

# Annual Report

## The Wrekin Housing Group Limited

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**For the year ended 31 March 2018**

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## Introduction from Chair and Chief Executive

2017/18 was, once again, a year of continuing challenges in the operating environment. Below is a summary of each of the group businesses' specific challenges and outcomes for the period.

It was a good year for The Wrekin Housing Trust Limited, making another strong surplus and out-performing its budget and business plan for 2017/18 and, once again, continuing to deliver much needed new homes. 566 new homes were developed, partly funded by 165 disposals of older, uneconomic properties under its Asset Renewal Strategy. Going forward the Trust has plans and development finance in place to build almost 1,800 more homes over the next five years. Meanwhile, operational performance remains high with improved levels of rent collection once again despite the challenges of welfare benefit reform, impressive relet times, 85% of all day to day repairs completed on the day that they are reported and all repairs completed in an average of 2.2 days. It is particularly good news that these positive outcomes have been achieved despite the continuing impact of the 1% reductions in rents.

The Trust's two trading subsidiaries, Old Park Services Limited and Strata Housing Services Limited, had another successful year. Having now integrated the Reviive brand into its ongoing operations, Old Park Services delivered a surplus of just under £339k for the year from its commercial activities. Strata continued to make its projected VAT savings and it has now recovered just under £2.2m in four years, achieving its purpose in being set up, as this significant sum would otherwise have been an irrecoverable cost. Strata made a surplus of just over £500k on its activities. Surpluses made by these businesses are available to be paid back to the Trust by way of gift aid, providing further funding for new developments, thereby extending the life of current loan facilities whilst providing more much needed new homes.

Choices Housing Association experienced another challenging year in financial terms as it continued to deal with the difficulty of recruiting and retaining nursing and care staff, which is a significant problem across the care sector. However, good progress was made during the year, with the operating result improving by almost £400k compared to 2016/17. Demand for Choices high quality services remains strong, particularly among service users requiring nursing care at Limewood. The organisation is therefore cautiously optimistic that the financial position will continue to improve during 2018/19, although the environment will still be challenging, with commissioners facing budgetary constraints and providers across the sector facing continuing severe staff shortages and difficulties in recruiting and retaining quality staff.

Shropshire Housing Alliance generated a surplus once again in 2017/18 as it continued to deliver its Money Matters and Tenancy Sustainment services to the Trust, together with advice and support services under its local authority contracts. It also continued to operate its leased property service, providing much needed accommodation for those in extreme housing need.

South Shropshire Furniture Scheme again had a difficult year in financial terms as it continued to try to build its income from trading and contract activities to replace the grant funding on which it previously relied and which is now becoming increasingly scarce.

As a consequence of decisions taken during 2016/17 to re-focus its activity, Fuse CIC had a much stronger year in financial terms, generating a small surplus on its ongoing operations as it now continues to run the community hub at the Northfield village in Stafford and to further develop the 'Clean Cut' service which delivers cleaning and grounds maintenance to an increasing number of the Trust's properties. It is now looking to increase its focus on building up its consultancy work, advising other organisations on the setting up and operation of social enterprises and measuring the social impact of those activities.

During the year a considerable amount of focus has been directed at the development of a revised group structure as part of the governance plan arising out of the regulatory in-depth assessment in 2016. Plans are now well advanced to collapse and streamline that structure, whereby the activities of this company

## **Introduction from Chair and Chief Executive (continued)**

will be the subject of a transfer of engagement into The Wrekin Housing Trust Limited, enabling The Wrekin Housing Group Limited to be liquidated. At this point the Trust will become the group parent entity and the activities of Shropshire Housing Alliance, South Shropshire Furniture Scheme and Fuse CIC (which are currently fellow subsidiaries of The Wrekin Housing Group Limited along with the Trust) will transfer into the Trust. Choices Housing Association will become a subsidiary of the Trust (again rather than being a subsidiary of The Wrekin Housing Group Limited). The Trust will retain its own two, current subsidiaries, namely Old Park Services Limited and Strata Housing Services Limited. As a result of these Governance changes the regulator reassessed its former judgment of G2 in 2016 to G1 in June 2018.

It is particularly heartening that the employee teams within the group continue to work positively together. It is so important to have staff who are not only appropriately trained and skilled but who have the right attitude toward their colleagues and customers. With this in mind we remain committed to releasing the potential of our employees through training and development and an open culture. We know that our continued success depends on our staff each and every day and night providing excellent and value for money services. We take pride and pleasure in thanking them for their continued efforts.

**Anne Ward**  
**Group Chair**

**John Broadhead**  
**Group Chief Executive**



## Board members, executive officers and advisors

The membership of the board is set out below:

**Chair:**

Anne Ward

**Other members:**

Tim Barker (resigned 18 December 2017)  
John Broadhead (appointed 18 December 2017)  
Christopher Cullen (resigned 18 December 2017)  
James Dickson (appointed 18 September 2017)  
Alison Fisher  
Deborah Griffiths (appointed 18 December 2017)  
Jacqueline Esimaje Heath (appointed 18 December 2017)  
Desmond Hudson (appointed 18 December 2017)  
Steve Jones (resigned 18 December 2017)

Mike Lawton (resigned 18 September 2017)  
Angela McClements (appointed 18 December 2017)  
Danielle Oum (appointed 18 December 2017)  
Steve Price (resigned 18 December 2017)  
Annette Shipley (appointed 18 December 2017)  
Paul Weston (appointed 18 December 2017)  
James Wood (resigned 18 December 2017)  
Esther Wright

**Executive Officers:**

**Group Chief Executive**  
**Director of Financial Services**  
**Company Secretary**

John Broadhead  
Francis Best  
Catherine Rogerson (appointed 1 April 2017)

**Head Office and Registered Office:**

Colliers Way  
Old Park  
Telford  
TF3 4AW

**External Auditors:**

Grant Thornton UK LLP  
Chartered Accountants, Registered Auditors  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

Registered by Homes England No. L4424  
Community Benefit Society 7701

## Report of the board

The biographies of the board members are set out below:

### **John Broadhead**

John is the Group Chief Executive of The Wrekin Housing Group and an Executive Board Member of The Wrekin Housing Group Board. He assists the Group Board in determining strategic direction and updates them on key issues which may affect the Group as a whole.

His career in housing started in 1977 and between that time and 1986 he held a number of positions with both Local Authorities and Housing Associations. In 1986 he became Deputy Director of Housing at Wrekin Council. In 1999 he was the Director of Corporate Services for The Wrekin Housing Trust and was responsible for HR, ICT, Communications and Marketing, Legal and the Company Secretary. He became Chief Executive of The Wrekin Housing Trust in 2000 and subsequently Group Chief Executive. He is a Fellow of the Chartered Institute of Housing and a member of the Chartered Institute of Management.

### **James Dickson**

James has a strong sector background having been involved in the social housing sector for over 30 years, working in both Scotland and England. He retired in July 2013 after nine years as Chief Executive of a small Housing Association in Gloucester and twelve years prior to this, was Chief Executive of a rural association in the West Highlands.

He has extensive non executive experience including chairing various boards and committees. Currently, he is a member of Guinness Care, having previously been a board member of the Guinness Partnership. He is also the Chair of Devon Sheltered Homes Trust and a board member of Severn Vale Housing Society in Tewkesbury.

### **Alison Fisher**

Alison worked in IT and Finance in the private sector for over 25 years, latterly as UK Business Manager for CSC, a large global IT provider. Whilst starting her career in IT Support she has spent the majority of it in Business Management, focused on financial management, business planning and governance.

Alison is currently Chair of the WHG Audit & Assurance Committee - a post she has held since September 2014. Alison holds a number of other non-executive and trustee positions, including being Chair of The Pioneer Housing Group and Deputy Chair of the Birmingham and Solihull Bench. Alison also sits as a magistrate in the Adult Criminal, Family Proceedings and Crown Courts and is also a lay member of the disciplinary panel for The Bar Tribunals and Adjudication Service. For many years Alison has been actively involved in community fund-raising for both the NSPCC and Cancer Research UK.

### **Debbie Griffiths**

Debbie is the former Group Chief Executive of Housing Plus Group; a role she held for over 13 years. Prior to this she was Director of Operations for the South Staffordshire Housing Association. Since leaving Housing Plus, Debbie has established her own coaching and housing consultancy. She is a qualified coach/mentor and works with senior leaders in a range of sectors and also undertakes consultancy projects in the social housing sector including strategic and governance reviews, as well as acting as an interim director.

Debbie has a track record of working at board level, where she has gained experience of leading operations in asset management/ investment, housing services and care and support. She has considerable experience of strategic management planning, governance, risk management and financial strategy and planning and development. Debbie also has considerable non-executive experience, having served on a number of local



## Report of the board (continued)

and regional bodies, including chairing the South Staffordshire LSP and being a member of the NHF West Midlands regional committee.

### **Jacqueline Esimaje Heath**

Jacqui's background is in residential development and management consultancy in both the public and private sectors. In her previous roles she has held responsibility in the areas of residential property development, housing consultancy, regeneration, private sector renewal and residential sales and marketing.

Architecturally trained and a qualified PRINCE2 practitioner, Jacqui is Director of Strategic Projects at a large housing association operating in London and the South East. She is also a Governor Designate and Project Director for a potential new primary school in South London.

Jacqui's experience is focused in the areas of development and regeneration. She has successfully managed a range of complex projects and programmes to time and budget. She also has extensive knowledge and expertise in government funding regimes and she has advised both central and local government in the delivery of capital funding programmes. Jacqui is also an experienced non-executive director, with over 14 years' experience in providing strategic leadership in the not for profit sector. She has also acted as a mentor to individuals operating at both non-executive and operational levels.

Jacqui has family connections in Shropshire.

### **Desmond Hudson**

Desmond is a qualified solicitor, whose early career was in financial services, initially in legal services and compliance and later in operations. This included becoming Managing Director of Britannia Life in 1996 for two years. He is the former Chief Executive of The Law Society and a former Chief Executive of The Institute of Chartered Accountants in Scotland.

Desmond has held a number of non-executive roles with national agencies and professional bodies, including Chair of the Taxation Disciplinary Board, Director of the Solicitor's Indemnity Fund, Co-chair of Queens Counsel Appointments and Chair of RICS Nominations Committee. He has been responsible for corporate strategy and financial strategy throughout his career. He also has extensive experience of regulatory compliance, audit, risk management, and governance. Desmond lives in Oswestry.

### **Angela McClements**

After completing education, Angela worked within the Conveyancing Department at a local Solicitor firm and having gained a wealth of experience within the legal sector, moved on to work for Telford Development Corporation where she was employed for 5 years.

Following this, Angela managed the Parliamentary Constituency Offices for Bruce Grocott MP and Peter Bradley MP over a 15 year period. As part of this role she developed a wealth of experience in various policy fields including housing, regeneration, homelessness and social housing. Angela was dealing with the then Government from Cabinet Ministers down. She also acted as a key liaison between the Member of Parliament and Local Government.

Angela then returned to the private sector working for a Commercial Property Consultancy in Shropshire. She has represented the area where she was born and brought up in Arleston since 2007, being heavily engaged in her community.

For 4 years Angela led a cross party group of Councillors at Telford and Wrekin Council as Chair of an award winning Scrutiny Committee. In 2015 she was promoted to the Cabinet leading on Regeneration and Communities. In 2016 this role was increased to include all major infrastructure projects, highway development and transport. This role included the lobbying for, and securing multi-million capital funding,

## Report of the board (continued)

from the Government for Transport Projects and the development and installation of a complex Bridge project in the Centre of Telford.

### **Danielle Oum**

Danielle has a professional background in the learning, skills and regeneration sectors with the Learning and Skills Council and more recently as Head of Federation with Groundwork, the national environmental charity. In parallel to her professional career, Danielle has also held a number of non-executive and chair roles in the NHS and social housing sectors, including Optima Family HA, Dudley PCT, Walsall Healthcare NHS Trust and Dudley & Walsall Mental Health Trust.

Danielle brings extensive experience of board working, having worked with Regulators, Strategic Partners and local organisations. She also brings a strong understanding in social care, health and housing policy. Danielle has a background in working in Equality and Diversity and is currently working with NHS England to improve performance in this area. She holds an MA in Equal Opportunities from Birmingham City University and lives in Birmingham.

