

Annual Report

The Wrekin Housing Trust Limited

For the year ended 31 March 2016

Company No. 3558717
Homes and Communities Agency No. LH4220
Registered Charity No: 1074701

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Introduction from Chair and Managing Director

The Trust has had another successful year in 2015/16, delivering the first year of its ambitious five year strategic plan to take the organisation through to 2020. That plan aims to achieve three strategic objectives under the strapline “Bigger, Better, Stronger.”

Bigger – to increase the number and quality of rented homes available for customers across Telford and Wrekin, Shropshire, Staffordshire, Herefordshire and Wolverhampton

The Trust’s stock again saw a net increase in 2015/16, with 512 new homes completed during the year, and almost 700 more are scheduled for completion during 2016/17. In all the Trust aims to deliver almost 2,500 additional homes over the next four years. As part of that programme work also continued on further new extra care schemes, to add to the four that were in operation during 2015/16, and the first of these, the Oakwood scheme in Telford, was completed just after the end of the financial year. The Trust continued to make the most of its existing asset base, either by investing in improvements to ensure that properties continue to meet the Decent Homes standard, or by disposing of uneconomic properties under its asset renewal strategy and reinvesting the sale proceeds in the development programme. In 2015/16 the Trust invested £13.6m via its capital improvement programme and sold 209 properties, generating sale proceeds of £13.5m.

Better – to deliver improved services, defined as excellent by our customers.

During 2015/16 the Trust continued to develop its close relationships with its customers via the Tenants and Customer Assurance panels, the Tenant Auditors and the Quality Inspectors. The Trust believes that residents should be at the heart of its operations, helping to improve current services and develop future service delivery. The hard work and commitment of those individuals, coupled with the Trust’s approach to developing services using “systems thinking” principles, allows the organisation to continue its track record of innovation and quality. The Trust’s ground-breaking Rapid Response repairs service was extended further during 2015/16, to the in-house gas maintenance and repairs service, and the out of hours service, transforming the repairs service effectively into a 24 hour service.

Stronger – to maintain a strong business model, delivering in the present and prepared for the future

In common with the rest of the sector, the Trust faces the prospect of having to reduce its rents by 1% each year from 2016/17 to 2019/20. It has responded to this by challenging itself to achieve a corresponding 1% reduction in operating costs in each of the next four years and is on track to achieve this after setting its 2016/17 budget. During the year additional loan finance of £133m was secured from the Trust’s banking syndicate to support the development programme outlined above. By using this funding effectively, continuing with its asset renewal strategy and taking advantage of grant funding where available, the Trust will still be able to deliver three new homes for every two that are sold, even in the new operating environment.

Finally, we remain committed to releasing the potential of our team of staff through training and “living” the Trust values which encourage mutual respect. Our success to date and going forward is reliant upon them continuing to provide excellent and cost effective services and we thank them for their continued efforts.

Steve Jones
Chair

Wayne Gethings
Managing Director

Board members, executive officers and advisors

The membership of the board and its committees is set out below:

Chair:	Anne Ward (resigned 9 September 2015) Steve Jones (appointed as a board member 4 March 2015, appointed as Chair 9 September 2015) b, d
Other members:	Alison Fisher a,b,c Jacqueline Esimaje Heath b,f Laura Hilditch c Harry Ireland c,d,e Sue Lane a,c,d Niku Mawby a,c Eric Parkes b,c (resigned 27 October 2015) Mark Robertson b Charles Smith (appointed 4 March 2015, resigned 29 June 2015)

Key to current committee membership:

- a Joint Audit and Risk Management
- b Resources
- c Service
- d Remuneration
- e Old Park Services Ltd
- f Strata Housing Services Ltd

Executive Officers:

Managing Director	Wayne Gethings
Director of Financial Services	Francis Best
Group Chief Executive	John Broadhead
Company Secretary	Chris Horton

Head Office and Registered Office:

Colliers Way
Old Park
Telford
TF3 4AW

External Auditors:

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

Registered by the Charity Commissioners (Registered Charity No 1074701)
Registered by the Homes and Communities Agency No. LH4220
Company Registration No. 3558717
VAT Registration No 974801202

Board members, executive officers and advisors

The biographies of the board members are set out below:

Alison Fisher

Alison has worked in IT and finance in the private sector for over 25 years, most recently 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.

As well as being a Board member at the Trust, Alison is also an independent Board member of both The Pioneer Housing and Community Group and Upcycle Birmingham. Alison is Deputy Chair of the Birmingham and Solihull Bench and sits as a magistrate in the Adult Criminal and Family Proceedings Courts. She 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.

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.

Laura Hilditch

Laura was born in Wellington, Telford. She has always been keen on community involvement from a young age eventually becoming a guide leader, working with and developing young people. Her career started as a library assistant before she moved into retail, working from an assistant position to a managerial post both in this country and abroad.

Laura began volunteering for The Wrekin Housing Trust at monthly area meetings in 2005, and was then asked to be co-opted on to the Tenants' Panel. Since then she has been re-elected on to the panel and in 2013 she was elected as Treasurer.

Harry Ireland

Harry's career has been within criminal law, initially as a defence advocate but mostly as a prosecutor all across the country. He has worked in private practice which included all aspects of common law but mostly as a criminal lawyer. His duties have been largely managerial, mixed with casework and advocacy. Until recently he held the post of Chief Crown Prosecutor for the West Midlands region, covering the counties of West Midlands, Staffordshire, Shropshire, Worcestershire, Herefordshire and Warwickshire. The region was the second best performing region in the country.

Harry wishes to utilise his knowledge and experience in a field different to his own and, in doing so, provide some pro-bono effort to assist others. Part of Harry's motivation is to support an initiative for lawyers to undertake such work. Harry feels that his experience in both law and management will provide a valuable dimension to the Trust's Board.

Steve Jones

Steve comes with significant experience of strategic leadership, gained through his time as Chairman of South Staffordshire and Shropshire NHS Foundation Trust. He has also recently been appointed as a Non-Executive Director of Shropshire Community Health NHS Trust. Steve is also an Associate of Harvey Nash Plc, an international Executive Search company. In this capacity Steve advises on Non Executive/Chair appointments to NHS Boards.

Prior to his service at Board level in the NHS, Steve gained extensive commercial experience owning and running his own businesses.

Sue Lane

Sue has lived in the Telford area for 24 years having transferred from a branch of Adams Children's Wear in Birmingham to a branch in Telford where she was a Branch Manager for many years. She then became an Office Manager for a Gas Contractor Company.

During her children's educational years, Sue was a school governor and worked on a voluntary basis as a teacher's assistant.

Sue became a member of the STARS and WAGS area groups and at the same time she joined the Tenants Panel as secretary before being voted as Vice Chair in June 2011. Sue was voted on as the Tenants' Panel Chair in June 2012, and has successfully been elected as Chair since then, and is enjoying her role very much. She was also very privileged to be voted on as Vice Chair of the Trust's Board. As a Wrekin Housing Trust Board member, Sue also attends the Board meetings at Bushbury Hill Estate Management.

Niku Mawby

Niku started her housing career in 1983 in housing management and administration. She then went on to specialise in housing development and regeneration, working for several social housing landlords. She set up NTM Consultants in 1991 to provide training and consultancy services to local authorities, housing associations, community organisations, voluntary bodies and the private sector throughout the UK.

Over the last 10 years Niku's assignments have included: governance reviews, quality assurance reviews in landlord services, diversity audits, value for money assessments, efficiency reviews, setting up and supporting scrutiny panels and delivering training for boards, staff and residents.

Niku also works one day per week as a Diversity Adviser for Solihull Community Housing where she is responsible for co-ordinating the implementation of the Equality and Diversity strategy, training and supporting the board, staff and residents.

Mark Robertson

Mark is the Managing Director of bdht, a stock transfer RP in Bromsgrove, Worcestershire. He is a qualified accountant with a MBA and has more than 25 years' experience in the social housing sector with four different organisations, all at senior and director level. In his current role he has a varied brief encompassing management of all frontline services, support services, asset management and development of new homes.

Additionally he fulfils the roles of Finance Director and Company Secretary.

He was project sponsor for Bromsgrove's first Extra-Care housing scheme and sits on the Bromsgrove Partnership Board with all the statutory bodies with responsibility for housing for older people. He also chairs the Local Strategic Partnership group for housing in Bromsgrove.

He has had previous non-executive experience having been a Board member of Walsall Housing Group (and chair of the Group Finance Committee) for two years and a Board member of Choices Housing Association for three years.

Report of the board

The board presents its report and audited financial statements for the year ended 31 March 2016.

Principal activities

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 also 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. This transfer took place on 25 March 1999.

The Trust wholly owns two companies, Old Park Services Limited formerly (WHT (Subsidiary) Limited), and Strata Housing Services Limited, both of which are private limited companies. Old Park Services Limited was incorporated on 15 December 2000 and its principal activity is the provision of housing and property related services and associated software to other social landlords. Strata Housing Services Limited was incorporated on 14 October 2013 and began trading on 1 April 2014. Its principal activity is the provision of housing development services to the Wrekin Housing Trust Limited. On 17 September 2004 the Trust became a subsidiary of The Wrekin Housing Group Limited as a means to further its wider strategic and growth objectives. The Wrekin Housing Group Limited is a non-trading property company limited by guarantee, registered with the social housing regulator.

The Trust's principal activities are the development and management of social housing.

Business review

Details of the Trust's performance for the year are set out in the Operating and Financial Review and Strategic Report that follows this report of the board.

