

# Annual Report

## The Wrekin Housing Trust Limited

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**For the year ended 31 March 2017**

Company No. 03558717  
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 2016/17, continuing to deliver on its 2015-2020 strategic plan – Vision 2020: 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 2016/17, with 614 new homes completed during the year and plans and financing in place to deliver over 2,000 additional homes over the next five years. Once again the Trust continued to develop further new extra care schemes, at Oakwood in Telford, Beechwood in Newcastle-under-Lyme and Withywood in Shrewsbury. A further two schemes are due to be completed in 2017/18.

The Trust also continued to improve the quality of its existing asset base, by investing £11.6m via its capital improvement programme and selling 143 of its older, uneconomic properties under the asset renewal strategy which generated sale proceeds of £10.7m for reinvestment in new homes. Since the start of the asset renewal strategy in 2005/06, over 1,600 of these properties have been disposed of, generating in excess of £111m, which has helped the Trust deliver over 3,700 new homes in the same period – a ratio of almost 2.3 new homes for every old one sold. The Trust is now ranked as the 17<sup>th</sup> largest developer among registered providers and ranked 6<sup>th</sup> in terms of percentage growth in stock achieved in the last year.

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

During 2016/17 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. This focus on excellence in service delivery continues to manifest itself in consistently high levels of performance, with improved relet times in 2016/17, over 80% of routine repairs being completed on the day that they are reported and income collection levels being slightly higher than in the previous year, despite the continuing challenges posed by welfare benefit reform. Meanwhile customer satisfaction levels have also improved in 2016/17 with figures above 90% across the board.

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

The high levels of performance and satisfaction have been achieved against the backdrop of the first year of 1% rent reductions. The Trust challenged itself to match the rent reduction with a 1% reduction in operating costs and it out-performed significantly against that budget. A further 1% operating costs reduction has been built into 2017/18 budgets and the Trust is well placed to achieve this in the two following years as well.

Building on its record of delivery, the Trust will focus significant attention over the next year on pursuing options to raise additional development loan finance, having secured grant funding of £58m from the HCA as part of the Shared Ownership and Affordable Homes 2016-2021 programme.

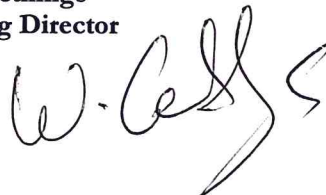
Finally, we remain committed to maximising the potential of our team of staff through training, development and “living” the Trust values. Our success to date and going forward is reliant upon them continuing to provide excellent and cost effective services and we thank them for their continued efforts.

Steve Jones  
Chair



ALISON FISHER  
BOARD MEMBER

Wayne Gethings  
Managing Director



## Board members, executive officers and advisors

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

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Chair:	Steve Jones b
Other members:	Alison Fisher a,c
	Jacqueline Esimaje Heath d
	Laura Hilditch
	Harry Ireland b,c
	Sue Lane b
	Niku Mawby a
	Mark Robertson
	Richard Overton (appointed 14 <sup>th</sup> September 2016)
	Helen Whittingham (appointed 3 <sup>rd</sup> May 2017)

Key to current committee membership:

a Group Audit and Risk Management

b Remuneration

c Old Park Services Ltd.

d Strata Housing Services Ltd.

Executive Officers:

Managing Director  
Director of Financial Services  
Group Chief Executive  
Company Secretary

Wayne Gethings  
Francis Best  
John Broadhead  
Chris Horton (resigned 31 March 2017)  
Catherine Rogerson (appointed 1 April 2017)

Head Office and Registered Office:

Colliers Way  
Old Park  
Telford  
TF3 4AW

External Auditors:

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

Registered by 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 (continued)

The biographies of the board members are set out below:

### **Alison Fisher**

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

Alison is a board member of both the Trust and the Group and is currently Chair of the Group Audit and Risk committee. She also holds a number of other non-executive and trustee positions including being Chair of The Pioneer Housing and Community Group. Alison is Deputy Chair of the Birmingham and Solihull Bench and sits as a magistrate in the Adult Criminal, Family Proceedings and Crown 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, one of twins, was born in Wellington, Telford. She has always been keen on community involvement from a young age: being a brownie, a guide and then a guide leader, encouraging and listening to younger 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 her monthly area meetings in 2005, and she was then 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.

## Board members, executive officers and advisors (continued)

### **Harry Ireland**

Harry's career until recently was as a Prosecutor, dealing with all levels of crime in different parts of the country culminating in his role as Chief Crown Prosecutor for the West Midlands region from which he retired in 2014.

Since then he has taken up two new roles. The first is the Lay Member for Governance with Stafford & Surrounds Clinical Commissioning Group where he utilises his experience in advising on good governance, performance and audit as well as chairing the Primary Care Commissioning group on behalf of the Governing Body. The second role utilises his previous legal experience by acting as a Legally Qualified Chair for the West Midlands region, chairing Police Misconduct Panels adjudicating on allegations of misconduct against police officers.

In undertaking his role on the Board of WHT, he has sought to utilise his knowledge and experience of both legal and managerial/leadership work to advise the Board to ensure good governance and delivering an excellent service to tenants as well as seeking opportunities with stakeholders.

### **Steve Jones**

In 1983 Steve created and grew a training company that delivered training programmes for the government to meet the needs of the unemployed in the West Midlands and London. In addition, he formed a company to deliver environmental training to the private sector.

During his period in business Steve was elected President of Dudley Chamber of Commerce and served as a Board member of Birmingham Chamber of Commerce. He was appointed a Board Member of the governments Manpower Services Commission for Dudley and Sandwell responsible for strategic policy making affecting the skills training agenda.

After a successful fifteen-year period in business he sold his company to a City based Plc and then committed his time to public service with the NHS.

Steve comes with significant Board experience of strategic leadership, gained through his time over an eight-year period, as Chairman of South Staffordshire and Shropshire NHS Foundation Trust. He was appointed as a Non-Executive Director of Shropshire Community Health NHS Trust in 2015.

For ten years Steve served as a Board member, latterly as Chairman, of P3 a Social Inclusion social enterprise delivering services nationally for homeless and vulnerable individuals.

### **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.



## Board members, executive officers and advisors (continued)

### **Niku Mawby**

Niku has been a housing consultant and trainer in affordable housing since 1991. Over the last 7 years her assignments have focused on independent reviews of governance, organisational structures and value for money. She has also led on health checks and regulatory compliance audits for housing associations and local authorities across the UK and the Irish Republic. She has set up and supported resident scrutiny panels and delivered a range of training for boards, staff and actively engaged customers.

Niku works part-time as Diversity Advisor to support an Arms-Length Management Company, Solihull Community Housing, where she is responsible for co-ordinating the implementation of the Equality and Diversity Strategy. Her Diversity Portfolio includes advising and supporting a Paris-based, international pharmaceutical firm to deliver clinical trials of cancer treatment across several countries.

