

Annual Report  
The Wrekin Housing Group  
Limited (formerly The  
Wrekin Housing Trust  
Limited)

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**For the year ended 31 March 2019**

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## Board members, executive officers and advisors

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

Chair:	Anne Ward (resigned 29 April 2019) Desmond Hudson (appointed 29 April 2019)
Other members:	
John Broadhead (resigned 21 November 2018)	Angela McClements a (resigned 6 November 2018)
Shaun Davies a (appointed 17 December 2018)	Danielle Oum b (resigned 25 February 2019)
James Dickson c	Annette Shipley b
Alison Fisher a	Paul Weston a
Deborah Griffiths	Esther Wright b, c
Jacqueline Esimaje Heath d	

Key to current committee and subsidiary board membership:

- a Group Audit and Assurance Committee
- b Remuneration Committee
- c Old Park Services Limited Board
- d Strata Housing Services Limited Board

Executive Officers:

Managing Director	Wayne Gethings (resigned 5 April 2019)
Director of Financial Services	Francis Best
Group Chief Executive	John Broadhead (resigned 28 February 2019) Wayne Gethings (appointed 5 April 2019)

Company Secretary

Catherine Rogerson

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 Social Housing Regulator. No. LH4220  
Co-operative and Community Benefit Society 8067  
VAT Registration No 974801202

## Report of the Board

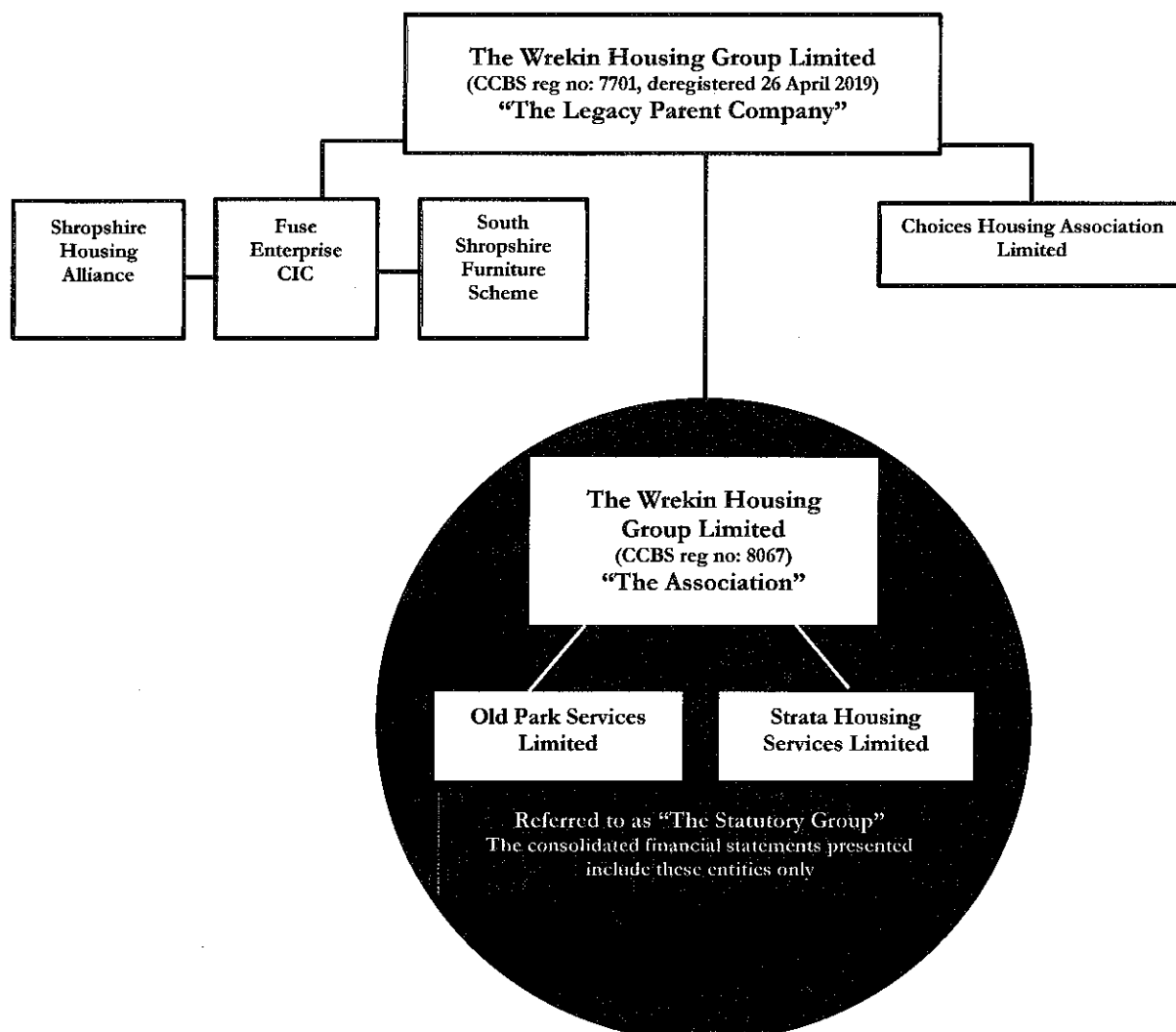
The board presents its report and audited financial statements for the year ended 31 March 2019.

### Introduction

During 2017 a review was undertaken of the whole Group structure to simplify the structure and ensure adequate scrutiny and oversight from the Group Board across all areas of the business.

This restructure has been completed in April 2019. As a result of this exercise there has been a transfer of engagements from The Wrekin Housing Group Limited (the Legacy Parent Company) to the Association and the Legacy Parent Company has been deregistered. There have been further transfers of engagements to the Association from Shropshire Housing Alliance and South Shropshire Furniture Scheme and a transfer of assets and liabilities from Fuse CIC. Those three organisations are now in the process of being deregistered and liquidated. There has also been a transfer of investment in Choices Housing Association from the Legacy Parent Company to the Association. The Association has changed its name from The Wrekin Housing Trust Limited to The Wrekin Housing Group Limited. It is now the parent entity of the Group, with Old Park Services Limited and Strata Housing Services Limited (its own existing direct subsidiaries) and Choices Housing Association as the only remaining subsidiaries of that new parent entity. Whilst these changes have taken place post year end, they impact on the reporting as at 31 March 2019. The diagram below shows the structure as at 31 March 2019.

### Group Structure as at 31 March 2019



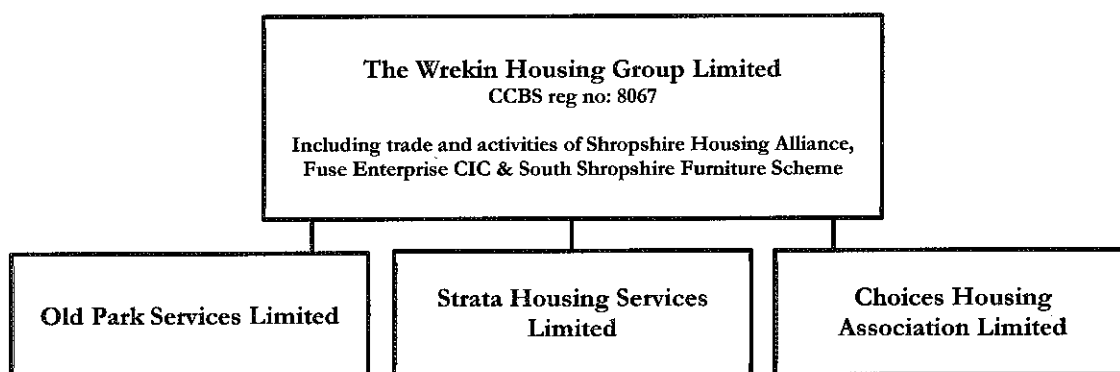
## Report of the Board

As summarised in the preceding paragraph, on 4 March 2019 The Wrekin Housing Trust Limited (registered under the Companies Act 2006, registered number 03558717) converted to a Co-operative and Community Benefit Society (registration number 8067) registered with the Financial Conduct Authority. On 26 April 2019, The Wrekin Housing Trust Limited changed its name to The Wrekin Housing Group Limited and is referred to as “the Association” throughout. These financial statements present the results of the Association for the year from 1 April 2018 to 31 March 2019.

The consolidated financial statements presented include the results of the Association and its two wholly owned subsidiaries, Old Park Services Limited and Strata Housing Services Limited, both of which are private limited companies. Throughout these financial statements this group will be referred to as “the Statutory Group”, whereas “the Group” refers to all entities shown above.

The impact of the post year end changes is that the Association is now the Group’s parent undertaking. Its subsidiaries are Strata Housing Services Limited, Old Park Services Limited and Choices Housing Association Limited. The activities previously undertaken by South Shropshire Furniture Scheme, Shropshire Housing Alliance and Fuse Enterprise CIC are continuing within the Association. The revised group structure from April 2019 is shown below.

### Group structure following restructure in April 2019



Note 32 to the financial statements provides further detail and presents information about “the Group” as a whole, had the restructuring been completed prior to 31 March 2019.

The report of the board has been drafted to reflect the operations of “the Group” as a whole unless this is by reference to those entities presented in these consolidated financial statements in which case the “Statutory Group” is explicitly referred to.

## Report of the Board

The table below contains summary information relating to the entities as at 31 March 2019.

	Wrekin Housing Group (the Association)	Choices Housing Association	Other Group entities	Group eliminations	The Group as disclosed in Note 32
	£'000	£'000	£'000	£'000	£'000
Turnover	79,399	14,956	17,534	(16,212)	95,677
Total comprehensive income	8,586	560	(235)	(352)	8,559
Reserves	107,693	3,163	931	(3,824)	107,963
Debt	379,000	-	-	-	379,000

	No.	No.	No.	No.	No.
Units owned	12,662	120	-	-	12,782
Employees (average FTE)	480	441	97	-	1,018

### Key to above

Wrekin Housing Group-Wrekin Housing Group Limited (CCBS:8067)

Other Group entities-Old Park Services Limited, Strata Housing Services Limited, Wrekin Housing Group (CCBS:7701)(legacy parent company),Shropshire Housing Alliance, South Shropshire Furniture Scheme and FUSE Enterprise CIC

The Group - Consolidation of all entities.

### Principal activities

The Group's principal activities remain the development and management of social housing.

### Business review

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

### Payment of creditors

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

## Report of the Board (continued)

### **Financial instruments**

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

### **Future developments**

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

### **Investing in employees**

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

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

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

As a longstanding holder of the Gold standard of Investors in People our ongoing commitment to the development of employees is externally validated.

Our ROSPA Gold accreditation evidences that we have achieved a very high level of performance, demonstrating well developed occupational health and safety management systems and have a culture which supports outstanding control of risk with very low levels of error, harm and loss.

The Group 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.

Our structured approach to learning and development enables employees to fulfil their role and develop their full potential within the Group. The development of our employees continues to be essential in growing our organisation and attracting and retaining talented 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 Group are being used to develop employees' skills and understanding.

In addition to its in-house training provision, the Group also provides support for employees undertaking external courses and qualifications. Each year the Group 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 Group's newly acquired properties, and also in the areas of human resources, law, accountancy and executive MBAs.

The Group 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 Group or other employers following their placements. The Group is developing its offer to attract Business Administration Apprentices moving forward and has an aim of creating an academy approach to entry into housing careers through working in partnership with the Chartered Institute of Housing to offer Housing Apprentice opportunities. The Group now has established partnership agreements with local colleges to deliver the academic element of our apprenticeship programme. During the year the Group employed 23 apprentices and offered 13 work placements to students from local schools and colleges.

## Report of the Board (continued)

### **Investing in employees (continued)**

The Group has a strategic objective in respect of social value and we actively seek opportunities through these programmes to promote jobs and economic growth in our locality, maximising the social value of our services and delivering wider community benefits. Our wider volunteer programmes support this social inclusion and social value work development. We encourage engagement through the recruitment, training and work placement of volunteers. During the year 125 volunteers were supported through the programme.

### **Health and safety**

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

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

The board members of the Association and executive officers who served during the year and to the present date are set out on page 1.

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.

During 2018/2019 two key positions were recruited to following a rigorous process of open advertising followed by selection using external recruitment consultants. Desmond Hudson was appointed as Chair Designate on 6 November 2018, and then as Group Chair on 29 April 2019. Wayne Gethings was appointed as Group Chief Executive on 5 April 2019.

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

### **Remuneration**

#### **Policy**

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

#### **Pensions**

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

#### **Other benefits**

The executive 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. Notice periods are 3 to 6 months depending on the role.



## Report of the Board (continued)

### Non-executive board member remuneration

Fees were paid as follows in respect of the year ended 31 March 2019. All fees were paid by the Legacy Parent Company. In accordance with the articles of association a non-executive board member entitled to remuneration who is also a member of the board of another group company is not entitled to additional remuneration. The figures stated may therefore have been paid in respect of service on the board of the Association or in respect of services on the board of another entity within the Legacy Group which does not form part of the consolidation of these financial statements.