Housing properties

Details of changes to the Trust's fixed assets are shown in notes 12 and 13 to the financial statements. Housing property values are considered in the Operating and Financial Review and Strategic Report.

Payment of creditors

The Trust 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.

Financial instruments

The Trust's approach to risk management is outlined in the Operating and Financial Review and 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 Trust 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 Trust is also committed to ensuring equality for all its employees and applicants for employment.

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

A structured approach to training and development is provided to enable employees to fulfil their role and develop their full potential within the Trust. Their development continues to be essential in growing the organisation and attracting and retaining the best employees. This is achieved by an appropriate combination of locally delivered in-house training courses, one-off courses of a specialist nature and courses based at local further education colleges. Increasingly, job shadowing and secondment opportunities are being used to develop employees' skills and understanding.

In addition to its in-house training provision, the Trust also provides support for employees undertaking external courses and qualifications. Last year the Trust supported 53 employees to pursue further education courses in this way. Once again, in response to business need, this year we have continued to undertake training of employees in the repair, maintenance and servicing of renewable technologies which feature in an increasing number of the Trust's newly acquired properties.

The Trust has also continued its successful maintenance apprenticeship programme and it has also taken on further cohorts of business administration and maintenance trainees, many of whom have found employment either at the Trust or other employers following their placements. It has also continued to offer work placements for school and college leavers and volunteers to enable individuals to enhance their experience and employability prospects.

Health and safety

The board is aware of its responsibilities on all matters relating to health and safety. The Trust has prepared detailed health and safety policies and provides staff with training and education on health and safety matters. Regular progress is monitored through meetings of the Health and Safety Committee and the Trust has won a number of awards reflecting the commitment to high standards in this area.

Board members and executive directors

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

As part of the annual appraisal process, an assessment has been made of members' skills and experience to ensure that the board continues to carry out its role effectively.

The executive directors are the chief executive and the directors listed on page 2. These executive directors are not board members, hold no interest in the Trust's shares and act as executives within the authority delegated by the board.

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

Remuneration

Policy

The board is responsible for setting the Trust'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 Trust contributes to the scheme on behalf of its employees.

Other benefits

The executive officers 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.

Board member remuneration

Fees were paid as follows in respect of the year ended 31 March 2016. In accordance with the articles of association a 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 its parent The Wrekin Housing Group Ltd.

Jacqueline Esimaje Heath	£4,197
Alison Fisher	£4,275
Harry Ireland	£4,242
Stephen Jones	£11,911
Mark Robertson	£4,197
Niku Mawby	£4,713

Group Structure

The group comprises the Trust, Choices Housing Association (Choices), Shropshire Housing Alliance (SHA), South Shropshire Furniture Scheme (SSFS) and FUSE Enterprise CIC (FUSE). It is a partnership of complementary organisations with mutual trading relationships and all are subsidiaries of The Wrekin Housing Group Ltd.

The Trust and Choices have each nominated two members to the group board (Steve Jones and Sue Lane in the case of the Trust). The group board also has an independent chair, one other independent member, one member nominated by Shropshire Housing Alliance, one by South Shropshire Furniture Scheme and one by FUSE. The Chair of the Group Audit and Risk Management Committee is also a member of the group board.

During the year under review the Trust had a Resources Committee, a Services Committee and a Remuneration Committee, in addition to the Joint Audit and Risk Management Committee. The governance structure was reviewed and simplified again in June 2016 to ensure adequate scrutiny and oversight by board members of various aspects of the Trust's operations, so that in future there will be

only a Remuneration Committee and a Group Audit and Risk Management Committee with other areas being scrutinized directly by the board.

NHF Code of Governance

The board is pleased to report that the Trust complies with main principles, provisions and (to the extent it is relevant) best practice guidance contained in the National Housing Federation's Code of Governance (revised 2010). In June 2016 the board decided to adopt the 2015 version of the NHF Code. It recognises its responsibilities for ensuring that arrangements are made for keeping proper books of account with respect to the Trust's transactions and its assets and liabilities and for maintaining a satisfactory system of internal controls over the Trust's books of account and transactions and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board's commitment to continuous improvement in governance has led to the development of a governance improvement plan for the current year and the board monitors progress at each meeting. Plans for training and development activities identified in the annual board member appraisal process have again been implemented this year. The governance and co-regulation framework has a strong resident element with the Customer Assurance Panel overseeing performance, the Tenant Auditors examining aspects of the Trust's processes and the Tenants' Panel being a representative body involved in policy development as well as general consultation.

The Homes and Communities Agency has maintained its satisfaction with the Trust's approach to governance and compliance with the viability standard.

Resident involvement

During 2015/16 the Trust's co-regulation framework continued to work well and develop along the way. The framework is based on three elements:

- An elected Tenants' Panel which has significant influence over the shaping of services and the agreement of policy, strategy and continuous improvement activities.
- Tenant Auditors who carry out in-depth reviews of specific services with access to all areas, reporting directly to the Services Committee of the Trust board.
- A Customer Assurance Panel, which carries out specific scrutiny of performance against the national and local standards, again reporting directly to the Services Committee.

To improve the framework a matrix has been introduced, which aided discussions with senior managers and tenants to help identify areas of work for the coming year. In addition, quarterly tenant meetings have also been introduced to ensure feedback and sharing/networking/training between the groups. The June meeting also signed off the Annual Compliance Statement with National and Local Standards.

The Tenant Audit Group carried out audits in relation to the Trust's lettings system, the service provided by Energy Extra to Trust tenants, damp and condensation management in Trust properties and the Residents' Agreement which was introduced in 2015, in each case giving assurance to the board that services are being delivered to high standards, but also making recommendations for improvements.

The Customer Assurance Panel has continued to provide assurance to the board on compliance with the 24 local standards. Whilst scrutinising these standards they have also been looking at the wording of each standard to ensure they are up to date with regard to the service provided, and in one instance they recommended introducing a new standard. These standards have been agreed internally and are going out to wider consultation in the summer 2016 edition of the Trust Talks newsletter.

The Real Shopper scheme continues to grow. Currently we have 300 tenants who have signed up to tell us if a service is good or bad or if we have done something right or wrong, so that we can improve our service to them. We are looking to grow this group to 1,000 by the start of the 2017/18 financial year.

Four very successful “Tenants Unite” meetings have been held during the year, looking at performance, ASB and resident involvement, as well as undertaking a visit to the Maywood development.

The Wrekin Residents Group based on the Highfields estate in Stafford, continues to work on Colanley Gardens (a community garden and allotments in Stafford). The site has 10 plots and they are growing plenty of produce whilst bringing the community together. For 2016-17 a sensory garden is being introduced with help from the Prince’s Trust.

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 of compliance with all relevant legislation and against material misstatement or loss. The process for identifying, evaluating and managing the significant risks faced by the Trust is ongoing and has been in place throughout the period commencing 1 April 2015 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 and the Group Audit and Risk Management Committee has oversight of risk management strategy and processes, ensuring that these are effectively implemented and managed across the group.

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 board has established a risk management strategy, setting out its attitude to risk in the achievement of its objectives, which 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 management group regularly consider reports on these risks and is 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 Trust’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 Trust 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. During the period since 1 April 2015, the board considered the following matters which are of particular importance to the control environment:

- further consideration of the impact on the business of the Welfare Reform Act 2012, particularly in relation to the rollout of Universal Credit;
- further consideration of the development strategy, including the expansion of the Trust’s involvement in affordable rented housing, to ensure that the Trust can deliver its growth objectives in a climate of limited grant subsidy;
- trading relations and partnership working arrangements with partners within the group;
- a thorough review of risk management processes at the Trust and the methods used to provide assurance and other information to the board and its sub-committees. As a result of this review a new Board Assurance Framework was adopted at the June 2015 board meeting and continues in use with certain improvements agreed by the board recently;
- governance arrangements and its own effectiveness in providing leadership, setting strategy and ensuring the company has appropriate financial and other resources.

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 Resources Committee. 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. It is supplemented by regular reviews by internal audit which provide independent assurance to the board through its Group Audit and Risk Management 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 Risk Management Committee.

Going concern

After making enquiries the board has a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements. The principal factors that the board have considered in determining that the going concern basis of preparation remains appropriate are as follows:

- At the year end the Trust had loan facilities totalling £440 million, of which £121 million was undrawn at 31 March 2016. The Trust has a long-term business plan which shows that the remaining undrawn amount will be committed to its development programme during the period through to 2020.
- The business plan also shows that the Trust is able to service these debt facilities whilst continuing to comply with lenders' covenants.

Public benefit

The board confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Trust's aims and objectives and in planning future activities.

Annual general meeting

The annual general meeting will be held on 14 September 2016 at The Wrekin Housing Trust, Colliers Way, Old Park, Telford, 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 27 July 2016 and signed on its behalf by:



C J Horton
Company Secretary

Operating and Financial Review and Strategic Report

Background

Activities

The Wrekin Housing Trust Limited's (the 'Trust's') head office is based at Colliers Way, Telford. Whilst the majority of the Trust's properties are located within the borough of Telford and Wrekin, in line with the board's growth strategy, expansion has continued into the wider Shropshire area, Staffordshire and Wolverhampton. In 2015/2016 the Trust also began work on developments in Herefordshire.

The Trust's development programme was delivered under the Asset Renewal Strategy, whereby the proceeds of sale of uneconomic properties are used to fund the development of new properties and the Trust continued to make good progress with this long-term strategy. There was a net increase of 68 in the number of properties owned by the Trust in 2015/16.