Niku is a former Chair of the National YMCA's Housing Committee and former Vice-Chair of Heart of England Housing Group. She has also served on Boards of William Sutton Housing Group and Affinity Sutton Homes.

Currently, Niku is a Board Director of Funding Affordable Homes Housing Association, set up by the Luxemburg-based merchant bank, the Salamanca Group. The purpose of the Registered Provider is to raise funds from private companies and wealthy individuals from across Europe to provide affordable housing in the UK.

### **Richard Overton**

Richard has had a varied career history from funeral directing, Office Manager to a Member of Parliament to his current role as Business Support Manager for a local charity in Wolverhampton.

Richard has served as a Parish Councillor on St Georges & Priorslee Parish Council since 1994 and is now Chair of the Parish Council. Richard has also served on Oakengates Town Council from 1997-2000. Richard was first elected to Telford & Wrekin Council in May 2003 representing St Georges Ward.

Richard was a voluntary football manager for Oakengates Rangers under 12s, he has recently left this role to help start a new junior football club called Sinclair United. Richard has coached at various age levels, including adults, has a level 2 FA coaching qualification and is a member of the FA licensed Coaching Club.

Richard has also been a previous School governor at St Georges Primary School and Scout Leader for St Georges & Priorslee Scouts (St Peters).

In relation to the Local Authority Richard was elected as Deputy Leader of the Telford & Wrekin Council in May 2011, and he is a cabinet member for Housing and Enforcement.

Richard has had an interest in housing and homelessness for a number of years.

## Board members, executive officers and advisors (continued)

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### **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.

### **Helen Whittingham**

Helen has worked in a financial environment for the last 25 years for both the Local Authority, Registered Providers and Greater Manchester Police. A Chartered Accountant since 1994 she has undertaken numerous accountancy roles throughout her career, including being part of the transfer team for the creation of New Charter.

Helen worked at New Charter since its inception in 2000. She undertook the position of Director of Resources, a Group role which was responsible for the Financial Planning & Control Team, which had in excess of £100m annual turnover; and the Governance Team which provided services for the Great Academy Education Trust. Helen previously held the role of Executive Director of Finance at Equity Housing Group.

Helen is Head of Finance for Trafford Housing Trust, a North West leading registered provider. She is responsible for the delivery of financial services to the Group.

As well as being a Board member at the Trust, Helen is also a member of the Audit & Risk Committee at ForViva Housing Group and a Board Member and Chair of Audit Committee for the Great Academy Education Trust.

## Report of the board

The board presents its report and audited financial statements for the year ended 31 March 2017.

### 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 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 Strategic Report that follows this report of the board.

### Housing properties

Details of changes to the Trust's fixed assets are shown in notes 13, 14 and 16 to the financial statements. Housing property values are considered in the 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 Strategic Report.

### Future developments

Details of the Trust's future developments are included in the Strategic Report.

### Investing in employees

Motivated and committed employees are essential to achieving our aim of providing high quality services to our residents and the board embraces the need for employees to be empowered and involved at every level of the organisation. We have established a Disability Forum focus group to ensure that any employee who has a disability, has a way of expressing concerns they may have in an open and non-judgemental environment. The Trust is recognised as being part of the Disability Confident Scheme. This accreditation is awarded in recognition of our commitment to good practice in employing people who have a disability.



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 within the Trust and wider group are being used to develop employees' skills and understanding.

During the year the Trust was recredited with the Gold standard of Investors in People IiP following a comprehensive assessment process confirming the commitment to development of employees.

In addition to its in-house training provision, the Trust also provides support for employees undertaking external courses and qualifications. Each year the Trust supports at least 10% of 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, and also in the areas of HR, Law, Accountancy and executive MBAs.

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. At the end of the year the Trust entered into a partnership agreement with a local college to deliver the academic element of the apprenticeship programme.

### **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 2017. 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	£4,318
Alison Fisher	£4,893
Harry Ireland	£4,318
Stephen Jones	£11,245
Mark Robertson	£4,318
Niku Mawby	£4,417

## 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 each nominate two members to the group board. There is currently only one member from the Trust (Steve Jones) on the Group board following the resignation of the second member. 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 2015/16 the governance structure was reviewed and simplified 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. All other areas previously reviewed by the former Resources Committee and Services Committee will now be scrutinized directly by the board.



### **NHF Code of Governance**

The board is pleased to report that the Trust complies with the principles, provisions and (to the extent it is relevant) best practice guidance contained in the National Housing Federation's Code of Governance 2015. The board recognises its responsibilities for ensuring that arrangements are made for keeping proper books of account with respect to the 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 continues to improve its performance through the Governance Improvement Plan which is underpinned by the annual appraisal process of board members and the Chair. The co-regulation framework has a strong resident element with the Customer Assurance Plan overseeing performance, the Tenant Auditors examining aspects of the Trust's process and the Tenants' Panel being the representative body involved in policy development as well as general consultation. The organisation remains compliant with the HCA's governance and viability standards and the Trust Board is supporting the Group Board in working through an action plan to re-gain the top strapline assessment for governance.

### **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 2016 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 2016, 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 and the implications of the local housing allowance cap in relation to supported housing schemes;

- further consideration of the development strategy, including the options for raising additional loan finance, 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;
- ways of enhancing controls to provide greater resilience against the growing threat of cyber-crime and malicious attacks;
- 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. This review will aim to integrate more fully the risk management, controls environment and stress testing and will complete later in 2017;
- 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. 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 £85 million was undrawn at 31 March 2017. 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 20 September 2017 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 2017 and signed on its behalf by: \_\_\_\_\_



C M Rogerson  
Company Secretary



# 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, Wolverhampton and 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 239 in the number of properties owned by the Trust in 2016/17.

The Trust rents out 12,325 (2016: 12,009) properties with the accommodation available ranging from one-bedroom flats to five bedroom houses.

The Trust has a turnover of £67m (2016: £64m) and employs a workforce of just under 500 people, making it one of the largest businesses in Telford. The Trust is currently managed by a board of ten members consisting of two tenant representatives, seven independent members and one member nominated by the Borough of Telford and Wrekin Council. 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 1,856 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 £774,000. 932 leasehold properties and 164 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.

During the year work was completed on the delivery of the Department of Health Care and Support programme (81 units with grant funding of £2.48m) and the HCA Affordable Homes Guarantee Programme (588 units with grant funding of £13.67m). In addition a further 45 units were secured under the Empty Homes/Mortgage Rescue programmes (grant funding of £2.6m).

Work continues on the delivery of 1,158 units under the Affordable Homes Programme 2015-18 with grant funding of £33.6m secured for completion by March 2022. This programme is on track to be delivered within the required timescale.

Further funding of £58.1m has been secured under the Shared Ownership Affordable Homes Programme 2016-21 for the delivery of 1,322 units by March 2022.