### **Annette Shipley**

Annette has a considerable background in corporate leadership in a number of organisations, including EAGA Plc, specialising in energy provision and once one of the largest social enterprises / employee owned companies in the UK. She was a member of the executive board for over 20 years, before moving into management consultancy with Baxendale and later Excellence3.

Annette brings considerable experience of working at a strategic level within both small and large organisations. Her professional specialism is leadership, customer services, OD, HR, and communications. She has extensive operational and customer focused experience across EAGA Plc. Annette has held a number of voluntary and non-executive board roles across her industry sectors and the NHS. Outside of work, Annette is local Parish Councillor for the village of Werrington, near Stoke on Trent. She is also a keen kayaker, having recently achieved both her Level 1 and Level 2 British Canoeing Association qualifications.

### **Anne Ward**

Having retired from a rewarding and successful career in social housing, Anne has since dedicated her time to Chairing The Wrekin Housing Group, bringing with her experience of successful leadership, stakeholder involvement and change management. Anne's career has spanned from Housing Officer to Chief Executive and she has held various Non-Executive Director roles on a number of Boards and forums, including Housing, Economic, Development, Local Government Review, Regulation and a range of strategic partnerships.

With strong communication skills, Anne is a good team builder and motivator, with experience of leading start up organisations and major change programmes. Passionate about good governance, quality of service and people development, Anne has a persuasive style and significant experience of dealing with a range of audiences and individuals, requiring tact and diplomacy, balanced with a tenacity and determination to achieve organisational objectives.



## Report of the board (continued)

### **Paul Weston**

Paul is the Chief Financial Officer of Housing and Care 21, a social enterprise providing housing and care to older people. He is a qualified chartered accountant with 25 years experience in business and finance, covering both consumer products and service sectors. Paul has previously worked for the Home Group and Allied Healthcare Group as Chief Financial Officer. Prior to this, Paul was a Director of Fruit of the Loom, and Group Financial Controller at SSL International Plc, an international manufacturer and distributor of healthcare and consumer brands.

In 2015, Paul won the HANA Finance Director 2015 award. He brings a wealth of experience in strategic financial management and planning, treasury, tax, acquisitions and disposals and bank refinancing. This experience has been gained in both the private and housing sectors at executive level. Operationally, Paul has been responsible for legal, IT, procurement and treasury functions. He also has more recent experience of working as a non-executive director with the health and housing sectors.

### **Esther Wright**

Esther is a Solicitor by profession, who specialised in criminal defence before moving into the charitable sector in 2002. Between 2003 and 2005 she lived and worked in Australia for an entertainment and arts complex. She then returned to the UK where she worked in charitable fundraising and events management for The Stroke Association. During her career, Esther has been responsible for managing UK teams and advising national and international charities in developing a series of large scale, high income fundraising events.

Esther established her own event management consultancy, ElevenTen Consultancy and Event Management, in 2008, working with businesses, charities and individuals in marketing, business development and events management. She now manages and owns two businesses in the hospitality sector.

Esther has held non-executive roles with Reviive and Fuse CIC, both social enterprises, as well as a trusteeship with the British and International Federation of Festivals. Esther became a Fellow of the Royal Society of Arts in 2018.

## Report of the board (continued)

The board presents its report and the audited financial statements for the year ended 31 March 2018.

### Principal activities

The Wrekin Housing Group Limited (the "Company") was incorporated on 18 February 2004 as a company limited by guarantee. On 18<sup>th</sup> January 2018 the company converted to a Co-operative and Community Benefit Society registered with the Financial Conduct Authority. The company is also registered with the social housing regulator.

During the year under review the company had eight wholly-owned direct and indirect subsidiaries (which together comprise the "Group"), The Wrekin Housing Trust Limited, Choices Housing Association Limited, WHT (Subsidiary) Limited, Shropshire Housing Alliance, South Shropshire Furniture Scheme, FUSE Enterprise CIC, Old Park Services Limited and Strata Housing Services Limited.

The Wrekin Housing Trust Limited (the "Trust") is a company limited by guarantee, a registered charity and is also registered with social housing regulator.

Choices Housing Association Limited ("Choices") is incorporated under the Co-operative and Community Benefit Societies Act 2014, under charitable rules and is registered with the social housing regulator.

WHT (Subsidiary) Limited ("WHT Subsidiary") is a private limited company which has not traded since incorporation on 4 February 2004.

Shropshire Housing Alliance ("SHA") is a company limited by guarantee and a registered charity.

South Shropshire Furniture Scheme ("SSFS") is a company limited by guarantee and a registered charity.

Old Park Services Limited ("Old Park") is a private limited company and is wholly owned by The Wrekin Housing Trust Limited.

Strata Housing Services Limited ("Strata") is a private limited company and is wholly owned by the Wrekin Housing Trust Limited.

FUSE Enterprise CIC is a community interest company.

The company's principal activity is to act as a group holding company and in particular to facilitate the partnership between, and the development of, all the group members and to monitor their performance.

### Business review

Details of the group's performance for the year are set out in the Strategic report that follows this report of the board.

### Fixed assets

Details of changes to the group's fixed assets are shown in notes 13 and 14 to the financial statements. Housing property values are considered in the Strategic report.

### Payment of creditors

The group agrees terms and conditions for its business transactions with suppliers at the time of supply. Payment is then made on these terms, subject to the terms and conditions being met by the supplier.



## Report of the board (continued)

### **Financial instruments**

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

### **Investing in employees**

Motivated and committed employees are essential to achieving our aim of providing high quality services to our residents and the board embraces the need for employees to be empowered and involved at every level of the organisation.

The group is committed to ensuring and promoting equality of opportunity for all in the services that it delivers and the way that those services are delivered, ensuring that differences are recognised. The group is also committed to ensuring equality for all its employees and applicants for employment.

As a provider of social housing the group is aware that the quality of life for many people has been undermined by discrimination and disadvantage. The group is committed to responding to social diversity in today's society and strives to reflect this in its own organisational culture.

### **Health and safety**

The board is aware of its responsibilities on all matters relating to health and safety. The group has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

Following the fire at Grenfell Tower, the group has undertaken a thorough review in conjunction with the fire service. The group has three "6 storey plus" blocks, with the highest being 9 storeys, and none of them are fitted with cladding of the type installed at Grenfell Tower. Revised fire risk assessments have been carried out and the properties have been visited by the fire audit team, made up of specialist fire safety advisors from the local fire authority. As a result of those visits a number of changes have been made to evacuation procedures and some modifications made to the fabric of the buildings.

### **Board members and executive directors**

In December 2017 a new board was appointed in readiness for the conversion to a Co-operative and Community Benefit Society. This board consists of ten ordinary members, a representative from the local council and the group chief executive. They are responsible for the overall management of the group. The board regulates its membership to ensure that each member brings his or her own expertise to the board in matters as diverse as finance, knowledge of tenants and their requirements, construction, commercial experience, charitable and legal requirements as well as political experience and local knowledge.

The board is responsible for the group's strategy and policy framework. Day to day management and implementation of that framework is delegated to the executive management group, which comprises the Group Chief Executive and the Group Director of Financial Services. Other than the Group Chief Executive, executive directors are not board members, hold no interest in the company's shares and act as executives within the authority delegated by the board.

The board members and executive officers who served during the year and up to the date of this report are set out on page 2.

The group has insurance policies in place which indemnify its board members and executive directors against liability when acting for the group.

## Report of the board (continued)

### Remuneration

#### Policy

The board is responsible for setting the group's remuneration policy for its executive directors on the advice of the Remuneration Committee, which agrees the appointment of executive directors and their remuneration, as well as the brief within which the executive directors can negotiate staff salaries. The Remuneration Committee pays close attention to remuneration levels in the sector in determining the remuneration packages of the executive directors. Basic salaries are set having regard to each executive director's responsibilities and pay levels for comparable positions.

#### Pensions

The executive directors are members of the Shropshire County Pension Fund, a defined benefit career average salary pension scheme. They participate in the scheme on the same terms as all other eligible staff and the group contributes to the scheme on behalf of its employees.

#### Other benefits

The executive directors are entitled to other benefits such as the provision of a car and life assurance.

#### Service contracts

The executive directors are employed on the same terms as other staff. Their notice period is twelve months.

#### Non-executive board member remuneration

Fees were paid as follows in respect of the year ended 31 March 2018. In accordance with the articles of association a non-executive board member entitled to remuneration who is also a member of the board of another group company is not entitled to additional remuneration; the figures stated may therefore have been paid in respect of service on the board of the company or of another entity within the group:

Tim Barker (resigned 18 December 2017)	£3,958	Angela McClements	£1,899
Christopher Cullen (resigned 18 December 2017)	£4,463	Danielle Oum	£1,899
James Dickson	£5,427	Steve Price (resigned 18 December 2017)	£3,958
Alison Fisher	£5,461	Annette Shipley	£1,899
Deborah Griffiths	£1,996	Paul Weston	£1,899
Jacqueline Esimaje Heath	£4,988	Anne Ward	£7,030
Desmond Hudson	£1,899	James Wood (resigned 18 December 2017)	£3,958
Steve Jones (resigned 18 December 2017)	£9,424	Esther Wright	£5,364
Michael Lawton (resigned 18 September 2017)	£2,905		



## Report of the board (continued)

### Group Structure

At the date of approval of these financial statements, the group comprised The Wrekin Housing Trust Limited (“the Trust”), Choices Housing Association (Choices), Shropshire Housing Alliance (SHA), South Shropshire Furniture Scheme (SSFS) and FUSE Enterprise CIC (FUSE), a partnership of complementary organisations with mutual trading relationships. All those organisations were subsidiaries of The Wrekin Housing Group Limited at 31 March 2018.

During 2017 a review was undertaken of the Group structure to ensure adequate scrutiny and oversight from the Group Board across all areas of the business. In December 2017 a new Group Board was appointed and the Group and Trust Boards were brought together to operate co-terminously whilst the legal process of conversion to Co-operative and Community Benefit Societies and transfer of engagement took place. The Wrekin Housing Group Limited became a Co-operative and Community Benefit Society, registered with the Financial Conduct Authority, on 18 January 2018. The intention is now for The Wrekin Housing Trust Limited to also convert to a Co-operative and Community Benefit Society to enable a transfer of engagement to take place from The Wrekin Housing Group Limited to The Wrekin Housing Trust Limited.

Shropshire Housing Alliance and South Shropshire Furniture Scheme are going through a similar conversion process to become Co-operative and Community Benefit Societies. At Group Board, members have been appointed to the boards of SHA, SSFS and FUSE in order for them to operate co-terminously, whilst going through this legal process. Once all of the conversions are complete the intention is to complete further transfers of engagement from Shropshire Housing Alliance, South Shropshire Furniture Scheme and Fuse CIC into The Wrekin Housing Trust Limited.

Ultimately, once the transfers of engagement are complete Choices Housing Association Limited will become a subsidiary of The Wrekin Housing Trust Limited. Old Park Services Limited and Strata Housing Services Limited will remain subsidiaries of The Wrekin Housing Trust Limited.

The impact of this restructure on these financial statements is considered further in the going concern paragraph.

The Group Board is supported by an Audit & Assurance Committee and a Remuneration Committee.

### NHF Code of Governance

The board is pleased to report that the company complies with the principles, provisions and (to the extent it is relevant) the best practice guidance contained in the National Housing Federation’s Code of Governance 2015. The board recognises its responsibilities for ensuring that arrangements are made for keeping proper books of account with respect to the group’s transactions and its assets and liabilities and for maintaining a satisfactory system of internal controls over the group’s books of account and transactions and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Over the past 15 months there have been significant governance changes and all of the issues identified through the In-depth Assessment have been addressed and actioned. Through that process the Board have ensured that they complied with the principles, provision and best practice guidance contained in the National Housing Federation’s Code of Governance 2015. The Board is satisfied that there are appropriate arrangements in place with respect to the assets and liabilities and that there is a system of internal control in preventing and detecting fraud and other irregularities.

The Group Board have agreed to implement a Governance Plan through which they can continue to challenge their effectiveness in order to ensure that they exercise good governance by:

- Having governance policies, processes and systems in place that are fit for purpose
- Being well informed and making high quality decisions



## Report of the board (continued)

- Having a structured approach to succession planning to attain and retain the required skills set
- Creating tailored induction and development programmes
- Annually evaluating the Board, through individual and collective performance appraisals, which will provide feedback to achieve continual improvement.

The organisation remains compliant with the Regulator of Social Housing's Governance and Financial Viability Standard, and has achieved a G1 assessment for governance and a V2 assessment for financial viability in 2018.

