



Severnside Housing

Directors' Report, Strategic Report
and Consolidated Financial
Statements For the year ended
31 March 2015

Sevenside Housing

Directors' Report, Strategic Report and Consolidated Financial Statements

Year ended 31st March 2015

Contents

Company Information, Auditors, Advisers and Bankers	Page 3
Board Directors, Executive Directors, Advisers and Bankers	Page 4-7
Report of the Board	Page 8
Statement of Responsibilities of the Board	Page 16
Strategic Report (incorporating Operating and Financial Review)	Page 18
Independent Auditors report to the Directors of Sevenside Housing	Page 30
Consolidated Income and Expenditure Account	Page 32
Consolidated Statement of Total Recognised Surpluses and Deficits	Page 33
Association Income and Expenditure Account	Page 34
Association Statement of Total Recognised Surpluses and Deficits	Page 35
Consolidated Balance Sheet	Page 36
Association Balance Sheet	Page 37
Consolidated Cash Flow Statement	Page 38
Notes to the Financial Statements	Page 39

Company Information, Auditors, Advisers and Bankers

Registered office	Sevenside Housing, Brassey Road, Old Potts Way, Shrewsbury, Shropshire, SY3 7FA
Sevenside Housing	Registration number: 04025816 Homes and Communities Agency (HCA) Registration number: LH4325
A Walters Electrical Contractors Limited	Registration number: 03141171
A Walters Electrical Limited	Registration number: 08331962
Shrewsbury Homes For All	Registration number: 07492338 Charity Registration number: 1141044
Sevenside Community Association Limited	Registration number: 031977R
Shropshire Community Housing Limited	Registration number: 06474307
External Auditors	KPMG LLP One Snowhill, Snow Hill Queensway, Birmingham, B4 6GH
Internal Auditors	Service Matters, Garden Court, Harry Weston Road, Binley, Coventry, CV3 2SU
Solicitors	Anthony Collins, 134 Edmund Street, Birmingham, B3 2ES Trowers and Hamlins, Heron House, Albert Square, Manchester M2 5HD
Bankers	National Westminster Bank PLC, 8 Mardol Head, Shrewsbury, SY1 1HE
Funders	Nationwide Building Society Kings Park Road, Moulton Park, Northampton, NN3 6NW Canada Life Investments 1-6 Lombard Street, London EC3V 9JU Shropshire Council The Shirehall, Abbey Foregate, Shrewsbury SY2 6ND

Board Directors and Executive Directors

Sevenside Housing

Board Members and Executive Directors

<u>Board of Directors</u>	<u>Appointed</u>	<u>Resigned</u>
Paul Smith (Chair)	January 2013	
Sarah Boden (Chief Executive)	November 2010	
Gareth Evans	January 2014	
Elaine Ganderton (Chair, Audit and Risk Committee)	July 2008	
Alyson Lanning	November 2010	
Andrew Parkes	November 2010	
Peter Price	January 2014	
Rory O’Byrne (Vice-Chair & Chair, Nominations and Remuneration Committee)	January 2010	
Paul Williams	January 2013	
Malcolm Price (Housing Portfolio holder – Shropshire Council Nominee)	September 2010	
Michael Roughan (Co-optee)	April 2015	

<u>Executive Directors</u>	<u>Appointed</u>	<u>Resigned</u>
Sarah Boden	January 2006	
Chief Executive		
Peter Donovan	October 2001	
Resources Director		
Sue Groom	July 2006	
Neighbourhood and Community Services Director		
Ian Gardner	December 2009	
Asset Management Director		

Company Secretary

Irene Molyneux

January 2012

A Walters Electrical Contractors Limited

Board Members and Executive Directors

Board of Directors

Appointed

Resigned

Mike Roughan (Chair)

December 2012

Paul Beaman

December 2012

Sarah Boden (Chief Executive)

December 2012

Peter Donovan (Resources Director)

December 2012

Elaine Ganderton

December 2012

Managing Director

Andy Walters

December 2012

Company Secretary

Irene Molyneux

December 2012

A Walters Electrical Limited

Board Members and Executive Directors

Board of Directors

Appointed

Resigned

Robin Pritchard (Chair)

December 2012

Sarah Boden

December 2013

Peter Donovan

December 2012

Mike Roughan

May 2014

Paul Williams

December 2012

Managing Director

Andy Walters

December 2012

Company Secretary

Irene Molyneux

December 2012

Shrewsbury Homes for All***Charity Trustees at 31 March 2015*****Board of Directors****Appointed****Resigned**

Christine Allen (Chair)

April 2011

Helen Claire Cracknell (Treasurer)

April 2011

Deborah Griffiths

March 2013

Sue Groom

March 2013

Amelia Hutchins

April 2011

Angus Marshall

May 2012

Nelia Maggs

April 2011

Mark Macpherson-Lees

April 2011

September 2014

Ann Walters

April 2011

Sevenside Community Association Limited***Board Members at 31 March 2015*****Board of Directors****Appointed****Resigned**

Paul Smith

March 2014

Sarah Boden

March 2013

Alyson Lanning

May 2014

Rory O'Byrne

March 2013

Company Secretary

Irene Molyneux

March 2013

Sevenside Community Housing Limited

***Board Members and Executive Directors at 31 March
2015***

Board of Directors

Appointed

Resigned

Robin Pritchard

February 2008

Company Secretary

Peter Donovan

February 2008

Report of the Board

The Board presents its financial report and the Group audited financial statements for the year ending 31 March 2015.

Nature of Severnside's business

Severnside Housing (SH) is a Company Limited by guarantee formed through a transfer of social housing properties from Shrewsbury and Atcham Borough Council (SABC) in October 2001. Its principal activities are the management and development of affordable housing.

A Walters Electrical Contractors Limited is a wholly owned trading subsidiary of SH and provides electrical services to SH.

A Walters Electrical Limited is a wholly owned trading subsidiary of SH and provides electrical services to private and commercial clients other than Severnside.

Shrewsbury Homes for All is a Registered Charity which is a wholly owned trading subsidiary of SH and provides homeless prevention and housing advice services.

Severnside Community Association Limited is an Industrial and Provident Society and exempt charity which is a wholly owned trading subsidiary of SH and manages grants, SH Community Chest funding and donations.

Severnside Community Housing Limited is a private limited company which is a wholly owned non-trading subsidiary of SH.

Corporate Objectives

SH Board reviewed its corporate objectives in October 2014 following consultation with customers, staff, and other stakeholders responding to

- Fundamental shift in the economic operating environment
- Severnside's increasing financial capacity
- The ambitions of the subsidiaries
- Financial challenges that Welfare Reform imposes
- Political uncertainty

SH Corporate Objectives for 2014 -18 are:

- Customers – Providing excellent customer service
- Communities – Contributing to the development of sustainable, thriving communities
- Business – Financially strong with knowledgeable commercial and caring staff

SH Vision is "Excellent Homes in thriving communities"

SH Ambition is "To provide and maintain excellent homes, create opportunities and offer a range of services to build thriving local communities"

SH Values are:

Integrity: We will be honest, truthful and trustworthy with customers, partners and staff;

Accountable: We will be open, transparent and responsible in and for all our actions;

Fair: We will act in an ethical manner, embracing and celebrating diversity and ensuring probity

Respectful: We will treat customers, partners and staff with care and respect;

Effective: We will deliver creative and innovative solutions

Partnership: We will work with customers and partners in a professional, efficient and supportive way to achieve our objectives

Sevenside's Principal Activities and Aims

SH principal activities are the management and development of affordable housing.

SH principal aims include:

- To deliver excellent services customers want;
- To provide well maintained homes;
- To strengthen customer involvement and communication;
- To support the most vulnerable and isolated in our neighbourhoods;
- To help customers manage their finances and to understand and plan for the impact of welfare reform;
- To encourage and develop greater individual and community responsibility;
- To develop training skills and employment opportunities for Sevenside Customers;
- To ensure we operate in a manner that respects our environment and reflects Sevenside's values;
- To develop health and wellbeing initiatives that benefit local communities and staff
- To maximise income;
- To develop high quality business performance;
- To develop and acquire more homes;
- To ensure excellent governance;
- To have skilled and motivated staff who are engaged with our business and customers;
- To positively promote all members of the Sevenside Group;
- To demonstrate and continuously improve value for money;
- To grow the business of the Group.

Therefore the revised 2014-18 Corporate Plan –

- Explains Sevenside's purpose and ethos through our vision, ambition and values
- Sets out what we want to achieve through the strategic objectives
- Enables Sevenside to identify and further develop the partnerships and alliances needed to deliver community and business priorities
- Responds to changes being introduced through key national policy decisions
- Builds on the achievements and learning to date
- Enables us to plan our resources to deliver customer and business priorities
- Captures the commitment of Sevenside and its subsidiary companies to our customers,

their homes and our communities

- Ensures that every part of Severnside, our partners and stakeholders have a shared understanding of what we want to achieve and how we want to do it.

Business Review

Details of performance for the year and future plans are set out in the Strategic Review following the report of the Board.

Regulation

SH is registered with and regulated by the Regulation Committee of the Homes and Communities Agency (HCA). SH is required to comply with the HCA's Regulatory Framework.

The HCA monitors and reports on compliance with the Regulatory Framework economic standards namely:

- Governance and Financial Viability
- Rent
- Value for Money

The HCA regulatory judgement for Severnside in April 2014 confirmed that Severnside had maintained its compliance with the regulatory standards and gave Severnside gradings of G1 and V1, the highest grades, for Governance and Financial Viability. In respect of the Financial Viability assessment it was stated that: –

- The provider meets the requirements set out in Governance and Financial Viability standard of the Regulatory Framework in relation to financial viability.

Customers are actively involved in decision making through the Resident Senate and Customer Panel and part of their role is scrutinising and assessing performance against the HCA Regulatory Framework consumer standards namely:

- Tenant Involvement and Empowerment
- Home
- Tenancy
- Neighbourhood and Community

Details of these assessments and performance are included in the Annual Report to Customers.

The Resident Senate is made up of two Board directors and six customers. The Senate has responsibility for decision making, shaping service delivery and revising policy and procedures. It meets formally on a quarterly basis and informally more frequently.

SH provides a customer learning programme delivered annually to increase the skills of its customers to help with employment opportunities, during 2014-15 the learning programme delivered over 67 courses to 459 customers and stakeholders.

We robustly monitor complaints. During the year we received 55 complaints of which 3 of these were escalated to stage two, 1 further, to stage 3. At stage 3, the complaint was partially upheld and, in accordance with Severnside's customary practice, learning points were identified which Severnside has implemented to improve our service to customers.

NHF Code of Governance

SH has adopted the principal recommendations of the National Housing Federation (NHF) Code of Governance and Code of Conduct. Severnside reviews compliance against these Codes each year and confirms that it is compliant.