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 2017 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
<b>Service improvement</b> - To deliver improved services, defined as excellent by our customers	<ul style="list-style-type: none"> <li>to enable customers to define, monitor, scrutinise and drive quality and standards of service delivery</li> <li>to deliver our current services and use information and intelligence to change, improve and design the future services we will provide</li> </ul>	<ul style="list-style-type: none"> <li>successful delivery of agreed programme of work by tenant scrutiny bodies</li> <li>successful completion of major service reviews and new initiatives</li> <li>external accreditations and awards and positive benchmarking results</li> <li>positive balanced scorecard information on resident involvement in and satisfaction with services</li> </ul>
<b>Growth</b> - To increase the number and quality of rented homes available for customers across Shropshire, Staffordshire, Herefordshire and Wolverhampton	<ul style="list-style-type: none"> <li>to invest in our existing performing homes</li> <li>to increase the number of new homes across the agreed areas of operation</li> <li>to identify and take action on non-performing assets that cannot meet customer expectations</li> <li>to contribute positively by our activities to employment, community, environment and economy in our areas of operation</li> </ul>	<ul style="list-style-type: none"> <li>improving net present value position of overall stock and positive independent stock condition surveys and valuations</li> <li>successful delivery of agreed development programmes within budgets and timescales</li> <li>successful delivery of required numbers of disposals and sale values under Asset Renewal Strategy</li> <li>evidence of positive and increasing social and economic impact of Trust's activities</li> </ul>



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

## 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. The question about customers' satisfaction that their views were being listened to and taken into account is now a quarterly survey. In 2016/17 and additional quarterly question was introduced to test customer satisfaction with their neighbourhood. The results of their responses are shown in the table below:

Category	2016/17	2015/16
Overall satisfaction with service provided by the Trust	98%	96%
Satisfaction with how the Trust deals with repairs and maintenance	94%	93%
Satisfaction that they get value for money for their rent	95%	88%
Satisfaction with being treated fairly and with respect	96%	93%
Satisfaction with views being listened to and taken into account	92%	86%
Satisfaction with the neighbourhood as a place to live	94%	N/A

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

Satisfaction with the relet process (Score of 1 -10)	<b>9.56</b>
Satisfaction with repair carried out (Rapid Response)	<b>91.2%</b>
Satisfaction with right first time	<b>87.9%</b>
Satisfaction with capital improvements	<b>98.94%</b>
Satisfaction with gas servicing (Score of 1 - 10)	<b>9.94</b>

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 2016/17 the Trust continued to operate its Rapid Response repairs service. Since the introduction of the same day repairs service the Trust has benefitted from significant savings despite an increasing stock base. This innovative approach to the repairs service offered to tenants has resulted in an improvement in tenant satisfaction confirming that this is the type of service that tenants want. Satisfaction levels remain within the top quartile performance on Housemark.

#### **Rent losses from voids**

Once again performance in this area was strong, with rent losses restricted to 0.28% of rental income receivable (2016: 0.48%).

#### **Finance**

The Trust recorded a strong operating surplus for the year of £24.1m (2016:£21.1m), which meant that it had significantly outperformed against its budget. Once again, rental levels 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 2016/17 has exceeded both the lenders' covenants and the constraints of the business plan.

	<b>2017</b>	<b>2017</b>	<b>2016</b>	<b>2016</b>
Ratio	Target	Actual	Target	Actual
Interest Cover Ratio	1.22	1.63	1.04	1.36
Asset Cover Ratio	110%	125%	110%	144%

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 12.5% (2016: 8.5%). The increase is due to a large number of employees reaching the end of temporary contracts during the year. If these were excluded from the calculation the turnover reduces to 8%.

### **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. 2016/17 was the twelfth year of the strategy. During 2016/17 the Trust sold 143 properties (2016: 209). A further 60 properties were sold under the Right to Buy and Right to Acquire provisions.

During the year the Trust added 614 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 2,119 units to the Trust's stock over the next 5 years, through a mixture of traditional development and section 106 and off the shelf acquisitions.

### **Value for Money**

The Wrekin Housing Group Value for Money strategy for the period to 2020 was approved by the Group board in July 2017 and this outlines the Group's plans to build on the considerable achievements of the last few years and to ensure that it meets the regulatory standard. Within the overall group picture the Trust will be a major contributor to the delivery of that strategy and a few highlights of its performance in 2016/17 and plans for the future are outlined below:

#### **Return on assets:**

- 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;
- Development programme – during 2016/17 the Trust completed 614 homes and at the year end we had 1,158 units on site, with total scheme costs of over £146m. We have risen from 25<sup>th</sup> to 17<sup>th</sup> in the list of largest Registered Provider developers, based on numbers of homes completed, and we are ranked 6<sup>th</sup> in terms of the percentage increase in housing stock achieved over the last year, at 4.8%. In 2016/17, we anticipate completing 706 homes, which means that we are ranked 20<sup>th</sup> in terms of the number of homes in the development pipeline. In all, the Trust plans to acquire or develop 2,119 new homes over the next four years. As well as delivering 405 homes for general needs and 12 units of specialist accommodation for people with learning disabilities during the last financial year, continuing the development of specialist extra care accommodation begun over the last few years, a further 197 units of this type were completed at Beechwood in

Newcastle-under-Lyme, Withywood in Shrewsbury and Oakwood in Telford. Two further extra care schemes, at Alexandra Road, Oswestry and Holyhead Road, Bicton, Shrewsbury are currently on site. We are also continuing to provide a wide range of homes across Shropshire, Telford, Staffordshire and Wolverhampton.

- its people – the Trust has a stable, committed and well-trained workforce which was reflected in its Investors in Excellence re-accreditation in 2015. Other highlights during 2016/17 included:
  - Apprenticeships 4 England Awards 2016 - Silver award for Employer of the Year (501-750 employees) category
  - Investors in People Gold – achieved re-accreditation under the new criteria
  - Inside Housing Top 60 Developments awards 2016 – Innovation Category - Northfield Village (Shortlisted)
  - RoSPA Occupational Health and Safety Award for 2016 - Gold medal
  - Achieved accreditation with the Technology Services Authority for our “WATCH” alarm service
  - Housing Heroes Awards 2016 – Inspirational Leader of the Year Category – Wayne Gethings (Shortlisted)
  - Achieved re-accreditation under ISO 27001 British Standards Institution Certification in Information Security Management
- its brand – the Trust is gaining a strong reputation for innovation and quality across the sector which has allowed it to continue 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 2016/17) 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).