### Risks and uncertainties

The main risks that may prevent the group achieving its objectives are considered and reviewed annually by the senior management team and board as part of the corporate planning processes. The risks are recorded and assessed in terms of their impact and probability. Major risks, presenting the greatest threats to the group, are regularly reported to the board together with action taken to manage the risks and the outcome of the action. These risk reports include assessments of key controls used to manage the risks. The main risks affecting the group are considered in more detail in the Strategic report.

Exposure to price and credit risk comes through changes in government policy such as changes to the funding regime, rent setting or other duties required of registered providers. These risks are regularly reported to the Board with the potential effects being modelled through the business plan. Measures are taken to reduce the exposure to such risks wherever possible.

### Internal controls assurance

The board has 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, and not absolute, assurance against material misstatement or loss. The process for identifying, evaluating and managing the significant risks faced by the group is ongoing and has been in place throughout the period commencing 1 April 2017 up to the date of approval of the annual report and financial statements. The board receives and considers reports from management on these risk management and control arrangements during the year.

The arrangements adopted by the board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework include:

### Identifying and evaluating key risks

The group's risk management strategy, setting out the Board's attitude to risk in the achievement of its objectives, underpins the risk management, business planning and control arrangements. These arrangements clearly define management responsibility for the identification, evaluation and control of significant risks. The executive directors regularly consider reports on these risks and are responsible for reporting to the board any significant changes affecting key risks. More detailed risk assessments are carried out by managers at all levels in the business using the group's risk management software. All matters brought to the executive management group or board for decision are supported by such risk assessments.

### Control environment and internal controls

The processes to identify and manage the key risks to which the group is exposed are an integral part of the internal control environment. These processes, which are reviewed annually and revised where necessary, include strategic planning, succession planning and recruitment of executive directors and senior staff, regular performance monitoring, control over developments and the setting of standards and targets for health and safety, data protection, fraud prevention and detection, and environmental performance.



## Report of the board (continued)

### Information and reporting systems

Financial reporting procedures include strategic financial plans, underpinned by detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the board and monitored throughout the year by the boards and committees of group members. The board regularly receives reports on key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

### Monitoring arrangements

Regular management reporting on control issues provides assurance to successive levels of management and to the board. This is supplemented by regular reviews by internal audit, which provide independent assurance to the board via its Group Audit and Assurance Committee. The arrangements include a rigorous procedure to ensure that recommendations are carefully considered and implemented or, occasionally, varied with the agreement of the Group Audit and Assurance Committee.

### Going concern

The activities, together with factors likely to affect the future development and performance of the Group and company are set out in the Report of the board.

The parent company converted to registration under the Cooperative and Community Benefit Societies Act 2014 on 18 January 2018. A review of the Group's governance arrangements was undertaken during December 2017. Following this review, and in order to ensure adequate scrutiny and oversight the Group board are considering a restructure which is detailed below. Under this proposed restructure and subject to all necessary consents being in place the activities, assets and liabilities from the current parent company would be transferred into The Wrekin Housing Trust Limited. At this point, The Wrekin Housing Trust Limited would become the parent company for the restructured group and the current parent company (as a legal entity) would no longer be required and so this transfer could result in the solvent dissolution of the parent company while the activities of the group would continue with The Wrekin Housing Trust Limited as the parent entity of the restructured group.

The board consider that the parent company has adequate resources to continue in operational existence for the foreseeable future, or until such time as the potential transfer of activity to The Wrekin Housing Trust Limited takes place. The circumstances set out above are on-going and the board have not initiated a dissolution which would render the going concern basis of preparation inappropriate. Such a dissolution could not be triggered until all processes outlined above are complete and for this reason the board continues to adopt the going concern basis of preparation in these financial statements.

The factors outlined above are however, considered to represent a material uncertainty that casts significant doubt on the parent company's ability to continue as a going concern. Nevertheless after making enquires, and considering the uncertainties described above, the board has a reasonable expectation that the parent company has adequate resources to continue in operational existence for a period of not less than twelve months from the date of approval of these financial statements. For these reasons, they continue to adopt the going concern basis in preparing the financial statements.

### Annual general meeting

The annual general meeting will be held on 24<sup>th</sup> September 2018 at The Wrekin Housing Trust, Colliers Way, Old Park, Telford, Shropshire, TF3 4AW.

### Auditors

In accordance with section 489 of the Companies Act 2006, a resolution to reappoint Grant Thornton UK LLP as auditors will be proposed at the forthcoming Annual General Meeting.

The report of the board was approved by the board on 3<sup>rd</sup> September 2018 and signed on its behalf by:

C M Rogerson  
Company Secretary



## Strategic report

### Principal Activities

The principal activities of the group members can be summarised as follows:

The Wrekin Housing Trust Limited (“the Trust”) is a registered charity and a company limited by guarantee, governed by its memorandum and articles of association which set out its charitable objects. The Trust is registered with the social housing regulator and was set up for the purpose of accepting a large scale voluntary transfer of housing stock from Telford and Wrekin Council, which took place on 25 March 1999.

Choices Housing Association Limited (“Choices”) is incorporated under the Co-operative and Community Benefits Societies Act 2014, under charitable rules and is registered with the social housing regulator. Its principal activity is the provision of housing, care and support services for individuals with learning and/or other disabilities.

Shropshire Housing Alliance (“SHA”) is a registered charity and a company limited by guarantee, governed by a deed of trust and its memorandum and articles of association which set out the objectives and powers of the charity. Its principal activities are to assist people who are homeless and in housing need by the provision of rented accommodation and to provide housing support and advice services.

South Shropshire Furniture Scheme (“SSFS”) is a registered charity and a company limited by guarantee, governed by its memorandum and articles of association. Its principal activities are to relieve poverty and protect or preserve the environment for the public benefit by collecting and distributing donated furniture, recycling and renovating household items for resale and providing training opportunities for individuals.

Old Park Services Limited, is a private limited company and is wholly owned by the Trust. Its principal activity is the provision of housing and property related services and associated software to other social landlords. On 1 April 2016 Old Park Services Limited subsumed the activities of Reviive CIC, which include the operation of retail outlets for re-used and recycled household goods and the promotion of re-use as an alternative to disposal of household goods and waste.

Strata Housing Services Limited (“Strata”) is a private limited company, wholly owned by the Trust. Its principal activity is the supply of housing development services to the Trust.

FUSE Enterprise CIC is a community interest company. Its principal activities are the operation of social enterprises and the provision of consultancy services to potential or existing social enterprise businesses.

WHT (Subsidiary) Limited is a private limited company which has not traded since its incorporation on 4 February 2004.

### External influences

In developing its plans the Group has to consider the external influences which impact on the business and deal with these challenges.

The Government pledge to deliver 300,000 new homes and significant increase in capital funding seeks to encourage registered providers to undertake new developments to address the national shortage of affordable housing. The original policy emphasis was for home ownership products (such as rent to buy or shared ownership) which present a significant challenge in the housing markets in which we operate. More recently the development of affordable rent housing has been reintroduced but these constant changes impact upon our forward planning. There is also uncertainty around the long term revenue funding for supported housing projects such as Extra Care housing.



## Strategic report (continued)

The national shortage of skilled construction workforce combined with a desire to accelerate the delivery of housing has led to a Government emphasis on off-site manufacture. This is something we have explored with a local supplier on a scheme at Gordon Road, Telford. This approach would need a significant increase in volume in order to achieve notable cost savings and efficiencies.

### Business and financial review

The group made a total surplus for the year, before the recognition of the gain in respect of the pension scheme, of £13.5 million (2017: surplus of £7.6 million). The group's reserves stand at £99.4 million (2017 : £80.9 million).

The Trust had a strong year in financial and performance terms, and delivered a net increase of 200 in its housing stock, adding 566 new properties to its stock whilst continuing to dispose of older, uneconomic properties through its Asset Renewal Strategy. At the year end it held 12,629 rented properties (including 2,017 units of supported housing and 198 units of shared ownership).

It also had 828 leasehold properties and over 2,500 garages. At 31 March 2018 its total drawn borrowings were £370 million out of a loan facility of £440 million.

Choices faced another challenging year in financial terms, again largely due to difficulties at the Limewood Dementia Unit, which opened during 2014/15. Whilst overall staff recruitment and retention improved on the prior year, recruitment and retention of the specialist nursing and care staff required at this scheme has continued to be difficult. The situation improved towards the end of the financial year and, it is expected that this can be maintained during 2018/19, meaning the unit should start to cover its costs. Performance with regard to service delivery continued to be above average for the sector with all homes achieving 100% compliance against the Care Quality Commission inspection standards. The demand for the service provided is strong, particularly from those requiring higher levels of nursing care. At 31 March 2018 Choices held 101 units of residential care and 19 units of supported housing.

SHA continued the progress made in previous years, recording a surplus for the year. The organisation continued to deliver services under its Advice and SHIP contracts with the local authority and the Money Matters and Tenancy Sustainment services delivered on behalf of the Trust. A new contract was secured under Building Better Opportunities, attracting funding, and enabling SHA to work with partner organisations. A new initiative planned for 2018/19 is the introduction of a debt advisory service.

SSFS recorded a surplus for the year of £241,444, following the receipt of a gift aid payment from a sister company within the group, Strata Housing Services Limited of £310,254. During 2017/18 the charity undertook a critical review of its structure and operations, with a view to producing a more sustainable and viable business model for the longer term. The charity was successful in securing funding under the Building Better Opportunities grant scheme, and has worked in conjunction with other group partners to provide valuable services to the community.

Old Park Services Limited generated a pre-tax profit of £338,957 for the year. During the year a gift aid payment of £227,622 was made to the parent company, The Wrekin Housing Trust Limited. Positive contributions were generated from the sale of repairs services and software solutions and support to other social landlords, together with the sale of WATCH alarm services and the management of a scheme of market-rented properties. The integration of the Reviive branding into Old Park Services Limited has provided a sound base for the implementation of the remaining phases of the recovery plan for the Reviive brand, which is highly regarded by users of its services.

Strata, the other wholly owned subsidiary of the Trust also had another successful year of trading, delivering a pre-tax profit of £519,000 which will be transferred back to the Trust by way of gift aid. During the year the company made a gift aid payment of £310,254 to South Shropshire Furniture Scheme, a sister company within the group. It also made a gift aid payment of £875,026 to its parent company The Wrekin Housing Trust Limited. A donation was made to FUSE CIC, another subsidiary of The Wrekin



## Strategic report (continued)

Housing Group Limited in the sum of £129,000. Strata has now achieved its aim of saving between £1m and £1.5m in what would otherwise be irrecoverable VAT. From the date it commenced trading to 31 March 2018 it has realised savings of £2.1m.

FUSE has generated a surplus for the year of £24,752 before taking account of the donation received from Strata Housing Services Limited of £129,000, resulting in an overall surplus of £153,752. The company undertook a thorough review of all activities and focussed its attention on those that return a positive contribution. Opportunities for the provision of consultancy services were less than anticipated during the year, whilst the Clean Cut cleaning and grounds maintenance service has seen an increase in demand through partnering with the Handyhelp service provided by Old Park Services Limited.

### Value for Money

The Wrekin Housing Group Value for Money strategy for the period to 2020 was approved by the group board in July 2017 and this outlines the group's plans to build on the considerable achievements of the last few years and to ensure that it meets the regulatory standard. A few highlights of the group's performance in 2017/18 and plans for the future are outlined below:

#### Return on assets:

- Transferred housing stock – the homes acquired under the original stock transfer and still in the group's ownership have continued to benefit from significant and effective investment. This has been borne out by the favourable outcome of the five yearly stock condition survey, last updated at the end of 2013/14, which showed that the stock condition had improved over the previous five years whilst unit rates for planned maintenance replacement of kitchens, bathrooms etc. had come down in real terms;
- Development programme – during 2017/18 we completed 566 homes and at the year end there were 434 units on site, with total scheme costs of over £50m. The completed units provide a mix of general needs rented units and shared ownership properties along with 12 rented properties providing supported housing specifically for those with learning disabilities and 4 shared ownership purchases under the HOLD (Home Ownership for Long term Disabilities) scheme. There are plans to acquire 1,790 homes in the next five years. Additional Extra Care schemes were completed, with The Coppice, Bicton and Ashwood, Alexandra Road, Oswestry providing a further 146 units of this type of accommodation. The extra care schemes are developed by the Wrekin Housing Trust and managed by Choices Housing Association, who also provide personal care to their residents via their Lifestyles team, providing a one-stop, quality service to residents. We are also continuing to provide a wide range of homes across Shropshire, Telford, Staffordshire and Wolverhampton;
- Its brand – the group is gaining a strong reputation for innovation and quality across the sector which has allowed it, amongst other things, to continue to sell maintenance services and computer software solutions to other registered providers via the trading subsidiary Old Park Services Limited, to generate further funds for investment into core activities;
- Its culture – the group's purpose is straightforward: to be an outstanding housing association that excels in meeting and supporting local housing need. The group's strategic plan for the period 2018 to 2021 details how the group will achieve its purpose.