The Trust rents out 12,009 properties with the accommodation available ranging from one-bedroom flats to five bedroom houses.

The Trust has a turnover of £64.1m and employs a workforce of just over 500 people, making it one of the largest businesses in Telford. The Trust is currently managed by a board of eight members consisting of two tenant representatives and six independent members. The Borough of Telford and Wrekin is entitled to nominate one member and at the date of this report discussions are in progress about whether the Council still wishes to do so. The chair is one of the independent board members.

Local services operate from eight bases in Telford, located either on estates or in local shopping centres, within walking distance of 90% of tenants, together with offices in Shrewsbury, Wem and Stafford. These bases offer an integrated housing management and repairs service, under the management of a general manager. A specialist team is responsible for supported housing, branded as Retirement Living, which provides 1,660 units of supported housing and housing for older people, again under the management of a general manager.

The Trust's portfolio of over 2,500 garages is managed by a separate team and has a turnover of £776,000. 1,009 leasehold properties and 131 shared ownership properties are also managed by the local teams. The local teams are supported by specialist support teams, known as consultancies, operating from the Trust's head office.

External influences

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

The impetus from national government has continued to be to encourage registered providers to undertake new developments of housing stock to address the national shortage of affordable housing. In the current economic climate this remains a challenge, with less grant funding available to registered providers and many organisations experiencing higher costs of bank financing.

Work has continued on the delivery of the Department of Health Care and Support programme (81 units with grant funding of £2.48m to be completed by March 2018) and the HCA Affordable Homes Guarantee Programme (588 units with grant funding of £13.67m to be completed by March 2017). Both these programmes are on track to be delivered in line with the required timescale, with both programmes actually due to complete during 2016/17.

Funding of £33.7m has also been secured under the Affordable Homes Programme 2015-18, for the delivery of 1,165 units by March 2021. The first 50 units under this programme were completed during 2015/16 and a further 464 started on site. The remaining units will start on site by the end of 2017/18, with completion of all units forecast by the end of March 2020.

Government policies have also been aimed at improving the quality of the existing affordable housing stock with the Decent Homes standard stating that by December 2010 all social housing should:

- meet the statutory minimum standard for housing;
- be in a reasonable state of repair; and
- have reasonably modern facilities and services and provide a reasonable degree of thermal comfort.

The Trust successfully achieved the Decent Homes Standard by 31 March 2010. Since that date the Trust has continued to use its stock condition survey, which was last updated by external consultants during 2013/14, supplemented by updated information produced by its own teams on a continuing basis, to ensure that the stock continues to be kept up to the Decent Homes standard and to drive further improvements to its properties. As at 31 March 2016 all the Trust's properties continued to meet the standard, with the exception of a few properties that had been earmarked for disposal under the Asset Renewal Strategy.

Objectives and strategy

During 2009/10 the Trust carried out a fundamental review of its vision and values, and these underpinned the strategic plan that came to an end in 2015. In preparing its next strategic plan to cover the period to 2020, the vision and values were reviewed again, but remain unchanged.

The Trust's vision is straight forward: To provide excellent homes and services.

The Trust's five key values are expressed in the following words:

- A 'can do' approach
- Putting our customers first
- Working together as one team
- Getting it right first time
- Valuing each other

In the new strategic plan, for the period from 2015 to 2020, the Trust will concentrate on three objectives in the achievement of its vision:

- to deliver improved services, defined as excellent by our customers;
- to increase the number and quality of rented homes available for customers across Shropshire, Staffordshire, Herefordshire and Wolverhampton;
- to maintain a strong business model, delivering in the present and prepared for the future.

The detailed activities required for the Trust to achieve its stated objectives and strategy are set out in its Board Assurance Framework, which is updated annually and approved by the board in March each year, and these activities are then fed into team operational plans.

Performance and development

The key indicators and assurances used by senior management and the board to monitor achievement of the Trust's objectives are set out in the table below.

Objective	Sub-objective	Indicator/Assurance
Service improvement - To deliver improved services, defined as excellent by our customers	<ul style="list-style-type: none"> to enable customers to define, monitor, scrutinise and drive quality and standards of service delivery to deliver our current services and use information and intelligence to change, improve and design the future services we will provide 	<ul style="list-style-type: none"> successful delivery of agreed programme of work by tenant scrutiny bodies successful completion of major service reviews and new initiatives external accreditations and awards and positive benchmarking results positive balanced scorecard information on resident involvement in and satisfaction with services
Growth - To increase the number and quality of rented homes available for customers across Shropshire, Staffordshire, Herefordshire and Wolverhampton	<ul style="list-style-type: none"> to invest in our existing performing homes to increase the number of new homes across the agreed areas of operation to identify and take action on non-performing assets that cannot meet customer expectations to contribute positively by our activities to employment, community, environment and economy in our areas of operation 	<ul style="list-style-type: none"> improving net present value position of overall stock and positive independent stock condition surveys and valuations successful delivery of agreed development programmes within budgets and timescales successful delivery of required numbers of disposals and sale values under Asset Renewal Strategy evidence of positive and increasing social and economic impact of Trust's activities

Objective	Sub-objective	Indicator/Assurance
Strong business model - To maintain a strong business model, delivering in the present and prepared for the future	<ul style="list-style-type: none"> to maintain a sound financial base to optimise our opportunities to ensure we have a governance, executive, leadership and organisational structure with the capacity and capability to deliver our strategic objectives to create the opportunity and environment to drive value for money and efficiency gains across the organisation to be recognised as an employer of choice that attracts, develops and retains highly skilled, talented people, offering a career path for people entering the housing sector 	<ul style="list-style-type: none"> achievement of short term budgets and long term business plan monitoring of loan covenant compliance and adequacy and availability of future financing regular monitoring of value for money and efficiency gains regular stress testing of business plan and review of strategies and controls in place to mitigate strategic risks information on employee engagement and satisfaction and external accreditations and awards

Customer service

Tenant satisfaction

During the year the Trust has undertaken surveys with its customers based on the STARS methodology, which allow us to benchmark key satisfaction information. Customers are selected at random on an ongoing basis during the year and asked four key questions by phone. In 2015/16, following a further review of the process, an additional question regarding customers' satisfaction with the value for money of their rent was introduced. The question about customers' satisfaction that their views were being listened to and taken into account was moved to a quarterly survey. The results of their responses are shown in the table below:

Category	2015/16	2014/15
Overall satisfaction with service provided by the Trust	96%	95%
Satisfaction with how the Trust deals with repairs and maintenance	93%	93%
Satisfaction that they get value for money for your rent	88%	N/A
Satisfaction with being treated fairly and with respect	93%	95%
Satisfaction with views being listened to and taken into account	86%	89%

Other customer satisfaction is now gathered in specific service areas as follows:-

Satisfaction with the relet process (Score of 1 -10)	9.52
Satisfaction with repair carried out (Rapid response)	96%
Satisfaction with right first time	90%
Satisfaction with capital improvements (score 1 - 10)	9.71
Satisfaction with gas servicing (Score of 1 - 10)	9.86

Whilst these figures are positive, the focus of the surveys is more to identify any areas of dissatisfaction and find ways to improve the services to customers, helping the Trust to meet the first objective in its current strategic plan - 'To deliver improved services, defined as excellent by our customers'.

Repairs service delivery

During 2015/16 the Trust continued to operate its Rapid Response repairs service. The repairs service was completely redesigned four years ago with the aim of completing the vast majority of all repairs jobs on the day that they are reported. During 2015/16, 87.9% of all repairs were completed on the same day that they were reported. Few, if any, other organisations have attempted to run their repairs service on this basis, making any comparison difficult, but tenant satisfaction with the service was running at 93% at the year end, which would equate to top quartile performance on Housemark. This indicates that the radical approach has been successful in delivering the service that tenants want, whilst saving the Trust in the region of £400,000 on its annual repairs costs.

Rent losses from voids

Once again performance in this area was strong, with rent losses restricted to 0.48% of rental income receivable (2015: 0.31%).

Finance

The Trust recorded a strong operating surplus for the year of £20.9m, which meant that it had significantly outperformed against its budget. Once again, rental increases were set in line with current government and regulatory guidance. Continuous review of working practice and strong financial monitoring meant that all areas of the organisation contributed to this result. Variable interest rates remained at low levels throughout the year. The local property market also continued to perform strongly, allowing the Trust to outperform its targets for disposals under the Asset Renewal Strategy, both in terms of property numbers and the total surplus achieved on sales.

The Trust's financial performance for 2015/16 has exceeded both the lenders' covenants and the constraints of the business plan.

	2016	2016	2015	2015
Ratio	Target	Actual	Target	Actual
Interest Cover Ratio	1.04	1.36	1.15	1.59
Asset Cover Ratio	110%	144%	110%	141%

In common with most LSVTs, the Trust made deficits over the early years of its existence as a result of the investment in its stock, only starting to make surpluses once the initial programme of improvement

works had been completed. The Trust's business plan indicates that it will continue to make strong surpluses over the life of that plan.

Human resources

The board recognises that the success of our business depends on the quality of our managers and employees. In any organisation some employee changes are inevitable and it is healthy to bring in some new employees every year. However, a high level of staff turnover leads to increased recruitment costs, lower productivity, lower morale and reduced internal controls assurance during the changeover period.

Employee turnover, calculated as the number of leavers in the year divided by the permanent employee headcount at the end of the year was 8.5% (2015: 12.7%).