### **Maximising resources and delivering efficiency:**

With the 1% rent reductions 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 2016/17 and future actions include:

- continuing the focus on driving down unit costs, thereby delivering further savings of £539k on the capital improvement programme, bringing the total savings over the last 8 years to almost £8m. This was achieved while delivering a slightly higher number of improvements than originally planned (3,260 against 2,977);
- out-performing against the Trust’s budget for the 2016/17 financial year, which in itself incorporated a 1% reduction in operating costs to mitigate the impact of the 1% rent reduction. The Trust generated an operating surplus that was £5.036m higher than budget, which could potentially fund up to 125 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 £922k 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, 1,632 properties have been sold, generating proceeds of £111.2m. Over the same period 3,732 homes have been developed or acquired from other providers, which represents 2.29 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 £1.89m in VAT that would otherwise have been an irrecoverable cost since it began operating at the beginning of 2014/15;
- monitoring the Trust's long term business plan to ensure that it can aim to achieve further 1% reduction in operating costs each year between 2017/18 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 2017/18 once again demonstrates that the Trust is on track to achieve that saving;
- maintaining the Trust's excellent operational performance levels with all key performance indicators continuing to be in the top quartile or even the top 10% positions in its Housemark peer group. All customer satisfaction measures recorded in the STAR survey are also in the top 10% when compared nationally;
- continuing to use "systems thinking" principles during 2017/18 to undertake reviews of:
  - the development handover process
  - digital services
  - disability adaptations
  - resident feedback processes including the Real Shoppers scheme
  - the community fund
  - leasehold management
  - gas heating installations

#### **Delivering social value:**

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

- continuing to work with the tenancy sustainment team at Shropshire Housing Alliance to work with prospective and new tenants of the Trust to ensure that they are ready to take on a tenancy and better equipped to sustain that tenancy over the longer term. In 2016/17 600 pre-tenancy assessments were carried out. In 18 % of cases we were able to provide support to people with debt issues, in 20% of cases people said they had benefitted directly from the advice given by the team about budget management and 7% of those assessed attended tenancy training workshops in advance of them taking on a tenancy;
- using the Money Matters service, now operated via Shropshire Housing Alliance but previously run directly by the Trust over a number of years, to ensure that customers of the Trust access the welfare benefits to which they are entitled and are as well prepared as possible to cope with the impacts of welfare benefit reform. During 2016/17 the Money Matters team brought in £918k of

extra housing benefit and an additional £932k in additional benefits for our customers, engaging with 1,429 households and carrying out 526 pre-tenancy assessments;

- maintaining our commitment to providing a range of good quality placements and training opportunities within the local community. During 2016/17 the group directly employed 17 apprentices and 105 trainees, gave 135 volunteer opportunities and provided 21 student work placement opportunities including student nurse and student social worker work placements. The group also helped 50 people into permanent work;
- using the Reviive furniture and recycling brand, now operated via the Trust's subsidiary Old Park Services Limited, to provide affordable furniture to both tenants and the wider community, as well as recycling unwanted furniture to reduce the impact on the environment with regard to landfill and CO2 emissions. During 2016/17 Trust provided discounts to its tenants on Reviive's standard prices and 306 furniture packs were provided to individuals setting up a home for the first time. 498 tonnes of furniture were collected and 481 tonnes were reused or recycled, with 476 tonnes of CO2 emissions being avoided as a result.

The board remain committed to strengthening the value for money culture that already exists within the organisation, to ensure that this is factored into all decision-making processes to exceed the expectations of the standard and mitigate the impact of the 1% reductions in rental income over the next four year. The full version of the Group's Value for Money Self-Assessment can be found at

[https://www.wrekinhousingtrust.org.uk/Docs/The\\_Wrekin\\_Housing\\_Group\\_VFM\\_SA\\_FINAL\\_for\\_website.PDF](https://www.wrekinhousingtrust.org.uk/Docs/The_Wrekin_Housing_Group_VFM_SA_FINAL_for_website.PDF) and as part of the Annual Report to Stakeholders, also available on the 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.



<b>Key Risk</b>	<b>Detail</b>	<b>Strategic objective affected</b>	<b>Action</b>
<b>Price risk - Change in government policy on funding and rent-setting</b>	Changes to the funding regime, rent setting or other duties required of registered providers may reduce income or increase costs.	Service improvement  Growth  Strong business model	Review of risk register  Modelling effect of policy changes into business plan and stress testing plan
<b>Credit risk – Welfare benefit reform</b>	Changes to eligibility for and payment of welfare benefits adversely affecting our ability to collect rental income.	Growth  Strong business model	Regular monitoring and reporting of potential exposure to board and measures taken to reduce that exposure
<b>Reputational and compliance risk - Performance failure</b>	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
<b>Liquidity and cash flow risk - Financial management</b>	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
<b>Reputational and compliance risk - Investment in stock</b>	Failure to maintain properties at Decent Homes standard	Service improvement  Growth	Regular monitoring of status of properties against Decent Homes standard
<b>Liquidity and cash flow risk – Investment in stock</b>	Major or routine maintenance costs are in excess of costs assumed in the business plan.	Strong business model	Regular budget monitoring and reporting



<b>Cash flow/liquidity risk - Asset renewal policy</b>	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
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### Financial position

The Trust's income and expenditure account and balance sheet are summarised in Table 1 (page 25) and the following paragraphs highlight key features of the Trust's financial position at 31 March 2017.

### Accounting policies

The Trust's principal accounting policies are set out on pages 32 to 38 of the financial statements. The Trust's accounts have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers.

### Housing properties

At 31 March 2017 the Trust owned 13,257 housing properties (2016: 13,018). The properties were carried in the statement of financial position at cost (after depreciation) of £538.6m (2016: £480.3m). 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 charged as security to its funders at 31<sup>st</sup> March 2017 of £454.15m.

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 2017 in respect of future service benefits. For 2017/18 the employer contribution rate will increase to 14.5%. During the year the Trust made a lump sum payment of £497,200 in respect of past service deficits. Annual lump sum payments will also continue, being £517,800 in 2017/18 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 £36m of borrowing under its loan facilities. The high level of activity under the Trust's development programme continued during 2016/17 with several large schemes completing during the year, and others starting on site which will be completed during 2017/18 and 2018/19. 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 2017 the Trust's drawn bank loans totalled £355m as shown below. All of the Trust's loans have been treated as basic financial instruments under the provisions of FRS 102.

Maturity	2017 £m	2016 £m
Less than one year	-	-
Between one and five years	155	94
After five years	200	225
	<u>355</u>	<u>319</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, 63% 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 25) shows that debt per unit has increased in 2016/17. The view of the board and the regulator is that given the investment in stock that the Trust has undertaken over the last 18 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 £30.5m (2016: £24.1m), 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 2017 the Trust held 37% of its total debt on variable rates.

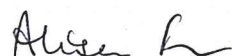
#### Future developments

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 £10.1m 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 2,119 properties over the next 5 years while continuing to dispose of older, expensive properties. Undrawn loan facilities of £85m were available under existing arrangements to fund this and future expenditure.