#### Maximising resources and delivering efficiency:

With the 1% rent reductions affecting the largest member of the group, The Wrekin Housing Trust, it is ever more important to ensure that the group is getting best value from its resources, so that that we can continue to develop new homes, improve existing services and provide value to the communities in which

## Strategic report (continued)

we operate. Those aims are embedded in the group's current strategic plans to the extent that, for any activity to be included in those plans, it had to demonstrate that its outcome would deliver increased value for money by reducing costs, increasing quality or adding social value.

Key achievements in 2017/18 and future actions include:

- continuing the focus on driving down unit costs, thereby delivering further savings of £774k on the capital improvement programme, bringing the total savings over the last 8 years to almost £8.7m. As a consequence the number of improvements completed were slightly less than originally planned (3,004 against 3,171);
- out-performing against the Trust's budget for the 2017/18 financial year, which in itself incorporated a 1% reduction in operating costs to mitigate the impact of the 1% rent reduction. The Trust generated an operating surplus that was £3.5m higher than budget, which could potentially fund approximately 80 new homes. The Trust also exceeded its targets for numbers and average sale values of property disposals under the asset renewal strategy, which is also used to fund future developments of new homes, and made savings of £402k on treasury costs;
- continuing the Asset Renewal Strategy, under which, by means of its net present value model, older uneconomic properties or those that are in low demand are identified and sold. The proceeds are then reinvested, along with some grant funding and bank borrowing, to build new homes. Since the start of the strategy in 2005/06, 1,796 properties have been sold, generating proceeds of just over £124m. Over the same period 4,299 homes have been developed or acquired from other providers, which represents 2.39 new homes for every old property sold;
- using the separate subsidiary company, Strata Housing Services Limited, to provide development services to the Trust, which has already saved the Trust £2.19m in VAT that would otherwise have been an irrecoverable cost since it began operating at the beginning of 2014/15;
- maintaining the Trust's excellent operational performance levels with all key performance indicators continuing to be in the top quartile or even the top 10% positions in its Housemark peer group. All customer satisfaction measures recorded in the STAR survey are also in the top 10% when compared nationally;
- continuing to use "systems thinking" principles during 2018/19 to undertake reviews of:
  - digital services
  - leasehold management
  - Able living
  - Induction and recruitment process

### Metrics

In accordance with the Regulator's revised VFM standard, detailed overleaf is the set of key metrics, calculated directly from the financial statements, which permit comparability across the sector.

The impact of a smaller development programme in the year compared to that of 2016/17 has resulted in lower metrics for reinvestment, new supply delivered, and gearing. Social housing cost per unit has increased slightly and operating margin has decreased slightly, mainly as a result of the increase in the current service cost of the Trust's element of the Shropshire Council Pension Fund. Part of the increase in social housing cost per unit is attributable to the increase in the quantum of the cost of providing service-chargeable services to tenants. This total has increased due to the increase in the number of extra care schemes. These additional service costs are recovered through service charges to tenants, but this is obviously not reflected in the calculation of the social housing cost per unit metric.



## Strategic report (continued)

Whilst the 'Reinvestment' and 'New supply delivered' metrics have reduced, they are still towards the higher end of the sector. Two consecutive years of growth in new supply of 5.3% and 4.4% is a considerable achievement.

<b>Metric</b>	<b>2018</b>	<b>2017</b>
Reinvestment	8.4%	14.2%
New supply delivered (social housing)	4.4%	5.3%
New supply delivered (non-social housing)	0.1%	0.0%
Gearing	63.8%	64.8%
Interest cover	136.1%	134.7%
Social housing cost per unit	£3,269	£3,094
Operating margin (social housing lettings)	35.7%	38.2%
Operating margin (overall)	26.2%	27.8%
Return on capital	5.5%	4.9%

### Delivering social value:

We contribute to the well-being of our tenants, the wider community and broader neighbourhoods in many ways. Although some of the benefits are hard to measure, we can provide some estimates based on the factual information we have. The Trust will continue to work with other group members to ensure that the impact of these activities is maximised. For example:

- continuing to work with the tenancy sustainment team at Shropshire Housing Alliance to work with prospective and new tenants of the Trust to ensure that they are ready to take on a tenancy and better equipped to sustain that tenancy over the longer term. The team undertake pre-tenancy assessments with prospective tenants, which includes a robust budget and affordability discussion, ensuring they have the means and the skills to set-up and manage a home. In 2017/18 the team carried out over 410 such assessments.
- using the Money Matters service, now operated via Shropshire Housing Alliance but previously run directly by the Trust over a number of years, to ensure that customers of the Trust access the welfare benefits to which they are entitled and are as well prepared as possible to cope with the impacts of welfare benefit reform. During 2017/18 the Money Matters team successfully brought in more than £2.5m in additional benefits for our customers, engaging with 2,401 households and carrying out 631 pre-tenancy assessments and benefit checks;



## Strategic report (continued)

- the group reaffirmed its commitment to providing a range of good quality placements and training opportunities within the local community. During 2017/18 the group directly employed 21 apprentices and 15 trainees, gave 125 volunteer opportunities and provided 21 student work placement opportunities including student nurse and student social worker work placements;
- the Reviive furniture and recycling brand, now operated via Old Park Services Limited, continued to provide affordable furniture to both tenants and the wider community, as well as recycling unwanted furniture to reduce the impact on the environment with regard to landfill and CO2 emissions. During 2017/18 286 furniture packs were provided to individuals setting up a home for the first time. 511 tonnes of furniture were collected and 447 tonnes were reused or recycled, with 491 tonnes of CO2 emissions being avoided as a result.

The board remain committed to strengthening the value for money culture that already exists within the organisation, to ensure that this is factored into all decision-making processes to exceed the expectations of the standard and mitigate the continuing impact of the 1% reductions in rental income over the next two years.

## Strategic report (continued)

### **Objectives and strategy**

During 2017/18 The Wrekin Housing Group carried out a fundamental review of its strategic plan for the period 2018 to 2021.

The group's purpose is straight forward: To be an outstanding housing association that excels in meeting and supporting local housing need.

In the new strategic plan, for the period from 2018 to 2021, the group will aim to achieve its purpose through the following actions:-

- Through listening to our customers we will understand the current and future needs of our locality better than any other;
- We will work towards providing more new homes that are best in terms of energy efficiency and sustainability;
- We will be a fair and trusted employer supporting the development and skills of our people;
- We will be relentless in our search for value and efficiency;
- We will be considered by partners to be trusted and collaborative;
- We will seek opportunities to promote jobs and economic growth in our locality, directing our spending to support the people in our locality, maximising the social value of our services and delivering wider community benefits;
- We will develop business models of care and support to create a bold and innovative service provider; and
- We will ensure that we meet the highest standards of leadership, management and governance.



## Strategic report (continued)

### Performance and development

The key deliverables and the action required to deliver them are set out in the table below.

Deliverable	Action
Through listening to our customers we will understand the current and future needs of our locality better than any other	<ul style="list-style-type: none"> <li>to implement the new 'Voice of the Customer' and Governance arrangements</li> <li>to maintain market intelligence on prospective partnerships and develop alliances</li> </ul>
We will work towards providing homes that are best in terms of energy efficiency and sustainability	<ul style="list-style-type: none"> <li>to produce a development strategy and plan, maximising the number of new homes</li> <li>to invest £22.6m in existing assets by 2020</li> <li>to deliver 820 homes predominantly in Shropshire and Staffordshire by March 2021</li> <li>to deliver the asset management strategy ensuring a sustainable property portfolio</li> <li>to identify and take action on non-performing assets, disposing of 420 properties by 2021, generating proceeds of £23.1m for reinvestment</li> </ul>
We will be a fair and trusted employer supporting the development and skills of our people	<ul style="list-style-type: none"> <li>to implement the outcomes of the equal pay audits by delivering a reviewed employee strategy</li> <li>to deliver the health and safety strategy, ensuring the highest standards of health and safety</li> </ul>
We will be relentless in our search for value and efficiency	<ul style="list-style-type: none"> <li>develop and embed group value for money reporting against the new VFM statement</li> <li>to implement all approved operational team plans</li> <li>to deliver the approved financial plans for 2018/19</li> <li>to deliver an overall group surplus of £4.3m in 2018/19</li> <li>to achieve a reduction in operating costs to meet the 1% p.a. rent reduction by 2020</li> </ul>
We will be considered by partners to be trusted and collaborative	<ul style="list-style-type: none"> <li>to deliver a successful transfer of Bushbury TMO</li> <li>to investigate the transfer of Council housing stock in Shropshire</li> </ul>

## Strategic report (continued)

Deliverable	Action
We will seek opportunities to promote jobs and economic growth in our locality, directing our spending to support the people in our locality, maximising the social value of our services and delivering wider community benefits	<ul style="list-style-type: none"> <li>to implement the funding mechanism for the promotion of Social Enterprise</li> <li>to implement the income management and Welfare Reform plan</li> <li>to implement the Voluntary Right to Buy</li> </ul>
We will develop business models of care and support to create a bold and innovative service provider	<ul style="list-style-type: none"> <li>to develop a growth plan for supported housing</li> <li>to streamline the operation of the Shireliving Extra Care and Retirement Living Schemes</li> <li>to develop a viability plan for the future of the Limewood Dementia Unit</li> <li>to produce a strategy on the future of the LD care homes, considering their re-provision</li> <li>to achieve 'good' ratings at CQC inspections</li> </ul>
We will ensure that we meet the highest standards of leadership, management and governance	<ul style="list-style-type: none"> <li>to implement the new governance structure</li> <li>the group board to review succession planning and skills against future strategic needs</li> <li>to review governance and board effectiveness annually</li> <li>to continue to review and revise the group assurance arrangement relating to risk, stress testing, the role of audit and health and safety</li> </ul>

### Risks and uncertainties

Risks that may prevent the group achieving its objectives are considered and reviewed annually by the senior management and board of each group member as part of the corporate planning process. The risks are recorded and assessed in terms of their impact and probability.

Exposure to price and credit risk comes through changes in government policy such as changes to the funding regime, rent setting or other duties required of registered providers. These risks are regularly reported to the board with the potential effects being modelled through the business plan. Measures are taken to reduce the exposure to such risks wherever possible.

The major risks to successful achievement of the group's objectives going forward are considered overleaf:



## Strategic report (continued)

Key Risk	Detail	Action
<b>Pension Fund</b>	Ensuring a cessation is not inadvertently triggered which would incur significant costs. Remaining an active member of the LGPS potentially exposes the group to continually increasing employment costs above inflation.	Appraisal review undertaken by independent external advisors.  Stress testing regularly reviewed and monitored by the board
<b>Additional Finance</b>	Continuing to develop in line with aspirations will only be possible if the group can secure affordable additional finance, delivered in a timely manner at margins that meet our business plans and with covenants which can be met.	Regular monitoring and reporting of potential exposure to board via management accounts, business plan updates and stress testing.  Treasury management advice received and reviewed from independent external advisors to ensure that optimal financing arrangements are secured.
<b>Information Technology &amp; GDPR</b>	IT systems and procedures must be sufficiently robust to deliver the business plan, be able to withstand any form of cyber- attack and ensure all information held is done so securely.	Comprehensive back up arrangements and business continuity plans.  Cyber security measures reviewed regularly internally and by internal auditors.  Continued training for all staff on cyber security and GDPR compliance.  Penetration testing of systems by external consultants.
<b>Adverse economic conditions</b>	Adverse economic conditions cause under-performance against strategic objectives or financial plans	Regular monitoring of actual performance against budget and business plan via management accounts and suite of key metrics.