SH Employees

SH is committed to investing in employees to ensure SH is an association people want to work for and feel valued. This is evidenced by our Investors in People Gold Standard. The association's strength lies in the quality and commitment of all its employees to meet company objectives and customer expectations. Information is shared and staff are consulted through monthly briefings with the Chief Executive and at regular team meetings.

We recognise that the success of our business depends on the quality of our managers and staff. It is the policy of SH that training, career development and promotion opportunities be available to all employees.

In 2014/15 SH invested over £120k in staff training, over 150 training and development courses were run internally and a suite of e-learning packages developed and nearly 500 of these courses and assessments were completed. A number of professional qualifications were funded by SH and external courses and seminars are attended by staff when appropriate.

SH has an apprentice programme and in 2014/15 employed 8 apprentices and 5 with subsidiaries.

SH is committed to supporting the 3 recognised Trade Unions that are represented within SH and regularly meet and consult with them via the Joint Negotiating Consultative Committee (JNCC). Employees are also encouraged to contribute to the running of the business through staff conferences, working groups, comprehensive service reviews, corporate briefing sessions, one to one meetings, and team meetings and by developing their personal competencies through training and development.

The Chief Executive and Executive Team are employed on separate terms to other staff, their notice periods being six months. They are entitled to other benefits such as the provision of a car allowance and health care insurance.

Pension

All SH staff are given opportunity to participate in a Pension Scheme. The majority of SH Staff are members of the Shropshire Local Government Pension Scheme, a defined benefit (final salary) pension scheme which was closed to new entrants in March 2010. Effective from April 2010, all SH staff are entitled to join the Severnside Direct Contribution Scheme which in future will be the SH vehicle for pension auto-enrolment.

The Chief Executive and Executive Team are all members of the Shropshire Local Government Pension Scheme. They participate in the scheme on the same terms as all other eligible staff.

Corporate Governance

The Board Directors and Executive Directors of SH are set out on pages 4-5. The Board currently has 11 Directors including the SH Chief Executive. The Board Directors are drawn from a wide background bringing together professional, commercial and local knowledge and experience which is matched to the current needs of the business

During the year, the Board received a wide range of reports related to business activities, including reports from subsidiary Boards linked to providing effective oversight of their activities. In order to provide resources needed to match Corporate Plan objectives, in the early part of 2014/15, there was a particular emphasis on financial reporting and treasury management with a view to going to the market to obtain additional private placement loan funding, which funding was achieved.

Board Directors and Executive Directors attend regular in-house training events which address areas of specific interest related to current business activities identified by Directors, together with those related to developments in the external environment. In addition, all Directors are encouraged to attend outside events and seminars to enhance their experience and knowledge and to network with others to ensure SH proactively adapts to the changing environment and delivers good services to all customers.

On an annual basis, Board Directors participate in individual and whole Board appraisal exercises. In 2014/15, following the appointment of a new Chair and recruitment of Board Directors in 2013/14, a robust whole Board appraisal exercise was conducted by an independent provider. The collective results of the individual appraisals and the findings from the independent whole Board review, informed the Board action plan which has subsequently been consolidated into a revised Governance Improvement Plan. The delivery of the Governance Improvement Plan is overseen by the Nominations and Remuneration Committee.

Service contracts

All Board Directors, including those on subsidiary Boards, are issued with a contract for services and the remuneration level is reviewed not less than every three years to ensure that payment levels are proportionate given SH's size, complexity and resources and are in line with industry norms. The remuneration of Directors was reviewed in December 2012 and the Board is satisfied that Board remuneration remains appropriate. The fees paid to SH Directors are set out at pages 55-56.

Committees of the Board

The Board is served by two specialist committees that scrutinise and oversee the following areas of activity for both SH and its subsidiary companies:

- **Audit & Risk:** The Committee has four members and meets not less than four times a year. It is responsible for overseeing the effectiveness of the system of internal controls, agreeing the annual internal audit plan, monitoring its delivery and providing relevant reports to the SH Board and subsidiary company Boards, including reports on risk management arrangements.
- **Remuneration and Nominations:** The Committee has three members and meets not less than twice a year. It is responsible for overseeing and providing guidance on nominations to the Severnside Board, its Committees and to subsidiary company Boards and recommending appropriate remuneration levels. The Committee also agrees the remuneration of senior staff, making recommendations to the Board in respect of the remuneration of the Chief Executive.

Resident Senate

The Resident Senate currently has 8 members (one vacancy) and its role is to scrutinise performance, decision making, shaping service delivery and revising policy and procedures. The Resident Senate presents to the Board 'Green Papers' with recommendations for change and improvement. The Executive Team provides 'Management Comment' with regard to the recommendations that are made and to date, the Board has accepted all Senate recommendations for implementation.

Corporate Plan

The Board's 5 year Corporate Plan is delivered by the Chief Executive who is supported by the Resources Director, Neighbourhood and Community Services Director and the Asset Management Director.

Indemnity

Insurance policies indemnify Board Directors and officers against liability when acting on behalf of SH.

Subsidiary Boards

The SH Board is responsible for agreeing appointments to subsidiary Boards and has the right to remove Board Directors should the need arise.

Each A Walters subsidiary Board has five Directors comprising three non-executive and two executive Directors, namely the Chief Executive and Severnside Resources Director.

Shrewsbury Homes for All has 8 Trustees, SH has nominated two people to serve on the Board of Trustees of Shrewsbury Homes for All, the Neighbourhood and Community Service Director and the Head of Finance and Performance.

Sevenside Community Association Limited has four Directors, including the Sevenside Chief Executive.

Sevenside Community Housing Limited has one Director.

Equality and Diversity

SH is committed to equal opportunities. SH has a detailed Equality and Diversity Strategy and Action Plan. Equality Management Reviews or impact assessments are completed on all group Strategies and Policies to ensure that they comply with the Equality Act 2010 and do not discriminate against or disadvantage any of the protected groups.

SH conducts regular training for Board, Staff and Customers and was awarded by Stonewall the West Midlands “Most Improved Employer “ in 2014. Since this award Sevenside has further improved its position and moved up the Index achieving a position of 17/34 within sector.

Also during 2015 following an assessment process we were awarded the “Diversity Network Accreditation” from the Housing Diversity Network.

Health and Safety

Sevenside is committed to maintaining the health and safety of its employees and the public at large. Our in house workforce (Sevenside Housing Property Services) and our electrical contracting subsidiaries are accredited by the Contractors Health and Safety Assessment Scheme (CHAS) and SH has received a 5 star rating from the British Safety Council in November 2014.

Sevenside ensures that its managers and contractors are aware of their health and safety responsibilities whilst undertaking work and our Health and Safety Team supports line managers and contract administrators on a daily basis.

Each year our Audit and Risk Committee receives a report on landlord’s statutory compliance and our Board receives an annual report on Health and Safety. Staff are involved in safety issues through a formal Health and Safety Committee and through a Health and Safety Forum.

Risk Management

The process for identifying, evaluating and managing the significant risks faced by Sevenside is on-going and has been in place throughout the period commencing 1 April 2014 up to the date of approval of the report and financial statements.

As an integrated part of the agreed risk management framework, Sevenside maintains a key risk register. The Chief Executive reports to the Board on the management of key risks not less than on a quarterly basis. Further information on SH’s risk management arrangements can be found at page 26-28.

In 2014/15, in response to changes in the external environment and advisory comment to the housing sector from the sector regulator, the HCA, the SH Board reviewed its risk management

arrangements to ensure that these remain compliant with best practice both inside and outside the housing sector.

Sevenside is very aware of the potential financial impact of 2105 budget announcements on our future financial plans. As a result, we are in the process of reviewing our 40 year Financial Plan. Based on initial work undertaken, we are satisfied that Sevenside remains a “going concern”.

However, Sevenside will produce a new Financial Plan by 30 September 2015 encompassing the revised assumptions following the budget, with the required composite stress testing and recovery plan. This will be presented to the Board at the October 2015 meeting ready for the revised financial forecast submission to the HCA by the end of October 2015.

Internal Controls Assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable assurance against material misstatement or loss.

The report of the Internal Auditors shows that the overall conclusion from their work is that they are able to provide adequate assurance that Sevenside operates an effective internal control environment based on the areas they have audited in the year within the scope of those reviews.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for Committees and to the Chief Executive.
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks.
- Robust strategic and business planning processes, with detailed financial budgets and forecasts.
- Formal recruitment, retention, training and development policies for all staff.
- Established authorisation and appraisal procedures for significant new initiatives and commitments.
- A sophisticated approach to treasury management which is subject to external review each year.
- Regular reporting to the appropriate Committee on key business objectives, targets and outcomes.
- Board approved whistle-blowing and anti-theft and anti-bribery and corruption policies.
- Board approved fraud policies, covering prevention, detection and reporting, together with recoverability of assets.
- Regular monitoring of loan covenants and requirements for new loan facilities.
- Robust assurance framework to monitor corporate plan objectives

A fraud register is maintained and is reviewed by the Audit and Risk Committee on a quarterly basis.

The Board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the Audit and Risk Committee to regularly review the effectiveness of the system of internal control. The Board receives Audit and Risk Committee quarterly reports and meeting minutes. The Audit and Risk Committee has received the Executive team's annual review of the effectiveness of the system of internal control for Severnside, and the annual report of the internal auditor, and has reported its findings to the Board.

Statement of directors' responsibilities in respect of the Strategic Report, the Report of the Board and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Association and of the Group's and the Association's surplus or deficit 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 Association will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Association 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 Association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going Concern

After consideration of SH forward business plans and cash flows, and the application of the appropriate sensitivities, the Board has a reasonable expectation that SH has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and the financial statements are signed. For this reason, it continues to adopt the 'going concern' basis in the financial statements

Disclosure of information to Auditors

At the date of making this report, each of SH Directors as set out on page 4 confirm the following;

- So far as each director is aware, there is no relevant information needed by the Association's auditors in connection with preparing their report of which the Association's auditors are unaware, and
- Each director has taken all steps that ought to be taken as a Director in order to make themselves aware of any relevant information needed by the Association's auditors in connection with preparing their report; and to establish that the Association's auditors are aware of that information.

Annual general meeting

The annual general meeting will be held on 15th September 2015 at Severnside Housing, Brassey Road, Old Potts Way, Shrewsbury.

External auditors

KPMG LLP, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487 (2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

The report of the Board was approved by the Board on 21st July 2015 and signed on its behalf by:

Paul Smith
Chair

Strategic Report (incorporating Operating and Financial Review)

Background

Severnside is based on two sites in Shrewsbury, and is one of Shropshire's largest social landlords, with 5,389 (2014: 5,427) homes in Shrewsbury, Broseley, Wellington, Telford and the surrounding rural areas.

Its principal activities are the management and development of affordable housing. Severnside is actively developing new affordable homes to address housing needs in the local area, as well as investing in existing properties.

Severnside is a significant employer with 247 (2014: 244) FTE staff, including an in-house workforce of 68 (2014: 70) tradespeople who repair and maintain its properties; Severnside operates in both urban and rural environments.

