



SEVERN VALE HOUSING SOCIETY LIMITED

Report and Financial Statements

Year Ended 31 March 2014

Contents

Section	Page
Board Members, Executive Directors, Advisors and Bankers	3
Report of the Board	4
Operating and Financial Review	8
Value for Money Self-Assessment Statement	12
Statement of Responsibilities of the Board	24
Independent Auditor's Report	25
Consolidated Income and Expenditure Account	26
Society Income and Expenditure Account	27
Statement of Total Recognised Surpluses and Deficits	28
Reconciliation of movements in Group's and Society's Funds	28
Consolidated and Society Balance Sheets	29
Consolidated Cash Flow Statement	30
Notes to the Consolidated Cash Flow Statement	31
Notes to the Financial Statements	32

Board Members, Executive Directors, Advisors and Bankers

Board			
Chair	Mr S Denslow Mr H Patel	Independent Representative Independent Representative	Resigned December 2013 Appointed January 2014
Vice Chair	Mr H Patel	Independent Representative	Resigned January 2014
Other Members	Mrs V Holloway Mr D Carruthers Mr J Dickson Mr R Reade Mr M Davies Mrs M Miller Mrs M Sharma	Independent Representative Independent Representative Independent Representative Independent Representative Independent Representative Independent Representative Independent Representative	Resigned January 2014 Appointed March 2014 Appointed March 2014 Appointed March 2014 Appointed March 2014 (Attendee) Appointed March 2014 (Attendee) Appointed March 2014 (Attendee)
	Mr A Newall Mrs D Midwinter Mrs J Weeks Mr R Jordan	Customer Representative Customer Representative Customer Representative Customer Representative	Resigned April 2014 Resigned April 2014
	Mrs C Wright Mrs J Perez Mr B Calway Mr R Allen	Council Representative Council Representative Council Representative Council Representative	
Executive Directors			
Chief Executive	Mr H Aldridge		Retired November 2013
Chief Executive	Mr T Knight		Appointed July 2014
Finance Director	Mr T Knight		Appointed Joint Interim CE December 2013
Operations Director	Mrs J Tector		
Business Services Director & * Joint Interim CE	Mrs A Wolstencroft		* Appointed December 2013 & Resigned March 2014
Secretary	Mrs J Tector		
Registered office	Shannon Way Ashchurch Tewkesbury Gloucestershire GL20 8ND		
Registered number	Industrial and Provident Societies Registration - 28557R Homes and Communities Agency (HCA) - L4171		
Auditors	Grant Thornton UK LLP Colmore Plaza 20 Colmore Circus Birmingham B4 6AT		
Solicitors	Shakespeares Legal LLP Somerset House Temple Street Birmingham B2 5DJ		
Bankers	Barclays Bank Plc 128 High Street Cheltenham Gloucestershire GL50 1EG		
Funders (Joint)	Lloyds Banking Group Plc 3 rd Floor 25 Gresham Street London EC2V 7HN		
Funders (Joint)	BAE Systems Pensions Funds Investment management Limited Burwood House 14/16 Caxton London SW1H 0QT		

Report of the Board

The Board presents its report and the Group's audited financial statements for the year ended 31 March 2014.

Principal Activities

Severn Vale Housing (the Group) consists of Severn Vale Housing Society Limited, the main registered stock holding body, Severn Vale Housing Properties Limited, a company established for the purpose of leasing the administrative centre, and Severn Vale Housing Association Limited, with its charitable objectives, currently being dormant.

Severn Vale Housing Society Limited (the Society) is an Industrial & Provident Society (Registration No. 28557R) administered by a voluntary Board and operating principally within Gloucestershire. It is also a social landlord registered by the HCA.

The Group's principal activities are the management and development of social housing. The Group is output focused, efficient and effective in its vision of *"providing high quality cost-effective homes and services to customers"*.

Business Review

Details of the Group's performance for the year and future plans are set out in the Operating and Financial Review that follows this Report of the Board.