Shaun Davies (appointed 17 December 2018)	£1,909
James Dickson	£6,500
Alison Fisher	£6,500
Deborah Griffiths	£6,500
Jacqueline Esimaje Heath	£6,500
Desmond Hudson	£6,500
Angela McClements (resigned 6 November 2018)	£3,791
Danielle Oum (resigned 25 February 2019)	£5,958
Annette Shipley	£6,500
Anne Ward (resigned 29 April 2019)	£16,437
Paul Weston	£6,500
Esther Wright	£6,500

### NHF Code of Governance

The board is pleased to report that the Group 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 Group's transactions and its assets and liabilities and for maintaining a satisfactory system of internal controls over the Group's books of account and transactions and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Over the past two years there have been significant governance changes and all of the issues identified through the In-depth Assessment carried out in 2016 have been addressed and actioned. Through that process the board have ensured that they complied with the principles, provisions and best practice guidance contained in the National Housing Federation's Code of Governance 2015. The board is satisfied that there are appropriate arrangements in place with respect to its transactions, assets and liabilities and that there is a satisfactory system of internal control in place to prevent and detect fraud and other irregularities.

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

- Having governance policies, processes and systems in place that are fit for purpose
- Being well informed and making high quality decisions
- Having a structured approach to succession planning to attain and retain the required skill sets
- Creating tailored induction and development programmes
- Annually evaluating the Board, through individual and collective performance appraisals, which will provide feedback to achieve continual improvement.

The co-regulation framework has a strong resident element with the Customer Assurance Panel overseeing performance, the Tenant Auditors examining aspects of the Group's processes and the Tenants' Panel being the representative body involved in policy development as well as general consultation. A Customer Voice Panel has been established which ensures that customers have direct access to the board.

## Report of the Board (continued)

The organisation remains compliant with the Regulator of Social Housing's Governance and Financial Viability Standard and, as a result of the governance changes as part of the group restructure, the regulator reassessed its former judgement of G2 in 2016 to G1 for governance and a V2 assessment for financial viability in 2018.

### **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 Group is ongoing and has been in place throughout the period commencing 1 April 2018 up to the date of approval of the annual report and financial statements. The board receives and considers reports from management on these risk management and control arrangements during the year. The arrangements adopted by the board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework include:

### **Identifying and evaluating key risks**

The 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 Group's risk management software. All matters brought to the executive management group or board for decision are supported by such risk assessments.

### **Control environment and internal controls**

The processes to identify and manage the key risks to which the Group is exposed are an integral part of the internal control environment. These processes, which are reviewed annually and revised where necessary, include strategic planning, succession planning and recruitment of executive directors and senior staff, regular performance monitoring, control over developments and the setting of standards and targets for health and safety, data protection, fraud prevention and detection and environmental performance. During the period since 1 April 2018, the board considered the following matters which are of particular importance to the control environment:

- completion of the fundamental review of the group structure and governance arrangements, as detailed above, to ensure that the board can provide effective leadership in setting strategy and ensuring that the Group has appropriate financial and other resources to achieve its long term strategic objectives;
- further consideration of the impact on the business of the Welfare Reform Act 2012, particularly in relation to the rollout of Universal Credit;
- development and implementation of a detailed refinancing plan to refinance loans falling due for repayment in 2020 and provide additional loan finance to ensure that the Group can deliver its growth objectives;
- ways of enhancing controls to provide greater resilience against the growing threat of cyber-crime and malicious attacks;
- further refinement of risk management strategy and processes and the methods used to provide assurance and other information to the board. Considerable focus was once again given to refining the Group's approach to stress testing further.

## Report of the Board (continued)

### **Information and reporting systems**

Financial reporting procedures include strategic financial plans, underpinned by detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the board. 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 Assurance Committee. The arrangements include a rigorous procedure to ensure that recommendations are carefully considered and implemented or, occasionally, varied with the agreement of the Group Audit and Assurance Committee.

### **Going concern**

After making enquiries the board has a reasonable expectation that the Statutory Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are approved. 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 31 March 2019 the Statutory Group had loan facilities totalling £440 million, of which £61 million was undrawn. The Statutory Group 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 Statutory Group is able to service these debt facilities whilst continuing to comply with lenders' covenants.
- Of the total existing available facilities of £440 million, £379 million had been drawn down at 31 March 2019. £154 million of this falls due for repayment in November 2020 with a further £25 million falling due for repayment in March 2022. Therefore the board have begun a major refinancing exercise to refinance these facilities and provide additional finance for further new development over the next 5 years. This will involve replacing the existing single syndicated loan facility with a number of bank loans negotiated with funders on a bilateral basis, together with a bond issue via the debt capital markets. It is currently anticipated that this refinancing exercise will be completed and the new debt structure in place during autumn of 2019.
- The board recognises that market conditions and economic factors might adversely impact the timetable of refinancing and the bond issue in particular. To mitigate the risk of the bond issue being delayed and the repayment of existing facilities falling due before the bond is issued, the board is pursuing a parallel negotiation to put in place a bridging facility. This is with some of the parties involved in the new financing arrangements and is expected to cover a period of at least eighteen months from the date of approval of these financial statements. Although indicative terms have been exchanged, the detail of these bridging loans has not been fully agreed at the date of approval of these financial statements.

## Report of the Board (continued)

### **Brexit**

The board has identified five areas of risk that may arise from a disorderly Brexit. First, there may be a short term interruption in the operation of the money markets. The Group has a policy of holding a minimum of £15m in cash to meet immediate calls on the business. This is sufficient to meet at least 12 weeks of current expenditure. In addition, it has secured but undrawn lines of £61m that it can draw on at short notice.

Secondly, there may be a significant interruption in the availability of new debt. The proposed refinancing of the debt portfolio is designed to significantly reduce future refinancing risk. However, the bridging finance referred to earlier also provides flexibility in the timing of the new transaction.

Thirdly, a decline in the UK economy may put pressure on the valuations for social housing properties. Such a decline in valuations might restrict the ability to draw on new loans, which is why the Group does not commit to new development until the necessary funding is in place. In addition, the Group does not engage in building properties for sale, reducing its exposure in this area to a fall in market values.

Fourthly, there may be a sharp fall in valuations and activity levels on residential property. The property sales made by Wrekin under the asset management strategy generally involve low cost units. These are likely to be less affected by any decline in the market than new built for sale properties. Also, the Group has a policy of enacting asset renewal sales before committing to development expenditure, which means that if there is a significant downturn in property sales or valuations, it can reduce the development programme rapidly to address this.

Finally, following the implementation of Universal Credit, the Group significantly increased its previous level for the provisions for bad debts in its business plan. This is also designed to address the impact of a disorderly Brexit.

### **Annual general meeting**

The annual general meeting will be held on 16 September 2019 at The Wrekin Housing Group, Colliers Way, Old Park, Telford, TF3 4AW.

### **Auditors**

The group is intending to review the provision of audit services during the current financial year.

The report of the board was approved by the board on 21<sup>st</sup> August 2019 and signed on its behalf by:



Catherine Rogerson  
Company Secretary

# Strategic Report

## Background

### Activities

The Group's head office is based at Colliers Way, Telford.

The vast majority of the Group's properties are owned by the Association and are predominantly located in the borough of Telford and Wrekin. However, in line with the board's growth strategy, expansion has continued into the wider Shropshire area, Staffordshire, Wolverhampton and Herefordshire.

The Statutory Group rents out 12,662 (2018: 12,629) properties with the accommodation available ranging from one-bedroom flats to five bedroom houses.

The Statutory Group has a turnover of £82m (2018: £86m) and employs a workforce of just under 500 people, making it one of the largest businesses in Telford. The Group is currently managed by a board of nine members consisting of eight independent members and one member nominated by the Borough of Telford and Wrekin Council. The chair is one of the independent board members.

The Statutory Group'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 Statutory Group continued to make good progress with this long-term strategy. As part of the strategy there was considerable progress made in decanting tenants from blocks of flats where there will be demolition and development of new, higher demand units. Where the units were located in sites which offered no potential for redevelopment, these were disposed of via the Asset Renewal Strategy, together with the freehold of the blocks. This can be seen in note 5 where the number of properties where the Association has a residual freehold interest reduced from 828 in March 2018 to 677 in March 2019. This reduction in leaseholder numbers was the reason for the overall net decrease of 118 in the number of properties owned by the Association in 2018/19, although all categories of rented property increased in number in 2018/19.

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 2,050 units of supported housing and housing for older people, again under the management of a general manager.

The Association's portfolio of over 2,000 garages is managed by a separate team and has a turnover of £798,000 (2018: £774,000). 677 leasehold properties and 235 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 Group's head office.

### External influences

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

The Government pledge to deliver 300,000 new homes and deliver a significant increase in capital funding seeks to encourage registered providers to undertake new developments to address the national shortage of affordable housing. The original policy emphasis was for home ownership products (such as rent to buy or shared ownership) which present a significant challenge in the housing markets in which we operate. More recently the development of affordable rent housing has been reintroduced but these constant

## Strategic Report (continued)

changes impact upon our forward planning. There is also uncertainty around the long term revenue funding for supported housing projects such as Extra Care housing.

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

Work continues on the delivery of the remaining 22 units under the Affordable Homes Programme 2015-18 which attracted grant funding of £20.9m secured for completion by March 2022. This programme is on track to be delivered within the required timescale.

Further funding of £60.7m has been secured under the Shared Ownership Affordable Homes Programme 2016-21 for the delivery of 1,382 units by March 2022.

### Objectives and strategy

During 2017/18 the legacy group carried out a fundamental review of its strategic plan for the period 2018 to 2021.

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

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

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

### Performance and development

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

Deliverable	Action	Outcomes to date
<b>Through listening to our customers we will understand the current and future needs of our locality better than any other</b>	<ul style="list-style-type: none"> <li>• to implement the new 'Voice of the Customer' and governance arrangements</li> <li>• to maintain market intelligence on prospective partnerships and develop alliances</li> </ul>	<ul style="list-style-type: none"> <li>• Voice of the Customer arrangements now in place and group restructure completed in April 2019.</li> </ul>

## Strategic Report (continued)

<b>Deliverable</b>	<b>Action</b>	<b>Outcomes to date</b>
<b>We will work towards providing homes that are best in terms of energy efficiency and sustainability</b>	<ul style="list-style-type: none"> <li>• to produce a development strategy and plan, maximising the number of new homes</li> <li>• to deliver new homes predominantly in Shropshire and Staffordshire</li> <li>• to deliver the asset management strategy ensuring a sustainable property portfolio</li> <li>• to identify and take action on non-performing assets, disposing of 280 properties by 2021, generating proceeds of £15.4m for reinvestment</li> </ul>	<ul style="list-style-type: none"> <li>• planned maintenance programme for 2018/19 delivered successfully and on budget.</li> <li>• 233 new homes delivered in 2018/19</li> <li>• 113 non-performing properties disposed of in 2018/19 under the Asset Renewal Strategy generating proceeds of £8.1m.</li> </ul>
<b>We will be a fair and trusted employer supporting the development and skills of our people</b>	<ul style="list-style-type: none"> <li>• to implement the outcomes of the equal pay audits by delivering a reviewed employee strategy</li> <li>• to deliver the health and safety strategy, ensuring the highest standards of health and safety</li> </ul>	<ul style="list-style-type: none"> <li>• additional health and safety audits carried out by external specialist consultants during the year and recommendations implemented.</li> <li>• enhanced monitoring and reporting of key health and safety activities introduced and strong performance demonstrated on health and safety compliance</li> </ul>
<b>We will be relentless in our search for value and efficiency</b>	<ul style="list-style-type: none"> <li>• develop and embed group value for money reporting against the new VFM standard</li> <li>• to implement all approved operational team plans</li> <li>• to deliver the approved financial plans for 2018/19</li> <li>• to deliver an overall group surplus of £4.3m</li> <li>• to achieve a reduction in operating costs to meet the 1% p.a. rent reduction by 2020</li> </ul>	<ul style="list-style-type: none"> <li>• surplus of £9.0m delivered for 2018/19 by Statutory Group and further surplus of £560k delivered by Choices.</li> <li>• 1.7% reduction in like for like controllable operating costs achieved for 2018/19 and further 1% reduction built into 2019/20 budget.</li> <li>• focus on further development of approach to VFM at group board strategy event.</li> </ul>

## Strategic Report (continued)

<b>Deliverable</b>	<b>Action</b>	<b>Outcomes to date</b>
<b>We will be considered by partners to be trusted and collaborative</b>	<ul style="list-style-type: none"> <li>to investigate the transfer of Council housing stock in Shropshire</li> </ul>	<ul style="list-style-type: none"> <li>selected as preferred partner for Shropshire Council housing stock transfer.</li> </ul>
<b>We will seek opportunities to promote jobs and economic growth in our locality, directing our spending to support the people in our locality, maximising the social value of our services and delivering wider community benefits</b>	<ul style="list-style-type: none"> <li>to implement the funding mechanism for the promotion of Social Enterprise</li> <li>to implement the income management and Welfare Reform plan</li> <li>to monitor the impact of the Voluntary Right to Buy, now implemented</li> </ul>	<ul style="list-style-type: none"> <li>continued work on group approach to Social Value and Social Enterprise carried out by Task and Finish Group of the board and Social Investment Strategy approved.</li> <li>impacts of Welfare Reform continue to be well managed with no negative impact as yet on arrears or bad debts.</li> <li>Voluntary Right to Buy pilot now underway with 2 sales completed in 2018/19.</li> </ul>
<b>We will develop business models of care and support to create a bold and innovative service provider</b>	<ul style="list-style-type: none"> <li>to develop a growth plan for supported housing</li> <li>to streamline the operation of the Shireliving Extra Care and Retirement Living Schemes</li> <li>to develop a viability plan for the future of the Limewood Dementia Unit</li> <li>to produce a strategy on the future of the LD care homes, considering their re-provision</li> <li>to achieve 'good' ratings at CQC inspections</li> </ul>	<ul style="list-style-type: none"> <li>new staffing and management structure being implemented at Shire Living Schemes.</li> <li>all services subject to CQC inspection currently rated as 'good'.</li> </ul>
<b>We will ensure that we meet the highest standards of leadership, management and governance</b>	<ul style="list-style-type: none"> <li>the board to review succession planning and skills against future strategic needs</li> <li>to review governance and board effectiveness annually</li> <li>to continue to review and revise the group assurance arrangement relating to risk, stress testing, the role of audit and health and safety</li> </ul>	<ul style="list-style-type: none"> <li>review of terms of reference for group board, subsidiary boards and committees substantially complete.</li> <li>board effectiveness review scheduled for 2019/20 to be facilitated by external consultant.</li> <li>stress testing updated in line with updated business plan to support refinancing exercise.</li> <li>continued focus on health and safety with appointment of external consultants to carry out audits of key areas and implementation of enhanced reporting to group board.</li> </ul>



## Strategic Report (continued)

### Customer service

#### Tenant satisfaction

The group normally undertakes surveys with its customers based on the STAR methodology, with customers selected at random on an ongoing basis during the year and asked four key questions by telephone. Questions regarding customers' satisfaction and whether the group considers and takes account of their views, together with the question regarding satisfaction with their neighbourhood as a place to live are now part of a quarterly survey.