The association is non-charitable and operates four key business streams:

- Housing for rent, primarily for those who are unable to rent or buy at open market rates;
- Supported housing and services for people who need additional housing-related support or additional care; and
- Low-cost home ownership, primarily shared ownership.
- Market rent

As well as managing 5,389 properties, Severnside develops new affordable housing and is a founding member of the S3 Partnership providing access to grant funding under the Homes and Communities Agency (HCA) Affordable Homes Programme (AHP).

During the year, Severnside developed 64 (2014: 7) general needs and 4 (2014: 1) shared ownership properties at a total scheme cost of £7.045m (2014: £0.82m) with £0.624m (2014: £0.71m) grant. In addition Severnside purchased off the shelf, 6 (2014: 0) general need and 9 (2014: 24) market rent properties at a total cost of £1.703m (2014: £3.5m).

However, Severnside's focus remains its social housing activities and these are expected to continue to constitute over 98% of Severnside's activities by turnover.

External Influences

The Government's benefit reforms have not yet had a material impact on our finances; most of our customers continue to pay their rent promptly, this is backed up by our arrears performance. However, further changes will come into operation over the year and we will continue to monitor the position very closely.

Stress testing our 40 year Financial Plan will demonstrate the challenges of the summer 2015 budget for social landlords especially the reductions in rental income over the next four years.

Business and financial review

The Board is pleased to report for the year ending 31 March 2015 Severnside's turnover was £26.549m (2014: £25.250m) and a surplus for the year of £1.060m (2014: £1.143m) in what has been a challenging year. We have continued to invest in both our existing housing stock and undertake a series of new developments, for both social and affordable rent, shared ownership and market rent.

Principal accounting policies, approved by SH Board are set out on pages 39 to 42 of the Financial Statements. There were no significant changes to accounting policies in the current year.

Severnside's three year income and expenditure accounts and balance sheets are summarised below:-

Table 1 – Severnside (Association only) highlights, three year summary

<i>For the year ended 31 March</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>
<u>Income and Expenditure account</u>			
Total Turnover	26,549	25,250	23,734
Operating Surplus	7,451	6,557	6,196
Surplus for the year transferred to reserves	1,060	1,143	829
<u>Balance Sheet</u>			
Intangible assets	117	233	350
Housing properties, net of depreciation	136,966	125,163	118,979
Social housing grant and other grants	(12,882)	(11,226)	(10,242)
Other tangible assets	4,165	4,247	1,308
Net current assets/(liabilities)	746	(8,207)	(2,732)
Total assets less current liabilities	129,162	110,210	107,663
Loan (due over one year)	(118,546)	(100,853)	(99,853)
RCGF	0	0	(32)
FRS17 Liability	(11,368)	(7,285)	(11,537)
Net Assets/(Liabilities)	(1,022)	2,072	(3,759)
Revenue Reserves	10,616	9,357	7,778
Pension Reserves	(11,368)	(7,285)	(11,537)
Surplus/(Deficit)	(1,022)	2,072	(3,759)

<i>Housing properties owned at year end</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
Social Housing	5,325	5,372	5,373
Non Social Housing	64	55	37
No of development units completed	83	43	51

<i>Statistics (Association only)</i>	<i>2015</i>	<i>2014</i>	<i>2013</i>
Operating Surplus for the year as % turnover	28.1	26.0	26.1
Operating Surplus for the year as % income from	28.7	27.7	27.8
Social Housing lettings			
Rent arrears at year-end	£663k	£561k	£672k
Rent arrears as % of debit	0.80%	0.72%	1.50%
Rental income collection / rental income due	100.7%	101.3%	100.1%
Asset cover ratio*	1.28	1.51	1.47
EBITDAMRI**	1.31	n/a	n/a
Emergency repairs within target (24 hours)	99.9%	99.8%	99.7%
Urgent repairs within target (7 days)	98.7%	99.2%	99.1%
Routine repairs within target (31 days)	98.2%	98.5%	98.9%
Decent homes compliant	100%	100%	100%
SAP (Standard Assessment Procedure) rating	73.11	72.27	67.21
Procurement efficiency savings achieved	6.1%	4.8%	4.4%
% of dwellings with gas safety certificate	100%	100%	100%
Overall satisfaction with services***	88%	88%	88%
% Customer satisfaction with neighbourhood	85	86%	86%
% Staff satisfaction	80%	n/a	77%
% working days lost due to sickness	4.85%	5.0%	4.9%

*Calculated as total asset value / total loan value

**Specific loan covenant stipulated by finance provider

***Results obtained from STAR survey (Survey of Tenants and Residents)

Value for money (VFM)

Value for Money (VFM) has always been a key dimension in delivering housing services but the current economic climate makes it even more important that landlords like Severnside adopt a comprehensive and strategic approach to getting the most from the resources they have. From April 2013 Severnside – like other Registered Providers of Social Housing (RP's) – has been required to carry out a robust self-assessment indicating how well we meet the Homes and Communities Agency (HCA) standard on Value for Money and how wisely we spend the money our customers pay to us through their rents and service charges. The challenges of the summer 2015 budget for a social landlord make VFM a key process to provide a solution to the reductions in rental income that we face over the next four years.

The Board considers Value for Money to be a key area for Severnside and its customers and is committed to securing year on year improvements in this area. This commitment is reflected in our Corporate Plan with a specific objective to demonstrate and continuously improve value for money across the organisation. The Board has taken an active role in the development of our Value for Money Strategy and Self-Assessments over the past three years. Members of the Audit and Risk Committee have worked closely with Executive Directors and the strategy and self-assessments reflect our discussions on what Value for Money means for Severnside and our customers.

Our first two self-assessments have been well received by the Homes and Communities Agency who have confirmed that Severnside meets the Value for Money Standard. In preparing this third self-assessment, the Board and the Executive Team have reviewed the association's progress against the objectives it set last year.

How do our costs compare?

One way of looking at our costs and comparing them against other organisations is to calculate the cost per property of various activities undertaken. This ensures – as much as possible – that a like for like comparison is being made across different landlords. The Housemark benchmarking service calculates costs in this way and once this has been done it is possible to see which landlords are performing best (those in the Top Quartile) and those that are performing least well (those in the Bottom Quartile).

Severnside's costs and performance in key front line service areas were compared with all Housemark benchmarking participants (Comparator Organisations 2012/13 – 402; 2013/14 – 376, This indicated that most of our service areas are performing quite well with the exception of Anti-Social Behaviour and Lettings and some are low cost including response and void repairs, tenancy and estate services

We also benchmark our costs and performance with landlords in the Central Region of England and Wales. In comparison with other landlords who benchmark their costs using Housemark, Severnside has above average costs of housing management and central overheads but lower

than average costs of responsive / void works and major works / investment together with low costs of Estate Services.

How have our costs changed over time?

Direct Cost Per Unit in Management	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	Increase in Cost per Property 2009/10-2014/15	% increase in Cost per Property 2009/10-2014/15
Housing Management	<u>238.14</u>	<u>270.77</u>	<u>291.98</u>	<u>269.98</u>	<u>272.36</u>	<u>255.28</u>	<u>+17.14</u>	<u>+7.19%</u>
Routine & Void Maintenance (A)	572.72	550.72	478.06	565.81	557.93	492.96	-79.76	-13.92%
Planned Works & Cyclical Maintenance (B)	1209.58	1184.05	1231.03	1215.98	1340.00	1406.06	+196.48	+16.24%
Repairs and Investment Combined (A+B)	<u>1782.3</u>	<u>1734.77</u>	<u>1709.09</u>	<u>1781.79</u>	<u>1897.93</u>	<u>1899.02</u>	<u>+116.72</u>	<u>+6.54%</u>
Support Services / Overheads	<u>607.98</u>	<u>668.92</u>	<u>679.21</u>	<u>708.66</u>	<u>733.35</u>	<u>767.06</u>	<u>+159.08</u>	<u>+26.16</u>
No of Units in Management	5329	5355	5373	5410	5427	5289	-	-

The table above shows that some of our costs have increased significantly over time – especially support services / overheads where the increase has outstripped inflation. Direct costs of housing management, repairs and maintenance have increased but allowing for inflation (of 17% since March 2010), these costs have fallen in real terms.

Overheads have increased because of the following factors:

Pay & Pension increases – over the past six years Severnside has awarded an average of 1.25% in annual pay increases following negotiations with staff trade unions. The pay bill for back office staff has therefore increased as a consequence.

Planned growth – we have consciously expanded the size of our Health and Safety Team from one Manager to a team of three with an additional Health and Safety Officer and a team Administrator. This reflects our recognition of the need for additional investment in this critical area as a consequence of an increasingly large Development Programme, our acquisition of subsidiaries and a wish to increase our performance in this area. Although costs have increased Severnside now has a 5 Star Health and Safety rating from the British Safety Council. We have also established a Facilities Team to oversee the management of our offices and communal meeting

rooms in Sheltered Housing. The team of three staff is responsible for two main offices including the Brassey Road main office which also houses a commercial tenant. The Facilities team is currently overseeing our in house cleaners which were 'in-sourced' to provide a more flexible and responsive cleaning services and to save money. This service is operational from April 2015.

Our HR Team has also grown from a Head of Service and three staff to a Head of Service and seven staff. We have increased HR support to front line managers and have created a dedicated Training Officer post and in 2014/15 we engaged temporary support to update our HR policies and procedures. Our Head of HR now oversees Marketing and Communications and envisages that the number of HR staff will reduce in time. Severnside has also developed an Apprenticeship Programme over the last three years and the costs of office based apprentices are now included in the HR overhead

Other cost increases – the cost of IT software licences has significantly increased over the past six years and we will be undertaking a review of this area in 2015/16. Costs of telephone and data services have also increased and we will be re procuring both mobile and fixed line telephone services in the coming year.

The costs associated with Corporate Governance have increased by the largest amount in the past six years. In this period we have established a new Residents Senate and continue to pay Board Members, however this increase requires further review and this will be undertaken in 2015/16.

Value for Money and Customer Satisfaction

Value for Money is not just about costs and we also need to take account of quality and customer satisfaction when assessing our performance. To understand what our customers think about the services we provide, Severnside participates in a biannual survey of tenant satisfaction via STATUS / STAR, the 2014 survey indicating that:

Taking everything into account, 88% of customers are satisfied with the service provided by Severnside Housing, slightly above the level of satisfaction expressed by Shropshire Housing Group (SHG) customers (87%) and Shropshire Council Landlord Services customers (82%).

The Board was reassured to see that in the 2014 STAR survey, our customers have given Severnside some positive feedback about value for money. More than four out of five customers consider the rent they pay to be good value for money (84%) and three-quarters are satisfied with the value for money of their service charge (76%).

In addition to the STAR survey we undertake on-going customer satisfaction surveys, particularly within our Asset Management service. These indicate that in 2014/15

- 83% of customers were satisfied or very satisfied with the way in which their last gas repair was handled
- 87% of customers were satisfied or very satisfied with the way in which their last electrical repair was handled

- 93.4% of customers were satisfied or very satisfied with Planned Works and Major Adaptations carried out by Severnside – a small increase compared with 92% satisfaction in 2013/14.