#### 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 strategic report was approved by the board on 27 July 2017 and signed on its behalf by



Steve Jones  
Chair

ALISON FISHER  
BOARD MEMBER



## Strategic Report

**Table 1 – Trust highlights, five-year summary**

For the year ended 31 March

	2017	2016	2015*	2014	2013
<b>Trust Income and Expenditure account (£'000)</b>					
Total turnover	67,019	64,170	59,330	56,762	54,566
Income from lettings	62,681	59,643	56,356	54,707	52,060
Operating surplus	24,073	21,102	20,011	20,811	20,782
Total recognised gain for the year	1,518	17,986	4,533	28,398	12,038
<b>Trust Balance Sheet (£'000)</b>					
Housing properties, net of depreciation	538,614	480,263	404,334	328,221	279,370
Investment Properties	11,276	11,101	10,942	-	-
SHG and other capital grants	-	-	-	(34,352)	(29,107)
Housing properties, net of depreciation and grants	549,890	491,364	415,276	293,869	250,263
Other fixed assets	3,887	4,079	3,835	3,746	3,519
Fixed assets net of capital grants and depreciation	553,777	495,443	419,111	297,615	253,782
Net current assets/(liabilities)	(3,511)	(828)	(5,689)	170	2,039
Total assets less current liabilities	550,266	494,615	413,422	297,785	255,821
Creditors (due over one year)	429,741	386,190	319,270	224,713	202,327
Pensions liability	40,716	30,134	32,138	18,104	26,924
Reserves - revenue	78,963	77,445	61,168	54,122	25,724
- restricted	846	846	846	846	846
	550,266	494,615	413,422	297,785	255,821
<b>Accommodation figures</b>					
Total housing stock owned at year end	13,257	13,018	12,950	12,465	12,305
<b>Statistics</b>					
Surplus for the year (adjusted for pension movement) as % of turnover	2.3%	28.0%	7.6%	50.0%	22.1%
Rent losses ( <i>voids and bad debts as % of rent and service charges receivable</i> )	0.9%	1.3%	1.6%	0.9%	0.7%
Rent arrears ( <i>gross arrears as % of rent and service charges receivable</i> )	1.5%	1.6%	1.6%	1.2%	1.1%
Interest cover ( <i>surplus before interest payable divided by interest payable and capitalised interest</i> )	1.44	1.67	2.04	2.43	2.35
Liquidity ( <i>current assets divided by current liabilities</i> )	0.7	0.9	0.7	1.0	1.2
Gearing valuation ( <i>total loans as % of Total Fixed Assets + Net Current Assets (excluding Pensions)</i> )	64.5	64.5	63.3	75.6	80.1
Net Debt per home owned	£26,687	£24,219	£20,090	£17,609	£16,051

\*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](http://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 2017 and signed on its behalf by



Steve Jones  
Chair

ALISON FISHER  
BOARD MEMBER

## 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 2017 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 26, 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](http://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 2017 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including 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 matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the report of the board and the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The information given in the report of the board and the strategic report has been prepared in accordance with the applicable legal requirements.

### **Matter on which we are required to report under the Companies Act 2006**

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the report of the board or in the strategic report.

### **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.



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

27 July 2017.



## Statement of comprehensive income

		2017	Restated 2016
	Note	£'000	£'000
<b>Turnover:</b> Continuing activities	3	67,019	64,170
Movement in the value of fair assets	16	175	159
<b>Operating expenditure</b>	3		
Operating costs		(43,121)	(42,427)
Impairment loss		-	(800)
<b>Operating surplus:</b> Continuing activities	3, 6	24,073	21,102
Surplus on the sale of fixed assets-housing properties(non operational)	4	4,371	9,502
Gain/(loss) on disposal of other fixed assets (non operational)		46	(7)
Interest receivable and similar income	7	6	13
Interest payable, financing and similar costs	8	(19,846)	(18,293)
<b>Surplus on ordinary activities before gift aid and taxation</b>		8,650	12,317
Gift aid covenanted from subsidiary		1,937	1,709
Tax on surplus on ordinary activities	12	(50)	-
<b>Surplus for the year</b>		10,537	14,026
Actuarial (loss)/gain in respect of pension schemes	11	(9,019)	3,960
<b>Total comprehensive income for the year</b>		<u>1,518</u>	<u>17,986</u>

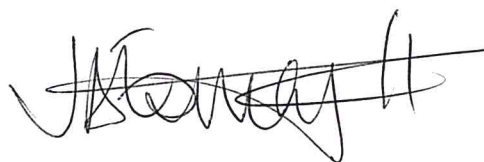
The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 27 July 2017 and signed on its behalf by:



Chair

ALISON FISHER  
BOARD MEMBER



Board Member

JACQUE  
ESIMAJE-HEATH



Secretary

CATHERINE  
ROGERSTON.

## Statement of changes in reserves


	Restated Income and expenditure reserve	Restricted Reserve	Restated Total
	£'000	£'000	£'000
Balance as at 1 April 2015	59,459	846	60,305
Surplus for the year	14,026	-	14,026
Other comprehensive income for the year	3,960	-	3,960
Balance at 31 March 2016	77,445	846	78,291
Surplus for the year	10,537	-	10,537
Other comprehensive income for the year	(9,019)	-	(9,019)
Balance at 31 March 2017	78,963	846	79,809

The accompanying notes form part of these financial statements.

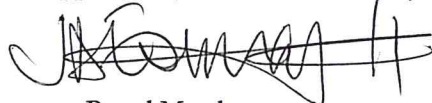
## Statement of financial position

		2017	Restated 2016
	Note	£'000	£'000
<b>Tangible fixed assets</b>			
Housing properties	13	538,614	480,263
Investment Properties	16	11,276	11,101
Other tangible fixed assets	14	3,887	4,079
		<u>553,777</u>	<u>495,443</u>
<b>Current assets</b>			
Stock		283	267
Properties for sale	17	1,816	3,504
Debtors	18	7,333	9,148
Cash at bank and in hand		220	2,453
		<u>9,652</u>	<u>15,372</u>
<b>Creditors: amounts falling due within one year</b>	19	<u>(13,163)</u>	<u>(16,200)</u>
<b>Net current (liabilities) /assets</b>		<u>(3,511)</u>	<u>(828)</u>
<b>Total assets less current liabilities</b>		<u>550,266</u>	<u>494,615</u>
<b>Creditors: amounts falling due after more than one year</b>	20	429,741	386,190
<b>Pension liability</b>	11	40,716	30,134
<b>Capital and reserves</b>			
Revenue reserve	26	78,963	77,445
Restricted reserve	26	846	846
		<u>79,809</u>	<u>78,291</u>
<b>Trust's funds</b>		<u>550,266</u>	<u>494,615</u>

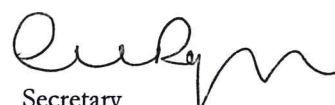
The financial statements were approved by the Board on 27 July 2017 and signed on its behalf by:



Chair



Board Member



Secretary

Company number: 03558717

The accompanying notes form part of these financial statements.