Housing Property Assets

Details of changes to the Group's fixed assets are shown in Notes 9-11 to the financial statements. Housing property values are considered in the Operating and Financial Review.

Reserves

In line with business plan projections the Group continues to accrue negative reserves and after recording a surplus on operating activities for the year of £672k (2013: £197k), and a further increase in its pension liabilities of £393k (2013: £665k) the accumulated deficit on revenue reserves at 31 March 2014 stands at £27.6m (2013: £27.9m).

There was no tax payable for the year, nor is it anticipated there will be until 2020-21. The Group continues to pursue a tax policy which minimises cash outflows at all times.

Donations

The Group made donations totalling £220 during the financial year (2013: £500).

Post Balance Sheet Events

There have been no events since the year end, which have had a significant effect on the Group's financial position.

Payment of Creditors

In line with Government guidance, the Group's policy is to pay purchase invoices within 28 days of receipt, or earlier if agreed with the supplier. Time taken to pay creditors was 22 days (2013: 23 days).

Financial Instruments

The Group's approach to financial risk management is outlined in the Operating and Financial Review.

Employees

The strength of the Group lies in the quality of all its employees. In particular, its ability to meet its objectives and commitments to tenants in an efficient and effective manner depends on their contribution.

The Group continues to provide information on its objectives, progress and activities through its formal performance management framework and regular office and departmental meetings.

The Group is committed to equal opportunities and in particular supports the employment of disabled people, both in recruitment and in the retention of employees who become disabled whilst in the employment of the Group.

The Group's Equality and Diversity Strategy and Single Equality Scheme has been embedded throughout the organisation to ensure it promotes equality and eliminates discrimination by respecting and valuing the views, choices and cultures of everyone in the communities and workplaces in which it operates.

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 Board, staff and contractor training and education on Health and Safety issues.

Report of the Board (continued)

Board Members and Executive Directors

The present Board Members and the Executive Directors of the Group are set out on page 3.

The Board membership currently comprises four Independent Board members (one of which is currently vacant), drawn from a wide background bringing together professional, commercial and local experience; four Council nominated representatives; and four Customer Representatives (two of which are currently vacant), nominated by the Tenants' Forum.

A review of the constitution of the Board initiated in 2012-13 is currently in progress; this is due to conclude later this year.

The Group began the year with two Executive Directors, the Chief Executive and a Finance & Development Director, with two additional Operational Directors making up the Senior Management Team. During the year the Chief Executive retired and the Finance & Development Director and Business Services Director were appointed as Joint Interim Chief Executives until a new permanent Chief executive could be appointed. After the year ended the Finance & Development Director (Tim Knight) was appointed as the new Chief Executive, with Ann Wolstencroft continuing as Business Services Director and Judith Tector continuing as Operations Director. None of the directors hold an interest in any of the Group's shareholdings and act as executives within the authority delegated by the Board.

Service Contracts: The Chief Executive and other Executive Directors are employed on the same terms as other staff, their notice periods ranging from three to six months.

Pensions: The Chief Executive, the Finance & Development Director and one Operational Director are members of the Gloucestershire County Council Pension Fund scheme; the remaining Director is a member of the Social Housing Pension Fund scheme; both schemes are defined benefit final salary pension schemes. They participate in the scheme on the same terms as all other eligible staff. The Group contributes to the scheme on behalf of its Executive Directors in the same way that it does for its employees.

Other Benefits: The Directors are entitled to other benefits such as the provision of health care insurance. Full details of their individual remuneration packages are included in note 7 to the audited financial statements.

The Group has insurance policies that indemnify its Board members and Executive Directors against liability when acting for the Society.

National Housing Federation (NHF) Code of Governance

The Board are pleased to report that the Group complies with the principal recommendations of the NHF Code of Governance 'Excellence in Governance'.

Internal Controls Assurance

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

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk, and to provide reasonable assurance that the key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed and is consistent with principles incorporated HCA guidance.