In 2018/19 as part of the customer feedback review, to test cost and effectiveness of various survey methods, the use of email surveys has been trialled to more than 2,000 customers, in addition to the telephone survey completed in quarter 1.

The tables below are a rolling 12 month average using both telephone and e-mail results.

Category	2018/19	2017/18
Overall satisfaction with service provided by the Group	92%	94%
Satisfaction with how the Group deals with repairs and maintenance	91%	95%
Satisfaction that they get value for money for their rent	90%	97%
Satisfaction with being treated fairly and with respect	90%	95%
Satisfaction with views being listened to and taken into account	73%	94%
Satisfaction with the neighbourhood as a place to live	83%	95%

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

Satisfaction with the relet process (Score of 1 -10)	9.77	9.64
Satisfaction with repair carried out (Rapid Response)	94.4%	94.1%
Satisfaction with right first time	84.0%	85.4%
Satisfaction with capital improvements	99.4%	98.4%

The general reduction in satisfaction levels in 2018/19 can be linked to two main factors.

## Strategic Report (continued)

Firstly, during the year we trialled the use of e-mail surveys rather than the usual telephone surveys. It is acknowledged across the sector that written surveys show lower levels of satisfaction than telephone surveys and this was most clearly displayed in relation to the question regarding views being listened to and taken into account, which produced a much higher level of “neutral” responses than was the case with the telephone method. Since the year end we have reverted to the previous telephone survey methodology and satisfaction levels with regard to this question have increased to 95% for the first quarter of 2019/20.

The more significant reason for the reduction in general satisfaction levels was the reduction in performance in the responsive repairs service, which is the most high profile service provided to customers and therefore has the greatest bearing on their overall perception of the organisation. The percentage of repairs completed on the same day fell from 85.2% in 2017/18 to 79.3% in 2018/19. Operational issues encountered in the early stages of the implementation of the new scheduling system, together with a higher than normal level of vacancies in the trades teams, were the reasons for this reduction in performance. There has been considerable focus on these two issues in the first few months of the new financial year and satisfaction measures are returning to the levels previously experienced.

### **Repairs service delivery**

The Association continues to offer tenants a same day repairs service between the hours of 8am to 8pm, seven days a week. Currently almost 80% of all repairs are completed the same day and tenant satisfaction remains high at 94.4%. Operating costs have reduced for repairs and voids by 2%, this being the sixth year in succession a reduction has been achieved. With all of the major areas of the service having been reviewed in recent years and improvements and savings realised, it is anticipated that future cost savings will be more difficult to achieve, but demand and costs are closely monitored.

### **Rent losses from voids**

Once again performance in this area was strong, with rent and service charge losses restricted to 0.65% of rental and service charge income receivable (2018: 1.34%). In 2017/18 a large number of new Extra Care units were handed over prior to the end of the year. These units take slightly longer to let when they are first handed over as they are designed for a very specific client base causing the higher level of void rent loss last year. There were no new Extra Care units void at 31 March 2019.

### **Finance**

The Statutory Group recorded a strong operating surplus for the year of £29.7m (2018: £33.6m), 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 practices 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 Statutory Group to outperform its targets for disposals under the Asset Renewal Strategy in terms of the total surplus achieved on sales.

The Statutory Group’s financial performance for 2018/19 has exceeded both the lenders’ covenants.

	<b>2019</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
Ratio	Target	Actual	Target	Actual
Interest Cover Ratio	1.24%	1.51%	1.20%	1.76%
Asset Cover Ratio	110%	144%	110%	124%

## Strategic Report (continued)

### 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 for the Statutory Group (employees who leave for alternative employment) was 6.5% (2018: 8.2%).

### Development

Under its Asset Renewal Strategy the Group sets out to add three new properties for every two older, uneconomic properties that are disposed of. 2018/19 was the fourteenth year of the strategy. During 2018/19 the Statutory Group sold 113 properties (2018: 165). A further 44 (2018: 51) properties were sold under the Right to Buy and Right to Acquire provisions and 2 (2018: Nil) properties were sold under the pilot Voluntary Right to Buy scheme.

During the year the Statutory Group added 233 properties to its stock. This was achieved by means of a combination of traditional development and section 106 planning gains.

The Group's current business plan demonstrates that the future development programme will add a further 3,923 new build units to the Group's stock over the next 5 years, through a mixture of traditional development and section 106 and off the shelf acquisitions, based on the completion of the current refinancing exercise.

### Value for Money and Value for Money Metrics

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. Performance against each of the regulatory value for money metrics, together with some additional contextual information, is shown below.

The metrics shown relate to the Legacy Group as this is the basis adopted for the Value for Money assessment of the organisation by the Regulator. Note 32 presents the primary statements as they would have been if the Legacy Group still remained. It is these primary statements that form the basis of the calculation of the metrics and they permit comparability with the metrics produced in 2018.

Metric	2019	2018	Global Accounts 2018 10,000-19,999 units Median Performance	Global Accounts 2018 Whole Sector Median Performance
Reinvestment	6.2%	8.4%	6.7%	6.0%
New Supply Delivered (Social Housing)	1.8%	4.4%	1.6%	1.2%
New Supply Delivered (Non-social Housing)	0.0%	0.1%	0.0%	0.0%

## Strategic Report (continued)

The metrics measuring reinvestment and the delivery of new housing supply have reduced slightly in 2018/19. The two categories of expenditure that influence the reinvestment metric are spend on new development and spend on the improvement of existing property via the capitalised major repairs programme. Activity on the development programme has reduced this year as the peak of the current programme has passed and the Group comes closer to using the available capacity under its existing loan facilities, and this has obviously also affected the new supply metric. Expenditure on improvements to existing properties has been maintained at similar levels to previous years, with spending of £6.6m in 2018/19 (2017/18: £6.3m). As a result of sustained investment over a number of years 99.8% of the Group's properties continued to meet the Decent Homes Standard (all stock apart from 30 properties which would now require additional work had they not been earmarked for redevelopment or sale under the Asset Renewal Strategy). This has been the case every year for the last 10 years.

Whilst the 'Reinvestment' and 'New supply delivered' metrics have reduced they are still towards the higher end of the sector. Three consecutive years of growth in new supply of 5.3%, 4.4% and 1.8% is a considerable achievement. The Group has been named among the top 50 developers among social housing providers in terms of annual growth in percentage terms in each of the last 3 years.

During 2018/19 the Statutory Group completed 233 homes and at the year end there were 593 units on site, with total scheme costs of over £74m. The completed units provide a mix of general needs rented units and shared ownership properties, as well as older persons or specialist accommodation.

During 2018/19, the programme delivered predominantly affordable rent properties with 114 provided through s106 agreements. Typical grant funded schemes included Stafford Lane, Hednesford in Cannock which provided 34 new homes with a mix of 2 and 3 bedroomed houses. The scheme at Dee & Burway in Telford provided 12 bungalows and the scheme at Duce Drive in Telford provided a further 18 bungalows.

The Group plans to complete 263 more homes by March 2020, and a total of 3,923 new homes over the next five years, based on the successful completion of the current refinancing exercise.

In 2017/18 the Group added a small number of properties to its market rented portfolio. No development of this type was undertaken in 2018/19.

Metric	2019	2018	Global Accounts 2018 10,000- 19,999 units Median Performance	Global Accounts 2018 Whole Sector Median Performance
Gearing	62.9%	63.8%	48.5%	42.9%
Interest cover	133.5%	136.1%	187.0%	206.0%

The gearing metric improved in 2018/19 despite the fact that significant development activity was still undertaken during the year. This is because the considerable level of out-performance achieved against the 2018/19 budget has been reinvested into supporting the delivery of new homes, meaning that lower levels of drawdowns have been required against the Group's loan facilities, extending the life of those facilities. The Interest Cover metric declined slightly in 2018/19 as a result of additional pension costs being accounted for as a result of the McCloud case. Both metrics were below the median level for both peer

## Strategic Report (continued)

groups shown above. There are two main reasons for this. It is partly as a result of the fact that the Group began as an LSVT organisation and providers of this type are generally more highly geared, and have lower interest cover levels, than “traditional” providers who have grown more organically. However, this is compounded by the fact that the Group has deliberately, and successfully, carried out a large scale development programme as one of its primary strategic objectives over the last 11 years. The delivery of this programme, which has put the Group in the top 50 developers among social housing providers in each of the last three years and in the top 10 for two of those years, has required a higher level of borrowing than would otherwise have been the case. One of the main objectives of the current refinancing exercise is to take advantage of current market rates to reduce the overall cost of debt significantly whilst still allowing the Group to pursue similar levels of development activity. As a result of this it is anticipated that there will be a significant improvement in the interest cover metric and a smaller improvement in the gearing metric over the next five years.

The Group’s Asset Renewal Strategy continued during the year, 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, 1,909 properties have been sold, generating proceeds of just over £132m. Over the same period 4,532 homes have been developed or acquired from other providers, which represents 2.37 new homes for every old property sold.

The Group is now well advanced into its refinancing exercise which is scheduled to complete during autumn 2019 and which will deliver additional funds for further new development and significantly reduce the long term cost of debt for the organisation.

Metric	2019	2018	Global Accounts 2018 10,000- 19,999 units Median Performance	Global Accounts 2018 Whole Sector Median Performance
Social Housing Cost Per Unit	£3,343	£3,269	£3,340	£3,400
Operating Margin (Social Housing Lettings)	36.0%	35.7%	34.6%	32.1%
Operating Margin (Overall)	26.3%	26.2%	29.5%	28.9%
Return on Capital	4.8%	5.5%	4.6%	4.1%

Operating margin metrics have improved in 2018/19 as a result of continued tight budgetary control and out-performance against the 2018/19 budget. The metric for social housing cost per unit has only shown a very small increase in 2018/19, which is a decrease in real terms, consistent with the Group’s success in mitigating the effects of the annual rent cuts by successfully reducing operating costs wherever possible. Some upward pressure on this measure came as a result of the full year impact of the extra care schemes that opened during 2017/18 was felt in 2018/19. These schemes provide high levels of service-chargeable services to their tenants, which increases the average unit cost of services slightly. These additional service costs are of course recovered through service charges to tenants, but this fact is not reflected in the calculation of the social housing cost per unit metric. Additional pressure in this metric has come as a result of the need to make an adjustment to pension costs as a result of the McCloud case.

The measure for return on capital has reduced slightly in 2018/19 due to a combination of the factors described above.

## Strategic Report (continued)

As noted above, the Association out-performed its budget for the 2018/19 financial year, which in itself incorporated a 1% reduction in operating costs to mitigate the impact of the 1% rent reduction. It generated an operating surplus that was £2.9m higher than budget, which could potentially fund approximately 80 new homes. The increase in first tranche sales of shared ownership properties and the continued review of the repairs service were significant contributory factors to this additional surplus. The Association also exceeded its targets for average sale values on property disposals under the asset renewal strategy, which is also used to fund future developments of new homes, and made savings of £710k on treasury costs.

The Group maintained its strong reputation for innovation and quality across the sector. This has allowed it to continue to sell maintenance services and computer software solutions to other registered providers, together with maintenance and alarm services to non-tenants, to generate further funds for investment into its core activities, with Old Park Services delivering a surplus of £0.5m available to be paid back to the Association via gift aid.

The Group continued to use its subsidiary company, Strata Housing Services Limited, to provide development services to the Group, which has already saved the Group £2.76m in VAT that would otherwise have been an irrecoverable cost since it began operating at the beginning of 2014/15.

The Group maintained excellent operational performance levels in terms of voids and income collection and all key performance indicators in these areas continue to be high in the top quartile when the organisation is compared with its Housemark peer group.

The Group will continue to use “systems thinking” principles during 2019/20 to undertake reviews of:

- Internal communication
- Grounds maintenance services
- Commercial and retail services-Reviive brand
- Waste management sustainability-Reviive brand
- Payroll function group wide
- Homeless Reduction Act services-Shropshire Housing Alliance brand

In addition to the regulatory value for money metrics the board has developed a set of further measures to support its drive to increase value for money outputs either by way of increasing the efficiency of service delivery or increasing the quality of services provided. These will be developed further in 2019/20 and future years and incorporate targets for improvement, but they indicate areas of focus set out for the organisation by the board and show progress to date.

