**163**	**119**
Interest income on plan assets	(310)	(413)
Interest cost on defined benefit obligation	396	520
Amounts charged to other finance costs	**86**	**107**

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

	£'000
Opening scheme liabilities	15,977
Current service cost	163
Interest cost on defined benefit obligation	396
Plan participants' contributions	30
Benefits paid	(470)
Remeasurements	(247)
Closing scheme liabilities as at 31 March 2018	**15,849**

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

	£'000
Opening fair value of plan assets	12,332
Interest income	310
Plan participants' contributions	30
Employer contributions	619
Benefits paid	(470)
Return on assets (in excess of interest income)	237
Closing fair value of plan assets as at 31 March 2018	**13,058**

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

7. Employees (continued)

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

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

	2018 £'000	2017 £'000
Equities	67	71
Bonds	23	20
Properties	8	7
Cash	2	2

Sensitivity analysis

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

	Approximate % increase to employer liability	Approximate monetary amount £'000
Change in assumptions at 31 March 2018		
0.5% decrease in real discount rate	8%	1,276
0.5% increase in the salary increase rate	1%	97
0.5% increase in the pension increase rate	7%	1,167

8. Tax on surplus on ordinary activities

Taxation charge for the period from 1 April 2017 to 31 March 2018:

	2018 £'000	2017 £'000
Surplus on ordinary activities before tax	2,656	3,973
Tax on surplus on ordinary activities at UK tax rate 19% (2017: 20%)	505	795
Effects of:		
Expenses not deductible for tax purposes	476	(31)
Capital allowances in advance of depreciation	(7)	(59)
Amounts charged directly to income	(106)	(139)
Disposal of properties	(67)	372
Deferred tax not recognised	-	(905)
Other timing differences	(1)	(33)
Increase in losses (utilised)/non-utilised	(633)	-
Adjustments to brought forward values	-	-
Total current tax charge	**167**	**-**

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

9. Tangible fixed assets – housing properties

Group and Society

	Freehold housing properties completed	Freehold housing properties in the course of construction	Shared ownership properties completed	Shared ownership properties in the course of construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2017	93,055	77	8,953	-	102,085
Additions to new developments	-	1,228	-	190	1,418
Works to existing properties	613	-	-	-	613
Schemes completed	1,120	(1,120)	190	(190)	-
Disposals	(639)	-	(190)	-	(829)
At 31 March 2018	**94,149**	**185**	**8,953**	**-**	**103,287**
Depreciation and impairment					
At 1 April 2017	(18,056)	-	(653)	-	(18,709)
Charged in year	(1,899)	-	(63)	-	(1,962)
Eliminated on disposal	490	-	17	-	507
At 31 March 2018	(19,465)	-	(699)	-	(20,164)
Net book value at 31 March 2018	**74,684**	**185**	**8,254**	-	**83,123**
Net book value at 31 March 2017	**74,999**	**77**	**8,300**	-	**83,376**

The carrying amount of housing properties pledged as security for liabilities is £59.869m (2017: £61.148m).

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

9. Tangible fixed assets – housing properties (continued)

Expenditure on works to existing properties

Group and Society

	2018 £'000	2017 £'000
Amounts capitalised	613	959
Amounts charged to income and expenditure account	1,327	998
	1,940	**1,957**

Social housing grant

	2018 £'000	2017 £'000
The total accumulated government grant and financial assistance received or receivable at 31 March:		
Held as deferred capital grant	15,073	15,340
Recognised as income in Statement of Comprehensive Income in year	1,682	1,527
	16,755	**16,867**

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

10. Tangible fixed assets – other

Group and Society

	Freehold Head office building	Office equipment fixtures and fittings	Vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2017	2,130	2,971	58	3,029
Additions	-	17	-	17
At 31 March 2018	**2,130**	**2,988**	**58**	**3,046**
Depreciation				
At 1 April 2017	(695)	(2,920)	(58)	(2,978)
Depreciation charged in year	(43)	(46)	-	(46)
At 31 March 2018	(738)	(2,966)	(58)	(3,024)
Net book value at 31 March 2018	**1,392**	**22**	-	**22**
Net book value at 31 March 2017	**1,435**	**51**	-	**51**

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

11. Sale of properties

	2018	2018	2018	2018	2018	2017
	Housing properties RTB	Housing properties RTA	Shared Ownership	Outright Sales	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Sale proceeds	513	317	348	480	1,658	2,235
Less: Cost of sales (non-cash)	(66)	(67)	(172)	(17)	(322)	(1,510)
Less: Cost of sales (cash)	(24)	(6)	-	-	(30)	(38)
Less: Cost of Capital Improvements	(56)	-	-	-	(56)	(35)
Less: Amount due to Tewkesbury Borough Council	(276)	-	-	-	(276)	(359)
Transfer to Disposal Proceeds Fund	-	-	-	-	-	(130)
Surplus on disposal	**91**	**244**	**176**	**463**	**974**	**163**

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 2018

12. Investment properties

	Market rent properties	Student housing	Total
	£'000	£'000	£'000
As at 1 April 2017	13,550	13,050	26,600
Movement in Fair Value of Investment Properties	389	(1,310)	(921)
As at 31 March 2018	13,939	11,740	25,679

The amount of housing properties at vacant possession value with restricted title is £ 2.704m (2017: £2.704m). This is due to properties being held as security for the Local Government Pension Scheme (LGPS).