The process 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 includes:

- **Identification and evaluation of key risks**

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal ongoing process of management review in each area of the Group's activities. During 2013-14 this was managed through consultants Hargreaves Risk Strategy (HRS); and internally on the Group's Clearview Risk module. The results continue to be reviewed by the Board on a quarterly basis. The Finance & Development Director is responsible for reporting significant risks or any changes in significant risks facing the Group to the Board within these reports. In addition the annual Risk Management review completed by the Group's Internal Auditors informs this process and as a consequence, this statement.

- **Monitoring and Corrective Action**

Audit & Risk Committee is responsible for ensuring the process of control through self-assessment is effective and that management reporting on control issues provides hierarchical assurance to successive levels of management and to the Board. This includes a rigorous procedure for ensuring that effective monitoring is in place and that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

- **Control Environment and Control Procedures**

The Board retains responsibility for a defined range of issues covering strategic, operational, financial, and compliance issues including treasury strategy and new investment projects. The Board has adopted, and disseminated to all employees, a comprehensive set of policies and procedures. These are reviewed regularly to ensure they are relevant, up to date and fit for purpose. They set out the Group's policies with regard to the quality, integrity and ethics of its employees. They also cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection, detection and prevention of fraud, protection of public funds and assets, anti-corruption and whistle-blowing.

Report of the Board (continued)

Internal Controls Assurance (continued)

- **Significant Internal Control Problems**

In the review on internal controls no significant problems were identified by PwC.

However, following the retirement of the Chief Executive and subsequent resignation of the Chair the Board initiated a wide-ranging audit review of the Group's governance processes and procedures. Campbell Tickell completed the review and their findings led to a 'Governance Improvement' action plan being agreed between the Board and the HCA, for completion by 31st December. As part of this action plan the Board is ensuring that all policies are up to date and fit for purpose, that the Group's constitution meets the Code of Governance, and that its rules too are up to date and meet the requirements of the organisation.

- **Information and Financial Reporting Systems**

Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board also regularly reviews key performance indicators via a quarterly balanced scorecard to assess progress towards the achievement of key business objectives, targets and outcomes.

The internal controls framework and the risk management process is subject to regular review by Internal Audit (PricewaterhouseCoopers - PwC) who are responsible for providing independent assurance to the Board through its Audit Committee. The Audit & Risk Committee considers internal controls and risk each year.

The Group's Internal Auditors PwC conducted a review of the effectiveness of the system of internal controls throughout 2013-14 and submitted an annual report to the Society's Audit Committee on 4 August 2014.

In their annual report PwC's conclusion read;

We have completed the program of internal audit for the year ended 31 March 2014. Our work identified low and medium rated findings. Based on the work completed we believe that these are isolated to specific systems and processes and when taken in aggregate are not considered pervasive to the system of internal control as a whole. We have not issued any high risk reports or noted any high risk findings. Action plans have been agreed with management to address these weaknesses.

During the year, the Chief Executive retired from Severn Vale and the circumstances surrounding his departure were a factor in the regulator (the Homes and Communities Agency / HCA) amending Severn Vale's governance rating from G1 to G2. As a result of this, the refinancing implications and the subsequent resignation of the Chair of Severn Vale's Board, our planned review of governance was amended to a special review of the circumstances around these issues.

We concluded that the future of Severn Vale could have been jeopardised, that actions were taken for the right reasons but with the wrong approach, and that there was a conflict between personal issues and a professional view. We also felt that there was a lack of confidence (respect) with the Board (from the Remuneration Committee).

We also noted the actions taken by Severn Vale as a result of these issues and found that a "line in the sand" had been established and there had been a positive response by Severn Vale with clear actions and a clearer vision for the future.