New Development and Active Asset Management

Every year the savings we make through careful management of our budgets and through efficient procurement are used to help us develop new homes. Last year we built or acquired 83 properties. Our Development Programme has added 446 properties to the housing stock in Shropshire since 2001. This has helped to counter the impact of the Right to Buy which has resulted in 21 properties being sold to sitting Severnside tenants in 2014/15.

Severnside has also taken steps to address the problem of lack of demand for some of our less popular sheltered housing schemes. We will complete work on the redevelopment of the Heaths Houses sheltered housing scheme in 2015/16 and we have started to look at other less popular sheltered schemes as well.

We have also taken the decision to sell individual properties where the costs of repairs are high or where there is no demand from customers wishing to rent properties from us. In the past year we have:

- Completed the process of re-developing the Chapel Close sheltered housing scheme which has replaced 18 unpopular bedsit bungalows with 6 houses and 12 bungalows.
- Completed the refurbishment of six flats at Connynger Crescent formerly leased to Shropshire Council as temporary accommodation and have brought them back into use as permanent homes.
- Started work to redevelop an unpopular garage site at Bell Lane and use the land to build 4 new homes. This work should be completed in mid-2015.
- Gained planning permission and Social Housing Grant to enable us to redevelop a poorly utilised Sheltered Housing meeting room and linked Scheme Managers home at New Park Close to provide three bungalows.

In addition to the above, Severnside has refreshed the work involving an assessment of the financial performance of our properties by comparing the future rental income for each property with its projected costs of maintenance. Where anticipated rental income exceeds maintenance and reinvestment costs over the next thirty years, there is a positive Net Present Value. Where costs exceed income there is a negative Net Present Value. This work, initially undertaken by Savills in 2012, was updated in 2014 to reflect work completed on the housing stock over the past few years.

At Severnside, Net Present Value is still positive for all bar three asset groups – two sheltered housing schemes and 66 medium rise flats in Meole Brace. We have reviewed the expenditure profile for all three asset groups and have decided that for one sheltered scheme, all significant

future investment decisions will be reviewed by the Executive Team as the scheme does not have a long term future. We have reviewed the timing of the investment in the Meole Brace flats and have decided that as major investment is not timetabled until after the next stock condition survey in 2015 decisions on refurbishment / demolition / redevelopment will be taken in the light of the next stock survey later this year.

Non Traditional Assets

In addition to our traditional 'bricks and mortar' assets Severnside has some non- traditional assets which benefit the company and the communities we work in. These include:

Shrewsbury Homes For All (SHFA) – a small charity that is now a member of the Severnside Group. In 2014/15 SHFA provided one to one support to 192 clients and gave advice to a further 687 visitors to the Charity's office. The one to one support is focussed on obtaining or maintaining accommodation and support in accessing training. The services SHFA provide indirectly benefit Severnside and other registered providers by maximising the use of the private rented sector and by minimising the effects of homelessness.

The Digital Den had just over 5,200 visitors to Digital Den in the second year of operation with over 200 hours training delivered to 745 customers.

Value for Money through Effective Procurement

Severnside's 2014-18 Corporate Plan sets out the company's high level objectives for the next 5 years and guides staff at all levels of the organisation. We have detailed strategies covering Asset Management, Neighbourhood Management, Development, Procurement and the Environment together with a range of policies which guide staff on a day to day basis. For procurement decisions, staff at all levels are required to abide by the Procurement Strategy and Procurement Policy which explain how price and quality are to be considered when goods and services are being purchased. In addition to the above, Severnside has adopted a Project Management Framework to help staff identify costs and benefits of proposals which could involve the use of staffing and other resources.

To provide further support to staff who are making decisions we have also adopted some Value for Money Principles. These explicitly recognise that in identifying outcomes, we recognise that there are competing demands from customers, stakeholders, partners and from our own business. Severnside will seek to balance these competing areas when taking decisions.

How Severnside has used its Savings and Efficiency Gains

Details of our achievements in relation to value for money are provided in the full version of our VFM Self Assessment. This groups our successes under the headings in our new Corporate Plan showing how our achievements link to our corporate objectives. In 2014/15 we made savings of around £2.9m against our budget which exceeded the £1.8m of savings in 2013/14. Most of these savings were used to reduce outstanding loan balances which support our 40 year financial plan and our development programme.

We have used some of our corporate savings in both 2013/14 and 2014/15 to fund the creation of three business apprentices that operate across the company. Surpluses from our electrical subsidiaries have been retained to enable them to re-invest in apprentices, additional staff and equipment including new vehicles.

Savings in the Asset Management Programme have also been used to fund:

- the creation of four trade apprentices and an advanced apprentice (Trainee Building Surveyor)
- A pilot installation of solar photovoltaic panels on one of our domestic properties.
- improvements that customers have prioritised including the provision of a second tranche of Carbon Monoxide alarms to our customers, and the complete refurbishment of six properties at Connynger Crescent.

The complete version of this year's VFM Self-Assessment and our VFM Strategy are available via the Severnside website... <http://www.severnsidehousing.co.uk/main.cfm?type=VALUEFORMONEY> and copies can also be obtained from our main office reception.

Highlights and Achievements

SH has continued to invest significant time and energy into ensuring that SH is a well-managed business that is fit for the future. Achievements during the year include:

- A published document showing a programme of improvements for customers' homes
- The Affordable Warmth Strategy was delivered
- The lettable standard for all tenure types achieved
- Actively involved customers has increased to over 5%
- Reduced Anti-Social Behaviour and crime where Neighbourhood agreements are in place
- A second digital den opened in Castlefields
- Top quartile rent arrears performance at 0.8%
- STAR survey of tenants showing 88% satisfaction with landlord services.
- SH auto enrolment agreed
- £35m Private Placement delivered to provide more homes
- 5 star British Safety Council accreditation achieved
- Investors in People Gold re-accreditation achieved
- 100% of all development grant applied for was received
- G1/V1 HCA rating maintained
- The 2014-15 Staff Survey was undertaken, showing 80% satisfaction
- Sickness levels reduced to 9.6 days per employee for the year ended 31 December 2014
- A survey of our stakeholders was completed
- Our Group Taxation Strategy was delivered
- A new Market Rent Strategy was developed

Risks and uncertainties

Risks that may prevent SH achieving its objectives are considered and reviewed monthly by the Executive Team and regularly reviewed by the Board. The risks are recorded and assessed in terms of their impact and probability through the use of the SH risk matrix. Major risks, presenting the greatest threats to Severnside, are reported to the Board quarterly together with action taken to manage the risks, including assessment of key controls and the outcome of the action. The major risks to successful achievement of business objectives going forward are considered below:-

Key risks	Action being taken
<p>Welfare Benefit Reform Act</p> <p>Welfare Benefit Reform – Impact on arrears due to the introduction of Universal Credit</p> <p>Welfare Benefit Reform – Impact on arrears, due to the introduction of direct payments</p>	<ul style="list-style-type: none"> • Monitoring rental arrears and working closely with tenants to recover these on a timely basis • Monitor direct benefit environment • Deliver financial inclusion strategy • Agreed HB service level agreements • Anti-poverty strategy • Monitoring regulatory and legislative changes • Closer working with Credit Union • Identify under occupied property
<p>Increase in Pension Contributions</p> <p>Increase in pension contributions as a result of revised valuation above budget</p>	<ul style="list-style-type: none"> • Full Pension Review in line with the Actuarial Review SC LGPS
<p>Health & Safety</p> <p>Non-compliance with fire safety regulations</p> <p>Breach of Health and Safety legislation leading to enforcement action</p> <p>Non-compliance with working at height legislation</p> <p>Non-compliance with Asbestos Regulations</p> <p>Health and Safety arrangements for subsidiaries</p>	<ul style="list-style-type: none"> • Statement of arrangements • Risk assessments • Training • Policy & Procedures • Information to tenants • Working groups • BSC Audit • Manuals • Inductions • Investigations • H&S Committee • BSC Audit
<p>Development</p> <p>Failure to deliver the Development Business Plan and Strategy</p> <p>Failure to deliver development schemes within budget and timescales</p>	<ul style="list-style-type: none"> • Creation of Development Pipeline • Strategic review of Local Plan sites • Development Strategy action plan • Development Group Meetings

Failure to meet shared ownership sales targets

Treasury

Funders covenants not met

Future rent increases does not meet business plan assumptions

Increased RTB discounts lead to possible loss of income due to sale of stock

- Regular meetings with funders
- Regular external and internal audits
- Regular cash flow and covenant forecasts
- Yearly funding valuations
- Quarterly business review meetings
- Monitoring of government policy changes

Stress testing and mitigation measures

During 2014-15 Severnside implemented a stress testing model; this was populated from an organisation stress map which included mitigations put together by the Board and the Executive Team. All new strategies and projects are tested within this model before presentation to the board and committees.

Capital Structure and Treasury Management

The following paragraphs highlight the key features of SH financial position as at 31 March 2015.

At 31 March 2015 SH managed 5,389 (2014: 5,427) housing properties. These properties are shown in the balance sheet at cost (after depreciation and Social Housing Grant received in respect of these properties) at £124.134m (2014: £113.937m). During the year there were 83 additions (2014: 43) to housing properties of £8.8m (2014: £4.3m) and 22 sales (2014: 21) producing a net surplus of £325k (2014: £243k) mainly under the right to buy scheme.

During the year, the properties were valued by professional valuers and as at 31st March 2015 the valuation on an existing use for social housing basis was £175m.

During the year, the borrowings were increased by £12.7m. At the year-end borrowings amounted to £118.599m with the following repayment profile:

Maturity	2015 £000's	2014 £000s
Within one year	53	5,000
Between one and two years	55	10,000
Between two and five years	182	0
After five years	118,309	90,853
Total	118,599	105,853

SH borrows funds from Nationwide Building Society, Canada Life and Shropshire Council at both fixed and floating rates of interest. The treasury management policy provides for hedging a significant proportion of the loan against interest rate increases by use of long term rates of interest within the £140m facility. As at the 31st March 2015 £108,599k (2014: £76,500k) of the total debt was on fixed rates. The rates of interest (excluding margin) on the loan range between 3.09% and 5.45% and the average rate on all funds borrowed at the end of the year was 5.49% including margin (2014: 4.85%).

The net cash inflow after returns on investment and servicing of finance of the Group was £6,026k (2014: £5,019k), with nil taxation paid (2014: £40k), £14,235k (2014: £11,394) of capital expenditure, and nil (2014: £620k) cash balances acquired from new subsidiaries, resulting in a net outflow before financing of £8,209k (2014: £5,795k). Loan drawdowns of £12,746k (2014: £6,000k) were made during the year against a forecast of £21,389k

Cash inflows and outflows during the year are shown in the consolidated cash flow statement on page 38.