ALISON FISHER  
BOARD MEMBER

JACQUE  
ESIMAJE-HEATH

CATHERINE  
ROGERSON



## 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 15) are also incorporated under the Companies Act 2006. The registered address of the company is Colliers Way, Old Park, Telford. TF3 4AW.

### 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.

The Trust is a public benefit entity in accordance with FRS 102.

The financial statements are presented in sterling (£)

#### Exemption from consolidated accounts

The financial statements present information about the Trust as an individual undertaking and do not consolidate the results of its subsidiary companies as the Trust is a wholly owned subsidiary of The Wrekin Housing Group Limited, which produces publicly available consolidated financial statements.

#### Disclosure exemptions

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

#### Going concern

The Trust's business activities, its current financial position and factors likely to affect its future development are set out within the 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:

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### Impairment

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

#### 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 2017 was £76.9m.

#### Classification of Loans as basic

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

#### Valuation of investment properties

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

#### Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in note 11). The liability at 31 March 2017 was £40.7m.

#### 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 statement of comprehensive income.

#### Corporation tax

Current tax is recognised for the amount of income tax payable in respect of the taxable surplus for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.



## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### Interest payable

Interest is allocated and is charged to the statement of comprehensive income, 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 statement of comprehensive income in the year.

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

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

#### 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 statement of comprehensive income for the year.



## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less 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 market rented residential properties. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in value recognised in the statement of comprehensive income.

#### Government grants

Government grants include grants receivable from 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.

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### 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

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

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### 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 land and buildings	4%
Sheltered scheme fixtures and fittings	20%
Computers and office equipment	10%-33%
Plant, machinery and vehicles	20%

#### Leased assets

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

#### 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.

#### 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.



## Notes to the financial statements (continued)

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### 2 Accounting policies (continued)

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#### 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

	2017 Turnover £'000	2017 Operating costs £'000	2017 Operating surplus £'000	2016 Turnover £'000	2016 Operating costs £'000	2016 Operating surplus £'000
<b>Social housing lettings</b>	62,681	(40,926)	21,755	59,643	(41,607)	18,036
<b>Other social housing activities:</b>						
Renting & letting of garages	774	(212)	562	776	(230)	546
Leaseholder service charges & communal repairs	762	(762)	-	686	(686)	-
Other	9	-	9	7	-	7
	<u>64,226</u>	<u>(41,900)</u>	<u>22,326</u>	<u>61,112</u>	<u>(42,523)</u>	<u>18,589</u>
	1,263	-	1,263	2,103	-	2,103
	<u>1,705</u>	<u>(1,221)</u>	<u>484</u>	<u>1,114</u>	<u>(704)</u>	<u>410</u>
<b>Non-social housing activities</b>						
Shared ownership 1 <sup>st</sup> tranche sales	67,194	(43,121)	24,073	64,329	(43,227)	21,102

## 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 2017 £'000	Supported housing and housing for older people 2017 £'000	Total 2017 £'000	Total 2016 £'000
Rents receivable net of identifiable service charges	48,370	8,175	56,545	54,288
Service charge income	1,140	4,311	5,451	4,796
Amortised government grants	685	-	685	559
<b>Turnover from social housing lettings</b>	<b>50,195</b>	<b>12,486</b>	<b>62,681</b>	<b>59,643</b>
Management	(5,647)	(284)	(5,931)	(5,566)
Services	(1,752)	(5,887)	(7,639)	(6,388)
Routine maintenance	(10,028)	(1,692)	(11,720)	(12,721)
Rent losses from bad debts	(111)	(4)	(115)	(247)
Major repairs expenditure	(4,033)	(1,448)	(5,481)	(6,853)
Depreciation of housing properties	(8,657)	(1,383)	(10,040)	(9,832)
<b>Operating costs on social housing lettings</b>	<b>(30,228)</b>	<b>(10,698)</b>	<b>(40,926)</b>	<b>(41,607)</b>
<b>Operating surplus on social housing lettings</b>	<b>19,967</b>	<b>1,788</b>	<b>21,755</b>	<b>18,036</b>
<b>Void losses</b>	<b>231</b>	<b>207</b>	<b>438</b>	<b>554</b>



## Notes to the financial statements (continued)

### 4 Surplus on sale of housing assets

	2017 £'000	2016 £'000
Disposal proceeds	12,383	15,986
Carrying value of fixed assets	(7,268)	(5,976)
	5,115	10,010
Disposal proceeds fund (note 22)	(744)	(508)
	4,371	9,502

### 5 Accommodation in management

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

	2017 No.	2016 No.
General needs housing	10,305	10,218
Supported housing	1,856	1,660
Shared ownership	164	131
Total owned in management	12,325	12,009
Properties where the Trust had residual freehold interest	932	1,009
	13,257	13,018

Of the total owned, 468 (2016: 289) were managed by third parties, and 117 (2016: 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):

	2017	2016
	£'000	£'000
Depreciation of housing properties	10,040	8,232
Impairment of housing properties	-	800
Release of lease premium	-	(744)
Depreciation of other tangible fixed assets	512	508
Operating lease rentals:		
Hire of plant and machinery	1,055	1,062
Auditor's remuneration (excluding VAT):		
for audit services	74	39
for non-audit services:		
-Corporation tax compliance	15	7
-Tax advice	18	12

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 similar income

	2017	2016
	£'000	£'000
Interest received from temporary investments with banks and building societies	6	10
Other interest receivable	3	3
	<u>6</u>	<u>13</u>

### 8 Interest payable, financing costs and similar charges

	2017	2016
	£'000	£'000
Loans and bank overdrafts	17,351	15,467
Funders security/facility fee	1,428	1,743
Valuer's fee	11	15
Defined benefit pension charge	1,045	1,058
Other interest payable	11	10
	<u>19,846</u>	<u>18,293</u>

## Notes to the financial statements (continued)

### 9 Employees

	2017 No.	2016 No.
<b>Average monthly number of employees expressed in full time equivalents: (calculated based on a standard working week of 36 hours)</b>		
Office staff	276	275
Trades employees	160	173
Scheme managers, estate officers and cleaners	44	37
	<u>480</u>	<u>485</u>

The comparatives for 2016 have been reclassified to reflect the average number of Trust employees only.

	2017 £'000	2016 £'000
<b>Staff costs:</b>		
Wages and salaries	13,772	14,002
Social security costs	1,351	1,031
Other pension costs	2,664	3,012
	<u>17,787</u>	<u>18,045</u>

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

	2017 No.	2016 No.
£60,001-£70,000	4	5
£70,001-£80,000	2	3
£80,001-£90,000	4	4
£90,001-£100,000	2	-
£120,001-£130,000	1	1
£130,001-£140,000	1	1
£140,001-£150,000	-	1
£150,001-£160,000	1	1
	<u>15</u>	<u>16</u>
<b>Total</b>		



## Notes to the financial statements (continued)

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

Expenses paid during the period to Board Members amounted to £1,583 (2016: £2,445).