Greater accountability and ownership had been accepted by the Board and actions to improve the governance of the organisation were agreed and put in place. It also identified low and medium rated findings, summarised in the table below

Finding rating	Trend between current and prior year	Number of Findings		
		2013-14	2012-13	2011-12
Critical		None	None	None
High		None	1	1
Medium		10	17	14
Low		13	13	25
Total		23	31	40
Number of audits conducted		6	6	7

A summary of the key findings can be found at **Internal Audit Annual Report 2013-14**.

The Board ensures any necessary action is taken where changes are needed to maintain the effectiveness of the risk management and control processes; and confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. This process was formally reviewed by Hargreaves Risk Strategy consultants in July 2014. Their recommendations, approved by the Board, are being implemented in accordance with the 'Governance Improvement' action plan.

Having considered the report at their meeting on 4 August 2014, the Audit & Risk Committee recommended the statement for approval by the Board on 22 September 2014. Their recommendation was duly approved by the Board.

Report of the Board (continued)

Regulation

As stated above the Group's governance rating was downgraded by the HCA from G1 to G2 in December 2013; the reason for this being highlighted above.

The Group's financial viability rating remained at the top rating of V1.

Going Concern

After making enquiries, the Board is satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Annual General Meeting

The annual general meeting will be held as part of the Board meeting on 22 September 2014 at the Society's registered office address.

External auditors

A resolution to reappoint the auditors Grant Thornton UK LLP will be proposed at the annual general meeting.

Approval

The Report of the Board was approved by the Board on 22 September 2014 and signed on its behalf by

A handwritten signature in black ink, appearing to read 'Hiten Patel', with a horizontal line underneath it.

Hiten Patel, Chair

Operating and Financial Review

Background of Activities

At 31 March 2014 the Group owned 3,723 (2013: 3,655) properties, comprising 3,358 (2013: 3,301) social housing units, 9 (2013: 8) of which are mortgage rescue properties that are charged intermediate rent (80% of market rent); 83 (2013: 72) market rented properties; and 282 student units over four student accommodation blocks (Gloucester - 86 units; Cheltenham, Regency Hall - 100 units; St. Mary's - 13 units [35 Bed-spaces]; and one in Worcester - 83 units).

The Group is non-charitable and operates five key business streams:

- **general needs housing for rent** - primarily by families who are unable to rent or buy at open market rates
- **sheltered housing** - for people who need enhanced housing management services
- **low-cost home ownership** - primarily shared ownership whereby residents purchase a share in the equity of their homes and pay rent to the Group on the remainder, and Rent to Homebuy whereby residents pay rent while saving a deposit with a view to eventually purchasing the property from the Group
- **student accommodation**
- **market rent**

As well as managing properties the Group develops new affordable housing and is part of the "New Futures" Development Partnership, one of the preferred development consortia selected by the Homes & Communities Agency as development partners.

The Group also provides 'Helplines' for tenants and non-tenants; as well as providing full Governance and Management services to Gloucestershire Rural Housing Association; Management services to Kemble Housing Association, Jephson Housing Association, Bromford Housing Group and NASUWT; and Development Agency services to Cirencester Housing Society (CHS) and Wyedean Housing Association (WHA).

However the Group's current focus remains on its social housing activities and these constitute 88.1% (2013: 88.2%) of the Group's activities by turnover.

That said the Group's Board recognise the need to ensure Severn Vale's corporate strategy remains robust for the future during a period of significant change within the housing sector.

They acknowledge that over the last few years the Group has not remained focussed on its mission and strategy and that, against a context of significant cuts from central government, the organisation needs to refocus its business to ensure that it is sustainable in to the future when delivering cost effective homes and services to its customers and the communities it serves; and that to make this happen new and innovative ways of working have to be found that can demonstrate value and efficiency.

To help the organisation focus and achieve this, a number of Board member changes have been effected; a new Chief Executive has been appointed; and a complete overhaul of governance and strategy is underway. From this a new mission statement is in the process of being put in place, together with a corporate plan that will drive the business forward. As part of this staff and customers are being engaged for their ideas on how the Group might best improve its services in the future.