SH has access to a £10 million Loan Facility from Shropshire Council, currently £2.28m of this Affordable Housing and Shared Office facility has been drawn.

Refinancing

SH has refinanced its loan portfolio, by increasing its loan facilities from £120m to £140m. This has achieved long term fixed funding during 2014-15 of £35m from Canada Life, while the remainder is funded by the Nationwide Building Society £15m up to 2021, £70m up to 2040 and £20m up to 2045.

Statement of Compliance

In preparing the Operating and Financial Review, the Board has followed the principles set out in SORP (Statement of Recommended Practice) 2010.

Signed on behalf of the Board of Directors on 21st July 2015 by:

Paul Smith
Chair

Rory O'Byrne
Vice Chair

Irene Molyneux
Company Secretary

Independent auditor's report to the members of Severnside Housing

We have audited the group and company financial statements of Severnside Housing for the year ended 31 March 2015 set out on pages 32-70. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with section 128 of the Housing and Regeneration Act 2008 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Responsibilities of the Board set out on page 16, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Group and the Association as at 31 March 2015 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Harry Mears (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Snowhill

Snow Hill Queensway

Birmingham B4 6GH

Consolidated Income and Expenditure Account

For the year ended 31 March 2015

	<i>Notes</i>	2015 £000's	2014 £000's
Turnover	2	27,194	25,895
Less: Operating costs	2	(19,620)	(18,858)
Operating surplus		7,574	7,037
Surplus on sale of housing properties	3	325	243
Interest receivable and other income		39	20
Interest payable and similar charges	4	(6,442)	(5,205)
Other Financing Costs	5	(306)	(464)
		(6,384)	(5,406)
Surplus on ordinary activities before taxation	6	1,190	1,631
Tax charge on surplus on ordinary activities	7	-	-
Surplus for the year		1,190	1,631

The Group's turnover and operating surplus all relate to continuing operations.

The notes, detailing items in the financial statements are included on pages 39 to 70.

Historical costs, surplus and deficits are identical to that shown in the financial statements.

Consolidated Statement of Total Recognised Surpluses and Deficits

For the year ended 31 March 2015

	<i>Notes</i>	2015 £000's	2014 £000's
Surplus for the financial year		1,190	1,631
Net gains/(loss) for actuarial pension fund liability	24	(4,353)	4,252
FRS 17 transfer		198	438
Total surpluses and deficits recognised since last annual report		(2,965)	6,321

Association Income and Expenditure Account

For the year ended 31 March 2015

	<i>Notes</i>	2015 £000's	2014 £000's
Turnover	2	26,549	25,250
Less: Operating costs	2	(19,098)	(18,693)
Operating surplus		7,451	6,557
Surplus on sale of housing properties	3	325	243
Interest receivable and other income		32	12
Interest payable and similar charges	4	(6,442)	(5,205)
Other Financing Costs	5	(306)	(464)
		(6,391)	(5,414)
Surplus on ordinary activities before taxation	6	1,060	1,143
Tax charge on surplus on ordinary activities	7	-	-
Surplus for the year		1,060	1,143

The Association's turnover and operating surplus all relate to continuing operations.

The notes, detailing items in the financial statements are included on pages 39 to 70.

Historical costs, surplus and deficits are identical to that shown in the financial statements.

Association Statement of Total Recognised Surpluses and Deficits

For the year ended 31 March 2015

	<i>Notes</i>	2015 £000's	2014 £000's
Surplus for the financial year		1,060	1,143
Gains/(Loss) for Actuarial pension fund liability, net	24	(4,353)	4,252
FRS 17 Transfer		198	438
Other gains & losses, net		1	(2)
Total surpluses and deficits recognised since last annual report		(3,094)	5,831

Consolidated Balance sheet as at 31 March 2015

	Notes	2015 £000's	2014 £000's
Intangible Fixed Assets	9	117	233
Tangible Fixed assets			
Housing properties - cost less depreciation - less social housing grant	10	136,966 (12,832) 124,134	125,163 (11,226) 113,937
Other Tangible Assets	11	4,305	4,294
Total fixed assets		128,556	118,464
Current assets			
Stocks	12	574	438
Debtors	13	796	1,315
Cash at bank and in hand		5,084	447
Investment		-	100
Debtors: amounts falling due within one year	14	(5,205)	(10,063)
Net current assets/(liabilities)		1,249	(7,763)
Total assets less current liabilities		129,805	110,701
Debtors: amounts falling due after more than one year	15	(118,570)	(100,854)
FRS17 Pension liability, net	24	(11,638)	(7,285)
Net assets/(liabilities)		(403)	2,562
Reserves			
Revenue	17	11,235	9,847
Pension	17	(11,638)	(7,285)
Total reserves		(403)	2,562

Signed on behalf of the Board of Directors on 21st July 2015 by:

Paul Smith
Chair

Rory O'Byrne
Vice Chair

Irene Molyneux
Company Secretary

Association Balance sheet *as at 31 March 2015*

	Notes	2015 £000's	2014 £000's
Intangible Fixed Assets	9	117	233
Tangible Fixed assets			
Housing properties - cost less depreciation - less social housing grant	10	136,966 (12,832) 124,134	125,163 (11,226) 113,937
Other Tangible Assets	11	4,165	4,247
Total fixed assets		128,416	118,417
Current assets			
Stocks	12	500	383
Debtors	13	732	1,280
Cash at bank and in hand		4,415	50
Investment in Subsidiaries		200	200
		5,847	1,913
Creditors: amounts falling due within one year	14	(5,101)	(10,120)
Net current assets/(liabilities)		746	(8,207)
Total assets less current liabilities		129,162	110,210
Creditors: amounts falling due after more than one year	15	(118,546)	(100,853)
FRS17 Pension liability, net	24	(11,638)	(7,285)
Net assets/(liabilities)		(1,022)	2,072
Reserves			
Revenue	17	10,616	9,357
Pension	17	(11,638)	(7,285)
Total reserves		(1,022)	2,072

Signed on behalf of the Board of Directors on 21st July 2015 by:

Paul Smith
Chair

R O'Byrne
Vice Chair

Irene Molyneux
Company Secretary

Consolidated Cash flow statement

For the year ended 31 March 2015

	<i>Notes</i>	2015 £000's	2014 £000's
Net cash inflow from operating activities	18	12,428	10,204
Returns on investments and servicing of finance	19	(6,402)	(5,185)
Taxation		-	(40)
Capital expenditure and financial investment	19	(14,235)	(11,394)
Acquisitions of subsidiaries	19	-	620
Net Cash outflow from Operating and Capital activities		(8,209)	(5,795)
Financing	19	12,746	6,000
Increase/(Decrease) in cash	21	4,537	205

Notes to the financial statements

1a Basis of accounting

The financial statements have been prepared under the historical cost convention, in accordance with United Kingdom generally accepted accounting practice and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2010 (SORP).

The financial statements are group statements and consolidate the results of Severnside Housing and its subsidiaries A. Walters Electrical Contractors Ltd (AWEC), A Walters Electrical Ltd (AWE), Shrewsbury Homes for All (SHFA) and Severnside Community Association (SCA).

AWEC & AWE are private companies limited by shares, their share capital is wholly-owned by Severnside. SHFA is a company limited by guarantee and a charity registered with the Charities Commission. SCA is an England and Wales Industrial and Provident Society registered with the Financial Conduct Authority. Severnside has control of both SHFA and SCA via step in rights and power to appoint and remove Board members if appropriate.

The directors have prepared trading and cash flow forecasts for the group. These forecasts show that the group has sufficient financial resources to meet its obligations as they fall due from the date that these financial statements were approved.

Accordingly, after considering the forecast, appropriate sensitivities, current trading and available facilities, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and have concluded that the going concern basis of preparation is appropriate to enable the group to continue trading for at least one year from the date of signing these financial statements.

1b Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Turnover

Turnover represents rental and service charge income and amounts invoiced in respect of the provision of other services.

Supporting People

Supporting People income is recognised in the accounts and matched to expenditure as services are provided.

Goodwill

Goodwill arising from the purchase of AWEC represents the difference between the consideration paid and the fair value of the net assets acquired. Goodwill is being amortised over 3 years based on forecasted business plan profits of AWEC.

Housing properties

Housing properties are stated at cost less Social Housing Grant and any applicable depreciation. Completed housing properties have been split between their land and structure costs and a specific set of major components that require periodic replacement.

Refurbishment or replacement of such a component is capitalised and then depreciated over the estimated useful life of the component at the following rates:

Properties (Structure)	50-120 years
Kitchens	20 years
Bathrooms	30 years
Central Heating	15 years
Doors	30 years
Windows	30 years
Electrical Rewire	30 years
Solar Panels	30 years
Lifts	30 years
Roofs	70 years

Cost includes the cost of acquiring land and buildings, development costs and interest charges during the development period.

Direct costs relating to development activities are capitalised and all other works to existing properties are charged to income and expenditure.

Shared ownership properties and assets held for sale

Under shared ownership arrangements the occupier has the right to purchase proportions at the current valuation up to 100%. Proceeds of sale of first tranches of equity are recognised in turnover with the attributable costs included in cost of sales.

Subsequent tranches sold ('staircasing') are accounted for as disposals of housing properties, as noted above. First tranches awaiting sale are recognised within current assets on the Balance Sheet.

Investment

Investments are stated at cost less any provision for impairment.

Impairment

Fixed Assets that are considered to be permanently impaired are written down to their recoverable amounts.

Social Housing Grant (SHG)

Grants for capital expenditure are deducted from the cost of the fixed assets to which they relate as they become receivable. SHG may be recycled or repaid under certain circumstances, primarily

following sale of a property but will normally be restricted to net proceeds of sale. Grants for revenue expenditure are credited to the income and expenditure account as they become receivable.

Taxation

The charge for taxation is based on the surplus/deficit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Value Added Tax

Sevenside Housing is VAT registered but a large proportion of its income, rents, is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure is shown inclusive of VAT as VAT recovered is a minimal amount. Input tax recovered is deducted from operating costs.

Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets on a straight line basis over their estimated useful lives. The following depreciation rates have been used:

Properties	50 -120 years
Fixtures and fittings	33% per annum
Fixtures and fittings (solar panels only)	30 years
Plant & Equipment	33% per annum
Computer equipment and software	33% per annum
Motor vehicles	33% per annum

Stocks

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

Operating leases

Rentals payable under operating leases are charged on a straight line basis over the term of the lease.

Interest and finance costs

Interest and finance costs on borrowings, after deduction of interest on SHG received in advance, are capitalised to the extent that they are deemed to be financing the development programme. All other interest is charged to the income and expenditure account in the year in which it is incurred.

In accordance with FRS 4, issue costs incurred on the raising of loan finance are netted off against the loan balances and released to the income & expenditure account over the life of the loan.