Development

Under its Asset Renewal Strategy the Trust sets out to add three new properties for every two older, uneconomic properties that are disposed of. 2015/16 was the eleventh year of the strategy. During 2015/16 the Trust sold 209 properties (2015: 205). A further 49 properties were sold under the Right to Buy and Right to Acquire provisions.

During the year the Trust added 512 properties to its stock. This was achieved by means of a combination of traditional development and section 106 planning gains.

The Trust's current business plan demonstrates that the future development programme will add a further 2,458 units to the Trust's stock over the next 4 years, through a mixture of traditional development and section 106 and off the shelf acquisitions.

Value for Money

The 2015 – 2020 Value for Money strategy was agreed by the Board in June 2015 which outlines the Trust's plans to build on the considerable achievements of the last few years and ensure that it meets the regulatory standard. The Trust has a strong asset base in terms of:

- its transferred housing stock – the homes acquired by the Trust on transfer and still in its 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;
- its development programme of over 2,400 homes over the next four years. During 2015/16 the Trust completed 512 homes and at the year end we had 1,208 units on site, with total scheme costs of over £135m. We have risen from the 35th to the 25th largest Registered Provider developer, and are ranked 7th in terms of percentage increase in housing stock over the last year, at 3.9%. In 2016/17, we anticipate completing 783 homes, which would make us the 14th largest developing association.

Northfield Village was completed in January 2016, providing extra care accommodation, a dementia care unit, a GP's surgery, a community hub facility, a women's refuge, a supported housing scheme and some general needs housing. Northfield Village won the Joint Venture Scheme of the Year for 2015 in Inside Housing's Top 60 developments. We also completed a 65 unit extra care scheme at Oakwood in Wellington, Telford.

We are currently on site with Shropshire's first three extra care schemes, at Alexandra Road, Oswestry, Ellesmere Road, Shrewsbury and Holyhead Road, Bickton, Shrewsbury. We are also providing a wide range of homes across Shropshire, Telford, Staffordshire and Wolverhampton.

- its people – the Trust has a stable, committed and well-trained workforce which is reflected in it maintaining the Investors in People Gold standard and achieving Investors in Excellence re-accreditation in 2015. Several other major housing sector awards have been gained during 2015/16, including:
 - Apprenticeships 4 England Awards 2016 - Silver award for Employer of the Year (501-750 employees) category.
 - Inside Housing Top 60 awards 2015 - Joint-Venture Development of the year - Northfield Village Phase 1
 - RoSPA Occupational Health and Safety Award for 2015 - Gold medal and converted gold medal
 - Housing Heroes Awards 2015 - Communications Team of the Year 2015 (in-house Marketing & Business Research team)
- its brand – the Trust is gaining a strong reputation for innovation and quality across the sector which has allowed it to sell maintenance services and computer software solutions to other registered providers to generate further funds for investment into its core activities and attract other complementary organisations into the wider group;
- its culture – the Trust's stated values are translated into the way it does business, constantly trying to improve its services (as can be seen by its application of systems thinking principles to all its core operations), save money (with all areas of the business contributing to savings against budget once again in 2015/16) and contribute to its communities (for example by means of staff volunteering days, charitable fund-raising activities by staff and through its Community Fund grants).

With the 1% rent reduction it is ever more important to ensure that we are getting best value from our resources, so that that we can continue to develop new homes, improve existing services and provide value to the communities in which we operate. Those aims are embedded in the Trust's current strategic plan to the extent that, for any activity to be included in that plan, 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 2015/16 and future actions include:

- continuing the focus on driving down unit costs, thereby delivering further savings of £623k on the capital improvement programme, bringing the total savings over the last 7 years to almost £6m. This was achieved while delivering a slightly higher number of improvements than originally planned (2,916 against 2,874);
- 77 out-performing against the Trust's budget for the 2015/16, generating an operating surplus that was £2.64m higher than budget, which could potentially fund almost 50 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 £1.6m on treasury costs;
- continuing the Trust's 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, 1,489 properties have been sold, generating proceeds of £102.2m. Over the same period 3,117 homes have been developed or acquired from other providers, which represents 2.09 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 £1.34m in VAT that would otherwise have been an irrecoverable cost since it began operating at the beginning of 2014/15;
- continuing to use the Trust's other subsidiary, Old Park Services Limited, to generate profits from commercial activities which can then be transferred back to the Trust by way of gift aid. In 2015/16 the gift aid amounted to £491k, which was more than 50% higher than the original budgeted amount;
- re-focussing the Trust's long term business plan to ensure that it can aim to achieve a 1% reduction in operating costs each year between 2016/17 and 2019/20. This will mitigate the impact of the 1% rent reduction on the Trust, whilst maintaining the quality of its services and preserving its development programme to deliver three new homes for every two disposed of under the Asset Renewal Strategy, thus achieving the three objectives in its current strategic plan. The detailed budget for 2016/17 demonstrates that the Trust is on track to achieve that saving. The Trust's headline social housing cost per unit is already, at £3.3k per unit, around the lower quartile mark for its peer group based on the HCA's unit cost measures and this position has been achieved without reducing the quality of, or customer satisfaction with, the Trust's services;
- 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;
- using "systems thinking" principles to:
 - further review the income management process with the new process launched on CADRE, the new in-house designed housing management IT system. This included a specific review of the management of former tenant debt;
 - review the development handover process between the development team and the housing management teams to improve the process. The results of this will be built in to the development module on CADRE;
 - introduce Rapid Response to the in-house gas maintenance service;
 - review the out of hours emergency repair service to improve customer service and maximise the capacity of the team. This service is now no longer an emergency-only service, transforming the repairs service into a 24 hour service.
 - introduce mobile working to the supported housing team, improving the capacity and effectiveness of that team;
 - review the process to manage damp and condensation in properties to reduce waste and improve the service to the customer;
 - review a number of housing management and other processes prior to implementation on to CADRE including:-
 - landlord permissions
 - management of untidy gardens
 - management of trees
 - planned on demand requests
 - review customer insight processes, in particular responsive repairs satisfaction data collection and the STAR survey, to create efficiencies whilst delivering the same outcomes.

- Continuing to work with other group members to improve and enhance service to customers. For example:
 - 2015/16 saw the second year of operation of the tenancy sustainment team, set up with 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;
 - 2015/16 also saw the second year of operation of Clean Cut, a social enterprise set up in partnership with South Shropshire Furniture Scheme and now delivered by Fuse Enterprise CIC, to provide cleaning and grounds maintenance services to Trust properties whilst giving training and work experience opportunities to unemployed people;
 - continuing to work with Reviivie CIC, who are contracted to provide a clearance service for empty properties, enabling them to re-use and recycle any items left behind by outgoing tenants;
 - working with Fuse Enterprise CIC, who deliver catering and community hub services at a growing number of extra care schemes, which are themselves owned and managed through the partnership between the Trust and Choices Housing Association.

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 impact of the 1% reduction in rental income over the next four year. The full version of the Trust's Value for Money Self-Assessment can be found on its website at http://www.wrekinhousingtrust.org.uk/Docs/VFM_statement_FINAL.pdf, and as part of the Annual Report to Stakeholders, also available on the Trust website. Printed copies are available on request.

Risks and uncertainties

The main risks that may prevent the Trust 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 Trust, are regularly reported 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 Group Audit and Risk Management Committee has oversight of risk management strategies and processes to ensure that they are implemented and managed effectively by the boards of all group members. The Trust has identified the major risks to successful achievement of its objectives and these are considered below.

Key Risk	Detail	Strategic objective affected	Action
Change in government policy	Changes to the funding regime, rent setting or other duties required of registered providers may reduce income or increase costs. Changes to eligibility for and payment of welfare benefits.	Service improvement Growth Strong business model	Review of risk register Modelling effect of policy changes into business plan and stress testing plan
Performance failure	Failure to achieve good operational outcomes leads to a fall in customer satisfaction levels and the Trust not being viewed as landlord of choice or being subject to enforcement action by the regulator.	Service improvement	Regular monitoring of operational performance conducted throughout Trust up to board level
Financial management	High level of borrowing and recessionary economic conditions result in (1) significant exposure to interest rate and inflation changes over the life of the business plan (including potential for rent deflation), (2) increased importance of compliance with the covenants in the funding documentation	Growth Strong business model	Implementation of treasury management strategy and stress testing on business plan Monitoring of covenant compliance via management accounts
Investment in stock	Failure to maintain properties at Decent Homes standard Major or routine maintenance costs are in excess of costs assumed in the business plan.	Service improvement Growth Strong business model	Regular monitoring of status of properties against Decent Homes standard Regular budget monitoring and reporting
Asset renewal policy	Unable to secure sufficient acquisitions/ disposals to implement policy.	Growth	Regular monitoring of potential new developments and properties for sale and effect on business plan

Financial position

The Trust's income and expenditure account and balance sheet are summarised in Table 1 (page 24) and the following paragraphs highlight key features of the Trust's financial position at 31 March 2016.

Accounting policies

The Trust's principal accounting policies are set out on pages 31 to 36 of the financial statements. The Trust's accounts have been prepared under FRS102 for the first time in 2015/16 and the comparative figures have been restated on the same basis.

Housing properties

At 31 March 2016 the Trust owned 13,018 housing properties (2015: 12,950). The properties were carried in the balance sheet at cost (after depreciation) of £480.2m (2014: £404.3m). The accounting treatment of housing properties has changed under FRS 102. Previously the properties were shown net of both depreciation and attributable grant. Under FRS 102 grant is shown as deferred income and included within creditors and is amortised to the statement of comprehensive income over the life of the property to which it relates. Whilst housing properties are stated at historic cost, the Trust obtained a valuation during the year 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 the Trust's housing properties that are currently charged as security to its funders of £459.87m.