In addition to these changes the Board have interviewed prospective candidates for the position of Chair. Hiten Patel, the current Chair, has been on the Board of Severn Vale for 10 years so he is stepping down shortly to make way for the new person. Hiten has served the organisation with distinction over that time, sitting as an Independent Member, he helped ensure the Group survived the Audit Inspection in 2010 and more recently the transitional changes that have occurred since November 2013 when the previous Chair left Severn Vale. The Board would like to say a big thank you to Hiten for all he has done for the Group over the last decade.

While recognising the Group continues to meet its financial obligations, and being aware that continuous improvement relies on investment, not only in the Group's homes but in all areas of its business, the Board are determined that by implementing a revised strategy it will ensure customers and staff are able to develop and feel empowered to shape future services and their delivery.

In order to lead the organisation effectively through a challenging few years the Board currently identify their responsibilities to lead the organisation to;

- Provide and maintain the best quality homes for all current and future residents that the prevailing environment allows;
- Provide corporate leadership that is overt, transparent and accountable to both the Group's residents and the wider community;
- Maximise a sustainable income following the planned re-evaluation of all corporate assets (this includes land, buildings and inherent skills from within the organisation);
- Ensure the corporate structure meets the above needs efficiently and has the flexibility to react to quickly changing circumstances; and above all,
- Provide the resources and environment to enable its residents to work with the Group to provide the best possible service in a climate of mutual respect;

Operating and Financial Review (continued)

Performance and Development

The key indicators used by senior management and the Board to monitor achievement of the Group's current objectives are set out below. The Board agrees targets each year that are designed to manage, develop, and deliver continuous service improvement.

Customer Involvement and Empowerment Key Performance Indicators (KPIs)	Target 2013-14	Actual 2013-14	Benchmark **		
Percentage of overall customer satisfaction with Severn Vale service	93%	93.67%	90.04%		
Percentage of customers satisfied that views are listened to and acted upon	80%	83.06%	75.19%		
Number of services changed, implemented or withdrawn as a result of customer involvement	18	12	12		
Percentage of Stage 1 complaints upheld	49%	47.06%	60.74%		
Percentage of total complaints upheld	50%	36.36%	52.81%		
Percentage of customers satisfied with complaints process	50%	53.57%	72.02%		
Percentage of customer complaints responded to within target timescales	80%	81.68%	75.83%		
Home KPIs					
Percentage of customers satisfied with quality of accommodation (not incl. location)	92%	88.9%	88%		
Percentage of customers satisfied with response repairs	95%	95.22%	91.17%		
Percentage of all reactive repairs completed within target time	85%	88.5%	97.87%		
Percentage of repairs completed right first time	75%	80.42%	92.92%		
Percentage of dwellings with a valid gas safety certificate	99.8%	99.81%	99.21%		
Percentage of appointments kept against appointments made	90%	97.52%	97.13%		
Percentage of customers satisfied with planned repairs	92 %	95.56%	N/A		
Percentage of homes that fail to meet the Decent Homes Standard (31 December)	0%	0.71%	0.21%		
Number of Development units completed against forecast	85 units	83 units	N/A		
Tenancy KPIs					
% rent collected to rent available	96%	100.83%	N/A		
% current rent arrears to rent debit	2.8%	1.89%	N/A		
Voids as % of rent debit	0.9%	1.23%	N/A		
Percentage of customers satisfied with condition of property - GN	86%	75.73%	N/A		
Average re-let time (calendar days) - GN only	15 days	7.9 days	21.9 days		
Percentage of dwellings that are vacant and available to let - GN & HfOP only	0.62%	0.25%	0.7%		
Percentage of customers satisfied with condition of property - HfOP	90%	96.77%	N/A		
Average re-let time (calendar days) - HfOP only	30 days	27.50 days	N/A		
Average re-let time (calendar days) - GN & HfOP	20 days	10.72 days	26.85 days		
Percentage of properties accepted on first offer - GN & HfOP	75%	88.41%	59.98%		
Average expenditure on void repairs - per property (Direct costs excluding labour)	£1,500	£1,213	N/A		
Neighbourhood and Community KPIs					
Overall satisfaction with estate services	90%	85.39%	82.58%		
Percentage of closed ASB cases that were resolved	90%	79.51%	89.83%		
Percentage of customers satisfied with the way their ASB complaint was dealt with	80%	87.77%	N/A		
Value for Money KPIs					
Total staff turnover	10%	8.98%	18.1%		
Average working days lost due to sickness absence	10 days	11.18 days	9.49 days		
% staff appraisals carried out within target timescales	90%	98.31%	N/A		
Governance and Financial Viability KPIs					
Financial Viability - Asset Cover Ratio	110%	136%	N/A		
Financial Viability - Net Income and Expenditure : Total Interest	108%	125%	N/A		
Financial Viability - Net Operating Cashflow : Total Interest	167%	172%	N/A		
% Board Attendance at Meetings	82%	85.44%	N/A		
Average debt per unit	£30,494	£29,412	N/A		
** Benchmarks based primarily on HouseMark KPI information 2011-12					
Key to Performance Rating					
Excellent	Good	Satisfactory	Below Average	Poor	Unsatisfactory