<b>Internal Metric</b>	<b>Outcome/Progress to Date</b>
Achieve the budgeted surplus for the year of £4.3m across the group.	Surplus for the year of £8.987m achieved by statutory group and £560k by Choices Housing Association.
Achieve 1% reduction in like for like operating costs each year until the end of March 2020.	<ul style="list-style-type: none"> <li>● 1.7% reduction achieved in 2018/19.</li> <li>● 1.0% reduction built into 2019/20 budget.</li> </ul>
Deliver 820 new homes between 2018/19 and 2020/21.	<ul style="list-style-type: none"> <li>● 233 new homes delivered in 2018/19</li> <li>● 792 new homes forecast in total for 2019/20 and 2020/21 (based on completion of refinancing exercise)</li> </ul>

## Strategic Report (continued)

Internal Metric	Outcome/Progress to Date
Dispose of 420 under-performing properties between 2018/19 and 2020/21 generating proceeds of £23.1m for reinvestment.	<ul style="list-style-type: none"> <li>• 113 disposed of in 2018/19 generating proceeds of £8.1m.</li> <li>• 280 forecast in total for 2019/20 and 2020/21 generating proceeds of £15.4m.</li> </ul>
Maintain overall level of customer satisfaction with services provided by the group at no less than 90%.	<ul style="list-style-type: none"> <li>• 2018/19 - 92%</li> <li>• 2017/18 - 94%</li> </ul>
Maintain historic high levels of performance with regard to income collection.	<p>Social housing rent collected as a percentage of rent due:</p> <ul style="list-style-type: none"> <li>• 2018/19 - 101.0%</li> <li>• 2017/18 - 100.6%</li> </ul> <p>Current rent arrears as a % of rent roll :</p> <ul style="list-style-type: none"> <li>• 2018/19 - 0.39%</li> <li>• 2017/18 - 0.51%</li> </ul>
Average social housing relet time to be no more than 17 days.	<ul style="list-style-type: none"> <li>• 2018/19 - 15.31 days</li> <li>• 2017/18 - 15.41 days</li> </ul>
Complete at least 85% of repairs on the day they are reported.	<ul style="list-style-type: none"> <li>• 2018/19 - 79.3%</li> <li>• 2017/18 - 85.2%</li> </ul>
Ensure gas servicing complete (or property is in legal no access procedure) for all properties.	<ul style="list-style-type: none"> <li>• 2018/19 - 100.0%</li> <li>• 2017/18 - 100.0%</li> </ul>
Ensure all CQC registered services achieve at least a 'good' rating from CQC	<ul style="list-style-type: none"> <li>• 2018/19 -17 out of 17 rated 'good'</li> <li>• 2017/18 -14 out of 17 rated 'good'</li> </ul>

As can be seen from the above table, in the majority of cases levels of performance are at the required levels or items are on track to meet longer term objectives. The measure that did fall short in 2018/19 was the 'same day repairs' metric which fell below the required mark of 85%. As is described on page 16, this was due to a mixture of resourcing issues and problems encountered in the implementation of the new scheduling system. Both these issues have been addressed in the early part of 2019/20 and levels of performance are now improving.

## Strategic Report (continued)

### **Delivering social value**

The Group contributes to the well-being of its 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 Group 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 under the brand of Shropshire Housing Alliance to work with prospective and new tenants of the Group to ensure that they are ready to take on a tenancy and better equipped to sustain that tenancy over the longer term. The team undertake pre-tenancy assessments with prospective tenants, which include a robust budget and affordability discussion, ensuring they have the means and the skills to set-up and manage a home. In 2018/19 the team carried out 289 such assessments.
- using the Money Matters service, also operated under the Shropshire Housing Alliance brand, to ensure that customers of the Group 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 2018/19 the Money Matters team successfully brought in more than £2.4m in additional benefits for our customers, engaging with 2,075 households and carrying out 560 pre-tenancy assessments and benefit checks;
- maintaining our commitment to providing a range of good quality placements and training opportunities within the local community. During 2018/19 the group directly employed 23 apprentices and 16 trainees, gave 125 volunteer opportunities and provided 13 student work placement opportunities;
- using the Reviive furniture and recycling brand, now operated via the Group'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 2018/19 the Statutory Group provided discounts to its tenants on Reviive's standard prices and 284 furniture packs were provided to individuals setting up a home for the first time. 387 tonnes of furniture were collected and 303 tonnes were reused or recycled, with 315 tonnes of CO2 emissions being avoided as a result.

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

### **Risks and uncertainties**

The main risks that may prevent the Group achieving its objectives are considered and reviewed annually by the senior management team and board as part of the corporate planning processes. The risks are recorded and assessed in terms of their impact and probability. Major risks, presenting the greatest threats to the Group, are regularly reported to the board together with action taken to manage the risks and the outcome of the action. These risk reports include assessments of key controls used to manage the risks. Exposure to price and credit risk comes through changes in government policy such as changes to the funding regime, rent setting or other duties required of registered providers. These risks are regularly reported to the board with the potential effects being modelled through the business plan. Measures are taken to reduce the exposure to such risks wherever possible.

The Group has identified the major risks to successful achievement of its objectives and these are considered below.



## Strategic Report (continued)

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

## Strategic Report (continued)

<b>Key Risk</b>	<b>Detail</b>	<b>Action</b>
<b>Refinancing</b>	<p>Inability to refinance on favourable terms and in a timely manner meaning inability to repay funders and possible breach of covenants leading to funder intervention and event of default.</p> <p>£215m of the Group's current loan facility, of which £154m has been drawn, falls due for repayment in November 2020 and so the Group has embarked on a major refinancing exercise to refinance its existing loans and raise additional development finance.</p> <p>Carrying out this refinancing while there is the potential for market turmoil as a result of the Brexit process presents additional elements of risk</p>	<p>The Group's business plan has been updated to reflect the refinancing and the stress testing scenarios and mitigating actions have been updated and extended. These are regularly monitored by management and the board.</p> <p>A detailed refinancing project plan has been developed, working with external advisors, and this is monitored on a weekly basis, with updates provided to the board at every meeting.</p> <p>Bridging finance arrangements are being put in place in case the Brexit process causes turmoil in the market leading to delays in the completion of the project, particularly with regard to the prospective bond issue.</p> <p>Interest rate risk is managed by holding a significant proportion of the current loans at fixed rates and this will also be the case with the new debt structure.</p>

## Strategic Report (continued)

<p><b>Health and safety or regulatory failure</b></p>	<p>Health &amp; safety processes and systems failure put at risk customers, service users, staff and the general public which could lead to prosecution, regulatory intervention, loss of finance and risk to reputation both of Wrekin and the wider housing sector.</p> <p>The Group has limited exposure to the impact of the Grenfell fire as it only has 3 blocks over 6 storeys in height and none of them have cladding similar to that used at Grenfell. However, the Group recognises the importance of continuing to monitor the outcomes of investigations into the Grenfell incident.</p>	<p>Audits of key areas undertaken by various audit bodies and reported to Audit and Assurance Committee.</p> <p>Health and safety information reported regularly to board as part of key metrics together with progress reports on implementation of audit recommendations.</p> <p>Periodic reports on CQC inspection taken to board including progress reports on implementation of recommendations.</p> <p>Continued monitoring of the outcomes of post-Grenfell reviews of regulations to ensure funds are available to implement any new standards.</p>
<p><b>Regulatory and compliance failure</b></p>	<p>Regulatory and compliance failure could put the organisation in a position which could lead to prosecution, regulatory intervention, loss of finance and risk to reputation.</p>	<p>Assessments undertaken against the codes of Governance and Conduct.</p> <p>Action plans developed to ensure full compliance against the code of Conduct</p>
<p><b>Inability to draw on existing loans</b></p>	<p>Inability to draw on existing loans in support of the approved business plan.</p>	<p>Regular monitoring of covenant compliance via suite of key financial metrics</p> <p>Maintenance of agreed level of liquid funds derived from the stress testing results. This could be used as short to medium term buffer in the event of difficulties with draw down.</p> <p>Maintenance of comprehensive assets and liabilities register to quantify financial commitments.</p>

## Strategic Report (continued)

<p><b>Brexit situation</b></p>	<p>Brexit could have a serious negative impact on the economy and therefore on the Group. This could manifest itself in a number of ways:</p> <ul style="list-style-type: none"> <li>• Higher or, potentially, lower inflation</li> <li>• Volatility in interest rates</li> <li>• Volatility in property markets</li> <li>• Lack of available finance in banking or bond markets or delays in securing this</li> <li>• Increases in costs of labour and materials in construction-related sectors</li> </ul>	<p>All of the potential impacts identified have been incorporated in the scenarios used in the Group's stress testing of its business plan</p> <p>Liquidity has been increased by revising the minimum cash balance required to be held by the organisation from £5m in 2018 to £15m now.</p>
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### Financial position

The following paragraphs highlight key features of the Statutory Group's financial position at 31 March 2019.

### Housing properties

At 31 March 2019 the Association owned 13,339 housing properties (2018: 13,457). The properties were carried in the statement of financial position at cost (after depreciation) of £584.5m (2018: £564.9m). Whilst housing properties are stated at historic cost, the Association 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. A valuation based on Existing Use Value for Social Housing (EUV-SH) was provided for 11,678 of the Association's 13,339 housing properties which were in charge at 31 March 2019. These properties were valued at £546.9m. This valuation did not highlight any indicators of impairment

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 Association's treasury management arrangements are considered below.

### Pension costs

The Statutory Group participates in the Shropshire County Pension Fund (SCPF), a career average salary defined benefit scheme offering good benefits for our staff. The Statutory Group has contributed to the scheme in accordance with levels, set by the actuaries, of 14.5% of pensionable pay in the year to 31 March 2019 in respect of future service benefits. For 2019/20 the employer contribution rate will remain at 14.5%. During the year the Statutory Group made a lump sum payment of £537,000 in respect of past service deficits. Annual lump sum payments will also continue, being £556,800 in 2019/20 and increasing each year thereafter by 3.7%.

## Strategic Report (continued)

### Capital structure and treasury policy

During the year the Statutory Group drew down £9m of borrowing under its loan facilities. Significant activity within the Statutory Group's development programme continued during 2018/19 with several large schemes completing during the year, and others starting on site which will be completed during 2019/20 and 2020/21. The Statutory Group'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 2019 the Statutory Group's drawn bank loans totalled £379m as shown below. All of the Statutory Group's loans have been treated as basic financial instruments under the provisions of FRS 102.

Maturity	2019 £m	2018 £m
Less than one year	-	-
Between one and five years	170	170
After five years	209	200
	379	370

The Group borrows, principally from banks and building societies, at both fixed and floating rates of interest. The Group's policy is to keep between 50 per cent and 80 per cent of its borrowings at fixed rates of interest. At the year end, 59% of the Group'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 Group's long-term business plan.

Debt per unit at 31 March 2019 was £28,379 (2018: £27,441). The view of the board and the regulator is that given the investment in stock that the Group has undertaken over the last 19 years the level of debt per unit is not at an unreasonably high level.

£215m of the Group's current single syndicated loan facility, of which £154 m has been drawn as at 31 March 2019, falls due for repayment in November 2020 and so the organisation has embarked on a major refinancing exercise to refinance its current facilities and raise additional finance to fund the development programme for the next five years. It is seeking to replace the syndicated loan facility with a number of facilities from bank lenders negotiated on a bilateral basis, together with a bond issue via the debt capital markets. This exercise is progressing well, generating strong interest from potential funders, and is currently projected to complete during autumn 2019. Once in place, the new debt structure will reduce refinancing risk (by putting in place a range of maturity dates), increase the overall life of the facilities (by putting in place longer term funding) and reduce the overall cost of debt (by renegotiating margins at current market rates and repaying some historic fixed rate debt and replacing it with new fixed rate debt at current lower market levels).

The Group 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 £37.2m (2018: £44.6m), reflecting the strong level of operating surplus achieved in the year. Once again the Statutory Group'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 Statutory Group has been able to make considerable savings against budget on its variable rate debt. As at 31 March 2019 the Statutory Group held 41% of its total debt on variable rates.

## Strategic Report (continued)

### **Future developments**

A key influence on the timing of borrowings is the rate at which planned maintenance and development activity takes place. The board has approved plans (i) to spend £9.3m 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 3,923 properties over the next 5 years while continuing to dispose of older, expensive properties. This longer term development activity will be funded from the debt structure that will be put in place as a result of the refinancing exercise referred to above.

Current commitments of £84m as disclosed in note 26 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 Group's Asset Renewal Strategy and cash generated from operating activities.

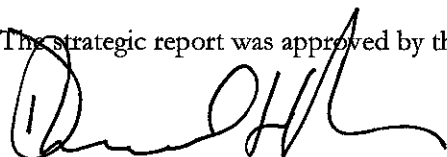
### **Post balance sheet event**

Since the year end the Group has completed its restructure. As a result of this exercise there has been a transfer of engagements from The Wrekin Housing Group Limited (the Legacy Parent Company) to the Association and the Legacy Parent Company has been deregistered. There have been further transfers of engagements to the Association from Shropshire Housing Alliance and South Shropshire Furniture Scheme and a transfer of assets and liabilities from Fuse CIC. Those three organisations are now in the process of being deregistered and liquidated. There has also been a transfer of investment in Choices Housing Association from the Legacy Parent Company to the Association. The Association has changed its name from The Wrekin Housing Trust Limited to The Wrekin Housing Group Limited. It is now the parent entity of the Group, with Old Park Services Limited and Strata Housing Services Limited (its own existing direct subsidiaries) and Choices Housing Association as the only remaining subsidiaries of that new parent entity.