Investment in housing properties this year was funded through a mixture of bank finance, social housing grant and proceeds from sales under the Asset Renewal Strategy. The Trust's treasury management arrangements are considered below.

Pension costs

The Trust participates in the Shropshire County Pension Fund (SCPF), a career average salary defined benefit scheme offering good benefits for our staff. The Trust has contributed to the scheme in accordance with levels, set by the actuaries, of 13.8% of pensionable pay in the year to 31 March 2016 in respect of future service benefits. For 2016/17 the employer contribution rate will remain at 13.8%. During the year the Trust made a lump sum payment of £477,600 in respect of past service deficits. Annual lump sum payments will also continue, being £497,200 in 2016/17 and increasing each year by the amount of the annual pension increase order plus 1.5%.

Capital structure and treasury policy

During the year the Trust drew down £57.5m of borrowing under its loan facilities. The high level of activity under the Trust's development programme continued during 2015/16 with several large schemes completing during the year, and others starting on site which will be completed during 2016/17 and 2017/18. The Trust's current business plan shows that the remainder of the undrawn facilities will be drawn down to fund the development programme over the next three years. At 31 March 2016 the Trust's drawn bank loans totalled £319m as shown below. All of the Trust's loans have been treated as basic financial instruments under the provisions of FRS 102.

Maturity	2016 £m	2015 £m
Less than one year	-	-
Between one and five years	-	-
After five years	319.0	261.5
	<u>319.0</u>	<u>261.5</u>

The Trust borrows, principally from banks and building societies, at both fixed and floating rates of interest. The Trust'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, 71% of the Trust's 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 the Trust's long-term business plan.

The trend information in Table 1 (page 24) shows that debt per unit has increased in 2015/16. The view of the board and the regulator is that given the investment in stock that the Trust has undertaken over the last 17 years the level of debt per unit is not at an unreasonably high level.

The Trust borrows and lends only in sterling and so is not exposed to currency risk.

Cash flows

There was a cash inflow from operating activities this year of £24.1m (2015: £30.6m), reflecting the strong level of operating surplus achieved in the year. Once again the Trust's operating costs were well controlled, outperforming budget in respect of management costs and routine maintenance and delivering the planned maintenance programme within budget whilst still maintaining the Decent Homes standard and delivering other improvements to the stock. The continuing low level of bank interest rates has meant that, once again, the Trust has been able to make considerable savings against budget on its variable rate debt. As at 31 March 2016 the Trust held 29% of its total debt on variable rates.

Future developments

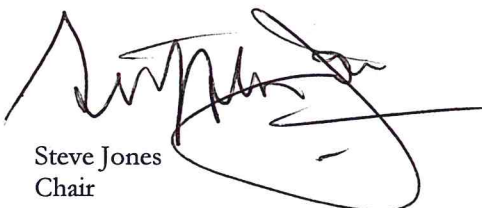
A key influence on the timing of borrowings is the rate at which planned maintenance and development activity takes place. The board has approved plans (i) to spend £9.5m during the next financial year under its planned maintenance programme, on investing in existing stock to ensure that the properties continue to meet the Decent Homes standard and making other improvements, and (ii) through its Asset Renewal Strategy to add 2,458 properties over the next 4 years while continuing to dispose of older, expensive properties.

Undrawn loan facilities of £121m were available under existing arrangements to fund this and future expenditure. In November 2015 the Trust completed a refinancing deal securing additional development finance from its existing banking syndicate. The additional funding increased the Trust's total facilities from £307m to £440m.

Statement of compliance

In preparing this Operating and Financial Review, 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 Trust 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 operating and financial review and strategic report was approved by the board on 27 July 2016 and signed on its behalf by



Steve Jones
Chair

Operating and Financial Review and Strategic Report

Table 1 – Trust highlights, five-year summary
For the year ended 31 March

	2016	2015*	2014	2013	2012
Trust Income and Expenditure account (£'000)					
Total turnover	64,170	59,330	56,762	54,566	49,973
Income from lettings	59,643	56,356	54,707	52,060	48,496
Operating surplus	20,943	20,011	20,811	20,782	17,141
Total recognised gain for the year	18,214	4,533	28,398	12,038	11,123
Trust Balance Sheet (£'000)					
Housing properties, net of depreciation	480,263	404,334	328,221	279,370	270,394
Investment Properties	11,101	10,942	-	-	-
SHG and other capital grants	-	-	(34,352)	(29,107)	(24,766)
Housing properties, net of depreciation and grants	491,364	415,276	293,869	250,263	245,628
Other fixed assets	4,079	3,835	3,746	3,519	3,609
Fixed assets net of capital grants and depreciation	495,443	419,111	297,615	253,782	249,237
Net current assets/(liabilities)	1,109	(5,689)	170	2,039	1,485
Total assets less current liabilities	496,552	413,422	297,785	255,821	250,722
Creditors (due over one year)	386,190	319,270	224,713	202,327	210,384
Pensions liability	30,134	32,138	18,104	26,924	21,206
Reserves - revenue	79,382	61,168	54,122	25,724	18,286
- restricted	846	846	846	846	846
	496,552	413,422	297,785	255,821	250,722
Accommodation figures					
Total housing stock owned at year end (<i>all social housing</i>)	13,018	12,950	12,465	12,305	12,339
Statistics					
Surplus for the year (adjusted for pension movement) as % of turnover	28.4%	7.6%	50.0%	22.1%	22.3%
Rent losses (<i>voids and bad debts as % of rent and service charges receivable</i>)	1.3%	1.6%	0.9%	0.7%	0.9%
Rent arrears (<i>gross arrears as % of rent and service charges receivable</i>)	1.6%	1.6%	1.2%	1.1%	1.2%
Interest cover (<i>surplus before interest payable divided by interest payable and capitalised interest</i>)	1.66	2.04	2.43	2.35	2.25
Liquidity (<i>current assets divided by current liabilities</i>)	1.1	0.7	1.0	1.2	1.2
Gearing valuation (<i>total loans as % of Total Fixed Assets + Net Current Assets (excluding Pensions)</i>)	64.2	63.3	75.6	80.1	84.0
Net Debt per home owned	£24,219	£20,090	£17,609	£16,051	£16,738

*The 2015 figures have been restated for the changes relating to the adoption of FRS102.

Statement of responsibilities of the board

Statement of the responsibilities of the board for the financial statements

The board is responsible for preparing the annual report and financial statements in accordance with applicable law and regulations. Company law 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 Republic of Ireland. Under company law the board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Trust 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 Trust will continue in business.

The board is responsible for keeping adequate accounting records that are sufficient to show and explain the Trust's transactions and disclose with reasonable accuracy at any time the financial position of the Trust and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Trust's auditor is unaware; and
- the directors have taken all steps that they ought to have taken as directors in order 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 Trust's website www.wrekinhousingtrust.org.uk and summary information from the annual report is also contained in the annual report to tenants. The maintenance and integrity of The Wrekin Housing Trust Limited's web site and the information contained in the annual report to tenants is the responsibility of the board. 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 27 July 2016 and signed on its behalf by



Steve Jones
Chair

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

We have audited the financial statements of The Wrekin Housing Trust Limited for the year ended 31 March 2016 which comprise the statement of comprehensive income, the statement of changes in reserves, the statement of financial position and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102, the financial reporting standard applicable in the United Kingdom and the Republic of Ireland.

This report is made solely to the Trust's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Trust'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 Trust and the Trust's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and the auditor

As explained more fully in the statement of responsibilities of the board set out on page 25, the board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Trust's affairs as at 31 March 2016 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102, the financial reporting standard applicable in the United Kingdom and Republic of Ireland, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the report of the board for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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



Fiona Baldwin
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

27 July 2016


Statement of comprehensive income

		2016	2015
	Note	£'000	£'000
Turnover: Continuing activities	3	64,170	59,330
Operating expenditure	3		
Operating costs		(42,427)	(39,076)
Impairment loss		(800)	(352)
Operating surplus: Continuing activities	3, 6	20,943	19,902
Surplus on the sale of fixed assets-housing properties	4	9,502	10,790
Loss/gain on disposal of other fixed assets		(7)	106
Movement in fair value of investment properties	15	159	159
Interest receivable	7	13	9
Interest and financing costs	8	(18,293)	(15,051)
Surplus on ordinary activities before gift aid and taxation		12,317	15,915
Gift aid covenanted from subsidiary		1,937	1,709
Tax on surplus on ordinary activities	2	-	-
Surplus for the year		14,254	17,624
Actuarial gain/(loss) in respect of pension schemes		3,960	(13,091)
Total comprehensive income for the year	23	18,214	4,533

The comparatives for the year ended 31 March 2015 have been restated in line with the requirements of FRS 102 and the SORP 2014.

The notes on pages 31 to 57 form part of these financial statements.

The financial statements were approved by the Board on 27 July 2016 and signed on its behalf by:



Chair



Board Member



Secretary

Statement of changes in reserves

	Income and expenditure reserve £'000	Restricted Reserve £'000	Total £'000
Balance as at 1 April 2014	56,635	846	57,481
Total comprehensive income for the year	4,533	-	4,533
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2015	61,168	846	62,014
Total comprehensive income for the year	18,214	-	18,214
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2016	<u>79,382</u>	<u>846</u>	<u>80,228</u>

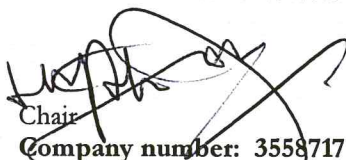
The notes on pages 31 to 57 form part of these financial statements.