Pension costs

Sevenside participates in the Local Government Pension Scheme (LGPS). The scheme is a defined benefit pension scheme based on final pensionable salary. The assets of the scheme are held separately from those of the association in an independently administered fund.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and, in the statement of recognised gains and losses, actuarial gains and losses.

The pension reserve represents the impact of actuarial gains and/or losses, less tax, which have been accounted for in the statement of total recognised gains and losses.

There is an element of estimation uncertainty relating to the valuation of the scheme and Sevenside places reliance on the work of actuaries for this disclosure.

Under the requirements of FRS17, the association discloses further information on assets and liabilities on a market value basis at the end of the accounting period.

Lessor accounting

Payments received from the lessee are treated as rental revenue on the income and expenditure account and the association is accounting for the leased asset as a fixed asset on the balance sheet.

Transactions between Group Entities

The Association is exempt from the requirement of Financial Reporting Standard 8 'Related Party Disclosures' to disclose transactions between Group undertakings as all companies are controlled and managed by Governing Bodies and an Executive Board of Management of the Parent Company.

2 Turnover and operating costs – 2015 Group

	Turnover	Operating costs	Operating surplus
	£000's	£000's	£000's
Income and expenditure from lettings			
General Needs Housing	18,445	(15,071)	3,374
Garages	335	(1)	334
Supported Housing	5,654	(2,619)	3,035
Shared Ownership	95	(32)	63
Social housing lettings	24,529	(17,723)	6,806
Other Social Housing activities			
Supporting People	1,069	(840)	229
Leaseholders	26	(21)	5
Sale of first Tranche - LCHO	332	(253)	79
	1,427	(1,114)	313
Total Social Housing Lettings	25,956	(18,837)	7,119
Non Social Housing Lettings			
Shops	44	-	44
Market Rent	549	(192)	357
Commercial Sales	527	(462)	65
Charitable Activity	94	(129)	(35)
Donations Received	24	-	24
Total Non Social Housing Lettings	1,238	(783)	455
Total Turnover & Operating Costs	27,194	(19,620)	7,574

2 Turnover and operating costs – 2015 Association

	Turnover	Operating costs	Operating surplus
	£000's	£000's	£000's
Income and expenditure from lettings			
General Needs Housing	18,445	(15,139)	3,306
Garages	335	(1)	334
Supported Housing	5,654	(2,618)	3,036
Shared Ownership	95	(34)	61
Social housing lettings	24,529	(17,792)	6,737
Other Social Housing activities			
Supporting People	1,069	(840)	229
Leaseholders	26	(21)	5
Sale of first Tranche - LCHO	332	(253)	79
	1,427	(1,114)	313
Total Social Housing Lettings	25,956	(18,906)	7,050
Non Social Housing Lettings			
Shops	44	-	44
Market Rent	549	(192)	357
Total Non Social Housing Lettings	593	(192)	401
Total Turnover & Operating Costs	26,549	(19,098)	7,451

2 Turnover and operating costs - 2014

Group	Turnover	Operating costs	Operating surplus
	£000's	£000's	£000's
Income and expenditure from lettings			
General Needs Housing	17,794	(14,487)	3,307
Garages	337	(5)	332
Supported Housing	5,488	(2,487)	3,001
Shared Ownership	22	(22)	-
Social housing lettings	23,641	(17,001)	6,640
Other Social Housing activities			
Supporting People	1,097	(875)	222
Leaseholders	29	(24)	5
Sale of first Tranche - LCHO	228	(202)	26
	1,354	(1,101)	253
Total Social Housing Lettings	24,995	(18,102)	6,893
Non Social Housing Lettings			
Shops	50	-	50
Market Rent	205	(144)	61
Commercial Sales	519	(469)	50
Charitable Activity	89	(143)	(54)
Donations Received	37	-	37
Total Non Social Housing Lettings	900	(756)	144
Total Turnover & Operating Costs	25,895	(18,858)	7,037

2 Turnover and operating costs - 2014

Association	Turnover	Operating costs	Operating surplus
	£000's	£000's	£000's
Income and expenditure from lettings			
General Needs Housing	17,794	(14,935)	2,859
Garages	337	(5)	332
Supported Housing	5,488	(2,487)	3,001
Shared Ownership	22	(21)	1
Social housing lettings	23,641	(17,448)	6,193
Other Social Housing activities			
Supporting People	1,097	(875)	222
Leaseholders	29	(24)	5
Sale of first Tranche - LCHO	228	(202)	26
	1,354	(1,101)	253
Total Social Housing Lettings	24,995	(18,549)	6,446
Non Social Housing Lettings			
Shops	50	-	50
Market Rent	205	(144)	61
Total Non Social Housing Lettings	255	(144)	111
Total Turnover & Operating Costs	25,250	(18,693)	6,557

**2(a). Operating surplus/(deficit) on social housing lettings - 2015
Group**

	General Needs Housing	Garages	Supported Housing	Shared Ownership	Total 2015
	£000's	£000's	£000's	£000's	£000's
Income from lettings					
Rents receivable net of identifiable service charges	18,212	335	5,468	95	24,110
Service Charge Income	139	-	135	-	274
Net rental income	18,351	335	5,603	95	24,384
Other Income	94	-	51	-	145
Turnover, net	18,445	335	5,654	95	24,529
Management	(7,140)	-	(127)	(5)	(7,272)
Routine Maintenance	(2,883)	-	(527)	-	(3,410)
Planned Maintenance	(2,404)	-	(1,346)	-	(3,750)
Bad Debts	(139)	(1)	(16)	-	(156)
Depreciation - Properties	(2,505)	-	(603)	(27)	(3,135)
Operating costs	(15,071)	(1)	(2,619)	(32)	(17,723)
Operating surplus/ (deficit)	3,374	334	3,035	63	6,806
Voids	122	38	47	-	207

2(a). Operating surplus/(deficit) on social housing lettings - 2015 Association

	General Needs Housing	Garages	Supported Housing	Shared Ownership	Total 2015
	£000's	£000's	£000's	£000's	£000's
Income from lettings					
Rents receivable net of identifiable service charges	18,212	335	5,468	95	24,110
Service Charge Income	139	-	135	-	274
Net rental income	18,351	335	5,603	95	24,384
Other Income	94	-	51	-	145
Turnover, net	18,445	335	5,654	95	24,529
Management	(7,150)	-	(127)	(6)	(7,283)
Routine Maintenance	(2,892)	-	(527)	-	(3,419)
Planned Maintenance	(2,453)	-	(1,345)	-	(3,798)
Bad Debts	(139)	(1)	(16)	-	(156)
Depreciation - Properties	(2,505)	-	(603)	(28)	(3,136)
Operating costs	(15,139)	(1)	(2,618)	(34)	(17,792)
Operating surplus/ (deficit)	3,306	334	3,036	61	6,737
Voids	122	38	47	-	207

**2(a). Operating surplus/ (deficit) on social housing lettings – 2014
Group**

	General Needs Housing	Garages	Supported Housing	Shared Ownership	Total 2014
	£000's	£000's	£000's	£000's	£000's
Income from lettings					
Rents receivable net of identifiable service charges	17,582	337	5,296	22	23,237
Service Charge Income	130	-	140	-	270
Net rental income	17,712	337	5,436	22	23,507
Other Income	82	-	52	-	134
Turnover, net	17,794	337	5,488	22	23,641
Management	(6,762)	-	(177)	(4)	(6,943)
Routine Maintenance	(3,011)	-	(632)	-	(3,643)
Planned Maintenance	(2,315)	-	(1,021)	-	(3,336)
Bad Debts	(60)	(5)	(5)	-	(70)
Depreciation - Properties	(2,339)	-	(652)	(18)	(3,009)
Operating costs	(14,487)	(5)	(2,487)	(22)	(17,001)
Operating surplus/ (deficit)	3,307	332	3,001	-	6,640
Voids	225	29	108	-	362

2(a). Operating surplus/ (deficit) on social housing lettings – 2014 Association

	General Needs Housing	Garages	Supported Housing	Shared Ownership	Total 2014
	£000's	£000's	£000's	£000's	£000's
Income from lettings					
Rents receivable net of identifiable service charges	17,582	337	5,296	22	23,237
Service Charge Income	130	-	140	-	270
Net rental income	17,712	337	5,436	22	23,507
Other Income	82	-	52	-	134
Turnover, net	17,794	337	5,488	22	23,641
Management	(7,048)	-	(177)	(3)	(7,228)
Routine Maintenance	(3,045)	-	(632)	-	(3,677)
Planned Maintenance	(2,443)	-	(1,021)	-	(3,464)
Bad Debts	(60)	(5)	(5)	-	(70)
Depreciation - Properties	(2,339)	-	(652)	(18)	(3,009)
Operating costs	(14,935)	(5)	(2,487)	(21)	(17,448)
Operating surplus/ (deficit)	2,859	332	3,001	1	6,193
Voids	225	29	108	-	362

**3. Surplus on sale of Housing Properties
Group & Association**

	Proceeds	Costs	Transfer to Grant	Surplus 2015	Surplus 2014
	£000's	£000's	£000's	£000's	£000's
RTB Properties	1,038	340	558	140	145
RTA Properties	208	32	-	176	-
Other Properties	125	20	96	9	5
Shared Ownership	-	-	-	-	93
Total	1,371	392	654	325	243

**4 Interest payable and similar charges
Group & Association**

	2015 £000's	2014 £000's
Bank loans, and other loans repayable	5,943	5,089
Other Financing Costs & Interest	499	116
	6,442	5,205

**5 Other finance costs/(income)
Group & Association**

	2015 £000's	2014 £000's
Expected return on pension scheme assets	(1,192)	(1,025)
Interest on pension scheme liabilities	1,498	1,489
	306	464

**6 Surplus on ordinary activities before taxation
Group**

	2015 £000's	2014 £000's
Surplus on ordinary activities for the year is stated after charging:		
• Depreciation on properties	3,211	3,080
• Depreciation on other tangible fixed assets	338	289
• Auditor's remuneration:		
External Audit – Audit Services (*)	35	27
External Audit – Other (*)	38	68
Internal Audit – Audit Services	25	28
• Operating lease charges	211	200

Note 6 (continued)**Association**

	2015	2014
	£000's	£000's
Surplus on ordinary activities for the year is stated after charging:		
• Depreciation on properties	3,211	3,080
• Depreciation on other tangible fixed assets	317	276
• Auditor's remuneration:		
External Audit – Audit Services (*)	35	27
External Audit – Other (*)	38	68
Internal Audit – Audit Services	25	28
• Operating lease charges	211	200

* Under SORP requirements the services provided by the external auditors have been stated excluding VAT.

The parent company has borne the overall audit fee on behalf of all subsidiaries.

Notes (continued)

7 Taxation
Group

(a) Analysis of charge for the year

	2015 £000's	2014 £000's
Current tax on income for the year	-	-
Tax (credit)/ charge on deficit on ordinary activities	-	-

(b) Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (21%). The differences are explained below.