The market rent properties were valued by Savills, professional external valuers as at 31 March 2016 on a vacant possession basis. The Society has increased the value of the market rented properties by 2.87% in 2018 (2017:3%), and considers this to be a fair reflection of the national average property price increase during 2018.

The student housing properties were valued by Savills, professional external valuers, as at 25 April 2018 and we consider this to be a fair value as at 31 March 2018.

13. Investments

	Group 2018	Society 2018	Group 2017	Society 2017
	£	£	£	£
Investment in subsidiary	-	2	-	2

Investment in subsidiary consists of 100% of the issued share capital of Severn Vale Housing Properties Limited (SVHP), being two £1 shares. SVHP's profit for the year was £nil and it had net assets of £2 at 31 March 2018.

14. Properties for sale

Group and Society

	2018	2017
	£'000	£'000
Freehold Housing Properties	-	37
	-	37

15. Stocks

Group and Society

	2018	2017
	£'000	£'000
Consumables	100	87

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

16. Debtors

	Group 2018 £'000	Society 2018 £'000	Group 2017 £'000	Society 2017 £'000
Amounts falling due within one year				
Arrears of rents and service charges	644	644	722	722
Less: Provision for doubtful debts	(313)	(313)	(157)	(157)
	331	**331**	**565**	**565**
Other debtors	375	375	184	184
Car loans*	1	1	2	2
Prepayments and accrued income	209	209	299	299
	916	**916**	**1,050**	**1,050**

*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.

17. Cash and cash equivalents

	Group 2018 £'000	Society 2018 £'000
Cash at bank	9,837	5,924

Included in the Cash at Bank total is £1.566m (2017:£440k) held in a separate bank account with Lloyds Banking Group as a restricted cash reserve from the sale of charged housing properties. The monies will be released to the Society when additional properties are charged to the Lloyds loan agreement.

18. Deferred Taxation

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

	Group 2018 £'000	Society 2018 £'000	Group 2017 £'000	Society 2017 £'000
Accelerated capital allowances	(59)	(59)	(51)	(51)
Tax losses	-	-	(542)	(542)
Other timing differences	(306)	(306)	(456)	(456)
Total deferred tax	**(365)**	**(365)**	**(1,049)**	**(1,049)**

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

19. Creditors: Amounts falling due within one year

	Group 2018 £'000	Society 2018 £'000	Group 2017 £'000	Society 2017 £'000
Trade creditors	818	818	585	585
Rent and service charges received in advance	298	298	361	361
Deferred capital grant (note 21)	168	168	169	169
Corporation Tax	167	167	-	-
Other taxation and social security	39	39	13	13
Loan interest accrual	636	636	659	659
SHPS pension agreement plan (note 7)	197	197	189	189
Other creditors	217	217	(11)	(11)
Accruals	407	407	425	425
Recycled Capital Grant fund (note 22)	501	501	386	386
Disposal Proceeds fund (note 23)	216	216	215	215
Special projects	418	418	362	362
	4,082	**4,082**	**3,353**	**3,353**

Time taken to pay creditors was 28 days (2017: 29 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 Social Housing Grant (SHG) received in respect of those properties sold later.

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

	Group 2018 £'000	Society 2018 £'000	Group 2017 £'000	Society 2017 £'000
Housing loans repayable by instalments due after more than 5 years	118,750	118,750	118,750	118,750
Refinancing fees amortised over 10 years	(385)	(385)	(462)	(462)
Unutilised contributions from leaseholders and tenants	422	422	377	377
Deferred capital grant (note 21)	14,905	14,905	15,171	15,171
SHPS pension agreement plan (note 7)	907	907	1,102	1,102
	134,599	**134,599**	**134,938**	**134,938**

The Group and Society have a total loan facility of £125m with £6.25m remaining undrawn as at 31 March 2018. 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	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

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

21. Deferred grant income

	Group 2018 £'000	Society 2018 £'000	Group 2017 £'000	Society 2017 £'000
At 1 April	15,340	15,340	15,784	15,784
Grants transferred as part of sale	-	-	(200)	(200)
Grant recycled during the year	(112)	(112)	(75)	(75)
Grant released to income during the year	(155)	(155)	(169)	(169)
As at 31 March	**15,073**	**15,073**	**15,340**	**15,340**
Amounts to be released within one year	168	168	169	169
Amounts to be released in more than one year	14,905	14,905	15,171	15,171
As at 31 March	**15,073**	**15,073**	**15,340**	**15,340**

22. Recycled Capital Grant Fund

The Group and Society utilised disposal proceeds as follows:

	2018 £'000	2017 £'000
At 1 April	386	308
Interest accrued	3	3
Recycled from disposals	112	75
At 31 March	501	386
Amounts three years or older	315	214

23. Disposal Proceeds Fund

The Group and Society utilised disposal proceeds as follows:

	2018 £'000	2017 £'000
Opening balance	**215**	**84**
Inputs to DPF: (source of funds)		
Funds recycled	-	-
Net PRTB receipts	-	130
Certain proceeds of profit making PRP's	-	-
Interest accrued	1	1
Transfer from other PRP's	-	-
Use of DPF: (allocation of funds)	-	-
New build	-	-
Major repairs and works to existing stock	-	-
Transfer to other PRP's	-	-
Other	-	-
Repayment of funds to Homes England	-	-
Closing balance	**216**	**215**
Amounts three years or older	85	85

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

24. Called-up non-equity share capital

Seven ordinary members of the Board of Management each hold one share of £1 in the Society. 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 2018 £'000	Society 2018 £'000	Group 2017 £'000	Society 2017 £'000
Shares of £1 each issued and fully paid:				
As at 1 April 2017 and 31 March 2018	**7**	**7**	**6**	**6**

25. Commitments and contingencies

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

	2018 £'000	2017 £'000
Capital commitments		
Capital expenditure contracted for but not provided for in the financial statements	**1,263**	**1,866**

The above commitments will be financed primarily through cash surpluses and remaining undrawn loan facilities during the financial year to 31 March 2019

The Group and Society had no contingent liabilities at 31 March 2018 (2017: Nil).

26. Units in management

	2018 £'000	2017 £'000
General needs accommodation	2,836	2,843
Affordable rents accommodation	29	25
Mortgage rescue	9	9
Sheltered accommodation	409	409
Shared ownership	165	167
Rent to Home Buy	6	6
Total social housing	**3,454**	**3,459**
Market rents	85	85
Student accommodation	282	282
	3,821	**3,826**

The number of units under the construction at 31 March 2018 was 14 (2017:17)

Notes to the Financial Statements (continued)

for the year ended 31 March 2018

27. Related parties

There were two Customer Representatives at SVHS Board. Their tenancies were on normal commercial terms and they were not able to use their positon to their advantage. Mr R Carey is also a 50% share owner of his property.

During the year ended 31 March 2018:

- Mrs D Midwinter (resigned 31 October 2017, former tenant – moved out partway through the year) paid rent of £3,361 (2017: £5,439) and her rent account at the end of her tenancy had a nil balance (2017: credit £282).
- Mr R Carey (resigned 30 November 2017) paid rent on 50% of SVHS's share of £4,002 (2017: £3,926) and as at 31 March 2018 his rent account was in credit by £65 (2017: credit £65).

One member of our Board, Mr D Waters (resigned 31 October 2017), is a Councillor with Tewkesbury Borough Council, a local authority having nomination rights over tenancies for certain groups of properties. All transactions with the Council are on normal commercial terms and the Councillor is not able to use his position to his advantage.

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

28. Financial Instruments

Group and Society

Categories of financial assets and liabilities	2018 £'000	2017 £'000
Financial assets measured at historical cost:		
Trade debtors	688	722
Other debtors	375	186
Cash and cash equivalents	9,836	5,924
Total financial assets	10,899	6,832
Financial liabilities measured at historical cost:		
Trade creditors	818	585
Other creditors and accruals	18,385	18,114
Financial liabilities measured at amortised cost:		
Loans payable	118,750	118,750
Total financial liabilities	137,953	137,462

29. Subsidiary undertakings

Severn Vale Housing Properties Limited (SVHP) (Non-Regulated)

SVHP is a private limited company registered under the Companies Act 2006, 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) (Non-Regulated)

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 2018

30. Post Balance Sheet Events

Charitable Status

During 2017/18, the Board considered an option for Severn Vale Housing to become an exempt charity. This would closely reflect the business model of the society, and would enable a more efficient tax strategy. In February 2018, the Board agreed to become an exempt charity, subject to consultation with tenants and Tewkesbury Borough Council, and obtaining the required consents from lenders.

At the end of the financial year, lenders' consents had been obtained and the consultation with tenants and the Council on the changes to the composition of the Board and its charitable status was ongoing.

This has subsequently been completed, and the Society has registered a revised set of rules, reflecting charitable status and the fully skills-based Board, in July 2018 with the FCA.

Merger Discussions

With the impact of Grenfell and the resulting increasing expectations around customer involvement and the tightening up of building regulations, the planned level of investment required for keeping our customers safe has increased disproportionally to our income.

In recognition of this, the Society's Board requested the Executive Team to undertake a strategic review of the organisation. More detail about our strategic review can be found on page 31 This concluded in October 2017 with the Board adopting a strategy to seek a collaborative partner.

Having reviewed the options our Board were happy to announce on 26 March 2018 that the Society has agreed to join the new Bromford / Merlin Partnership which came in to effect on 2 July 2018.

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