Operating and Financial Review (continued)

Risks and Uncertainties

The Group continues to retain specialist Risk Management advisors Hargreaves Risk & Strategy (HRS) to independently review the appropriateness of the organisation's identification and assessment of risk, including an annual audit/benchmarking exercise to ensure the Group has effective risk controls in place to mitigate against risks identified.

HRS also provides the Board and Senior Management team with monthly updates specifically related to risk issues faced by the Social Housing sector, thereby ensuring risk awareness is kept in the forefront of Members/Staff's minds'.

From an operational perspective 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 reported to the Board quarterly. These reports include assessments of key controls used to manage the risks, together with action taken to manage the risks, including assessments of key controls, and the outcome of any action taken.

In addition to this the Group's 3-year Internal Audit Plan (2014-2016), approved by the Group's Audit & Risk Committee, included an annual audit on the higher risks faced by the Group, ensuring key controls are in place and operating effectively, thereby mitigating strategic and operational risk as far as possible.

The major risks to successful achievement of the group's objectives going forward are considered in the table below;

Risk	Controls
<p>Strategy Failure to ensure that SVHS follows a clear strategic direction, set by the Board</p>	<ul style="list-style-type: none"> • To ensure that the Board has appropriate information to effectively monitor and govern the implementation of the corporate plan <ul style="list-style-type: none"> ❖ Board Review ❖ Executive Review ❖ Operational Team Review
<p>Regulatory Compliance Failure to have effective governance arrangements in compliance with national standards</p> <p>Failure to meet national / local standards for Value for Money including both economic and social value</p> <p>Failure to achieve / maintain a positive Regulatory Judgment from the HCA</p> <p>Failure to ensure the Society complies with its health and safety responsibilities</p> <p>Performance failures in services to our customers would affect our rating with the regulator and our reputation in the sector</p>	<ul style="list-style-type: none"> • To ensure the Board has the appropriate structure, skills and processes in place to function effectively • To ensure that the Board is provided with appropriate supporting information and guidance • maintaining regular contact with the New Futures Partnership on the Group's development programme • monitoring progress of schemes under development, with regular meetings with contractors <hr/> <ul style="list-style-type: none"> • To establish and manage a Value and Efficiency Strategy which aims to improve efficiency and productivity and helps to develop a culture of V&E within SVHS • To ensure that the progress against V&E targets are regularly monitored and benchmarked appropriately <hr/> <ul style="list-style-type: none"> • To ensure that all regulatory returns are completed accurately and in a timely manner and clearly demonstrate the achievements of SVHS • To work closely with the HCA to ensure that they are kept informed of changes in SVHS's financial position <hr/> <ul style="list-style-type: none"> • To ensure that the Health & Safety policy is effectively implemented and supporting actions are implemented appropriately • To ensure that the Gas Safety regulations policy is effectively implemented and supporting actions are implemented appropriately • To ensure that the Group's approach to managing COSHH (incl. Asbestos) is implemented effectively • To ensure that the Group's approach to managing Fire Risks and Safety Hazards are implemented effectively <hr/> <ul style="list-style-type: none"> • regular customer satisfaction surveys carried out and performance monitored