## Strategic report (continued)

Key Risk	Detail	Action
<b>Refinancing</b>	Inability to refinance on favourable terms and in a timely manner meaning inability to repay funders and possible breach of covenants leading to funder intervention and event of default.	Business plan updated regularly.  Stress testing regularly reviewed by board.  Regular updates on progress with regard to refinancing, incorporating advice from external treasury advisors, reviewed by board.
<b>Health and safety or regulatory failure</b>	Health & safety processes and systems failure put at risk customers, service users, staff and the general public which could lead to prosecution, regulatory intervention, loss of finance and risk to reputation both of Wrekin and the wider housing sector.	Audits of key areas undertaken by various audit bodies and reported to Audit and Assurance Committee.  Health and safety information reported regularly to board as part of key metrics together with progress reports on implementation of audit recommendations.  Periodic reports on CQC inspection taken to board including progress reports on implementation of recommendations.
<b>Poor financial performance and cashflow</b>	Failure to deliver the budget set by the board within a framework that escalates any significant change back to the board. Failure to collect sufficient cash or to prevent overspends will not return the surplus required to deliver objectives and may breach covenants.	Regular monitoring of performance against budget via management accounts.  Regular monitoring of key financial metrics against golden rules and triggers agreed by board.



## Strategic report (continued)

Key Risk	Detail	Action
<b>Development and sales</b>	On the basis that much of the future development aspirations are supported by asset disposals, we must ensure the sales programme and revenues are supported/evidenced by independent market evidence and are deliverable.	Monitoring of asset renewal sales against budget both in terms of numbers sold and values achieved.  Regular monitoring of market information to enable early identification of negative trends.
<b>Inability to draw on existing loans</b>	Inability to draw on existing loans in support of the approved business plan.	Regular monitoring of covenant compliance via suite of key financial metrics  Maintenance of agreed level of liquid funds derived from the stress testing results. This could be used as short to medium term buffer in the event of difficulties with draw down.  Maintenance of comprehensive Assets and Liabilities register to quantify financial commitments.

### Capital structure and treasury policy

During the year the group drew down £15m of borrowing under its loan facilities. The high level of activity under the group's development programme continued during 2017/18 with several large schemes completing during the year, and others started on site which will be completed during 2018/19 and 2019/20. Current business plans show that the remainder of the current undrawn facilities will be drawn down to fund the development programme over the next three years. At 31 March 2018 the group's drawn bank loans totalled £370m as shown below. All of the group's loans have been treated as basic financial instruments under the provisions of FRS 102.

Maturity	2017 £m	2016 £m
Less than one year	-	-
Between one and five years	170	155
After five years	200	200
	<u>370</u>	<u>355</u>

The group borrows, principally from banks and building societies, at both fixed and floating rates of interest. The group's policy is to keep between 50 per cent and 80 per cent of its borrowings at fixed rates of interest. At the year end, 61% of the borrowings were at fixed rates. The fixed rates of interest range from 5.925% to 7.25% (including margins) and these have been factored into long-term business plans. The group borrows and lends only in sterling and so is not exposed to currency risk.

## Strategic report (continued)

### Housing properties

Details of changes to the group's fixed assets are shown in notes 13 and 14 to the financial statements. Housing properties are carried in the balance sheet at cost (after deducting depreciation ) of £562.6 million (2017: £537.0 million). Whilst housing properties are stated at historic cost, a valuation was obtained during the year on the Trust's properties in relation to loan debt coverage. The valuation was carried out by independent professional valuers, Savills (L & P) Limited, Chartered Surveyors and provided an Existing Use Value for Social Housing (EUV-SH) for 10,864 of the Trust's housing properties charged as security to its funders at 31<sup>st</sup> March 2018 of £459.1m. The remaining 2,593 properties owned by the Trust were not in charge at 31 March 2018. Choices' properties have not been valued as Choices has no borrowings against which to provide security.


### Cash flows

There was a cash inflow from operating activities this year of £44.1m (2017: £36.6m), reflecting the strong level of operating surplus achieved in the year.

### Statement of compliance

In preparing this Strategic Report, the board has followed the principles set out in Part 2 of the SORP 'Accounting by Registered Housing Providers' 2014. The financial statements comply with FRS 102, SORP 2014 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The board further confirms that the group has complied with the requirements of the HCA Governance and Financial Viability Standard and has the required register of assets and liabilities in place.

The Strategic report was approved by the board on 3<sup>rd</sup> September 2018 and signed on its behalf by



Anne Ward  
Chair



## Statement of responsibilities of the board

### **Statement of the responsibilities of the board for the financial statements**

The board is responsible for preparing the report of the board, the strategic report and financial statements in accordance with applicable law and regulations. Co-operative and community benefit society legislation requires the board to prepare financial statements for each financial year. Under that law the board members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including Financial Reporting Standard 102, the financial reporting standard applicable in the United Kingdom and the Republic of Ireland. Under the co-operative and community benefit legislation the board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the group and company for that period.

In preparing these financial statements, the board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2014 have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

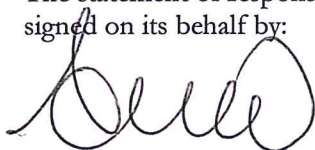
The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and company and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Society Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing (2015). It is also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board members confirm that:

- so far as each Board member is aware, there is no relevant information of which the group's auditor is unaware; and
- the Board members have taken all steps that they ought to have taken as Board members to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

This annual report is available on the group's website [www.wrekinhousingtrust.org.uk](http://www.wrekinhousingtrust.org.uk) and summary information from the annual report is also contained in the annual report to tenants. The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The statement of responsibilities of the Board was approved by the Board on 3<sup>rd</sup> September 2018 and signed on its behalf by:



Anne Ward  
Chair

# Independent auditor's report to the members of The Wrekin Housing Group Limited

## Opinion

We have audited the non-statutory financial statements (the 'financial statements') of Wrekin Housing Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018, which comprise the consolidated and company statements of comprehensive income, the consolidated and company statements of changes in reserves, the consolidated and company statements of financial position, the consolidated statement of cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's and parent company's income and expenditure for the year then ended in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2015.

## Basis for opinion

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014 and report in accordance with regulations made under that act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Material uncertainty related to going concern

We draw attention to note 2 in the financial statements concerning the parent company's ability to continue as a going concern. The parent company's board is considering a transfer of its activities, assets and liabilities to The Wrekin Housing Trust Limited, which, if approved, would result in the dissolution of the parent company. As stated in note 1, these conditions, along with other matters explained in note 1 to the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Who we are reporting to

This report is made solely to the Group's members, as a body, in accordance with our letter of engagement dated 17 July 2018. Our audit work has been undertaken so that we might state to the Group'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 company and the company's directors as a body, for our audit work, for this report, or for the opinions we have formed.



## Independent auditor's report to the members of The Wrekin Housing Group Limited (continued)

### Other information

The Group Board is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

### Responsibilities of directors for the financial statements

As explained more fully in the statement of responsibilities of the board set out on page 27, the Group Board is responsible for preparation of the financial statements which give a true and fair view, and for such internal control as the Group Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

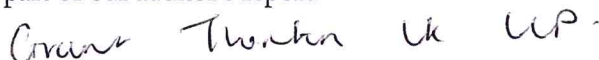
In preparing the financial statements, the Group Board is responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend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

### Auditor's responsibilities for the audit of the financial statements

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

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

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



Grant Thornton UK LLP,  
Statutory Auditor, Chartered Accountants  
Manchester

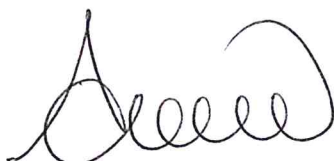
3<sup>rd</sup> September 2018

## Consolidated statement of comprehensive income

	Note	2018 £'000	2017 £'000
<b>Turnover</b>	3	87,261	81,735
Movement in fair value of investment properties	3, 16	721	175
<b>Operating costs</b>			
Operating costs	3	(64,421)	(58,985)
Impairment loss		-	-
<b>Operating surplus</b>	6	23,561	22,925
Surplus on the sale of fixed assets-housing properties (non operational)	4	9,923	4,370
(Loss)/gain on disposal of other fixed assets (non operational)		(20)	46
Interest receivable and other similar income	7	25	15
Interest payable, financing and similar costs	8	(20,021)	(19,853)
<b>Surplus on ordinary activities before taxation</b>		13,468	7,503
Tax on surplus on ordinary activities	12	49	101
<b>Surplus for the year</b>		<b>13,517</b>	<b>7,604</b>
Actuarial gain/(loss) in respect of pension scheme	11	4,950	(9,019)
<b>Total comprehensive income for the year</b>	25	<b>18,467</b>	<b>(1,415)</b>

The results relate wholly to continuing activities. The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 3<sup>rd</sup> September 2018 and signed on its behalf by:



Chair

Anne Ward



Board Member

Alison Fisher



Secretary

Catherine Rogerson



## Company statement of comprehensive income

	Note	2018 £'000	2017 £'000
<b>Turnover</b>	3	67	79
<b>Operating costs</b>	3	<u>(64)</u>	<u>(76)</u>
<b>Operating surplus</b>	3, 6	<u>3</u>	<u>3</u>
<b>Surplus on ordinary activities before taxation</b>		3	3
Tax on surplus on ordinary activities		<u>-</u>	<u>-</u>
<b>Surplus and total comprehensive income for the year</b>	25	<u><u>3</u></u>	<u><u>3</u></u>

The results relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 3<sup>rd</sup> September 2018 and signed on its behalf by:



Chair

Anne Ward



Board Member

Alison Fisher



Secretary

Catherine Rogerson

## Consolidated statement of changes in reserves

	Income and expenditure reserve £'000	Group Restricted Reserve £'000	Total £'000
Balance as at 1 April 2016	81,503	846	82,349
Surplus for the year	7,604	-	7,604
Other comprehensive income for the year	(9,019)	-	(9,019)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	80,088	846	80,934
Surplus for the year	13,517	-	13,517
Other comprehensive income for the year	4,950	-	4,950
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2018	<u>98,555</u>	<u>846</u>	<u>99,401</u>

## Company statement of changes in reserves

	Income and expenditure reserve £'000	Company Restricted Reserve £'000	Total £'000
Balance as at 1 April 2016	(42)	-	(42)
Total comprehensive income for the year	<hr/> 3	<hr/> -	<hr/> 3
Balance at 31 March 2017	(39)	-	(39)
Total comprehensive income for the year	<hr/> 3	<hr/> -	<hr/> 3
Balance at 31 March 2018	<u>(36)</u>	<u>-</u>	<u>(36)</u>

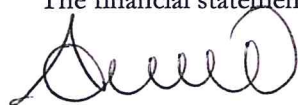
The accompanying notes form part of these financial statements.



## Consolidated statement of financial position

		2018	2017
		£'000	£'000
	Note		
<b>Tangible fixed assets</b>			
Housing properties	13	562,575	537,067
Investment properties	16	13,840	11,276
		<u>576,415</u>	<u>548,343</u>
Other tangible fixed assets	14	<u>5,177</u>	<u>5,403</u>
		<u>581,592</u>	<u>553,746</u>
<b>Current assets</b>			
Stock		195	319
Properties for sale	17	2,368	2,001
Debtors	18	4,175	5,488
Investments (money market deposits)		4,781	2,546
Cash at bank and in hand		<u>10,562</u>	<u>5,798</u>
		<u>22,081</u>	<u>16,152</u>
<b>Creditors: amounts falling due within one year</b>	19	<u>(12,358)</u>	<u>(16,749)</u>
<b>Net current assets/(liabilities)</b>		<u>9,723</u>	<u>(597)</u>
<b>Total assets less current liabilities</b>		<u>591,315</u>	<u>553,149</u>
<b>Creditors: amounts falling due after more than one year</b>	20	453,624	431,499
<b>Pension liability</b>	11	38,290	40,716
<b>Capital reserves</b>			
Revenue reserve	25	98,555	80,088
Restricted reserve	25	<u>846</u>	<u>846</u>
<b>Consolidated funds</b>		<u>99,401</u>	<u>80,934</u>
		<u>591,315</u>	<u>553,149</u>

The financial statements were approved by the Board on 3<sup>rd</sup> September 2018 and signed on its behalf by:



Chair  
Anne Ward



Board Member  
Alison Fisher



Secretary  
Catherine Rogerson

Co-operative and Community Benefit Society number: 7701

The accompanying notes form part of these financial statements.