Statement of financial position

		2016	2015
	Note	£'000	£'000
Tangible fixed assets			
Housing properties	12	480,263	404,334
Investment Properties	15	11,101	10,942
		<u>491,364</u>	<u>415,276</u>
Other tangible fixed assets	13	4,079	3,835
		<u>495,443</u>	<u>419,111</u>
Current assets			
Stock		267	331
Properties for sale	16	3,504	2,295
Debtors: amounts falling due within one year			
Debtors	17	5,386	4,225
Amounts owed by subsidiary undertaking	17	3,024	3,147
Amounts owed by other group companies	17	2,254	1,250
Amounts owed by parent company	17	421	365
Cash at bank and in hand		2,453	760
		<u>17,309</u>	<u>12,373</u>
Creditors: amounts falling due within one year	18	<u>(16,200)</u>	<u>(18,062)</u>
Net current assets / (liabilities)		<u>1,109</u>	<u>(5,689)</u>
Total assets less current liabilities		<u>496,552</u>	<u>413,422</u>
Creditors: amounts falling due after more than one year	19	386,190	319,270
Pension liability	11	30,134	32,138
Capital and reserves			
Non-equity share capital			
Revenue reserve	23	79,382	61,168
Restricted reserve	23	846	846
Trust's funds		<u>80,228</u>	<u>62,014</u>
		<u>496,552</u>	<u>413,422</u>

The comparatives for the year ended 31 March 2015 have been restated in line with the requirements of FRS 102 and the SORP 2014.

The financial statements were approved by the Board on 27 July 2016 and signed on its behalf by:


Chair
Company number: 3558717


Board Member


Secretary

The notes on pages 31 to 57 form part of these financial statements.

Notes to the financial statements

1 Legal status

The Trust is incorporated under the Companies Act 2006 as a company limited by guarantee without share capital, as a Registered Provider of Social Housing and a Registered Charity. The subsidiaries (note 14) are also incorporated under the Companies Act 2006.

2 Accounting policies

Basis of accounting

The financial statements of the Trust 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.

This is the first year in which the financial statements have been prepared under FRS 102. Note 29 provides an explanation of the transition.

The financial statements are presented in sterling (£)

Going concern

The Trust's business activities, its current financial position and factors likely to affect its future development are set out within the Operating and Financial Review and Strategic Report. The Trust has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Trust's day to day operations. The Trust also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

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:

Significant management judgements

The following are the significant management judgements made in applying the accounting policies of the Trust that have the most significant effect on the financial statements.

The accounts of the Trust have adopted the following disclosure exemptions:

- the requirement to present a statement of cashflows and related notes
- financial instrument disclosures, including:
 - categories of financial instruments
 - items of income, expenses, gains or losses relating to financial instruments, and
 - exposure to and management of financial risks

Impairment

From 1 April 2016, the Trust has reduced social housing rents by one per cent and will continue to do so in each year until 2019/20 in accordance with the Housing and Planning Act 2016. Despite cost efficiency savings and other changes to the business, compliance with the new rent regime has resulted in a loss of net income for certain social housing property. This is a trigger for potential impairment.

Notes to the financial statements (continued)

As a result, the Trust estimated the recoverable amount of its housing properties as follows:

- (a) determined the level at which the recoverable amount is to be assessed (i.e. the asset level or cash-generating unit (CGU) level);
- (b) estimated the recoverable amount of the cash generating unit;
- (c) calculated the carrying amount of the cash-generating unit; and
- (d) compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

Based on this assessment, the Depreciated Replacement Costs (DRC) of each social housing property scheme was calculated, using appropriate construction costs and land prices. Comparing this to the carrying amount of each scheme determined whether an impairment charge was to be made against social housing properties.

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 technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2016 was £69.3m.

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 2016 was £30.1m.

Turnover

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.

Revenue recognition

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 Trust's main income stream, being rent, is exempt for VAT purposes. The majority of expenditure is subject to VAT, which the Trust 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 income and expenditure account.

Corporation tax

The Trust is a registered charity and as such is not liable for corporation tax.

Interest payable

Interest is allocated and is charged to the income and expenditure account, based on the interest rate charged by the Trust's funders and the time over which the relevant loan balances were outstanding.

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

Notes to the financial statements (continued)

2 Accounting policies (continued)

Pensions

The Trust participates in the Shropshire County Pension Fund (SCPF). This is a defined benefit final 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 Trust.

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. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability.

The net surplus or deficit is presented separately from other net assets on the statement of financial position.

Disposal proceeds fund

Net proceeds from the disposal of property under voluntary purchase grant and statutory right to acquire legislation and regulations are included within a disposal proceeds fund. Interest is credited to the fund and 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 the Homes & Communities Agency, in certain specific circumstances. The fund is included within creditors.

Reserves

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

Gift aid donation

The trust received charitable donations from its wholly owned subsidiaries, Old Park Services Limited and Strata Housing Services Limited, during the year. This has been accounted for as income in the income and expenditure account for the year.

Housing properties

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

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

Investment properties

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

Notes to the financial statements (continued)

2 Accounting policies (continued)

Government grants

Government grants include grants receivable from the Homes and Communities Agency (the HCA), local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure 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 Homes & Communities Agency 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 on the association is recognised only when these conditions are met. A grant received before the recognition criteria are satisfied is recognised as a liability.

Depreciation of housing properties

The Trust 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 Trust'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 Trust 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

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 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 income and expenditure account.

Other fixed assets

Other tangible fixed assets are measured at cost less accumulated depreciation and any 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:

Freehold buildings	4%
Office fixtures and fittings	10%
IT hardware and software	33%
Sheltered scheme fixtures and fittings	20%
Landscaping equipment	20%
Maintenance teams plant and equipment	20%

Leased assets

Rentals payable under operating leases are charged to the income and expenditure account 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.

Provision for liabilities

Provisions are recognised when the Trust has a present obligation (legal or constructive) as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

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

Stock

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

Liquid resources

Liquid resources are readily disposable current asset investments. They include money market deposits held for more than 24 hours that can only be withdrawn without penalty on maturity or by giving notice of more than one working day.

Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment.

Financial Instruments

All the Trust'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

Continuing activities

	2016 Turnover £'000	2016 Operating costs £'000	2016 Operating surplus £'000	2015 Turnover £'000	2015 Operating costs £'000	2015 Operating surplus £'000
Social housing lettings	59,643	(41,607)	18,036	56,356	(37,753)	18,603
Other social housing activities:						
Renting & letting of garages	776	(230)	546	772	(449)	323
Leaseholder service charges & communal repairs	686	(686)	-	575	(575)	-
Other	1,121	(704)	417	919	(651)	268
	62,226	(43,227)	18,999	58,622	(39,428)	19,194
	1,944	-	1,944	708	-	708
Non-social housing activities	64,170	(43,227)	20,943	59,330	(39,428)	19,902

Notes to the financial statements (continued)

3 Turnover, operating costs and operating deficit (continued)

Particulars of income and expenditure from social housing lettings

	General housing needs 2016 £'000	Supported housing and housing for older people 2016 £'000	Total 2016 £'000	Total 2015 £'000
Rents receivable net of identifiable service charges	46,954	7,334	54,288	51,654
Service income	971	3,825	4,796	4,219
Amortised government grants	559	-	559	483
Turnover from social housing lettings	48,484	11,159	59,643	56,356
Management	(5,363)	(203)	(5,566)	(6,068)
Services	(1,462)	(4,926)	(6,388)	(4,307)
Routine maintenance	(10,642)	(2,079)	(12,721)	(13,189)
Rent losses from bad debts	(241)	(6)	(247)	(344)
Major repairs expenditure	(4,770)	(2,083)	(6,853)	(5,153)
Depreciation of housing properties	(8,584)	(1,248)	(9,832)	(8,692)
Operating costs on social housing lettings	(31,062)	(10,545)	(41,607)	(37,753)
Operating surplus on social housing lettings	17,422	614	18,036	18,603
Void losses	301	253	554	592

Notes to the financial statements (continued)

4 Surplus on sale of housing assets

	2016 £'000	2015 £'000
Disposal proceeds	15,986	16,789
Carrying value of fixed assets	(5,976)	(5,332)
	<u>10,010</u>	<u>11,457</u>
Disposal proceeds fund	(508)	(667)
	<u>9,502</u>	<u>10,790</u>

5 Accommodation in management

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

	2016 No.	2015 No.
General needs housing	10,218	10,130
Supported housing	1,660	1,617
Shared ownership	131	107
Total owned in management	<u>12,009</u>	<u>11,854</u>
Properties where the Trust had residual freehold interest	<u>1,009</u>	<u>1,096</u>
	<u>13,018</u>	<u>12,950</u>

Of the total owned, 289 (2015: 278) were managed by third parties, and 117 (2015: 117) properties were managed by Old Park Services Limited.

Notes to the financial statements (continued)

6 Operating surplus

The operating surplus is arrived at after charging/ (crediting):

	2016 £'000	2015 £'000
Depreciation of housing properties	8,232	8,044
Impairment of housing properties	800	352
Release of lease premium	(744)	-
Depreciation of other tangible fixed assets	508	513
Operating lease rentals:		
Hire of plant and machinery	1,062	1,075
Auditor's remuneration (including VAT):		
for audit services	39	38
for non-audit services	19	20

In the year to 31 March 2016 the impairment charge and the release of the lease premium are in relation to the Cambrian Care Hotel.