Operating and Financial Review (continued)

Risks and Uncertainties (continued)

<p>Environment Failure to effectively monitor, anticipate and respond to changes in the external environment - e.g. Changes to Housing Benefit: Changes to Target Rent Framework (2015-16) (RPI+0.5%)</p>	<ul style="list-style-type: none"> To ensure that staff have the relevant skills and information to effectively monitor changes in the external environment and there are processes in place to act upon these
<p>Financial Viability Failure to ensure financial viability including compliance with loan covenants</p> <p>Failure to raise sufficient finance at planned costs to provide development and working capital and meet business plan commitments</p> <p>Failure to collect budgeted Social Housing rental income and service charges due to bad debts greater than planned due to impact of Welfare Reform (Bedroom Tax and Universal Credit)</p> <p>Cost of employer's pension contributions greater than planned</p> <p>Failure to deliver the planned development programme, achieving compliance with regulatory requirements, the terms of the Delivery Agreement with the HCA and high levels of customer satisfaction, within agreed resources</p>	<ul style="list-style-type: none"> To ensure that the Treasury Strategy is implemented and monitored effectively. To rigorously monitor the performance against the Group's loan covenants each month; and report them to the Group's Board on a quarterly basis To regularly review the business plan to ensure that the Group has adequate resources to deliver committed activities and development To ensure that the organisation's financial capacity is not adversely impacted by changes in business plans <hr/> <ul style="list-style-type: none"> To ensure that processes for monitoring changes in the cost of borrowing are implemented and information is readily available. To establish close relationships with lenders and provide them with accurate information as necessary To ensure there is regular communication with lenders to maintain strong working relationships To negotiate new facilities well in advance of need <hr/> <ul style="list-style-type: none"> To ensure that the Income Management function has the appropriate staff, processes and information to efficiently collect revenue (includes P&P). To regularly monitor the effective performance of the Income Management function. To ensure that tenants have up-to-date information and a variety of options for payment <hr/> <ul style="list-style-type: none"> To monitor the valuation of the future pension contribution liabilities and to have these regularly reviewed by the Audit & Risk Committee <hr/> <ul style="list-style-type: none"> To ensure the Group's development programme is monitored on an on-going basis
<p>Non-Social Housing Activities Failure to make the expected financial returns from non-social housing activities (incl. student accommodation, market rents)</p>	<ul style="list-style-type: none"> To ensure that non-core activities are regularly monitored against established budgets within strict exposure limits and the Group has the skills and systems in place to effectively manage them
<p>Performance Failure Failure to prevent or recover quickly from disasters affecting the housing stock</p> <p>Failure to prevent or recover quickly from disasters affecting the offices, infrastructure or working population</p>	<ul style="list-style-type: none"> To ensure that appropriate mechanisms are in place to identify and manage potential disasters affecting housing stock <hr/> <ul style="list-style-type: none"> To ensure that the Business Continuity Plan is effectively reviewed, implemented and monitored. To ensure that appropriate safety systems and processes are in place (i.e. Fire systems, COSHH), regularly monitored and staff responsibilities are clearly understood

Operating and Financial Review (continued)

VFM Self-assessment Statement

In accordance with the requirements of the HCA's Economic Regulatory Standard the Group has published its Value for Money Self-Assessment Statement on the website and can be found [here](#). Additionally, the dashboards, linked below, demonstrate VFM efficiencies linking back to their corporate objectives and goals as well as to the resources used to produce the positive outcomes for customers reflected in those dashboards, thereby making it transparent for the Group's Customers, its Staff, and the Regulator alike, that the Group is maximising the use of resources at its disposal.