## Company statement of financial position

	Note	2018 £'000	2017 £'000
<b>Current assets</b>			
Debtors	18	525	458
<b>Creditors: amounts falling due within one year</b>	19	(561)	(497)
		<hr/>	<hr/>
<b>Net current liabilities</b>		(36)	(39)
		<hr/>	<hr/>
<b>Total assets less current liabilities and net liabilities</b>		(36)	(39)
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Non-equity share capital		-	-
Revenue reserve	25	(36)	(39)
		<hr/>	<hr/>
<b>Company deficit</b>		(36)	(39)
		<hr/>	<hr/>

The financial statements were approved by the Board on 3<sup>rd</sup> September 2018 and signed on its behalf by:



Chair

Anne Ward



Board Member

Alison Fisher



Secretary

Catherine Rogerson

Co-operative and Community Benefit Society number: 7701

The accompanying notes form part of these financial statements.



## Consolidated statement of cash flows

	Note	2018 £'000	2017 £'000
<b>Net cash generated from operating activities</b>	27	44,087	36,580
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets		(52,641)	(78,134)
Proceeds from the sale of tangible fixed assets		13,718	13,403
Grants received		5,411	8,535
Interest received		25	15
		<u>(33,487)</u>	<u>(56,181)</u>
<b>Cash flow from financing activities</b>			
Interest paid		(18,878)	(18,789)
New secured loans		15,277	36,256
Withdrawal from deposits		(2,235)	142
		<u>(5,836)</u>	<u>17,609</u>
Net change in cash and cash equivalents		4,764	(1,992)
Cash and cash equivalents at beginning of year		<u>5,798</u>	<u>7,790</u>
Cash and cash equivalents at end of year		<u>10,562</u>	<u>5,798</u>

The accompanying notes form part of these financial statements.

# Notes to the financial statements

## 1 Legal status

The company is a Co-operative and Community Benefit Society registered with the Financial Conduct Authority. It is registered with the social housing regulator as a Registered Provider of social housing. Its direct and indirect subsidiaries The Wrekin Housing Trust Limited, WHT (Subsidiary) Limited, Old Park Services Limited and Strata Housing Services Limited, are incorporated under the Companies Act 2006 (limited by guarantee in the case of the Trust and limited by share capital in the other cases). Its direct subsidiary Choices Housing Association Limited is incorporated under the Co-operative and Community Benefits Societies Act 2014, under charitable rules and is also a Registered Provider of social housing. Its direct subsidiaries Shropshire Housing Alliance and South Shropshire Furniture Scheme are incorporated under the Companies Act 2006 as companies limited by guarantee and registered charities. Its direct subsidiary FUSE Enterprise CIC is a community interest company. The registered address of the company is Colliers Way, Old Park, Telford, TF3 4AW.

## 2 Accounting policies

On 18 January 2018, the company converted from a company registered under the Companies Act 2006 to registration under the Co-operative and Community benefit Societies Act 2014. Accordingly these financial statements for the year ended 31 March 2018 are non-statutory financial statements.

### Basis of accounting

The financial statements of the group are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The financial statements are presented in sterling (£).

Wrekin Housing Group Limited is a public benefit entity in accordance with FRS102.

### Basis of consolidation

The group accounts consolidate the accounts of the company and all its subsidiaries (note 15) at 31 March 2018 using the purchase method.

The individual accounts of the company have adopted the following disclosure exemptions:

financial instrument disclosures, including:

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

### Going concern

The activities, together with factors likely to affect the future development and performance of the Group and company are set out in the Report of the board.

The parent company converted to registration under the Cooperative and Community Benefit Societies Act 2014 on 18 January 2018. A review of the Group's governance arrangements was undertaken during December 2017. Following this review, and in order to ensure adequate scrutiny and oversight the Group board are considering a restructure which is detailed below. Under this proposed restructure and subject to all necessary consents being in place the activities, assets and liabilities from



## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

the current parent company would be transferred into The Wrekin Housing Trust Limited. At this point, The Wrekin Housing Trust Limited would become the parent company for the restructured group and the current parent company (as a legal entity) would no longer be required and so this transfer could result in the solvent dissolution of the parent company while the activities of the group would continue with The Wrekin Housing Trust Limited as the parent entity of the restructured group.

The board consider that the parent company has adequate resources to continue in operational existence for the foreseeable future, or until such time as the potential transfer of activity to The Wrekin Housing Trust Limited takes place. The circumstances set out above are on-going and the board have not initiated a dissolution which would render the going concern basis of preparation inappropriate. Such a dissolution could not be triggered until all processes outlined above are complete and for this reason the board continues to adopt the going concern basis of preparation in these financial statements.

Notwithstanding the above, the factors outlined in the preceding paragraphs are considered to represent a material uncertainty that casts significant doubt on the parent company's ability to continue as a going concern. Nevertheless after making enquires, and considering the uncertainties described above, the board has a reasonable expectation that the parent company has adequate resources to continue in operational existence for a period of not less than twelve months from the date of approval of these financial statements. For these reasons, they continue to adopt the going concern basis in preparing the financial statements.

#### Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements have been made include:

##### Impairment

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared to its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised in the statement of comprehensive income.

##### Classification of Loans as basic

Management have considered the terms of the loan agreement in relation to the facility within the Wrekin Housing Trust Limited and concluded that it does meet the definition of a basic financial instrument and therefore it is held at amortised cost.

##### Estimation uncertainty

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

##### Useful lives of depreciable assets

Management review its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2018 was £91.8m.

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### Valuation of investment properties

Management reviews its valuation of housing properties at each reporting date, based on formal valuation reports or an update to those reports based on market conditions.

#### Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in note 11). The liability at 31 March 2018 was £38.3m.

#### Turnover and revenue recognition

Turnover comprises rental income receivable in the year, income from property sales, and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year. With regard to the charitable companies in the group, incoming resources are included in the accounts when the entities are legally entitled to the income and the amount can be quantified with reasonable accuracy.

Rental income is recognised from the point properties become available for letting. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

#### Value added tax

The company and WHT (Subsidiary) Limited are not registered for VAT. Wrekin Housing Trust Limited, Choices Housing Association Limited, Shropshire Housing Alliance, South Shropshire Furniture Scheme, Old Park Services Limited, Strata Housing Services Limited and FUSE Enterprise CIC are registered for VAT. The Wrekin Housing Trust Limited and Choices Housing Association Limited's main income stream, being rent, is exempt for VAT purposes.

The majority of expenditure is subject to VAT, which the group is unable to reclaim – this expenditure is therefore shown inclusive of VAT. VAT can be reclaimed under the partial exemption method for certain other activities, and this is credited to the statement of comprehensive income.

#### Corporation tax

The Wrekin Housing Group Limited, Old Park Services Limited, Strata Housing Services Limited and WHT (Subsidiary) Limited are registered for corporation tax whereby the charge is based on surpluses arising on certain activities, which are liable to tax. FUSE Enterprise CIC is a community interest company and is also liable for corporation tax on surpluses arising on certain activities. Current tax is recognised for the amount of income tax payable in respect of the taxable surplus for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Choices Housing Association Limited has been granted charitable status by HMRC and as such is not liable for corporation tax on its charitable activities.

The Wrekin Housing Trust Limited, Shropshire Housing Alliance and South Shropshire Furniture Scheme are registered charities and as such are not liable for corporation tax on their charitable activities.



## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### Interest payable, financing and similar costs

Interest payable is charged to the statement of comprehensive income in the year.

#### Pensions

The group participates in the Shropshire County Pension Fund (SCPF). This is a defined benefit career average salary pension scheme administered by Shropshire County Council in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998. The assets of the scheme are invested and managed independently of the finances of the group.

For the SCPF, the operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets, together with any other changes in fair value of assets and liabilities, are recognised in the statement of comprehensive income.

The group also operates two defined contribution pension schemes. Contributions payable to these pension schemes are charged to the statement of comprehensive income as they become payable in accordance with the rules of the scheme.

Choices Housing Association became an admitted body of the Staffordshire County Council Pension Scheme following the TUPE transfer of two staff at the Limewood Dementia Care Home.

#### Disposal proceeds fund

With effect from 7 April 2017 there is no longer a requirement for net proceeds from the disposal of property under voluntary purchase grant and statutory right to acquire legislation and regulations to be included within a disposal proceeds fund. The balance in the fund at the 7 April 2017 will continue to attract interest which is calculated on a daily basis with the interest rate applied being determined by the level of total deposits.

The fund can be applied for specific purposes ranging from acquisition of dwellings for letting, to repair or improvement of vacant dwellings or buildings otherwise subject to demolition. The fund may be repayable, at the discretion of Homes England, in certain specific circumstances. The fund is included within creditors until such time that all funds have been applied.

#### Reserves

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

#### Housing properties

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs and expenditure incurred in respect of improvements.

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

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

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

#### Investment properties

Investment properties consist of market rented residential properties. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in value recognised in the statement of comprehensive income.

#### Government grants

Government grants include grants receivable from Homes England and its predecessor bodies, local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure under the accruals model. Grant is allocated to the land and structure components of the associated asset in proportion to their cost. Grant due from the funding bodies or received in advance is included as a current asset or liability.

Grant released on the sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in the statement of comprehensive income.

#### Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions is recognised only when these conditions are met. A grant received before the recognition criteria are satisfied is recognised as a liability.

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### Depreciation of housing properties

The group separately identifies the major components which comprise its housing properties and charges depreciation, so as to write down the cost of each component to its estimated residual value on a straight line basis over its estimated useful economic life. Freehold land is not depreciated. The structural components of the group's housing properties are depreciated at the following annual rates:

Dwelling Type	Assessed Depreciable Life (Years) – by period of construction				
	Pre-1945	1945-1964	1965-1974	1975-1984	Post 1985
General needs flats & maisonettes	80	90	100	100	120
General needs houses & bungalows & shared ownership houses	80	100	100	100	120
High rise flats	N/A	80	100	N/A	N/A
Sheltered flats & maisonettes	80	100	100	100	120
Sheltered houses & bungalows	80	100	100	100	120



## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

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

Component	Depreciable Life (Years)
Roof	60
Boiler	15
Heating System	30
Kitchen	20
Bathroom	30
Windows	30
Electrics	40
Solar Panels	30
Air Source Heat Pumps	30

#### Impairment

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared to its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised in the statement of comprehensive income.

#### Sale of housing property

Sales of housing properties are taken into account on completion of contracts. Due to the nature of the transfer with Telford and Wrekin Council, in the case of The Wrekin Housing Trust Limited, it is not possible to separately identify the value of each property sold. An average value, having regard to specific works undertaken since transfer, is eliminated from the property assets following each sale and charged to the statement of comprehensive income.

#### Other fixed assets

Other tangible fixed assets are measured at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Asset Category	Annual Depreciation Rate
Freehold buildings	4%
Computers and office equipment and furniture	10% (office equipment) 33% (computer equipment)
Sheltered scheme furniture, fixtures and fittings	20%
Plant and machinery and vehicles	20%

#### Leased assets

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

## Notes to the financial statements (continued)

### **2 Accounting policies (continued)**

#### **Properties for sale**

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

#### **Stock**

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

#### **Investment in subsidiaries**

Investments in subsidiaries are accounted for at cost less impairment.

#### **Financial Instruments**

All the Group's financial instruments have been classified as basic financial instruments. Basic financial instruments are recognised at amortised historical costs.