	2015 £000's	2014 £000's
Surplus on ordinary activities before tax	1,190	1,631
Current tax at 21% (2014: 23%)	250	375
Expenses not deductible for tax purposes	-	96
Capital allowances for period in excess of depreciation	(82)	(105)
Amounts (charged)/credited directly to STRGL or otherwise transferred	(914)	1,083
Chargeable Gains	31	-
Shared ownership sales income adjustment	-	(52)
Depreciation on Ineligibles	589	666
Other short term timing differences	-	46
Other permanent differences	63	27
Defined Benefit Scheme timing differences	707	(978)
Surplus attributable to charitable activities	(2)	(4)
Utilisation of Tax Losses	(642)	(1,154)
Corporation tax charge for the period	-	-

Notes (continued)

**7 Taxation
Association**

(a) Analysis of charge for the year

	2015 £000's	2014 £000's
Current tax on income for the year	-	-
Tax (credit)/ charge on deficit on ordinary activities	-	-

(b) Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (21%). The differences are explained below.

	2015 £000's	2014 £000's
Surplus on ordinary activities before tax	1,060	1,143
Current tax at 21% (2014: 23%)	223	263
Expenses not deductible for tax purposes	-	94
Capital allowances for period in excess of depreciation	(64)	(104)
Amounts (charged)/credited directly to STRGL or otherwise transferred	(914)	1,083
Chargeable Gains/(losses)	31	-
Shared ownership sales income adjustment	-	(52)
Depreciation on Ineligibles	589	666
Other short term timing differences	-	47
Other permanent differences	63	27
Defined Benefit Scheme timing differences	707	(978)
Group loss relief	7	48
Utilisation of Tax Losses	(642)	(1,094)
Corporation tax charge for the period	-	-

(c) Factors that may affect future tax charges

Sevenside has tax losses available to carry forward of approximately £9.4m (2014: £12.3m) which have not been recognised as deferred tax assets as the association does not expect to utilise them in the foreseeable future.

Sevenside has a deferred tax asset of £2.1m (2014: £1.5m) in respect of the pension deficit for the period which has not been recognised as the association does not expect to realise sufficient taxable profits in the foreseeable future to utilise the asset. Further details are shown at Note 24.

Sevenside also has a deferred tax asset of £39k (2014: £79k) in respect of other timing differences, which has not been recognised as they are not expected to be utilised in the foreseeable future. Further details are shown at Note 16.

Notes (continued)

8	Staff costs		
	Group	2015	2014
		£000's	£000's
	Staff costs including the directors:		
	• Wages and salaries	7,058	6,679
	• Social security costs	599	566
	• Other pension costs	935	949
		8,592	8,194
		F.T.E.	F.T.E.
		2015	2014
	Number of persons (including the directors) employed during the year expressed as full time equivalents (37 hours per week):		
	• Office staff – Severnside Housing non Property Services	161	156
	• Office staff – Property Services	18	18
	• Property Services staff	68	70
	• Other staff	25	20
	Total employees	272	264

	Staff costs		
	Association	2015	2014
		£000's	£000's
	Staff costs including the directors:		
	• Wages and salaries	6,305	6,148
	• Social security costs	532	511
	• Other pension costs	899	917
		7,736	7,576
		F.T.E.	F.T.E.
		2015	2014
	Number of persons (including the directors) employed during the year expressed as full time equivalents (37 hours per week):		
	• Office staff – Severnside Housing non Property Services	161	156
	• Office staff – Property Services	18	18
	• Property Services staff	68	70
	Total employees	247	244

Directors

The directors are defined as the Board of Directors and executive officers.

The remuneration of the Executive Officers was:

	2015 £000's	2014 £000's
Emoluments (including Benefits in Kind)	446	438
Pension Contributions	98	79
Total	544	517

The remuneration of the Non - Executive Officers was:

	2015 £000's	2014 £000's
• Wages and salaries	46	46
• Social security costs	-	-
• Other pension costs	-	-
	46	46
	2015 £000's	2014 £000's

The emoluments paid to the highest paid director disclosed above (excluding pension contributions)

136	132
------------	------------

The Chief Executive is an ordinary member of the LGPS pension scheme. Contributions are paid in line with other members of its scheme and no enhanced or special terms apply. The Chief Executive is the highest paid director, and receives no additional remuneration for her service as an executive director on the board of Severnside Housing.

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

	2015	2014
£60,000 - £69,999	3	4
£70,000 - £79,999	4	-
£110,000 - £119,999	1	2
£120,000 - £129,999	1	1
£130,000 - £139,999	1	-
£160,000 - £169,999	1	1
Total higher paid staff	11	8

9 Goodwill

Group & Association

	2015 £000's	2014 £000's
Cost		
At 1 st April	350	350
Purchased in the year	-	-
At 31st March	350	350
Amortisation		
At 1 st April	(117)	-
Amortised during the year	(116)	(117)
At 31 st March	(233)	(117)
Total 31 March 2014	117	233

**10 Tangible fixed assets – Housing properties
Group & Association**

	Assets Under Construction £000's	Properties held for letting £000's	Total housing properties £000's
Cost			
At 1 April 2014	3,845	141,799	145,644
Additions:			
Properties	7,721	6,594	14,315
Components	-	2,856	2,856
Unsold LCHO (1 st tranche) (moved to current assets)	(296)	(155)	(451)
Disposals/Write-offs	(29)	(1,739)	(1,768)
Components Disposals	-	(505)	(505)
Completed in year	(2,271)	2,271	-
At 31 March 2015	8,970	151,121	160,091
Depreciation			
At 1 April 2014	-	(20,481)	(20,481)
Charge for period	-	(607)	(607)
Components Depreciation	-	(2,458)	(2,458)
Depreciation on Disposal - Properties	-	297	297
Depreciation on Disposal - Components	-	124	124
At 31 March 2015	-	(23,125)	(23,125)
Housing Properties, Depreciated Cost	8,970	127,996	136,966
Social Housing and Other Grants			
At 1 April 2014	(728)	(10,498)	(11,226)
Social Housing Grants receivable during the year	(1,054)	(552)	(1,606)
Completed in year	728	(728)	-
At 31 March 2015	(1,054)	(11,778)	(12,832)
NBV at 31 March 2015	7,916	116,218	124,134
NBV at 31 March 2014	3,117	110,820	113,937

Properties held for rent include 64 Market Rent Properties and 32 New Built Shared Ownership Properties. Garages and the remaining 25 Shared Ownership Properties were transferred at nil cost. Assets under construction comprise survey or development fees for capital works.

Notes (continued)

Housing properties units comprise:

	2015	2014
General Needs Housing	3,796	3,929
Affordable Rent	241	60
Market Rent	64	55
Housing For Older People	1,220	1,318
Supported Housing	10	10
Other	1	1
Shared ownership	57	54
	5,389	5,427

No interest has been capitalised for 2014/15 (2013/14 £nil).

11 Tangible fixed assets – other Group

	Land & Buildings £000's	Fixtures & fittings £000's	Plant and Equipment £000's	Motor Vehicles £000's	IT £000's	Total £000's
Cost						
At 1 April 2014	3,857	809	45	90	2,264	7,065
Additions	15	18	48	93	179	353
Reclassification	126	(126)	-	-	-	-
Disposals	-	-	-	(24)	(36)	(60)
At 31 March 2015	3,998	701	93	159	2,407	7,358
Depreciation						
At 1 April 2014	(222)	(616)	(38)	(7)	(1,888)	(2,771)
Current charge	(80)	(15)	(7)	(35)	(201)	(338)
Disposals	-	-	-	20	36	56
At 31 March 2015	(302)	(631)	(45)	(22)	(2,053)	(3,053)
NBV 31 Mar 2015	3,696	70	48	137	354	4,305
NBV 31 Mar 2014	3,635	193	7	83	376	4,294

The value of non-depreciable land included within tangible fixed assets – other land & buildings is £74k (2014: £74k). This is held on a long-lease.

Included within land & buildings cost of additions is £1,162k (2014: £1,162k) which is leased to a third party. The rental income which has been recognised in the financial statements is £130k (2014: £53k).

**Tangible fixed assets – other
Association**

	Land & Buildings £000's	Fixtures & fittings £000's	Plant and Equipment £000's	Motor Vehicles £000's	IT £000's	Total £000's
Cost						
At 1 April 2014	3,855	808	46	42	2,266	7,017
Reclassification	126	(126)	-	-	-	-
Additions	15	11	40	-	169	235
Disposals	-	-	-	-	(36)	(36)
At 31 March 2015	3,996	693	86	42	2,399	7,216
Depreciation						
At 1 April 2014	(223)	(616)	(39)	(1)	(1,891)	(2,770)
Current charge	(80)	(14)	(6)	(16)	(201)	(317)
Disposals	-	-	-	-	36	36
At 31 March 2015	(303)	(630)	(45)	(17)	(2,056)	(3,051)
NBV 31 Mar 2015	3,693	63	41	25	343	4,165
NBV 31 Mar 2014	3,632	192	7	41	375	4,247

The value of non-depreciable land included within assets not for rent is £74k (2013: £74k). This is held on a long-lease.

Included within land & buildings cost of additions is £1,162k (2014: £1,162k) which is leased to a third party. The rental income which has been recognised in the financial statements is £130k (2014: £53k).

**12 Stocks
Group**

	2015 £000's	2014 £000's
Materials stocks	123	124
Work in progress		
- Shared Ownership unsold – Completed properties	155	193
- Shared Ownership Unsold – Work in progress	296	121
	574	438

Association

	2015 £000's	2014 £000's
Materials stocks	50	69
Work in progress		
- Shared Ownership unsold – Completed properties	154	193
- Shared Ownership Unsold – Work in progress	296	121
	500	383

13 Debtors Group

	2015	2014
	£000's	£000's
Amounts falling due within one year		
Rental debtors	670	565
Less: provision for bad debts	(477)	(369)
	193	196
Other debtors	391	818
Less: provision for bad debts	(116)	(89)
Prepayments	328	390
	796	1,315

Association

	2015	2014
	£000's	£000's
Amounts falling due within one year		
Rental debtors	663	561
Less: provision for bad debts	(475)	(369)
	188	192
Other debtors	327	787
Less: provision for bad debts	(111)	(89)
Prepayments	328	390
	732	1,280

14 Creditors: amounts falling due within one year Group

	2015	2014
	£000's	£000's
Loans payable within one year	53	5,000
Trade Creditors	1,868	1,595
Hire Purchase	15	6
Other taxation and social security costs	213	163
Other creditors	131	67
Accruals	1,582	1,555
Deferred income	1,343	1,677
	5,205	10,063

Association

	2015 £000's	2014 £000's
Loans payable within one year	53	5,141
Trade Creditors	1,894	1,610
Other taxation and social security costs	189	152
Other creditors	78	11
Accruals	1,544	1,529
Deferred income	1,343	1,677
	5,101	10,120

15 Creditors: amounts falling due after one year Group

	2015 £000's	2014 £000's
Housing Loan to be repaid	118,546	100,853
Hire Purchase	24	1
Total	118,570	100,854

Association

	2015 £000's	2014 £000's
Housing Loan to be repaid	118,546	100,853
Total	118,546	100,853

The housing loan facilities due after more than one year comprise £10,000k (2014: £29,353k) variable and £108,546k (2014: £71,500k) fixed loans, and are secured by specific charges on the freehold & leasehold housing properties. Interest is payable at rates between 3.09% (2014: 0.48%) and 5.45% (2014: 5.50%). The loans are forecast to be repaid from 2020/21.

a. Recycled Capital Grant (including amounts due in less than one year)

Balance as at 1 April 2014	-	32
Grant Recycled	-	(32)
Balance as at 31 March 2015	-	-

16 Deferred taxation

Group & Association

The deferred tax liabilities/(assets) provided and unprovided in the accounts are as follows:

	Provided 2015 £000's	Provided 2014 £000's	Unprovided 2015 £000's	Unprovided 2014 £000's
Accelerated capital allowances	-	-	(252)	(119)
FRS17 Pension Deficit	-	-	2,130	1,457
Other timing differences	-	-	39	79
Tax losses carried forward	-	-	1,875	2,514
	-	-	3,792	3,931

FRS 19 'Deferred tax' has been adopted in these financial statements. Deferred tax assets have not been provided for in respect of tax losses and other timing differences as set out at Note 7.