7 Interest receivable and other income

	2016 £'000	2015 £'000
Interest received from temporary investments with banks and building societies	10	9
Other interest	3	-
	<u>13</u>	<u>9</u>

8 Interest payable and similar charges

	2016 £'000	2015 £'000
Loans and bank overdrafts	15,467	12,048
Funders security/facility fee	1,743	2,201
Valuer's fee	15	10
Defined benefit pension charge	1,058	784
Other interest	10	8
	<u>18,293</u>	<u>15,051</u>

Notes to the financial statements (continued)

9 Employees

	2016 No.	2015 No.
Average monthly number of employees expressed in full time equivalents:		
Office staff	294	298
Trades employees	182	176
Scheme managers, estate officers and cleaners	31	32
	<u>507</u>	<u>506</u>
Staff costs:	£'000	£'000
Wages and salaries	14,002	13,918
Social security costs	1,031	1,085
Other pension costs	3,012	2,144
	<u>18,045</u>	<u>17,147</u>

The comparatives for 2015 have been reclassified to reflect the costs of Trust employees only.

10 Key management personnel

Expenses paid during the period to Board Members amounted to £2,445 (2015: £3,101).

The aggregate amount of remuneration (including benefits in kind and pension contributions) paid to or receivable by the key management personnel of the Trust during the year was £509,010 (2015: £493,222).

	2016 £'000	2015 £'000
Executive directors		
Basic salary	387	376
Benefits in kind (car provision)	22	21
Pension and social security contributions	83	68
	<u>492</u>	<u>465</u>
Total		
	<u>492</u>	<u>465</u>
Board members		
Fees	17	28
Pension and social security contributions	-	-
	<u>17</u>	<u>28</u>
Total		
	<u>17</u>	<u>28</u>

Notes to the financial statements (continued)

10 Key management personnel (continued)

The following full time equivalent numbers of staff received emoluments of:

	2016 No.	2015 No.
£60,001-£70,000	5	3
£70,001-£80,000	3	6
£80,001-£90,000	4	3
£90,001-£100,000	1	-
£130,001-£140,000	1	2
£140,001-£150,000	1	-
£150,001-£160,000	1	1
Total	16	15

The emoluments of the highest paid director, the Managing Director, were £141,800 excluding pension contributions (2015: £139,486).

11 Pensions

The Trust participates in the Shropshire County Pension Fund 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 as at 31 March 2013.

Contributions

The employer's contributions to the Shropshire County Pension Fund by the Trust for the year ended 31 March 2016 were £2,114,000 (2015: £2,104,000) and the employer's contribution rate was fixed at 13.8% of pensionable pay until 31 March 2016 with regard to future service benefits. From 2016/17 this rate will remain at 13.8%. In addition, annual lump sum payments are being made in respect of past service deficits. The lump sum payment for 2015/16 was £477,600, and will be £497,200 in 2016/17.

Notes to the financial statements (continued)

11 Pensions (continued)

Principal actuarial assumptions

	31 March 2016 % per annum	31 March 2015 % per annum
Rate of increase in salaries	3.5	3.6
Rate of increase in pensions in payment	2.0	2.1
Discount rate	3.6	3.4
Inflation assumption	2.0	2.1

Mortality Assumptions

The post retirement mortality assumptions used to value the benefit obligation at March 2016 and March 2017 are based on the PA92 series. The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement at age 65 are:

	2016 No. of years	2015 No. of years
Retiring today:		
Males	23.9	23.9
Females	26.4	26.3
Retiring in 20 years:		
Males	26.2	26.1
Females	29.2	29.1

Amounts recognised in the statement of financial position:

	2016 £'000	2015 £'000
Fair value of employer assets	67,366	66,545
Present value of funded liabilities	(97,500)	(98,683)
Net liability	<u>(30,134)</u>	<u>(32,138)</u>

Notes to the financial statements (continued)

11 Pensions (continued)

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

	2016 £'000	2015 £'000
Net interest cost	1,058	784
Current service cost	2,952	2,204
Administration expenses	60	59
Amount charged to operating costs	3,012	2,263
Total amount recognised in the statement of comprehensive income	4,070	3,047

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

	2016 £'000	2015 £'000
Opening scheme liabilities	(98,683)	(76,329)
Current service cost	(2,952)	(2,194)
Interest cost	(3,338)	(3,497)
Contribution by members	(826)	(818)
Curtailement loss	-	(10)
Benefits paid	1,902	1,417
Actuarial gain/(loss)	6,397	(17,252)
Closing scheme liabilities	(97,500)	(98,683)

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

	2016 £'000	2015 £'000
Opening fair value of plan assets	66,545	58,225
Interest income	2,280	2,713
Contributions by the employer	2,114	2,104
Contribution by members	826	818
Benefits paid	(1,902)	(1,417)
Administration expenses	(60)	(59)
Actuarial gain	(2,437)	4,161
Closing fair value of plan assets	67,366	66,545

Notes to the financial statements (continued)

11 Pensions (continued)

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

	2016	2015
Equities	50.5%	52.0%
Bonds	25.7%	25.5%
Property	5.5%	4.1%
Other	18.3%	18.4%

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	97,500	95,457	99,587	98,106	99,272
Assets	(67,366)	(67,366)	(67,366)	(67,366)	(67,366)
Deficit	30,134	28,091	32,221	30,740	31,906
Projected service cost for next year	2,664	2,600	2,771	2,684	2,742
Projected net interest cost for next year	1,046	1,000	1,121	1,068	1,110

Notes to the financial statements (continued)

12 Fixed assets - housing properties

Housing Properties					
	Social housing properties completed £'000	Social housing properties under development £'000	Shared ownership properties completed £'000	Shared Ownership Under Development £'000	Total £'000
Cost					
At 1 April 2015	427,853	29,691	4,570	-	462,114
Improvements to existing properties	6,782	-	-	-	6,782
Additions	2,380	83,797	7	8	86,192
Change of Tenure	(2,466)	-	2,466	-	-
Schemes completed	54,372	(54,372)	-	-	-
Transfer to assets held for sale	(2,720)	-	719	(8)	(2,009)
Disposals	(7,335)	-	(800)	-	(8,135)
At 31 March 2016	<u>478,866</u>	<u>59,116</u>	<u>6,962</u>	<u>-</u>	<u>544,944</u>
Depreciation and impairment					
At 1 April 2015	57,318	-	462	-	57,780
Impairment	800	-	-	-	800
Change of Tenure	(24)	-	24	-	-
Charged in year	8,152	-	80	-	8,232
Released on disposal	(2,107)	-	(24)	-	(2,131)
At 31 March 2016	<u>64,139</u>	<u>-</u>	<u>542</u>	<u>-</u>	<u>64,681</u>
Net book value					
At 31 March 2015	<u>370,535</u>	<u>29,691</u>	<u>4,108</u>	<u>-</u>	<u>404,334</u>
At 31 March 2016	<u>414,727</u>	<u>59,116</u>	<u>6,420</u>	<u>-</u>	<u>480,263</u>

Notes to the financial statements (continued)

12 Fixed assets – housing properties (continued)

Expenditure on works to existing properties

	2016	2015
	£'000	£'000
Amounts capitalised – component replacement	6,782	7,559
Amounts charged to income and expenditure account	6,853	5,153
Total	<u>13,635</u>	<u>12,712</u>

Social housing grant

	2016	2015
	£'000	£'000
Total accumulated SHG receivable at 31 March :		
Recognised in the Statement of Comprehensive Income	2,280	1,775
Held as deferred income	60,880	51,241
	<u>63,160</u>	<u>53,016</u>

Housing properties book value net of depreciation

	2016	2015
	£'000	£'000
Freehold land and buildings	<u>480,263</u>	<u>404,334</u>
	<u>480,263</u>	<u>404,334</u>

The association 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.

During the year, as a result of the decision to close the Cambrian Care Hotel, which is owned by the Trust and was managed by another group member, an impairment charge of £800,000 was identified. This is separately disclosed in note 6 and was offset by a release of lease premium paid in advance by that group member.

Notes to the financial statements (continued)

13 Tangible fixed assets - other

	Freehold buildings and land £'000	Sheltered scheme furniture, fixtures and fittings £'000	Computers and office equipment and furniture £'000	Plant and machinery and vehicles £'000	Total £'000
Cost					
At 1 April 2015	4,563	25	4,503	289	9,380
Additions	529	-	235	-	764
Disposals	-	-	(1,317)	(47)	(1,364)
At 31 March 2016	<u>5,092</u>	<u>25</u>	<u>3,421</u>	<u>242</u>	<u>8,780</u>
Depreciation and impairment					
At 1 April 2015	1,250	25	4,126	144	5,545
Charged in year	217	-	256	35	508
Depreciation on Disposals	-	-	(1,317)	(35)	(1,352)
At 31 March 2016	<u>1,467</u>	<u>25</u>	<u>3,065</u>	<u>144</u>	<u>4,701</u>
Net book value					
At 31 March 2015	<u>3,313</u>	<u>-</u>	<u>377</u>	<u>145</u>	<u>3,835</u>
At 31 March 2016	<u>3,625</u>	<u>-</u>	<u>356</u>	<u>98</u>	<u>4,079</u>

14 Investment in subsidiaries

At the year end the Trust had two wholly owned subsidiaries, Old Park Services Limited and Strata Housing Services Limited. These financial statements do not consolidate the results of those entities as consolidated financial statements are prepared by the Trust's parent undertaking, the Wrekin Housing Group Limited. It holds one £1 ordinary share in each company which equates to a 100% holding. The principal activities of Old Park Services Limited are to provide housing and property related services and associated software to other social landlords. The principal activity of Strata Housing Services Limited is the provision of development services to its parent company, the Trust. The Trust has the right to appoint members to the boards of the subsidiaries and thereby exercises control over them. Both subsidiaries are non-regulated companies.