#### **Debtors**

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

#### **Creditors**

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

## Notes to the financial statements (continued)

### 3 Turnover, operating costs and operating surplus

#### Group - continuing activities

	2018 Turnover £'000	2018 Operating costs £'000	2018 Operating surplus £'000	2017 Turnover £'000	2017 Operating costs £'000	2017 Operating surplus £'000
<b>Social housing lettings</b>						
Other social housing	70,862	(45,580)	25,282	67,476	(41,733)	25,743
<b>activities:</b>						
Renting & letting of garages	774	(228)	546	774	(212)	562
Leaseholder service charges & communal repairs	626	(626)	-	762	(762)	-
Other	14	-	14	9	-	9
	<u>72,276</u>	<u>(46,434)</u>	<u>25,842</u>	<u>69,021</u>	<u>(42,707)</u>	<u>26,314</u>
<b>Non-social housing activities</b>						
Care Activities	4,038	(7,527)	(3,489)	4,247	(7,112)	(2,865)
Amortised government grants	14	-	14	16	-	16
Other	8,037	(7,743)	294	6,921	(7,945)	(1,024)
Shared ownership 1 <sup>st</sup> tranche sales	3,617	(2,717)	900	1,705	(1,221)	484
	<u>87,982</u>	<u>(64,421)</u>	<u>23,561</u>	<u>81,910</u>	<u>(58,985)</u>	<u>22,925</u>



## Notes to the financial statements (continued)

### 3 Turnover, operating costs and operating surplus (continued)

#### Company - continuing activities

	2018 Turnover £'000	2018 Operating costs £'000	2018 Operating surplus £'000	2017 Turnover £'000	2017 Operating costs £'000	2017 Operating surplus £'000
Non-social housing activities	67	(64)	3	79	(76)	3
	67	(64)	3	79	(76)	3

## Notes to the financial statements (continued)

### 3 Turnover, operating costs and operating surplus (continued)

#### Particulars of income and expenditure from social housing lettings

Group	General housing 2018 £'000	Supported housing 2018 £'000	Total 2018 £'000	Total 2017 £'000
Rents receivable net of identifiable service charges	48,992	14,489	63,481	61,156
Service charge income	1,189	5,374	6,563	5,631
Amortised government grants	816	2	818	689
<b>Turnover from social housing lettings</b>	<b>50,997</b>	<b>19,865</b>	<b>70,862</b>	<b>67,476</b>
<b>Expenditure on social housing lettings</b>				
Management	(2,305)	(1,711)	(4,016)	(3,678)
Services	(2,092)	(11,700)	(13,792)	(10,923)
Routine maintenance	(9,059)	(1,895)	(10,954)	(11,463)
Rent losses from bad debts	(97)	(5)	(102)	(115)
Major repairs expenditure	(4,599)	(1,206)	(5,805)	(5,481)
Depreciation of housing properties	(8,952)	(1,959)	(10,911)	(10,073)
<b>Operating costs on social housing lettings</b>	<b>(27,104)</b>	<b>(18,476)</b>	<b>(45,580)</b>	<b>(41,733)</b>
<b>Operating surplus on social housing lettings</b>	<b>23,893</b>	<b>1,389</b>	<b>25,282</b>	<b>25,743</b>
<b>Void losses</b>	<b>188</b>	<b>1,057</b>	<b>1,245</b>	<b>881</b>

### 4 Surplus on sale of housing assets

Group	2018 £'000	2017 £'000
Disposal proceeds	16,110	12,383
Carrying value of fixed assets	(6,187)	(7,269)
	9,923	5,114
Disposal proceeds fund	-	(744)
	9,923	4,370

## Notes to the financial statements (continued)

### 5 Accommodation in management

Accommodation in management for each class of accommodation was as follows:

Group	2018 No.	2017 No.
General needs housing	10,414	10,305
Supported housing	2,036	1,879
Shared ownership	198	164
Residential care homes	101	101
<b>Total owned</b>	<b>12,749</b>	<b>12,449</b>
Accommodation managed for others	148	155
<b>Total managed</b>	<b>12,897</b>	<b>12,604</b>
Properties where the group had residual freehold interest	828	932
	<b>13,725</b>	<b>13,536</b>

Of the total owned, 36 were managed by third parties (2017: 32).

#### Company

The company neither owns nor manages any units of stock.

### 6 Operating surplus

The operating surplus is arrived at after charging:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Depreciation of housing properties	10,911	10,073	-	-
Depreciation of other tangible fixed assets	619	710	-	-
Operating lease charges	1,474	1,254	-	-
Auditors' remuneration (excluding VAT):				
for audit services	76	74	-	-
for non-audit services				
-Tax advice	28	18	-	-
-Tax compliance	12	12	-	-
-iXBRL tagging	3	3	-	-

Audit fees in respect of The Wrekin Housing Group Limited are paid by The Wrekin Housing Trust Limited.



## Notes to the financial statements (continued)

### 7 Interest receivable and other similar income

Group	2018 £'000	2017 £'000
Interest received from temporary investments with banks and building societies	25	15
	<u>25</u>	<u>15</u>

### 8 Interest payable, financing and similar charges

Group	2018 £'000	2017 £'000
Loans and bank overdrafts	17,858	17,355
Funders security/facility fee	1,098	1,428
Valuers Fee	12	11
Defined benefit pension charge	1,030	1,045
Other interest	23	14
	<u>20,021</u>	<u>19,853</u>

### 9 Employees

Group	2018 No	2017 No.
Average monthly number of employees expressed in full time equivalents (calculated based on a standard working week of 36 hours):		
Office staff	350	365
Trades employees	215	181
Wardens, estate officers and cleaners	54	85
Care	418	413
	<u>1,037</u>	<u>1,044</u>
Staff costs:		
Wages and salaries	25,270	23,444
Social security costs	2,159	2,018
Other pension costs	3,963	2,913
	<u>31,392</u>	<u>28,375</u>

## Notes to the financial statements (continued)

### 9 Employees (continued)

#### Company

The company does not have any of its own employees (2017: none).

### 10 Key management personnel, board members and executive directors

#### Group

Expenses paid during the period to Board Members amounted to £5,713 (2017: £5,992).

The aggregate cost to the group of key management personnel (including benefits in kind and pension contributions) paid to or receivable by the key management personnel of the group parent during the year was £410,000 (2017: £354,000). The emoluments of the executive officers were paid via The Wrekin Housing Trust Limited.

	2018 Total £'000	2017 Total £'000
<b>Executive directors</b>		
Basic salary	284	242
Benefits in kind (car provision)	11	12
Pension	18	16
Social security contributions	37	31
	<hr/>	<hr/>
Total	350	301
	<hr/>	<hr/>
<b>Board members</b>		
Fees	60	53
	<hr/>	<hr/>
	60	53
	<hr/>	<hr/>

Board member fees disclosed in the Report of the Board may have been paid in respect of service on the Group board or service on the board of another entity within the group. The fees disclosed above are those fees that have ultimately been met by the group company.

#### The following full time equivalent numbers of staff employed across the various group companies received emoluments of:

	2018 No.	2017 No.
£60,001-£70,000	5	5
£70,001-£80,000	5	3
£80,001-£90,000	2	4
£90,001-£100,000	4	2
£120,001-£130,000	-	2
£130,001-£140,000	2	1
£140,001-£150,000	-	-
£150,001-£160,000	1	-
	<hr/>	<hr/>
Total	19	17
	<hr/>	<hr/>

The emoluments of the highest paid director, the Group Chief Executive, were £158,158. The Group Chief Executive is not a member of the pension scheme and therefore pension contributions in both years were nil.

The highest paid director in 2016/17 received emoluments of £135,198.

## Notes to the financial statements (continued)

### 11 Pensions

#### Group

The Group participates in the Shropshire County Pension Fund ("the SCPF") which is a defined benefit career average salary pension scheme. Triennial actuarial valuations are performed by a qualified actuary using the "projected unit" method. The most recent formal valuation of the Fund was completed at 31 March 2016. The group also operates a defined contribution pension scheme. The assets of that scheme are held separately from those of the group in an independently administered fund.

#### Contributions

The employer's contributions to the Shropshire County Pension Fund (SCPF) by the Trust for the year ended 31 March 2018 were £2,213,000 (2017: £2,146,000) and the employer's contribution rate was fixed at 14.5% of pensionable pay until 31 March 2018 with regard to future service benefits. For the 2018/19 year this rate will remain 14.5%. In addition, annual lump sum payments are being made in respect of past service deficits. The lump sum payment for 2017/18 was £517,800, and will be £537,000 in 2018/19. The Trust will continue to make additional lump sum payments in line with the deficit contribution schedule, as agreed with the SCPF, payable over 22 years. As a result of the 2016 valuation, deficit contributions will increase at a rate of 3.7% per annum over the recovery period.

#### Principal actuarial assumptions

	31 March 2018 % per Annum	31 March 2017 % per Annum
Rate of increase in salaries	3.6	3.8
Rate of increase in pensions in payment	2.2	2.3
Discount rate	2.7	2.6
Inflation assumption	2.1	2.3



## Notes to the financial statements (continued)

### 11 Pensions (continued)

#### Mortality assumptions

The post retirement mortality assumptions used to value the benefit obligation at March 2017 and March 2018 are based on the UK Self Administered Pension Scheme (SAPS) mortality tables published by the Continuous Mortality Investigation (CMI) of the UK actuarial profession. The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2018 No. of years	2017 No. of years
Retiring today:		
Males	23.1	23.0
Females	26.3	26.2
Retiring in 20 years:		
Males	25.3	25.2
Females	28.6	28.5

#### Amounts recognised in the statement of financial position:

	2018 £'000	2017 £'000
Fair value of employer assets	85,389	83,432
Present value of funded liabilities	(123,679)	(124,148)
Net liability	<u>(38,290)</u>	<u>(40,716)</u>

#### Analysis of the amounts charged to the statement of comprehensive income:

	2018 £'000	2017 £'000
Net interest cost	<u>1,030</u>	<u>1,045</u>
Current service cost	3,563	2,509
Administration expenses	68	69
Effect of curtailments	<u>76</u>	<u>86</u>
Amount charged to operating costs	<u>3,707</u>	<u>2,664</u>
Total amount recognised in the statement of comprehensive income	<u>4,737</u>	<u>3,709</u>

## Notes to the financial statements (continued)

### 11 Pensions (continued)

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

	2018 £'000	2017 £'000
Opening scheme liabilities	(124,148)	(97,500)
Current service cost	(3,563)	(2,509)
Interest cost	(3,207)	(3,494)
Contribution by members	(781)	(796)
Curtailment loss	(76)	(86)
Benefits paid	2,433	1,638
Actuarial gain/(loss)	5,663	(21,401)
Closing scheme liabilities	<u>(123,679)</u>	<u>(124,148)</u>

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

	2018 £'000	2017 £'000
Opening fair value of plan assets	83,432	67,366
Interest income	2,177	2,449
Contributions by the employer	2,213	2,146
Contribution by members	781	796
Benefits paid	(2,433)	(1,638)
Administration expenses	(68)	(69)
Actuarial (loss)/gain	(713)	12,382
Closing fair value of plan assets	<u>85,389</u>	<u>83,432</u>

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

	2018	2017
Equities	53.0%	60.1%
Bonds	23.1%	18.6%
Property	4.9%	5.0%
Cash	2.0%	2.2%
Other	17.0%	14.1%

#### Sensitivity Analysis

Disclosure Item	None	0.1% p.a. discount rate	0.1% p.a. inflation	0.1% p.a. pay growth	1 Year increase in life expectancy
	£'000	£'000	£'000	£'000	£'000
Liabilities	123,679	121,308	126,096	124,213	125,985
Assets	(85,389)	(85,389)	(85,389)	(85,389)	(85,389)
Deficit	38,290	35,919	40,707	38,824	40,596
Projected service cost for next year	3,306	3,210	3,406	3,306	3,376
Projected net interest cost for next year	1,005	975	1,070	1,019	1,067

## Notes to the financial statements (continued)

### 12 Taxation

#### Group

The tax credit of £49,000 (2017: tax credit £101,000) is based on taxable results for the year generated in the wholly owned subsidiaries, Old Park Services Limited, Strata Housing Services Limited and The Wrekin Housing Trust Limited.