### **Statement of compliance**

In preparing this strategic report, the board has followed the principles set out in Part 2 of the SORP 'Accounting by Registered Housing Providers' 2014. The financial statements comply with FRS 102, SORP 2014 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The board further confirms that the Group has complied with the requirements of the Social Housing Regulator 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 21<sup>st</sup> August 2019 and signed on its behalf by



Desmond Hudson  
Chair

## Statement of responsibilities of the board

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

The board is responsible for preparing the annual report and financial statements in accordance with applicable law and regulations.

Cooperative and Community Benefit Society legislation requires the board to prepare 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 the Co-operative and Community Benefit Society legislation, the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association and Group 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 Association will continue in business.

The board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and Group and enable them to ensure that the financial statements comply with the Cooperative and Community Benefit Society Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing (April 2015). They are also responsible for safeguarding the assets of the Association and Group 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 Group'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 Group's website [www.wrekinhousingtrust.org.uk](http://www.wrekinhousingtrust.org.uk) and summary information from the annual report is also contained in the annual report to tenants. The board is responsible for the maintenance and integrity of the corporate and financial information included on The Wrekin Housing Group Limited's web site. 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 21<sup>st</sup> August 2019 and signed on its behalf by



Desmond Hudson  
Chair

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

## **Opinion**

We have audited the non-statutory financial statements (the 'financial statements') of The Wrekin Housing Group Limited (the 'parent Association') and its subsidiaries (the 'statutory group') for the year ended 31 March 2019, which comprise the Consolidated and Association Statements of Comprehensive Income, the Consolidated and Association Statements of Changes in Reserves and the Consolidated and Association Statements of Financial Position, the Consolidated Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements give a true and fair view of the state of the statutory group's and parent Association's affairs as at 31 March 2019 and of the statutory group's and parent Association's income and expenditure for the year then ended, in accordance with United Kingdom Generally Accepted Accounting Practice, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2015.

## **Basis for opinion**

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

## **Conclusions relating to going concern**

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

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

## **Other information**

The Board is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other



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

information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of the board for the financial statements**

As explained more fully in the Statement of Responsibilities of the Board, set out on page 29, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

### **Use of our report**

This report is made solely to the parent Association's Board, as a body, in accordance with our engagement letter dated 14 August 2019. Our audit work has been undertaken so that we might state to the parent Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent Association and the parent Association's Board as a body, for our audit work, for this report, or for the opinions we have formed.

*Grant Thornton UK LLP*

Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Manchester

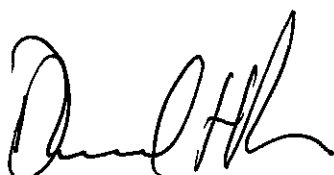
21<sup>st</sup> August 2019

## Consolidated statement of comprehensive income

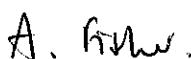
		2019	2018
	Note	£'000	£'000
<b>Turnover</b>	3	82,373	86,237
Operating costs	3	(53,007)	(53,355)
Movement in the fair value of assets	16	307	721
<b>Operating surplus</b>	6	<u>29,673</u>	<u>33,603</u>
Interest receivable and similar income	7	83	23
Interest payable, financing and similar costs	8	(20,799)	(20,015)
<b>Surplus on ordinary activities before taxation</b>		<u>8,957</u>	<u>13,611</u>
Tax on surplus on ordinary activities	12	<u>30</u>	<u>49</u>
<b>Surplus for the year</b>		<u>8,987</u>	<u>13,660</u>
Actuarial (loss)/gain in respect of pension schemes	11	<u>(871)</u>	<u>4,950</u>
<b>Total comprehensive income for the year</b>		<u><u>8,116</u></u>	<u><u>18,610</u></u>

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

The financial statements were approved by the Board on 21<sup>st</sup> August 2019 and signed on its behalf by:



Chair  
Desmond Hudson



Board Member  
Alison Fisher



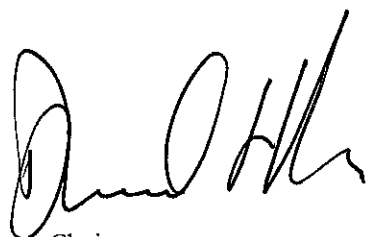
Secretary  
Catherine Rogerson

## Association statement of comprehensive income

		2019	2018
	Note	£'000	£'000
<b>Turnover</b>	3	79,399	83,292
Operating costs	3	(50,531)	(50,747)
Movement in the fair value of assets	16	307	721
Gift aid covenanted from subsidiary		995	1,103
<b>Operating surplus</b>	6	30,170	34,369
Interest receivable and similar income	7	71	18
Interest payable, financing and similar costs	8	(20,799)	(20,014)
<b>Surplus on ordinary activities before taxation</b>		<u>9,442</u>	<u>14,373</u>
Tax on surplus on ordinary activities	12	15	(25)
<b>Surplus for the year</b>		<u>9,457</u>	<u>14,348</u>
Actuarial (loss)/gain in respect of pension schemes	11	(871)	4,950
<b>Total comprehensive income for the year</b>		<u><u>8,586</u></u>	<u><u>19,298</u></u>

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

The financial statements were approved by the Board on 21<sup>st</sup> August 2019 and signed on its behalf by:



Chair  
Desmond Hudson



Board Member  
Alison Fisher



Secretary  
Catherine Rogerson

## Consolidated statement of changes in reserves

	<b>Revenue Reserve</b>	<b>Restricted Reserve</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance as at 1 April 2017	76,459	846	77,305
Surplus for the year	13,660	-	13,660
Other comprehensive income for the year	4,950	-	4,950
Equity Adjustment-Gift aid payment to group company	(310)	-	(310)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2018	94,759	846	95,605
Surplus for the year	8,987	-	8,987
Other comprehensive income for the year	(871)	-	(871)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2019	<u>102,875</u>	<u>846</u>	<u>103,721</u>

## Association statement of changes in reserves

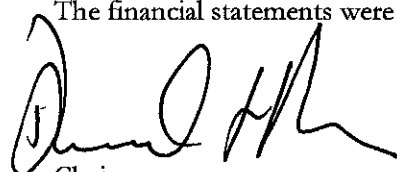
	<b>Revenue Reserve</b>	<b>Restricted Reserve</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Balance as at 1 April 2017	78,963	846	79,809
Surplus for the year	14,348	-	14,348
Other comprehensive income for the year	4,950	-	4,950
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2018	98,261	846	99,107
Surplus for the year	9,457	-	9,457
Other comprehensive income for the year	(871)	-	(871)
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2019	<u>106,847</u>	<u>846</u>	<u>107,693</u>

The accompanying notes form part of these financial statements.

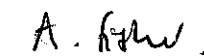
## Consolidated statement of financial position

		2019	2018
	Note	£'000	£'000
<b>Tangible fixed assets</b>			
Housing properties	13	579,887	560,543
Investment properties	16	14,412	13,840
Other tangible fixed assets	14	3,585	3,739
		<u>597,884</u>	<u>578,122</u>
<b>Current assets</b>			
Stock		192	186
Properties for sale	17	2,206	2,368
Debtors	18	7,792	4,645
Cash at bank and in hand		19,348	12,577
		<u>29,538</u>	<u>19,776</u>
<b>Creditors: amounts falling due within one year</b>	19	<u>(15,909)</u>	<u>(11,780)</u>
<b>Net current assets</b>		<u>13,629</u>	<u>7,996</u>
<b>Total assets less current liabilities</b>		<u>611,513</u>	<u>586,118</u>
<b>Creditors: amounts falling due after more than one year</b>	20	465,632	452,223
<b>Pension liability</b>	11	42,160	38,290
<b>Capital and reserves</b>			
Revenue reserve	25	102,875	94,759
Restricted reserve	25	846	846
<b>Group's funds</b>		<u>103,721</u>	<u>95,605</u>
		<u>611,513</u>	<u>586,118</u>

The financial statements were approved by the Board on 21<sup>st</sup> August 2019 and signed on its behalf by:



Chair  
Desmond Hudson



Board Member  
Alison Fisher



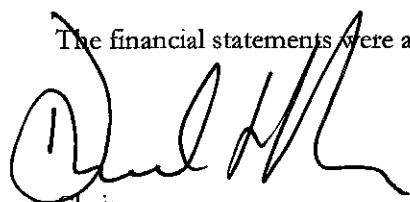
Secretary  
Catherine Rogerson

The accompanying notes form part of these financial statements.

## Association statement of financial position

		2019	2018
	Note	£'000	£'000
<b>Tangible fixed assets</b>			
Housing properties	13	584,500	564,884
Investment properties	16	14,412	13,840
Other tangible fixed assets	14	3,555	3,720
		<u>602,467</u>	<u>582,444</u>
<b>Current assets</b>			
Stock		167	158
Properties for sale	17	2,206	2,368
Debtors	18	9,537	6,563
Cash at bank and in hand		15,680	7,959
		<u>27,590</u>	<u>17,048</u>
<b>Creditors: amounts falling due within one year</b>	19	<u>(14,572)</u>	<u>(9,872)</u>
<b>Net current assets</b>		<u>13,018</u>	<u>7,176</u>
<b>Total assets less current liabilities</b>		<u>615,485</u>	<u>589,620</u>
<b>Creditors: amounts falling due after more than one year</b>	20	465,632	452,223
<b>Pension liability</b>	11	42,160	38,290
<b>Capital and reserves</b>			
Revenue reserve	25	106,847	98,261
Restricted reserve	25	846	846
		<u>107,693</u>	<u>99,107</u>
<b>Group's funds</b>		<u>615,485</u>	<u>589,620</u>

The financial statements were approved by the Board on 21<sup>st</sup> August 2019 and signed on its behalf by:



Chair  
Desmond Hudson



Board Member  
Alison Fisher



Secretary  
Catherine Rogerson

The accompanying notes form part of these financial statements.

## Consolidated statement of cash flows

	Note	2019 £'000	2018 £'000
<b>Net cash generated from operating activities</b>	27	37,231	44,576
<b>Cash flow from investing activities</b>			
Purchase of tangible fixed assets		(36,131)	(52,639)
Proceeds from the sale of tangible fixed assets		8,362	13,084
Grants received		7,706	5,835
Interest received		83	23
		(19,980)	(33,697)
<b>Cash flow from financing activities</b>			
Interest paid		(19,757)	(18,872)
New secured loans		9,277	15,277
Other charitable distribution		-	(310)
		(10,480)	(3,905)
Net change in cash and cash equivalents		6,771	6,974
Cash and cash equivalents at beginning of year		12,577	5,603
Cash and cash equivalents at end of year		19,348	12,577

The accompanying notes form part of these financial statements.

## Notes to the financial statements

### **1. Legal status**

The Association is a Co-operative and Community Benefit Society registered with the Financial Conduct Authority. It is registered with the social housing regulator as a Registered Provider of social housing. On 4 March 2019 the Association converted from a registration under the Companies Act 2006 to registration under the Cooperative and Community Benefit Societies Act 2014. Accordingly, these financial statements for the year ended 31 March 2019 are non-statutory financial statements.

Its direct subsidiaries, Old Park Services Limited and Strata Housing Services Limited, are incorporated under the Companies Act 2006 (limited by share capital). The registered address of the Association is Colliers Way, Old Park, Telford, TF3 4AW.

Throughout these financial statements the Association and its wholly owned subsidiaries will be referred to as “the Statutory Group.”

### **2. Accounting policies**

#### **Basis of accounting**

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

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

The financial statements are presented in sterling (£).

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

- The requirement to present a statement of cash flows and related notes; and
- 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.

#### **Basis of consolidation**

The Statutory Group accounts consolidate the accounts of the Association and its subsidiaries (note 15) at 31 March 2019 using the purchase method. Consolidation of the Statutory Group accounts has not previously been presented and is presented here due to the group restructure detailed in the introduction of the Report of the Board on page 2.



## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### Going concern

After making enquiries the board has a reasonable expectation that the Statutory Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are approved. 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 31 March 2019 the Statutory Group had loan facilities totalling £440 million, of which £61 million was undrawn. The Statutory Group 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 Statutory Group is able to service these debt facilities whilst continuing to comply with lenders' covenants.
- Of the total existing available facilities of £440 million, £379 million had been drawn down at 31 March 2019. £154 million of this falls due for repayment in November 2020 with a further £25 million falling due for repayment in March 2022. Therefore the board have begun a major refinancing exercise to refinance these facilities and provide additional finance for further new development over the next 5 years. This will involve replacing the existing single syndicated loan facility with a number of bank loans negotiated with funders on a bilateral basis, together with a bond issue via the debt capital markets. It is currently anticipated that this refinancing exercise will be completed and the new debt structure in place during autumn of 2019.
- The board recognises that market conditions and economic factors might adversely impact the timetable of refinancing and the bond issue in particular. To mitigate the risk of the bond issue being delayed and the repayment of existing facilities falling due before the bond is issued, the board is pursuing a parallel negotiation to put in place a bridging facility. This is with some of the parties involved in the new financing arrangements and is expected to cover a period of at least eighteen months from the date of approval of these financial statements. Although indicative terms have been exchanged, the detail of these bridging loans has not been fully agreed at the date of approval of these financial statements.