The aggregate amount of the total cost of key management personnel to the business (including benefits in kind and pension contributions) during the year was £485,705 (2016: £509,010).

	2017 £'000	2016 £'000
<b>Executive directors</b>		
Basic salary	366	387
Benefits in kind (car provision)	23	22
Pension and social security contributions	80	83
Total	469	492
<b>Board members</b>		
Fees	17	17

The emoluments of the highest paid director, the Managing Director, were £135,198 excluding pension contributions (2016: £141,800).

During the year the aggregate compensation for loss of office of key management personnel was £nil (2016: £nil)

### 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 2016.

#### Contributions

The employer's contributions to the Shropshire County Pension Fund by the Trust for the year ended 31 March 2017 were £2,146,000 (2016: £2,114,000) and the employer's contribution rate was fixed at 13.8% of pensionable pay until 31 March 2017 with regard to future service benefits. From 2017/18 this rate will be 14.5%. In addition, annual lump sum payments are being made in respect of past service deficits. The lump sum payment for 2016/17 was £497,200, and will be £517,800 in 2017/18.

## Notes to the financial statements (continued)

### 11 Pensions (continued)

#### Principal actuarial assumptions

	31 March 2017 % per annum	31 March 2016 % per annum
Rate of increase in salaries	3.8	3.5
Rate of increase in pensions in payment	2.3	2.0
Discount rate	2.6	3.6
Inflation assumption	2.3	2.0

#### 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:

	2017 No. of years	2016 No. of years
Retiring today:		
Males	23.0	23.9
Females	26.2	26.4
Retiring in 20 years:		
Males	25.2	26.2
Females	28.5	29.2

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

	2017 £'000	2016 £'000
Fair value of employer assets	83,432	67,366
Present value of funded liabilities	(124,148)	(97,500)
Net liability	(40,716)	(30,134)

## Notes to the financial statements (continued)

### 11 Pensions (continued)

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

	2017 £'000	2016 £'000
Net interest cost	1,045	1,058
Current service cost	2,509	2,952
Administration expenses	69	60
Effect of curtailments	86	-
Amount charged to operating costs	2,664	3,012
Total amount recognised in the statement of comprehensive income	3,709	4,070

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

	2017 £'000	2016 £'000
Opening scheme liabilities	(97,500)	(98,683)
Current service cost	(2,509)	(2,952)
Interest cost	(3,494)	(3,338)
Contribution by members	(796)	(826)
Curtailment loss	(86)	-
Benefits paid	1,638	1,902
Actuarial (loss)/gain	(21,401)	6,397
Closing scheme liabilities	(124,148)	(97,500)

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

	2017 £'000	2016 £'000
Opening fair value of plan assets	67,366	66,545
Interest income	2,449	2,280
Contributions by the employer	2,146	2,114
Contribution by members	796	826
Benefits paid	(1,638)	(1,902)
Administration expenses	(69)	(60)
Actuarial gain/(loss)	12,382	(2,437)
Closing fair value of plan assets	83,432	67,366



## Notes to the financial statements (continued)

### 11 Pensions (continued)

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

	2017	2016
Equities	60.1%	50.5%
Bonds	18.6%	25.7%
Property	5.0%	5.5%
Cash	2.2%	1.7%
Other	14.1%	16.6%

#### 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	124,148	121,769	126,574	124,830	126,464
Assets	(83,432)	(83,432)	(83,432)	(83,432)	(83,432)
Deficit	40,716	38,337	43,142	41,398	43,032
Projected service cost for next year	3,628	3,524	3,736	3,628	3,704
Projected net interest cost for next year	1,030	1,006	1,093	1,048	1,090

## Notes to the financial statements (continued)

### 12 Taxation

	2017 £	2016 £
<b>Current Tax</b>		
UK corporation tax on surplus for the year	-	-
Adjustments in respect of prior years	50	-
	<u>50</u>	<u>-</u>
Total current tax	<u>50</u>	<u>-</u>
<b>Total tax on results on ordinary activities</b>	<u>50</u>	<u>-</u>
Surplus on ordinary activities before tax	10,587	14,026
Theoretical tax at corporation tax rate of 20% (2016: 20%)	2,117	2,805
Effects of:		
Income not taxable	(2,117)	(2,805)
Adjustments to tax in respect of prior periods	50	-
	<u>50</u>	<u>-</u>
<b>Total tax charge</b>	<u>50</u>	<u>-</u>

## Notes to the financial statements (continued)

### 13 Fixed assets - housing properties

#### Housing Properties

	Social housing properties completed £'000	Social housing properties under development £'000	Shared ownership properties completed £'000	Total £'000
<b>Cost</b>				
At 1 April 2016	478,866	59,116	6,962	544,944
Improvements to existing properties	6,080	-	-	6,080
Additions	1,039	69,964	548	71,551
Change of Tenure	(1,224)	-	1,224	-
Schemes completed	76,785	(76,785)	-	-
Transfer to assets held for sale	(693)	-	(1,336)	(2,029)
Disposals	(10,277)	-	-	(10,277)
At 31 March 2017	<u>550,576</u>	<u>52,295</u>	<u>7,398</u>	<u>610,269</u>
<b>Depreciation and impairment</b>				
At 1 April 2016	64,139	-	542	64,681
Change of Tenure	37	-	(37)	-
Charged in year	9,953	-	87	10,040
Released on disposal	(3,024)	-	(42)	(3,066)
At 31 March 2017	<u>71,105</u>	<u>-</u>	<u>550</u>	<u>71,655</u>
<b>Net book value</b>				
At 31 March 2016	<u>414,727</u>	<u>59,116</u>	<u>6,420</u>	<u>480,263</u>
At 31 March 2017	<u>479,471</u>	<u>52,295</u>	<u>6,848</u>	<u>538,614</u>



## Notes to the financial statements (continued)

### 13 Fixed assets – housing properties (continued)

#### Expenditure on works to existing properties

	2017	2016
	£'000	£'000
Amounts capitalised – component replacement	6,080	6,782
Amounts charged to statement of comprehensive income	5,481	6,853
Total	11,561	13,635

#### Social housing grant

	2017	2016
	£'000	£'000
Total accumulated SHG receivable at 31 March :		
Recognised in the Statement of Comprehensive Income	2,912	2,280
Held as deferred income	67,580	60,840
	70,492	63,120

#### Housing properties book value net of depreciation

	2017	2016
	£'000	£'000
Freehold land and buildings	538,614	480,263
	538,614	480,263

#### Impairment

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. No impairment charge has been made this year.