### 13 Tangible fixed assets - properties

#### Housing Properties - Group

	Housing properties completed £'000	Housing properties under development £'000	Shared ownership properties completed £'000	Total £'000
<b>Cost</b>				
At 1 April 2017	553,099	48,564	7,398	609,061
Improvements to existing properties	6,325	-	-	6,325
Properties acquired	1,176	38,938	897	41,011
Schemes completed	69,816	(69,816)	-	-
Change of tenure	(5,058)	-	5,058	-
Transfer to assets held for sale	(4,267)	-	(2,863)	(7,130)
Transfer to investment properties	(513)	-	-	(513)
Disposals	(5,796)	-	-	(5,796)
At 31 March 2018	<u>614,782</u>	<u>17,686</u>	<u>10,490</u>	<u>642,958</u>
<b>Depreciation and impairment</b>				
At 1 April 2017	71,444	-	550	71,994
Charged in year	10,811	-	100	10,911
Change of tenure	(81)	-	81	-
Transfer to assets held for sale	(20)	-	-	(20)
Released on disposal	(2,382)	-	(87)	(2,469)
Released on transfer to Investment Properties	(33)	-	-	(33)
At 31 March 2018	<u>79,739</u>	<u>-</u>	<u>644</u>	<u>80,383</u>
<b>Net book value</b>				
At 31 March 2017	<u>481,655</u>	<u>48,564</u>	<u>6,848</u>	<u>537,067</u>
At 31 March 2018	<u>535,043</u>	<u>17,686</u>	<u>9,846</u>	<u>562,575</u>



## Notes to the financial statements (continued)

### 13 Tangible fixed assets – properties (continued)

#### Expenditure on works to existing properties

	2018 £'000	2017 £'000
Amounts capitalised – component replacement	6,325	6,115
Amounts charged to Statement of Comprehensive Income	5,805	5,481
Total	12,130	11,596

#### Social housing grant (SHG)

	2018 £'000	2017 £'000
Total accumulated SHG receivable at 31 March was:		
Recognised in the Statement of Comprehensive Income	4,293	3,186
Held as deferred income	75,269	69,338
	79,562	79,360

Housing properties net book value, net of depreciation, and offices net book value (note 14) comprises:

	2018 £'000	2017 £'000
Freehold land and buildings	567,182	541,990
	567,182	541,990

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

## Notes to the financial statements (continued)

### 14 Tangible fixed assets - other

#### Group

	Freehold buildings and land	Sheltered scheme furniture, fixtures and fittings	Computers and office equipment and furniture	Plant and machinery and vehicles	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 April 2017	10,095	1,537	4,295	401	16,328
Additions	24	49	273	12	358
Disposals	(44)	-	(1)	(5)	(50)
At 31 March 2018	10,075	1,586	4,567	408	16,636
<b>Depreciation and impairment</b>					
At 1 April 2017	5,172	1,471	3,878	341	10,862
Depreciation charged in year	314	60	214	31	619
Released on disposal	(18)	-	(1)	(3)	(22)
At 31 March 2018	5,468	1,531	4,091	369	11,459
<b>Other grants received</b>					
At 1 April 2017	-	63	-	-	63
Released to income in year	-	(63)	-	-	(63)
At 31 March 2018	-	-	-	-	-
<b>Net book value</b>					
At 31 March 2017	4,923	3	417	60	5,403
At 31 March 2018	4,607	55	476	39	5,177

## Notes to the financial statements (continued)

### 15 Investment in subsidiaries

As required by statute, the financial statements consolidate the results of The Wrekin Housing Group Limited with those of The Wrekin Housing Trust Limited, Choices Housing Association Limited, Old Park Services Limited, WHT (Subsidiary) Limited, Shropshire Housing Alliance, South Shropshire Furniture Scheme, Strata Housing Services Limited and FUSE Enterprise CIC, which were all direct or indirect subsidiaries of the company at the end of the year. The company has the right to appoint members to the boards of the subsidiaries and thereby exercises control over them.

The Wrekin Housing Trust Limited's principal activity is that of a social landlord. It is a company limited by guarantee without share capital and The Wrekin Housing Group Limited is the parent member with special voting rights in certain circumstances.

Choices Housing Association Limited's principal activity is that of a social landlord and provider of care and support services. The Wrekin Housing Group Limited is the parent company.

Old Park Services Limited's principal activity is the provision of housing and property related services and associated software to other social landlords. The company includes the trading activities of Revive CIC which were transferred to Old Park Services Limited. These include the operation of retail outlets for re-used and recycled household goods and the promotion of re-use as an alternative to disposal of household goods and waste. The parent company is The Wrekin Housing Trust Limited (which holds the entire issued share capital).

WHT Subsidiary Limited did not trade during the year. The Wrekin Housing Group Limited holds the entire issued share capital in the company.

Shropshire Housing Alliance is a company limited by guarantee and a registered charity. Its principal activities are the provision of housing support and advice services. The Wrekin Housing Group Limited is the parent company.

South Shropshire Furniture Scheme is a company limited by guarantee and a registered charity. The company's principal activities are the operation of a furniture recycling service and the provision of training and volunteering opportunities to unemployed people. The Wrekin Housing Group Limited is the parent company.

Strata Housing Services Limited's principal activity is the provision of development services to its parent company, The Wrekin Housing Trust Limited (which holds the entire issued share capital).

FUSE Enterprise CIC's principal activities are the operation of social enterprises and the provision of consultancy services to potential or existing social enterprise businesses. The Wrekin Housing Group Limited is the parent company.



## Notes to the financial statements (continued)

### 16 Investment properties non-social housing properties held for letting

	2018	2017
	£'000	£'000
At 1 April	11,276	11,101
Additions	1,843	-
Increase in value	721	175
	<u>13,840</u>	<u>11,276</u>
At 31 March	13,840	11,276

Investment properties were valued at 31 March 2018. The investment properties comprise 117 units known as the Hedgerows development, 6 flats at The Red House Priorslee and 10 houses on a new mixed tenure development in Herefordshire known as Well Gardens. All properties are managed by the wholly owned subsidiary company of The Wrekin Housing Trust Limited, Old Park Services Limited. A director's valuation was undertaken based on information provided by a professional external valuer.

### 17 Properties for sale

#### Group

	2018	2017
	£'000	£'000
Completed shared ownership properties	321	96
Properties held for outright sale-asset renewal strategy	2,047	1,905
	<u>2,368</u>	<u>2,001</u>

### 18 Debtors

#### Group

	2018	2017
	£'000	£'000
Rent and service charges receivable	1,482	1,386
Less: provision for bad and doubtful debts	(590)	(756)
	<u>892</u>	<u>630</u>
Prepayments and accrued income	924	2,925
Other capital grant received	654	628
Other debtors	1,457	1,005
Other taxation and social security	48	107
Trade debtors	429	466
Less: provision for bad and doubtful debts	(229)	(273)
	<u>3,283</u>	<u>4,858</u>
	<u>4,175</u>	<u>5,488</u>

## Notes to the financial statements (continued)

### 18 Debtors (continued)

Company	2018 £'000	2017 £'000
<b>Due within one year</b>		
Amount owed by subsidiary companies	525	458

There are no special payment terms, interest or security arrangements in place with regard to amounts owed by subsidiary companies.

### 19 Creditors: Amounts falling due within one year

Group	2018 £'000	2017 £'000
Trade creditors	5,317	8,017
Rent and service charges received in advance	1,344	1,199
Other taxation and social security	634	499
Pension	221	196
Accruals and deferred income	3,441	3,756
Social housing grant received in advance	103	542
Other creditors	144	418
Disposal proceeds fund (note 22)	-	1,021
Holiday pay accrual	156	156
Deferred grant income (note 21)	832	705
Finance leases	-	3
Corporation tax	166	237
	<u>12,358</u>	<u>16,749</u>

Company	2018 £'000	2017 £'000
Amount owed to subsidiary company	561	497

There are no special payment terms, interest or security arrangements in place with regard to amounts owed to subsidiary companies.

## Notes to the financial statements (continued)

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

#### Group

	2018 £'000	2017 £'000
Bank loans (note 24)	369,284	354,007
Recycled capital grant fund (note 23)	219	492
Deferred grant income (note 21)	81,743	75,503
Disposal proceeds fund (note 22)	2,378	1,497
	<u>453,624</u>	<u>431,499</u>

### 21 Deferred grant income

	2018 £'000	2017 £'000
At 1 April	76,208	69,137
Grant received in the year	7,725	8,098
Transfer to recycled capital grant fund	(181)	(272)
Released to income in the year	(1,177)	(755)
	<u>82,575</u>	<u>76,208</u>
At 31 March		
	<u>82,575</u>	<u>76,208</u>
Amounts to be released within one year	832	705
Amounts to be released in more than one year	81,743	75,503
	<u>82,575</u>	<u>76,208</u>



## Notes to the financial statements (continued)

### 22 Disposals proceeds fund

#### Group

	2018 £'000	2017 £'000
At 1 April	2,518	1,768
Net sale proceeds recycled	-	879
Interest accrued	15	11
Acquisition of dwellings for letting	(155)	(140)
Balance at 31 March	<u>2,378</u>	<u>2,518</u>

	2018 £'000	2017 £'000
The above balance is disclosed as follows:		
Amount due within one year	-	1,021
Amounts due after more than one year	<u>2,378</u>	<u>1,497</u>
	<u>2,378</u>	<u>2,518</u>

The fund has been used to purchase social housing properties in accordance with permitted uses of the fund. A further £1.125m has been committed with the approval of Homes England. During the year £nil was repaid (2017:£nil).

### 23 Recycled capital grant fund

#### Group

	2018 £'000	2017 £'000
At 1 April	492	220
Grants recycled	181	272
Interest Accrued	1	-
Acquisition of dwellings for letting	(455)	-
Amount due after more than one year	<u>219</u>	<u>492</u>

Withdrawals from the recycled capital grant fund have been used for the purchase and development of new housing schemes for letting.

## Notes to the financial statements (continued)

### 24 Debt analysis

#### Group

	2018 £'000	2017 £'000
<b>Due within one year</b>		
Bank loans	-	1
Finance leases	-	3
	<u>-</u>	<u>4</u>
<b>Due between two and five years</b>		
Bank loans	<u>169,284</u>	<u>154,007</u>
<b>Due after more than five years</b>		
Bank loans	<u>200,000</u>	<u>200,000</u>
<b>Total debt</b>	<u>369,284</u>	<u>354,011</u>

The bank loans are secured by fixed charges on individual properties and by a floating charge over the assets of The Wrekin Housing Trust Limited.

The interest rate in relation to £225m of debt is fixed for periods of between 4 and 22 years. The average rate of interest for all loans including margins at 31 March 2018 is 6.50%. The Trust has a total loan facility of £440 million. At 31 March 2018 the Trust had undrawn loan facilities of £70m (2017: £85m).

### 25 Reserves

Revenue reserves include all retained surpluses and deficits in relation to current and prior periods.

At 31 March 2018, the revenue reserve included £38,290,000 in respect of the defined benefit pension liability (2017: £40,716,000).

Restricted reserves relate to the agreement with the former English Partnerships that The Wrekin Housing Trust Limited retains all receipts from the sale of housing assets on the Woodside estate for reinvestment in the regeneration of the estate.

## Notes to the financial statements (continued)

### 26 Financial commitments

Group	2018 £'000	2017 £'000
<b>Capital expenditure</b>		
Expenditure contracted for but not provided in the accounts	33,741	54,633
Expenditure authorised by the board but not contracted for	49,460	11,128
	<u>83,201</u>	<u>65,761</u>

The commitments will be financed through a combination of borrowings, which are available for draw-down under existing loan arrangements, social housing grant, expected shared ownership sales proceeds, property sales under the Wrekin Housing Trust Limited's Asset Renewal Strategy and cash generated from operating activities.

#### Operating leases

The future minimum lease payments of leases are as set out below. Leases related to office accommodation, furniture and vehicles.

The group's future minimum operating lease payments are as follows:

	2018 £'000	2017 £'000
Within one year	1,068	1,412
Two to five years	2,357	3,097
	<u>3,425</u>	<u>4,509</u>

#### Company

The company had no financial commitments at 31 March 2018 (2017: £nil).



## Notes to the financial statements (continued)

### 27 Cash flow from operating activities

	2018 £'000	2017 £'000
Surplus for the year	13,517	7,604
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	11,530	9,826
Decrease/(increase) in stock	124	(7)
Increase in properties for sale	367	3,739
Decrease/(increase) in debtors	1,339	(373)
Increase in creditors	780	732
Pensions costs less contributions payable	1,494	518
Carrying amount of assets disposed of	12,583	8,012
<b>Adjustments for investing and financing activities:</b>		
Proceeds from the sale of tangible fixed assets	(16,090)	(12,429)
Government grants utilised in the year	(832)	(705)
Movement in fair value of investment properties	(721)	(175)
Interest payable	20,021	19,853
Interest received	(25)	(15)
<b>Net cash generated from operating activities</b>	<b>44,087</b>	<b>36,580</b>

### 28 Financial assets and liabilities

Categories of financial assets and liabilities

Group	2018 £'000	2017 £'000
Financial assets that are debt instruments measured at amortised cost	18,546	10,671
Financial liabilities measured at amortised cost	(378,342)	(365,978)
	<b>(359,796)</b>	<b>(355,307)</b>

### 29 Contingent liabilities

The Group had no contingent liabilities to disclose at 31 March 2018 (2017: £nil).

## Notes to the financial statements (continued)

### **30 Related party transactions**

The company has taken advantage of the exemption available under FRS102 not to disclose transactions with the other members of the Wrekin Housing Group.

There are no other related party transactions to disclose that have not been disclosed elsewhere in these financial statements. Please see note 10 for details of Executive and board remuneration.