#### Brexit

The board has identified five areas of risk that may arise from a disorderly Brexit. First, there may be a short term interruption in the operation of the money markets. The Group has a policy of holding a minimum of £15m in cash to meet immediate calls on the business. This is sufficient to meet at least 12 weeks of current expenditure. In addition, it has secured but undrawn lines of £61m that it can draw on at short notice.

Secondly, there may be a significant interruption in the availability of new debt. The proposed refinancing of the debt portfolio is designed to significantly reduce future refinancing risk. However, the bridging finance referred to earlier is also provides flexibility in the timing of the new transaction.

## Notes to the financial statements (continued)

### **Going concern (continued)**

Thirdly, a decline in the UK economy may put pressure on the valuations for social housing properties. Such a decline in valuations might restrict the ability to draw on new loans, which is why the Group does not commit to new development until the necessary funding is in place. In addition, the Group does not engage in building properties for sale, reducing its exposure in this area to a fall in market values.

Fourthly, there may be a sharp fall in valuations and activity levels on residential property. The property sales made by Wrekin under the asset management strategy generally involve low cost units. These are likely to be less affected by any decline in the market than new built for sale properties. Also, the Group has a policy of enacting asset renewal sales before committing to development expenditure, which means that if there is a significant downturn in property sales or valuations, it can reduce the development programme rapidly to address this.

Finally, following the implementation of Universal Credit, the Group significantly increased its previous level for the provisions for bad debts in its business plan. This is also designed to address the impact of a disorderly Brexit.

### **Significant judgements and estimates**

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

#### **Impairment**

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared to its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised in the statement of comprehensive income. There is no impairment charge at 31 March 2019.

#### **Useful lives of depreciable assets**

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation on housing properties at 31 March 2019 was £89m, (please see note 13). Accumulated depreciation on other fixed assets at 31 March 2019 was £6m, (please see note 14.).

#### **Classification of Loans as basic**

Management have considered the terms of the loan agreement in relation to the Statutory Group's facility and concluded that it does meet the definition of a basic financial instrument, and is therefore held at amortised cost. Please see note 24 debt analysis.

#### **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. The value of investment properties at 31 March 2019 was £14.4m.

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### 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 2019 was £42.1m.

#### Turnover and revenue recognition

Turnover comprises rental income receivable in the year net of any voids in respect of housing and garages, service charges to leaseholders in respect of services provided and communal repairs, and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and income from government grants. Income from property sales, the disposal of assets held for sale and other fixed assets is also disclosed as turnover.

Rental income is recognised from the point properties or garages 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 leaseholder service charges is recognised from the point the lease is assigned. Income from first tranche sales and sales of properties is recognised at the point of legal completion of the sale. Income from the disposal of assets held for sale and of other fixed assets is also recognised at the point of legal completion of the sale.

#### Value added tax

The Statutory Group's main income stream, being rent, is exempt for VAT purposes. The majority of expenditure is subject to VAT, which it 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.

#### Interest payable, financing and similar costs

Interest is allocated and is charged to the statement of comprehensive income, based on the interest rate charged by the Statutory Group'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.

#### Investment in subsidiaries

Investments in subsidiaries are accounted for at cost less impairment.

#### Pensions

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

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 Statutory Group through reduced contributions or through refunds from the plan.

## Notes to the financial statements (continued)

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

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**

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

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

#### **Reserves**

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

#### **Gift aid donation**

The Association 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 Association's statement of comprehensive income for the year.

Gift aid is recognised at the earlier of the point there is a legal obligation or when paid. Amounts recognised in the current and prior financial period have been recognised on payment.

#### **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.

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

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

#### **Investment properties**

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

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

#### Government grants

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

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

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

#### Other grants

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

#### Depreciation of housing properties

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

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

## Notes to the financial statements (continued)

### 2 Accounting policies (continued)

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

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

#### 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 furniture, 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 Statutory Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Statutory Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

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

## Notes to the financial statements (continued)

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

#### **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.

#### **Investment in subsidiaries**

Investments in subsidiaries are accounted for at cost less impairment.

#### **Financial Instruments**

All the Statutory Group's financial instruments have been classified as basic financial instruments. Basic financial instruments are accounted for under the amortised cost model.

#### **Debtors**

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

#### **Creditors**

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

## Notes to the financial statements (continued)

### 3 Turnover, operating costs and operating surplus

#### Group - continuing activities

	2019 Turnover £'000	2019 Operating costs £'000	2019 Operating surplus £'000	2018 Turnover £'000	2018 Operating costs £'000	2018 Operating surplus £'000
<b>Social housing lettings</b>	67,101	(46,280)	20,821	65,263	(44,096)	21,167
<b>Other social housing activities:</b>						
Renting & letting of garages	798	(237)	561	774	(228)	546
Leaseholder service charges & communal repairs	519	(519)	-	626	(626)	-
Gain on disposal of housing properties	-	674	674	-	733	733
Other	15	-	15	14	-	14
	<u>68,433</u>	<u>(46,362)</u>	<u>22,071</u>	<u>66,677</u>	<u>(44,217)</u>	<u>22,460</u>
Non-social housing activities	4,158	(3,052)	1,106	4,018	(3,197)	821
Shared ownership 1 <sup>st</sup> tranche sales	1,705	(1,173)	532	3,617	(2,717)	900
Gain on disposal of assets held for sale	8,077	(2,426)	5,651	11,925	(3,206)	8,719
Gain/(loss) on disposal of other fixed assets	-	6	6	-	(18)	(18)
	<u>82,373</u>	<u>(53,007)</u>	<u>29,366</u>	<u>86,237</u>	<u>(53,355)</u>	<u>32,882</u>

The 2018 operating surplus figures have been amended to include the gain on disposal of housing properties and gain on the disposal of assets held for sale in accordance with the Accounting Direction 2015 Part 1.



## Notes to the financial statements (continued)

### 3 Turnover, operating costs and operating surplus

	2019 Turnover £'000	2019 Operating costs £'000	2019 Operating surplus £'000	2018 Turnover £'000	2018 Operating costs £'000	2018 Operating surplus £'000
Association - continuing activities						
Social housing lettings	67,101	(46,856)	20,245	65,263	(44,685)	20,578
Other social housing activities:						
Renting & letting of garages	798	(237)	561	774	(228)	546
Leaseholder service charges & communal repairs	519	(519)	-	626	(626)	-
Gain on disposal of housing properties	-	674	674	-	733	733
Other	15	-	15	14	-	14
	68,433	(46,938)	21,495	66,677	(44,806)	21,871
Non-social housing activities	1,184	-	1,184	1,073	-	1,073
Shared ownership 1 <sup>st</sup> tranche sales	1,705	(1,173)	532	3,617	(2,717)	900
Gain on disposal of assets held for sale	8,077	(2,426)	5,651	11,925	(3,206)	8,719
Gain/(loss) on disposal of other fixed assets	-	6	6	-	(18)	(18)
	79,399	(50,531)	28,868	83,292	(50,747)	32,545

The 2018 operating surplus figures have been amended to include the gain on disposal of housing properties and gain on the disposal of assets held for sale in accordance with the Accounting Direction 2015 Part 1.

## Notes to the financial statements (continued)

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

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

Group	General needs housing 2019 £'000	Supported housing and housing for older people 2019 £'000	Total 2019 £'000	Total 2018 £'000
Rents receivable net of identifiable service charges	49,043	9,921	58,964	58,056
Service charge income	1,255	6,027	7,282	6,391
Amortised government grants	855	-	855	816
<b>Turnover from social housing lettings</b>	<b>51,153</b>	<b>15,948</b>	<b>67,101</b>	<b>65,263</b>
Management	(6,435)	(850)	(7,285)	(6,899)
Services	(1,914)	(8,495)	(10,409)	(9,757)
Routine maintenance	(8,969)	(1,854)	(10,823)	(10,651)
Rent losses from bad debts	(67)	(1)	(68)	(102)
Major repairs expenditure	(5,779)	(759)	(6,538)	(5,805)
Depreciation of housing properties	(9,678)	(1,479)	(11,157)	(10,882)
<b>Operating costs on social housing lettings</b>	<b>(32,842)</b>	<b>(13,438)</b>	<b>(46,280)</b>	<b>(44,096)</b>
<b>Operating surplus on social housing lettings</b>	<b>18,311</b>	<b>2,510</b>	<b>20,821</b>	<b>21,167</b>
<b>Void losses</b>	<b>284</b>	<b>144</b>	<b>428</b>	<b>864</b>

## Notes to the financial statements (continued)

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

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

Association	General needs housing 2019 £'000	Supported housing and housing for older people 2019 £'000	Total 2019 £'000	Total 2018 £'000
Rents receivable net of identifiable service charges	49,043	9,921	58,964	58,056
Service charge income	1,255	6,027	7,282	6,391
Amortised government grants	855	-	855	816
<b>Turnover from social housing lettings</b>	<b>51,153</b>	<b>15,948</b>	<b>67,101</b>	<b>65,263</b>
Management	(6,435)	(850)	(7,285)	(6,912)
Services	(1,914)	(8,495)	(10,409)	(9,757)
Routine maintenance	(9,545)	(1,854)	(11,399)	(11,227)
Rent losses from bad debts	(67)	(1)	(68)	(102)
Major repairs expenditure	(5,779)	(759)	(6,538)	(5,805)
Depreciation of housing properties	(9,678)	(1,479)	(11,157)	(10,882)
<b>Operating costs on social housing lettings</b>	<b>(33,418)</b>	<b>(13,438)</b>	<b>(46,856)</b>	<b>(44,685)</b>
<b>Operating surplus on social housing lettings</b>	<b>17,735</b>	<b>2,510</b>	<b>20,245</b>	<b>20,578</b>
<b>Void losses</b>	<b>284</b>	<b>144</b>	<b>428</b>	<b>864</b>

## Notes to the financial statements (continued)

### 4 Surplus on sale of housing assets

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Disposal proceeds	2,397	3,364	2,397	3,364
Carrying value of fixed assets	(1,723)	(2,631)	(1,723)	(2,631)
	<u>674</u>	<u>733</u>	<u>674</u>	<u>733</u>

### 5 Accommodation in management

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

Statutory Group and Association	2019 No.	2018 No.
General needs housing	10,377	10,414
Supported housing	2,050	2,017
Shared ownership	235	198
Total owned in management	<u>12,662</u>	<u>12,629</u>
Properties where the Group had residual freehold interest	<u>677</u>	<u>828</u>
	<u>13,339</u>	<u>13,457</u>

Of the total owned, 631 (2018: 629) were managed by third parties. Of these 593 (2018: 593) properties were managed by Choices Housing Association, a member company of the wider group.

## Notes to the financial statements (continued)

### 6 Operating surplus

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

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Gain on disposal of housing properties	(674)	(733)	(674)	(733)
(Gain) /loss on disposal of other fixed assets	(6)	18	(6)	18
Depreciation of housing properties	11,157	10,882	11,157	10,882
Depreciation of other tangible fixed assets	407	454	394	442
Operating lease charges	1,324	1,293	1,282	1,253
Auditor's remuneration (excluding VAT):				
for audit services	56	49	56	38
for non-audit services:				
-Tax advice	3	28	3	28
-Tax compliance	7	12	7	12
-iXBRL tagging	3	3	3	3

### 7 Interest receivable and similar income

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Interest received from temporary investments with banks and building societies	82	20	70	15
Other interest receivable	1	3	1	3
	<u>83</u>	<u>23</u>	<u>71</u>	<u>18</u>

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

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Loans and bank overdrafts	18,600	17,858	18,600	17,858
Funders security/facility fee	1,130	1,098	1,130	1,098
Valuer's fee	57	12	57	12
Defined benefit pension charge	1,001	1,030	1,001	1,030
Other interest payable	11	17	11	16
	<u>20,799</u>	<u>20,015</u>	<u>20,799</u>	<u>20,014</u>

## Notes to the financial statements (continued)

### 9 Employees

	Group		Association	
	2019 No.	2018 No.	2019 No.	2018 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	275	274	270	268
Trades employees	152	158	152	158
Scheme managers, estate officers and cleaners	87	85	58	54
	<u>514</u>	<u>517</u>	<u>480</u>	<u>480</u>
	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Staff costs:				
Wages and salaries	14,991	14,717	14,393	14,040
Social security costs	1,446	1,418	1,400	1,369
Other pension costs	4,422	3,707	4,422	3,707
	<u>20,859</u>	<u>19,842</u>	<u>20,215</u>	<u>19,116</u>

The following full time equivalent numbers of staff received emoluments, including compensation for loss of office of:

	Group		Association	
	2019 No.	2018 No.	2019 No.	2018 No.
£60,001-£70,000	9	4	9	4
£70,001-£80,000	-	5	-	5
£80,001-£90,000	3	1	3	1
£90,001-£100,000	1	4	1	4
£100,001-£110,000	2	-	2	-
£130,001-£140,000	-	2	-	2
£140,001-£150,000	1	-	1	-
£150,001-£160,000	1	1	1	1
£320,001-£330,000	1	-	1	-
Total	<u>18</u>	<u>17</u>	<u>18</u>	<u>17</u>

At 31 March 2019, in addition to the employees detailed above, there were 8 employees (2018: 8) of the Wrekin Housing Group Limited seconded to Shropshire Housing Alliance, a subsidiary company of the Legacy Group Company. The costs of those employees were met by that entity.

## 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 £Nil (2018: £1,874).

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 £698,278 (2018: £532,348).