In addition, no provision has been made in deferred tax (2014: £0k) for tax relating to capital disposals in the current and prior period where the gain is to be rolled over into replacement assets. It is not envisaged that any tax will become payable in respect of these gains in the foreseeable future.

17 Reconciliation of movement on reserves

Group

	Revenue Reserve £000's	Pension Reserve £000's	Total £000's
At 1 April 2014	9,847	(7,285)	2,562
Surplus for year	1,190	-	1,190
FRS 17 Transfer	198	(198)	-
Gains & losses, net	-	(4,155)	(4,155)
At 31 March 2015	11,235	(11,638)	(403)

Association

	Revenue Reserve £000's	Pension Reserve £000's	Total £000's
At 1 April 2014	9,357	(7,285)	2,072
Surplus for year	1,060	-	1,060
FRS 17 Transfer	198	(198)	-
Gains & losses, net	1	(4,155)	(4,154)
At 31 March 2015	10,616	(11,638)	(1,022)

18 Reconciliation of operating profit to net cash inflow/ (outflow) from operating activities Group

	2015 £000's	2014 £000's
Operating Surplus	7,574	7,037
Depreciation charges	3,669	3,226
FRS 17 charge	(108)	(26)
Shared Ownership costs	243	194
Aborted development costs	29	-
WIP transferred	121	-
(Increase)/Decrease in stocks	1	(4)
(Increase)/Decrease in debtors	432	(325)
Increase in creditors	467	102
Net cash inflow from operating activities	12,428	10,204

19 Analysis of the management of liquid resources

	2015 £000's	2014 £000's
Returns on investment and servicing of finance		
Interest received	40	20
Interest paid	(6,442)	(5,205)
	(6,402)	(5,185)

Capital expenditure and financial investment

	2015 £000's	2014 £000's
Purchase of housing properties	(13,072)	(6,838)
Components additions	(2,856)	(2,871)
Sales of housing properties	1,362	568
Capital grants, net	683	984
Purchase of other fixed assets	(352)	(3,237)
	(14,235)	(11,394)

Financing

	2015 £000's	2014 £000's
Increase in debt due	12,746	6,000

Acquisitions

	2015 £000's	2014 £000's
Subsidiary bank balances acquired	-	620

20 Analysis of the changes in net debt Group

	At 1 April 2014 £000's	Cashflows £000's	31 March 2015 £000's
Cash in hand, at bank (including investments)	547	4,537	5,084
Total debt due	(105,853)	(12,746)	(118,599)
Total	(105,306)	(8,209)	(113,515)

21 Reconciliation of the movement in net debt Group

	2015 £000's	2014 £000's
Net debt 1 April 2014	(105,306)	(99,511)
Increase/ (Decrease) in cash	4,537	205
Increase in debt	(12,746)	(6,000)
Change in net debt due to cash flow	(8,209)	(5,795)
Net debt 31 March 2015	(113,515)	(105,306)

22 Statement of grant movement Group & Association

	2015 £000's	2014 £000's
Balance at 1 April 2014	(11,226)	(10,242)
Received	(1,606)	(984)
Balance at 31 March 2015	(12,832)	(11,226)

23 Analysis of changes in financing Group & Association

	2015 £000's	2014 £000's
Balance at 1 April 2014	105,853	99,853
Net cash inflow	12,746	6,000
Balance at 31 March 2015	118,599	105,853

24 Pension

Group & Association

In accordance with Financial Reporting Standard No. 17 – Retirement Benefits (FRS 17), Severnside is required to disclose certain information regarding assets, liabilities, income and expenditure relating to pension schemes for its employees.

Severnside Housing participates in the Local Government Pension Scheme. The Local Government Pension Scheme is a defined benefit scheme based on final pensionable salary.

The most recent valuation of the Shropshire County Pension Fund (the fund) was carried out as at 31 March 2013 and has been updated by independent actuaries to take account of FRS17 requirements in order to assess the liabilities of the Fund as at 31 March 2015. Liabilities are valued on an actuarial basis using the projected unit method which assesses future liabilities discounted to their present value.

The prior year figures presented in relation to the fund are revised figures according to IAS19 disclosure requirements.

	2015	2014
	£000's	£000's
Present Value of Funded defined benefit obligations	(41,494)	(33,476)
Fair Value of plan assets	29,856	26,191
Net liability in balance sheet	(11,638)	(7,285)

	2015	2014
	£000's	£000's
Movements in present value of defined benefit obligation		
At 1st April	(33,476)	(35,766)
Current Service cost	(790)	(959)
Interest Cost	(1,498)	(1,489)
Actuarial (losses)/gains	(6,121)	4,084
Contributions by members	(271)	(274)
Benefits Paid	662	928
At 31st March	(41,494)	(33,476)

Movements in fair value of plan assets	2015	2014
	£000's	£000's
At 1st April	26,191	24,229
Interest on plan assets	1,192	1,025
Remeasurements	1,896	627
Administration expenses	(20)	(21)
Contributions by employer	988	985
Contributions by members	271	274
Benefits paid	(662)	(928)
At 31st March	29,856	26,191

Expense recognised in the Income and Expenditure statement	2015	2014
	£000's	£000's
Current service cost	790	959
Administration expenses	20	21
Net interest cost	306	464
Total	1,116	1,444

The expense is recognised in the following line items in the Income and Expenditure Statement:

	2015	2014
	£000's	£000's
Operating Costs	810	980
Other Financing Costs	306	464
	1,116	1,444

The amount recognised in the statement of total recognised surpluses and deficits in respect of remeasurements is £(4,353)k (2014: £4,252k).

The fair value of the plan assets and the return on those assets were as follows:-

	2015	2014
	£000's	£000's
Equities	15,528	14,306
Corporate Bonds	7,619	6,283
Property	1,224	1,040
Cash	929	641
Alternatives	4,556	3,921
Total	29,856	26,191

The estimated Macaulay duration of liabilities is 20 years (2014: 20 years).

Principal financial assumptions (derived using a mature duration profile) at the year-end were as follows:

	2015	2014
Rate of CPI inflation	2.00%	2.40%
Rate of increase in salaries	3.50%	3.90%
Rate of increase in pensions	2.00%	2.40%
Discount rate	3.30%	4.50%

In valuing the liabilities of the pension fund at £33,476k, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:-

- Current pensioner aged 65: 23.8 years (male), 26.1 years (female).
- Future retiree upon reaching 65: 26 years (male), 29 years (female)

The history of the plans for the current and prior periods is as follows:

Balance sheet

	2015	2014	2013	2012	2011	2010
Present Value of Scheme Liabilities	(41,494)	(33,476)	(35,766)	(29,878)	(26,956)	(26,714)
Fair Value of Scheme Assets	29,856	26,191	24,229	20,744	19,655	17,181

The association expects to contribute approximately £730k to its defined benefit plans in the next financial year.

Pension Bond

Sevenside has entered into a Pension Guarantee Bond Agreement with Shropshire County Pension Fund and Nationwide Building Society, whereby Shropshire County Pension Fund may, if Sevenside Housing fails to make appropriate pension scheme payments, seek recovery from Nationwide Building Society. The pension bond, not to exceed £5.240m, (2013: £5.240m) is based on actuarial assessments of the scheme's liability.

25 Investments and subsidiary undertakings

Sevenside is the parent entity of all of the following subsidiary undertakings. All have been consolidated into the group accounts.

Name	Country of Registration/Status	Basis of Control	Principal Activity
A. Walters Electrical Contractors Ltd	England and Wales Private Limited Company	Ownership of 2 £1 shares being 100% of the issued share capital	Electrical contractors to deliver maintenance services to Sevenside.
A Walters Electrical Ltd	England and Wales Private Limited Company	Ownership of 1 £1 shares being 100% of the issued share capital	Electrical contractors.
Sevenside Community Association Ltd	England and Wales Industrial and Provident Society registered with the Financial Conduct Authority (formerly the FSA).	Step in rights and power to appoint and remove Board members	To provide support to communities in need, including the provision of grants to assist individuals and groups to improve their environment and educational or employment opportunities.
Shrewsbury Homes for All	Company limited by guarantee and a charity registered with the Charities Commission.	Step in rights and power to appoint and remove Board members	To relieve those in need of assistance, people who are homeless, in housing need or who need help to avoid homelessness.

26 Capital commitments

	2015 £000's	2014 £000's
Capital expenditure authorised but not yet contracted for	16,261	13,165
Capital expenditure contracted for but not provided for in the financial statements	13,504	9,808
	29,765	22,973

The above commitments will be funded through current cash resources (£4.4m) and borrowings (£31.2m), which are available for draw-down under current loan arrangements.

27 Other capital commitments

At 31 March 2015 Severnside was committed to making the following payments under non-cancellable operating leases.

	2015 £000's	2014 £000's
<i>Operating leases which expire:</i>		
Within 1 year	12	118
Within 1 to 2 years	-	1
Within 2 to 5 years	134	4
Over 5 years	-	10
	146	133

28 Related party transactions

There have been no transactions with any related parties which are not included within the group financial statements.

During the year, Severnside Housing recharged costs of £7,687 (2014: £4,779) incurred on behalf of other Group undertakings. Such costs include the recharging of information systems, office costs and general management costs. These recharges are agreed by management and are based on relevant cost information.

During the year, Severnside Housing purchased services from A. Walters Electrical Contractors Ltd, a subsidiary company, totalling £1,336,826 (2014: £1,371,822).

At the reporting date, Severnside Housing had the following trading balances with non-HCA regulated Group undertakings: £234,691 (2014: £149,796) was owed to A. Walters Electrical Contractors Ltd.