## Notes to the financial statements (continued)

### 14 Tangible fixed assets - other

	Freehold buildings and land	Sheltered scheme furniture, fixtures and fittings	Computer s and office equipment and furniture	Plant and machinery and vehicles	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 April 2016	5,092	25	3,421	242	8,780
Additions	42	-	274	4	320
Disposals	-	-	-	(14)	(14)
At 31 March 2017	5,134	25	3,695	232	9,086
<b>Depreciation and impairment</b>					
At 1 April 2016	1,467	25	3,065	144	4,701
Charged in year	219	-	257	36	512
Depreciation on Disposals	(2)	-	-	(12)	(14)
At 31 March 2017	1,684	25	3,322	168	5,199
<b>Net book value</b>					
At 31 March 2016	3,625	-	356	98	4,079
At 31 March 2017	3,450	-	373	64	3,887

### 15 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.

Company	%	Surplus/(deficit) for the year	Reserves
Old Park Services Ltd	100	(£421,338)	£377,934
Strata Housing Services Ltd	100	(£210,000)	£946,000

## Notes to the financial statements (continued)

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

	2017 £'000
At 1 April	11,101
Increase in value	<u>175</u>
At 31 March	<u>11,276</u>

Investment properties were valued at 31 March 2017. 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 based on information provided by a professional external valuer.

### 17 Properties held for sale

	2017 £'000	2016 £'000
<b>Shared ownership properties:</b>		
Completed units	96	556
Properties held for outright sale	<u>1,720</u>	<u>2,948</u>
	<u>1,816</u>	<u>3,504</u>



## Notes to the financial statements (continued)

### 18 Debtors

	2017 £'000	2016 £'000
Due within one year		
Rent and service charges receivable	929	981
Less: provision for bad and doubtful debts	(756)	(757)
Garage rents receivable	30	31
Leaseholder charges receivable	55	54
Court costs and rechargeable repairs costs receivable	220	252
Prepayments and accrued income	2,820	2,917
Other capital grant received	628	1,478
Other debtors	107	419
Trade debtors	3	6
Other taxation & social security	-	292
Less: provision for bad and doubtful debts on non-rental debtors	(273)	(287)
Amounts owed by parent company	497	421
Amounts owed by subsidiary undertakings	1,690	1,087
Amounts owed by other group undertakings	1,383	2,254
	<u>7,333</u>	<u>9,148</u>

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.

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

	2017 £'000	2016 £'000
Trade creditors	1,791	2,489
Rent and service charges received in advance	1,199	1,133
Other taxation and social security	499	337
Pension contributions due	196	203
Social housing grant received in advance	542	60
Amounts owed to parent company	415	351
Amounts owed to subsidiary undertaking	3,343	6,325
Amounts owed to other group undertakings	211	1,005
Accruals and deferred income	2,923	3,178
Disposal proceeds fund (note 22)	1,021	308
Holiday pay accrual	156	156
Deferred grant income (note 21)	685	559
Other creditors	182	96
	<u>13,163</u>	<u>16,200</u>

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)

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

	2017 £'000	2016 £'000
Debt (note 24)	354,007	317,730
Recycled capital grant fund (note 23)	492	220
Deferred grant income (note 21)	73,745	66,780
Disposal proceeds fund (note 22)	1,497	1,460
	<u>429,741</u>	<u>386,190</u>

### 21 Deferred grant income

	2017 £'000	2016 £'000
At 1 April	67,339	56,819
Grant received in the year	8,098	11,079
Transfer to recycled capital grant fund	(272)	-
Released to income in the year	(735)	(559)
	<u>74,430</u>	<u>67,339</u>
At 31 March		
Amounts to be released within one year	685	559
Amounts to be released in more than one year	73,745	66,780
	<u>74,430</u>	<u>67,339</u>

## Notes to the financial statements (continued)

### 22 Disposals proceeds fund

	2017 £'000	2016 £'000
At 1 April	1,768	1,965
Net sale proceeds recycled	879	598
Interest accrued	11	9
Acquisition of dwellings for letting	(140)	(804)
Balance at 31 March	<u>2,518</u>	<u>1,768</u>

The above balance is disclosed as follows:

	2017 £'000	2016 £'000
Amounts due within one year	1,021	308
Amounts due after more than one year	<u>1,497</u>	<u>1,460</u>
	<u>2,518</u>	<u>1,768</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. During the year £nil was repaid (2016:£nil).

### 23 Recycled capital grant fund

	2017 £'000	2016 £'000
At 1 April	220	134
Grants recycled	272	86
Balance at 31 March	<u>492</u>	<u>220</u>



## Notes to the financial statements (continued)

### 24 Debt analysis

	2017 £'000	2016 £'000
<b>Due after more than one year</b>		
Bank loans	355,000	319,000
Loan refinancing fees	(993)	(1,270)
	<u>354,007</u>	<u>317,730</u>
<b>Repayable</b>		
Two years or more but less than five years	154,007	92,730
After five years	200,000	225,000
	<u>354,007</u>	<u>317,730</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 5 and 23 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 £440m. At 31 March 2017 the Trust had undrawn loan facilities of £85m (2016:£121m).

### 25 Share Capital

The Wrekin Housing Trust is a company limited by guarantee and therefore has no share capital.

### 26 Reserves

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

At 31 March 2017, the revenue reserve included £40,716,000 in respect of the defined benefit pension liability (2016: £30,134,000).

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.

## Notes to the financial statements (continued)

### 27 Financial commitments

	2017 £'000	2016 £'000
<b>Capital expenditure</b>		
Expenditure contracted for but not provided in the accounts	54,633	80,006
Expenditure authorised by the board but not contracted for	11,128	59,009
	<u>65,761</u>	<u>139,015</u>

The above commitments reflect the continuation of the Trust's Asset Renewal and Development Programme. 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:

	2017 £'000	2016 £'000
Within one year	1,294	1,362
One to five years	3,025	4,098
	<u>4,319</u>	<u>5,460</u>

### 28 Contingent liabilities

The Trust had no contingent liabilities to disclose at 31 March 2017 (2016: £nil).

### 29 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 a qualifying entity so it is exempt from the requirements of FRS102 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.

## Notes to the financial statements (continued)

### 30 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.

### 31 Prior year adjustment

For the year ended 31 March 2016 The Wrekin Housing Trust Limited reported Gift Aid covenanted from subsidiaries of £1,937,000 and amounts owed by subsidiary undertakings of £3,024,000.

Due to clarification of the continuing impact of the implementation of FRS102 on the financial statements these have been restated to £1,709,000 and £1,087,000 respectively.

The Wrekin Housing trust Limited's surplus for the year was £14,254,000 and has been restated to £14,026,000. The Wrekin Housing Trust Limited's total assets less liabilities was £496,552,000 and has been restated to £494,615,000.