	2019	2018
	£'000	£'000
<b>Executive directors</b>		
Basic salary	417	408
Compensation for loss of office	148	-
Benefits in kind (car provision)	23	22
Pension	40	36
Employers social security contributions	70	53
	<hr/>	<hr/>
Total	698	519
	<hr/>	<hr/>
<b>Board members</b>		
Fees	-	14
	<hr/>	<hr/>

All Board member fees were met by The Wrekin Housing Group Limited (registration number 7701), the Legacy Group Company. Disclosure of fees paid to individual board members is included within the Report of the Board.

The emoluments of the highest paid director, the former Group Chief Executive, including compensation for loss of office, were £283,135 (2018: £158,158). The former Group Chief Executive was not a member of the pension scheme and therefore pension contributions in both years were nil.

The current Group Chief Executive is a member of the Local Government Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The Association does not make any further contribution to an individual arrangement for the Group Chief Executive.

### 11 Pensions

#### Group

The Group 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 (SCPF) by the Group for the year ended 31 March 2019 were £2,424,000 (2018: £2,213,000) and the employer's contribution rate was fixed at 14.5% of pensionable pay until 31 March 2019 with regard to future service benefits. For the 2019/20 year this rate will remain 14.5%. In addition, annual lump sum payments are being made in respect of past service deficits. The lump sum payment for 2018/19 was £537,000, and will be £557,000 in 2019/20. The Group will continue to make additional lump sum payments in line with the deficit contribution schedule, as agreed with the SCPF, payable over 22 years. As a result of the 2016 valuation, deficit contributions will increase at a rate of 3.7% per annum over the recovery period.

## Notes to the financial statements (continued)

### **11 Pensions (continued)**

#### **Principal actuarial assumptions**

	<b>31 March 2019 % per annum</b>	<b>31 March 2018 % per annum</b>
Rate of increase in salaries	2.7	3.6
Rate of increase in pensions in payment	2.3	2.2
Discount rate	2.5	2.7
Inflation assumption	2.2	2.1

#### **Mortality Assumptions**

The post retirement mortality assumptions used to value the benefit obligation at March 2017 and March 2018 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:

	<b>2019 No. of years</b>	<b>2018 No. of years</b>
Retiring today:		
Males	23.2	23.1
Females	26.4	26.3
Retiring in 20 years:		
Males	25.4	25.3
Females	28.7	28.6



## Notes to the financial statements (continued)

### 11 Pensions (continued)

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

	2019 £'000	2018 £'000
Fair value of employer assets	90,357	85,389
Present value of funded liabilities	<u>(132,517)</u>	<u>(123,679)</u>
Net liability	<u>(42,160)</u>	<u>(38,290)</u>

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

	2019 £'000	2018 £'000
Net interest cost	<u>1,001</u>	<u>1,030</u>
Current service cost	3,379	3,563
Administration expenses	69	68
Past service cost	758	-
Effect of curtailments	<u>216</u>	<u>76</u>
Amount charged to operating costs	<u>4,422</u>	<u>3,707</u>
Total amount recognised in the statement of comprehensive income	<u>5,423</u>	<u>4,737</u>

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

	2019 £'000	2018 £'000
Opening scheme liabilities	(123,679)	(124,148)
Current service cost	(3,379)	(3,563)
Interest cost	(3,317)	(3,207)
Contribution by members	(793)	(781)
Curtailment loss	(216)	(76)
Past service cost	(758)	-
Benefits paid	2,435	2,433
Actuarial (loss)/ gain	<u>(2,810)</u>	<u>5,663</u>
Closing scheme liabilities	<u>(132,517)</u>	<u>(123,679)</u>

## Notes to the financial statements (continued)

### 11 Pensions (continued)

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

	2019 £'000	2018 £'000
Opening fair value of plan assets	85,389	83,432
Interest income	2,316	2,177
Contributions by the employer	2,424	2,213
Contribution by members	793	781
Benefits paid	(2,435)	(2,433)
Administration expenses	(69)	(68)
Actuarial gain / (loss)	1,939	(713)
	<u>90,357</u>	<u>85,389</u>
Closing fair value of plan assets		

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

	2019	2018
Equities	50.6%	53.0%
Bonds	16.1%	23.1%
Property	5.3%	4.9%
Cash	6.4%	2.0%
Other	21.6%	17.0%

#### 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	132,517	129,977	135,107	133,059	134,988
Assets	(90,357)	(90,357)	(90,357)	(90,357)	(90,357)
Deficit	42,160	39,620	44,750	42,702	44,631
Projected service cost for next year	3,806	3,701	3,916	3,806	3,883
Projected net interest cost for next year	1,026	1,001	1,091	1,040	1,088

## Notes to the financial statements (continued)

### 12 Taxation

	Group		Association	
	2019	2018	2019	2018
	£	£	£	£
<b>Current Tax</b>				
UK corporation tax on surplus for the year	161	174	13	11
Adjustments in respect of prior years	(191)	(223)	(28)	14
	<u>(30)</u>	<u>(49)</u>	<u>(15)</u>	<u>25</u>
<b>Total current tax</b>	<u>(30)</u>	<u>(49)</u>	<u>(15)</u>	<u>25</u>
<b>Total tax on results on ordinary activities</b>	<u>(30)</u>	<u>(49)</u>	<u>(15)</u>	<u>25</u>
Surplus on ordinary activities before tax	8,957	13,301	9,442	14,373
Theoretical tax at corporation tax rate of 19% (2018: 19%)	1,702	2,527	1,794	2,731
Effects of:				
Income not taxable	(1,541)	(2,353)	(1,781)	(2,720)
Adjustments to tax in respect of prior periods	(191)	(223)	(28)	14
	<u>(30)</u>	<u>(49)</u>	<u>(15)</u>	<u>25</u>
<b>Total tax charge</b>	<u>(30)</u>	<u>(49)</u>	<u>(15)</u>	<u>25</u>

## Notes to the financial statements (continued)

### 13 Fixed assets - housing properties

#### Housing Properties

Group	Social housing properties completed £'000	Social housing properties under development £'000	Shared ownership properties completed £'000	Shared ownership properties under development £'000	Total £'000
<b>Cost</b>					
At 1 April 2018	608,251	21,919	10,408	-	640,578
Improvements to existing properties	6,568	-	-	-	6,568
Additions	300	27,997	1,245	-	29,542
Change of tenure	(1,457)	-	1,457	-	-
Schemes completed	27,218	(27,484)	266	-	-
Transfer to assets held for sale	(3,007)	-	(1,117)	-	(4,124)
Transfer to investment properties	(265)	-	-	-	(265)
Disposals	(3,477)	-	-	-	(3,477)
At 31 March 2019	<u>634,131</u>	<u>22,432</u>	<u>12,259</u>	<u>-</u>	<u>668,822</u>
<b>Depreciation and impairment</b>					
At 1 April 2018	79,391	-	644	-	80,035
Change of tenure	(51)	-	51	-	-
Charged in year	11,049	-	108	-	11,157
Released on disposal	(1,459)	-	-	-	(1,459)
Transfer to assets held for sale	(798)	-	-	-	(798)
At 31 March 2019	<u>88,132</u>	<u>-</u>	<u>803</u>	<u>-</u>	<u>88,935</u>
<b>Net book value</b>					
At 31 March 2018	<u>528,860</u>	<u>21,919</u>	<u>9,764</u>	<u>-</u>	<u>560,543</u>
At 31 March 2019	<u>545,999</u>	<u>22,432</u>	<u>11,456</u>	<u>-</u>	<u>579,887</u>

## Notes to the financial statements (continued)

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

#### Housing Properties

Association	Social housing properties completed £'000	Social housing properties under development £'000	Shared ownership properties completed £'000	Shared ownership properties under development £'000	Total £'000
<b>Cost</b>					
At 1 April 2018	612,510	21,919	10,490	-	644,919
Improvements to existing properties	6,568	-	-	-	6,568
Additions	567	27,997	1,250	-	29,814
Change of tenure	(1,457)	-	1,457	-	-
Schemes completed	27,218	(27,484)	266	-	-
Transfer to assets held for sale	(3,007)	-	(1,117)	-	(4,124)
Transfer to investment properties	(265)	-	-	-	(265)
Disposals	(3,477)	-	-	-	(3,477)
At 31 March 2019	<u>638,657</u>	<u>22,432</u>	<u>12,346</u>	-	<u>673,435</u>
<b>Depreciation and impairment</b>					
At 1 April 2018	79,391	-	644	-	80,035
Change of tenure	(51)	-	51	-	-
Charged in year	11,049	-	108	-	11,157
Released on disposal	(1,459)	-	-	-	(1,459)
Transfer to assets held for sale	(798)	-	-	-	(798)
At 31 March 2019	<u>88,132</u>	<u>-</u>	<u>803</u>	-	<u>88,935</u>
<b>Net book value</b>					
At 31 March 2018	<u>533,119</u>	<u>21,919</u>	<u>9,846</u>	-	<u>564,884</u>
At 31 March 2019	<u>550,525</u>	<u>22,432</u>	<u>11,543</u>	-	<u>584,500</u>

## Notes to the financial statements (continued)

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

#### Group and Association

#### Expenditure on works to existing properties

	2019	2018
	£'000	£'000
Amounts capitalised – component replacement	6,568	6,325
Amounts charged to statement of comprehensive income	6,538	5,805
	<u>13,106</u>	<u>12,130</u>
Total	<u>13,106</u>	<u>12,130</u>

#### Social housing grant (SHG)

	2019	2018
	£'000	£'000
Total accumulated SHG receivable at 31 March :		
Recognised in the statement of comprehensive income	4,475	3,662
Held as deferred income	80,384	73,868
	<u>84,859</u>	<u>77,530</u>

#### Impairment

The Group considers individual schemes to be separate Cash Generating Units (CGUs) when assessing for impairment, in accordance with the requirements of Financial Reporting Standard 102 and SORP 2014. No impairment charge has been made this year. (2018: £nil)

## Notes to the financial statements (continued)

### 14 Tangible fixed assets - other

Group	Freehold buildings and land	Sheltered scheme furniture, fixtures and fittings	Computers and office equipment and furniture	Plant, machinery and vehicles	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 April 2018	5,068	25	4,033	284	9,410
Additions	31	-	189	46	266
Disposals	(10)	(4)	(77)	(42)	(133)
At 31 March 2019	<u>5,089</u>	<u>21</u>	<u>4,145</u>	<u>288</u>	<u>9,543</u>
<b>Depreciation and impairment</b>					
At 1 April 2018	1,891	25	3,531	224	5,671
Charged in year	217	-	169	21	407
Depreciation on disposals	(10)	(4)	(75)	(31)	(120)
At 31 March 2019	<u>2,098</u>	<u>21</u>	<u>3,625</u>	<u>214</u>	<u>5,958</u>
<b>Net book value</b>					
At 31 March 2018	<u>3,177</u>	<u>-</u>	<u>502</u>	<u>60</u>	<u>3,739</u>
At 31 March 2019	<u>2,991</u>	<u>-</u>	<u>520</u>	<u>74</u>	<u>3,585</u>
<b>Association</b>					
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 April 2018	5,058	25	4,021	226	9,330
Additions	31	0	190	17	238
Disposals	0	(4)	(65)	(32)	(101)
At 31 March 2019	<u>5,089</u>	<u>21</u>	<u>4,146</u>	<u>211</u>	<u>9,467</u>
<b>Depreciation and impairment</b>					
At 1 April 2018	1,881	25	3,521	183	5,610
Charged in year	217	0	169	8	394
Depreciation on disposals	0	(4)	(65)	(23)	(92)
At 31 March 2019	<u>2,098</u>	<u>21</u>	<u>3,625</u>	<u>168</u>	<u>5,912</u>
<b>Net book value</b>					
At 31 March 2018	<u>3,177</u>	<u>-</u>	<u>500</u>	<u>43</u>	<u>3,720</u>
At 31 March 2019	<u>2,991</u>	<u>-</u>	<u>521</u>	<u>43</u>	<u>3,555</u>

## Notes to the financial statements (continued)

### 15 Investment in subsidiaries

At the year end the Association had two wholly owned subsidiaries, Old Park Services Limited and Strata Housing Services Limited. These financial statements consolidate the results of those entities. 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 Wrekin Housing Group Limited (formerly The Wrekin Housing Trust Limited). The Association has the right to appoint members to the boards of the subsidiaries and thereby exercises control over them. Both subsidiaries are non-regulated companies and the registered office is the same for all group companies.

Company	%	Surplus for the year	Reserves
Old Park Services Limited	100	£471,314	£550,006
Strata Housing Services Limited	100	£325,000	£94,000

### 16 Investment properties

	2019	2018
Group and Association	£'000	£'000
At 1 April	13,840	11,276
Additions	265	1,843
Increase in value	307	721
	<u>14,412</u>	<u>13,840</u>
At 31 March	14,412	13,840

Investment properties are non-social housing properties held for letting which were valued at 31 March 2019. The investment properties comprise 117 units known as the Hedgerows development, 6 flats at The Red House Priorslee, and 10 houses on a new mixed tenure development in Herefordshire known as Well Gardens. All properties are managed by the Association's wholly owned subsidiary company Old Park Services Ltd. A director's valuation on an open market value basis was undertaken based on information provided by a professional external valuer.