Notes to the financial statements (continued)

15 Investment properties non-social housing properties held for letting

	2016 £'000
At 1 April	10,942
Additions	-
Increase in value	159
At 31 March	11,101

Investment properties were valued at 31 March 2016. The investment properties comprise 117 units known as the Hedgerows development which are managed by the Trust's wholly owned subsidiary company Old Park Services Ltd. The valuation was undertaken by Trevor Haggart Associates Limited, professional external valuers, in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors.

16 Properties held for sale

	2016 £'000	2015 £'000
Properties held for outright sale	3,504	2,295
	<u>3,504</u>	<u>2,295</u>

17 Debtors

	2016 £'000	2015 £'000
Due within one year		
Rent and service charges receivable	981	893
Less: provision for bad and doubtful debts	(757)	(690)
	<u>224</u>	<u>203</u>
Garage rents receivable	31	34
Leaseholder charges receivable	54	52
Court costs and rechargeable repairs costs receivable	252	266
Prepayments and accrued income	2,917	2,072
Other capital grant received	1,478	1,809
Other debtors	419	60
Trade debtors	6	15
Other taxation & Social Security	292	-
Less: provision for bad and doubtful debts	(287)	(286)
	<u>5,162</u>	<u>4,022</u>
	<u>5,386</u>	<u>4,225</u>

Notes to the financial statements (continued)

Debtors (continued)

	2016 £'000	2015 £'000
Amounts owed by parent company		
Due within one year	421	365
Amounts owed by subsidiary undertakings		
Due within one year	3,024	3,147
Amounts owed by other group undertakings		
Due within one year	2,254	1,250

There are no special payment term, interest or security arrangements in place with regard to amounts owed by the parent company or by subsidiary or other group undertakings.

18 Creditors: Amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	2,489	2,315
Rent and service charges received in advance	1,133	938
Other taxation and social security	337	3,069
Pension contributions due	203	204
Social housing grant received in advance	60	1,768
Amounts owed to parent company	351	303
Amounts owed to subsidiary undertaking	6,325	4,692
Amounts owed to other group undertakings	1,005	541
Accruals and deferred income	3,178	2,697
Disposal proceeds fund (note 21)	308	719
Holiday pay accrual	156	156
Deferred grant income (note 20)	559	559
Other creditors	96	101
	16,200	18,062

There are no special payment term, interest or security arrangements in place with regard to amounts owed to the parent company or by subsidiary or other group undertakings.

Notes to the financial statements (continued)

19 Creditors: Amounts falling due after more than one year

	2016 £'000	2015 £'000
Debt (note 22)	317,730	260,926
Accruals and deferred income	-	704
Recycled capital grant fund	220	134
Deferred grant Income (note 20)	66,780	56,260
Disposal proceeds fund (note 21)	1,460	1,246
	<u>386,190</u>	<u>319,270</u>

20 Deferred grant income

	2016 £'000	2015 £'000
At 1 April	56,819	32,872
Grant received in the year	11,079	24,430
Released to income in the year	(559)	(483)
	<u>67,339</u>	<u>56,819</u>
At 31 March		
	<u>67,339</u>	<u>56,819</u>
Amounts to be released within one year	559	559
Amounts to be released in more than one year	66,780	56,260
	<u>67,339</u>	<u>56,819</u>

Notes to the financial statements (continued)

21 Disposals proceeds fund

	2016 £'000	2015 £'000
At 1 April	1,965	1,192
Net sale proceeds recycled	598	765
Interest accrued	9	8
Acquisition of dwellings for letting	(804)	-
Balance at 31 March	<u>1,768</u>	<u>1,965</u>

The above balance is disclosed as follows:

	2016 £'000	2015 £'000
Amounts due within one year	308	719
Amounts due after more than one year	<u>1,460</u>	<u>1,246</u>
	<u>1,768</u>	<u>1,965</u>

The fund has been used to purchase social housing properties in accordance with permitted uses of the fund. No further expenditure has yet been committed with the approval of the Homes & Communities Agency.

22 Debt analysis

	2016 £'000	2015 £'000
Due after more than one year		
Bank loans	319,000	261,500
Loan refinancing fees	<u>(1,270)</u>	<u>(574)</u>
	<u>317,730</u>	<u>260,926</u>
Repayable		
After five years	<u>317,730</u>	<u>260,926</u>
	<u>317,730</u>	<u>260,926</u>

The bank loans are secured by fixed charges on individual properties and by a floating charge over the assets of the Trust. The interest rate in relation to £225m of debt is fixed for periods of between 6 and 24 years. The average rate of interest for all loans including margins at 31 March is 6.50%. The Trust has a total loan facility of £440 million.

Notes to the financial statements (continued)

23 Reserves

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

At 31 March 2016, the revenue reserve included £30,134,000 in respect of the defined benefit pension liability (2015: £32,138,000).

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

24 Financial commitments

	2016 £'000	2015 £'000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	80,006	96,710
Expenditure authorised by the board but not contracted for	59,009	115,833
	<u>139,015</u>	<u>212,543</u>

The above commitments reflect the expansion of the Trust's Asset Renewal Programme and its involvement in the regeneration of South Telford. 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 Trust'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 relate office accommodation and vehicles.

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

	2016 £'000	2015 £'000
Within one year	1,362	1,062
One to five years	<u>4,098</u>	<u>3,565</u>

25 Financial assets and liabilities

Categories of financial assets and liabilities

	2016 £'000	2015 £'000
Financial assets that are debt instruments measured at amortised cost	10,329	7,675
Financial liabilities measured at amortised cost	(331,330)	(272,435)
	<u>(321,001)</u>	<u>(264,760)</u>

Notes to the financial statements (continued)

26 Contingent liabilities

The Trust had no contingent liabilities at 31 March 2016 (2015: £nil).

27 Related parties

The two board members who are also tenants have a standard tenancy agreement and are required to fulfil the same obligations and receive the same benefit as other tenants. There are no significant rental arrears reported at the year end. As a wholly owned subsidiary of The Wrekin Housing Group Limited the company is exempt from the requirements of FRS8 Related Party Disclosures to disclose transactions with other members of the group headed by The Wrekin Housing Group Limited on the grounds that the consolidated accounts are publicly available.

There are no other related party transactions to report.

28 Ultimate parent undertaking

The Trust is not required to prepare consolidated accounts as these have been prepared by the Trust's ultimate parent company, The Wrekin Housing Group Limited, which is incorporated in England.

The largest and smallest group of undertakings for which group accounts have been drawn up is that headed by The Wrekin Housing Group Limited.

A copy of the group accounts is publicly available from the Trust's registered office as shown on page 2.

29 Transition to FRS 102

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

Changes for FRS 102 adoption

1. Holiday pay provision

A provision is now made for entitlement to holiday at the year-end which has not been taken by employees. This has been calculated based on payroll records and totalled £156k as a liability in opening reserves.

2. Grant Accounting

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

Under the accruals model, the government grants have been allocated to the related assets and amortised over the useful economic life of those assets. The unamortised amount is held within deferred income, split between <1 year and > than 1 year. The amount of amortised grant that has been recognised in opening reserves is £1.480m.

Notes to the financial statements (continued)

3. Defined benefit pension scheme

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

Notes to the financial statements (continued)

29. Transition to FRS 102 (continued)

	As previously stated 1 April 2014	Effect of transition 1 April 2014	FRS 102 (as restated) 1 April 2014	As previously stated 31 March 2015	Effect of transition 31 March 2015	FRS 102 (as restated) 31 March 2015
	£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets	297,615	35,541	333,156	359,277	59,834	419,111
Current assets	11,245	-	11,245	12,373	-	12,373
Creditors: amounts falling due within one year	(11,075)	(483)	(11,558)	(17,347)	(559)	(17,906)
Net current assets	170	(483)	(313)	(4,974)	(559)	(5,533)
Total assets less current liabilities	297,785	35,058	332,843	354,303	59,275	413,578
Creditors: amounts falling due after more than one year	(224,713)	(32,389)	(257,102)	(263,010)	(56,260)	(319,270)
Pension Liability	(18,104)	-	(18,104)	(32,138)	-	(32,138)
Provisions for liabilities	-	(156)	(156)	-	(156)	(156)
Net assets	54,968	2,513	57,481	59,155	2,859	62,014
Capital and reserves	54,968	2,513	57,481	59,155	2,859	62,014

Notes to the financial statements (continued)

29. Transition to FRS 102 (continued)	As previously stated 31 March 2015 £'000	Effect of transition 31 March 2015 £'000	FRS 102 (as restated) 31 March 2015 £'000
Turnover	58,847	483	59,330
Cost of sales	(39,023)	(405)	(39,428)
Operating profit	19,824	78	19,902
Surplus on the sale of assets	10,896	-	10,896
Gain on revaluation of investment properties	-	159	159
Interest receivable and similar income	9	-	9
Interest payable and similar charges	(14,789)	(262)	(15,051)
Profit on ordinary activities before gift aid and taxation	15,940	(25)	15,915
Gift aid covenanted from subsidiary	1,709	-	1,709
Tax on surplus on ordinary activities	-	-	-
Profit on ordinary activities after gift aid and taxation and for the financial year	17,649	(25)	17,624