### 17 Properties held for sale

	2019	2018
Group and Association	£'000	£'000
Completed shared ownership properties	260	321
Properties held for sale- asset renewal strategy	1,946	2,047
	<u>2,206</u>	<u>2,368</u>



## Notes to the financial statements (continued)

### 18 Debtors

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Rent and service charges receivable	669	792	669	792
Less: provision for bad and doubtful debts	(516)	(590)	(516)	(590)
Prepayments and accrued income	2,003	851	1,907	772
Other capital grant received	-	654	-	654
Other debtors	2,370	994	2,370	994
Trade debtors	334	356	73	72
Less: provision for bad and doubtful debts on non-rental debtors	(192)	(229)	(192)	(229)
Other Taxation and Social Security	103	48	-	-
Amounts owed by group undertakings	3,021	1,769	5,226	4,098
	<u>7,792</u>	<u>4,645</u>	<u>9,537</u>	<u>6,563</u>

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

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

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Trade creditors	3,993	4,886	1,491	2,123
Rent and service charges received in advance	1,792	1,344	1,792	1,344
Other taxation and social security	611	650	462	484
Pension contributions due	-	200	-	200
Social housing grant received in advance	781	103	781	103
Accruals and deferred income	3,586	2,891	3,558	2,828
Disposal proceeds fund (note 22)	2,214	-	2,214	-
Holiday pay accrual	156	156	156	156
Deferred grant income (note 21)	855	816	855	816
Other creditors	244	134	241	134
Amounts owed to group undertakings	1,677	600	3,022	1,684
	<u>15,909</u>	<u>11,780</u>	<u>14,572</u>	<u>9,872</u>

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

## Notes to the financial statements (continued)

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

	Group		Association	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Debt (note 24)	378,561	369,284	378,561	369,284
Recycled capital grant fund (note 23)	184	219	184	219
Deferred grant income (note 21)	86,768	80,342	86,768	80,342
Disposal proceeds fund (note 22)	-	2,378	-	2,378
Voluntary right to buy	119	-	119	-
	<u>465,632</u>	<u>452,223</u>	<u>465,632</u>	<u>452,223</u>

### 21 Deferred grant income

Group and Association	2019 £'000	2018 £'000
At 1 April	81,158	74,430
Grant received in the year	7,479	7,725
Transfer to recycled capital grant fund	(96)	(181)
Released to income in the year	(918)	(816)
	<u>87,623</u>	<u>81,158</u>
At 31 March	87,623	81,158
Amounts to be released within one year	855	816
Amounts to be released in more than one year	86,768	80,342
	<u>87,623</u>	<u>81,158</u>

## Notes to the financial statements (continued)

### 22 Disposals proceeds fund

Group and Association	2019 £'000	2018 £'000
At 1 April	2,378	2,518
Interest accrued	11	15
Acquisition of dwellings for letting	(175)	(155)
Balance at 31 March	<u>2,214</u>	<u>2,378</u>

The above balance is disclosed as follows:

	2019 £'000	2018 £'000
Amounts due within one year	2,214	-
Amounts due after more than one year	-	2,378
	<u>2,214</u>	<u>2,378</u>

The fund has been used to purchase social housing properties in accordance with permitted uses of the fund. A further £2.209m has been committed with the approval of the Homes England. During the year £nil was repaid (2018:£nil).

### 23 Recycled capital grant fund

Group and Association	2019 £'000	2018 £'000
At 1 April	219	492
Grants recycled	96	181
Interest accrued	1	1
Acquisition of dwellings for letting	(132)	(455)
Balance at 31 March	<u>184</u>	<u>219</u>

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

## Notes to the financial statements (continued)

### **24 Debt analysis**

<b>Group and Association</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Due after more than one year</b>		
Bank loans	379,000	370,000
Loan refinancing fees	(439)	(716)
	<u>378,561</u>	<u>369,284</u>
Repayable in		
One year or more but less than two years	153,561	-
Two years or more but less than five years	25,000	169,284
After five years	<u>200,000</u>	<u>200,000</u>
	<u>378,561</u>	<u>369,284</u>

The bank loans are secured by fixed charges on individual properties and by a floating charge over the assets of the Association. At 31 March 2019 the Association had total loan facilities available of £440m (2018: £440m) of which £61m (2018: £70m) was undrawn. £225m of this facility is fixed for periods of between 3 and 21 years at fixed rates of interest ranging from 5.925% to 7.25%. The instalments fall to be repaid in the period 2022 to 2040. £154m of this facility is variable at a rate of LIBOR + 1.93% and is repayable by 4 November 2020.

### **25 Reserves**

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

At 31 March 2019, the revenue reserve included £42,160,000 in respect of the defined benefit pension liability (2018: £38,290,000).

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

## Notes to the financial statements (continued)

### 26 Financial commitments

Group and Association	2019 £'000	2018 £'000
<b>Capital expenditure</b>		
Expenditure contracted for but not provided in the accounts	40,385	33,741
Expenditure authorised by the board but not contracted for	44,054	49,460
	<u>84,439</u>	<u>83,201</u>

The above commitments reflect the continuation of the Group'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 Group'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 to office accommodation and vehicles.

The Group's future minimum operating lease payments are as follows:	2019 £'000	2018 £'000
Within one year	999	963
Two to five years	1,752	2,323
	<u>2,751</u>	<u>3,286</u>

## Notes to the financial statements (continued)

### 27 Cash flow from operating activities

	2019 £'000	2018 £'000
Surplus for the year	8,987	13,660
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	11,564	11,336
(Increase)/decrease in stock	(6)	119
(Increase)/decrease in properties held for sale	(162)	552
(Increase)/decrease in debtors	(2,761)	896
Increase in creditors	738	1,472
Government grants utilised in the year	(855)	(816)
Pension costs less contributions payable	1,998	1,494
<b>Adjustments for investing and financing activities:</b>		
Net (gain)/loss on the sale of tangible fixed assets	(2,681)	(3,408)
Movement in fair value of investment properties	(307)	(721)
Interest payable	20,799	20,015
Interest receivable	(83)	(23)
<b>Net cash generated from operating activities</b>	<u>37,231</u>	<u>44,576</u>

### 28 Financial assets and liabilities

Categories of financial assets and liabilities

Group	2019 £'000	2018 £'000
Financial assets that are debt instruments measured at amortised cost	25,034	16,323
Financial liabilities measured at amortised cost	(388,217)	(377,946)
	<u>(363,183)</u>	<u>(361,623)</u>

Financial assets that are debt instruments measured at amortised cost comprise short term debtors, cash deposits on money markets at call and cash at bank.

Financial liabilities measured at amortised cost comprise short and long term creditors and bank loans. The debt maturity profile together with applicable interest rates is disclosed in note 24.

### 29 Contingent liabilities

The Statutory Group had no contingent liabilities to disclose at 31 March 2019 (2018: £nil).

## Notes to the financial statements (continued)

### 30 Related parties

During the year, the Association recharged amounts to its wholly owned subsidiaries, which are unregistered entities as follows:

Entity	Cost	2019 £'000	2018 £'000
Old Park Services Limited	Recharge of staff and operating costs (Reviive and void contract service)	958	1,097
	Recharge of staff and operating costs (third party repairs services)	1,816	1,629
Strata Housing Services Limited	Recharge of Staff Costs (development services)	950	904

All costs are recharged on an actual cost basis.

During the year the following services were supplied by the parent to the unregistered entities:

Entity	Service	2019 £'000	2018 £'000
Old Park Services Limited	Property leases	614	528

During the year the following services were supplied by the unregistered entities to the parent:

Entity	Service	2019 £'000	2018 £'000
Old Park Services Limited	Void contract service-Reviive brand	555	548
	Provision of energy supplies	60	38
Strata Housing Services Limited	Provision of development services	10,857	25,878

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

As at the 31<sup>st</sup> March the amounts owed to the association by unregistered entities was as follows:

Old Park Services Limited	£1,934,290 (2018: £2,046,716)
Strata Housing Services Limited	£280,689 (2018: £300,238)

As at the 31<sup>st</sup> March the amounts owed by the association to unregistered entities was as follows:

Old Park Services Limited	£293,687 (2018: £391,374)
Strata Housing Services Limited	£1,055,787 (2018: £702,559)

## Notes to the financial statements (continued)

### **31 Post balance sheet event**

Since the year end the Group has completed its restructure. As a result of this exercise there has been a transfer of engagements from The Wrekin Housing Group Limited (the Legacy Parent Company) to the Association and the Legacy Parent Company has been deregistered. There have been further transfers of engagements to the Association from Shropshire Housing Alliance and South Shropshire Furniture Scheme and a transfer of assets and liabilities from Fuse CIC. Those three organisations are now in the process of being deregistered and liquidated. There has also been a transfer of investment in Choices Housing Association from the Legacy Parent Company to the Association. The Association has changed its name from The Wrekin Housing Trust Limited to The Wrekin Housing Group Limited. It is now the parent entity of the Group, with Old Park Services Limited and Strata Housing Services Limited (its own existing direct subsidiaries) and Choices Housing Association as the only remaining subsidiaries of that new parent entity.

### **32 Legacy group consolidated position**

Following the group restructure as detailed in the Report of the Board on page 2 of this document, the legacy group will not be producing statutory accounts and so management have opted to include the following note to set out the consolidated position of the full group as if the transfer of engagement had been completed before 31 March 2019.

For the year ended 31 March 2018 The Wrekin Housing Group Limited (registration number 7701 “the Legacy Group Company”) was a Co-operative and Community Benefit Society registered with the Financial Conduct Authority. As at 31 March 2018, the Legacy Group Company had eight wholly-owned direct and indirect subsidiaries (which together comprised ‘the Legacy Group’), The Wrekin Housing Trust Limited, Choices Housing Association Limited, WHT (Subsidiary) Limited, Shropshire Housing Alliance, South Shropshire Furniture Scheme, FUSE Enterprise CIC, Old Park Services Limited and Strata Housing Services Limited.

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 Group Limited. The results of these entities form part of these consolidated financial statements.

On 6 September 2018 Shropshire Housing Alliance and South Shropshire Furniture Scheme, subsidiaries of the Legacy Group Company, converted to Co-operative and Community Benefit Societies. On 30 April 2019 there was a transfer of engagement from these companies, along with a transfer of assets of FUSE Enterprise CIC, to the Association.

On 1 April 2019 a transfer of engagement also took place from the Legacy Group Company, The Wrekin Housing Group Limited (CCBS 7701) to the Association. On 26 April 2019 the Legacy Group Company was deregistered.

As part of the transfer of engagement, Choices Housing Association also became a subsidiary of the Association.

The accounts prepared to 31 March 2020 will fully reflect the changes to the group structure detailed above.



## Notes to the financial statements (continued)

### 32 Legacy group consolidated position (continued)

The primary statements detailed below consolidate the results of the entities listed above as if the transfers of engagement from Shropshire Housing Alliance and South Shropshire Furniture Scheme and transfer of assets from Fuse Enterprise CIC, as described, had taken place at 31 March 2019. These primary statements will be those that form the comparative figures in the accounts to 31 March 2020 as merger accounting has been applied as a matter of accounting policy and therefore the financial statements for the year ended 31 March 2020 will be presented as if the companies had always been part of the same group. In preparing these proforma primary statements the group has adopted the following accounting policy.

#### Merger Accounting

Merger accounting has been applied in relation to the transfers of engagement. All of the criteria have been met in order for the combination of the entities to meet the definition of a merger:

- a) No party to the combination is portrayed as either the acquirer or acquiree either by its board or management or by that of another party to the combination;
- b) There is no significant change to the classes of beneficiaries of the combining entities or the purpose of the benefits provided as a result of the combination; and
- c) All parties to the combination, as represented by the members of the board, participate in establishing the management structure of the combined entity and in selecting the management personnel, and other such decisions are made on the basis of a consensus between the parties to the combination rather than purely by the exercise of voting rights.

The results, assets and liabilities have been presented as though the combined entity has been in existence throughout the current and comparative periods.

<b>Proforma Consolidated Statement of Comprehensive Income</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<b>Turnover</b>	95,677	97,184
Operating costs	(65,835)	(64,441)
Movement in the fair value of assets	307	721
<b>Operating surplus</b>	30,149	33,464
Interest receivable and similar income	88	25
Interest payable, financing and similar costs	(20,812)	(20,021)
<b>Surplus on ordinary activities before taxation</b>	9,425	13,468
Tax on surplus on ordinary activities	5	49
<b>Surplus for the year</b>	9,430	13,517
Actuarial (loss)/gain in respect of pension schemes	(871)	4,950
<b>Total comprehensive income for the year</b>	<b>8,559</b>	<b>18,467</b>

## Notes to the financial statements (continued)

### 32 Legacy group consolidated position (continued)

#### Proforma Consolidated Statement of Financial Position

	2019	2018
	£'000	£'000
<b>Tangible fixed assets</b>		
Housing properties	581,845	562,575
Investment properties	14,412	13,840
Other tangible fixed assets	5,039	5,177
	<u>601,296</u>	<u>581,592</u>
<b>Current assets</b>		
Stock	205	195
Properties for sale	2,206	2,368
Debtors	6,247	4,175
Cash at bank and in hand	22,463	15,343
	31,121	22,081
<b>Creditors: amounts falling due within one year</b>	<u>(15,277)</u>	<u>(12,358)</u>
<b>Net current assets /(liabilities)</b>	<u>15,844</u>	<u>9,723</u>
<b>Total assets less current liabilities</b>	<u>617,140</u>	<u>591,315</u>
<b>Creditors: amounts falling due after more than one year</b>	467,017	453,624
<b>Pension liability</b>	42,160	38,290
<b>Capital and reserves</b>		
Revenue reserve	107,117	98,555
Restricted reserve	846	846
	<u>107,963</u>	<u>99,401</u>
<b>Group's funds</b>	<u>617,140</u>	<u>591,315</u>