Finance

The Board approved challenging budgets for the year to ensure not only compliance with the funders' covenants but also to ensure future long term sustainability of the business while meeting customer service levels and requirements. When the budgets were approved, the targeted requirements to meet the financial covenants were at a higher level than after they were revised following the successful refinancing arrangement. That said the Society successfully met and exceeded the original covenant requirements thereby comfortably meeting the revised covenant requirements. A full breakdown of the new financial arrangements is discussed in more detail under Capital and Structure.

The RPI inflation rate for September 2012 was 2.6%. This, combined with a real increase in rents of 0.5%, plus the positive effect of rent convergence for tenancies where rents were still increasing to "target rent" (calculated in accordance with the HCA guidance on rent restructuring) ensured the Group's overall turnover increased by £1.4m to £18.8m (2013: £17.4m). The non-social housing income also increased with good sales growth resulting from the decision to outsource the market rent portfolio.

Expenditure remained high during the year, with operating costs increasing mainly as a result of; the senior management changes being accounted for in the year, the re-financing project (albeit the total cost of the project are being amortised over ten years) and the refurbishment of the market rented properties which will ensure a good sustainable income. Finally, the organisation also invested in the necessary refurbishment of its head office.

The net result is that the Group is pleased to report a healthy operating surplus of £6m (2013: £5.4m), After accounting for the effect of the Group's investment in development and financing costs the surplus on ordinary activities before tax was £671k (2013: £197k). Taken together with the effect of a further increase in the Group's pensions scheme liability provision of £393k (2013: increase of £665k), the Group funds deficit position improved marginally to £27.6m (2013: £27.9m).

VFM Self-assessment of Finance

As part of the Group's annual VFM Self-assessment a detailed analysis of its Finance activity can be viewed in the Finance Activity Dashboard at [Finance](#).

This dashboard, as with all of the Group's activities considered later on in this Operating Review, looks at resources used (Inputs); Performance Indicators (Outputs); Benefits for Customers, the Group itself, and the wider community (Outcomes).

ICT

The effective use of technology is key to enabling the Group to realise efficiencies, either through improved services for customers, reducing staff administration time, enabling additional services to be offered to those same customers.

During 2013-14 several new technological projects were completed to enable it to move forward in this regard. These linked to the overall objectives of the Group. They included;

- Orchard Housing Management System Review - increase the value that the Group currently gets from its "core system" investment
- Complaints Workflow – built into our main system, reducing administration while improving visibility within the business.
- CRM – Improve internal processes and accountability. Allow management of demand and service provision.
- Steering Group - Formation of a cross departmental group to agree and have input into Technology decisions.
- Shared Services - Continue exploring opportunities to work with other housing associations to facilitate services that cannot normally be offered without incurring extra costs
- Hybrid Printing - to drastically reduce the amount of printing and mailing currently performed "in house"

In addition to completing these projects the ICT team resolved 93% of all helpdesk calls within target (2013: 93%), a high percentage of these being resolved "Right first time".

Our system uptime has improved to 98%, meaning less unproductive time due to system issues.

We have recently had an external audit of our ICT Service management compliance against the ISO/IEC 20000-2005 standard, which showed a significant improvement from 34% (in 2010) to 81%.

VFM Self-assessment of ICT

As part of the Group's annual VFM Self-assessment a detailed analysis of its ICT activity can be viewed in the ICT Activity Dashboard at [Information and Communication Technology](#).

Operating and Financial Review (continued)

Staff

Turnover

The Board recognises that the success of the Group's business largely depends on its staff. They also understand the need to get the balance right between retaining expertise within the current staff and recruiting new people who have the skills and experience to take the business forward. Staff turnover, as at the end of March 2014, was 8.98% (2013: 4.86%). This was calculated as "Number of Leavers per month divided by the Total Number of Staff". This figure is below the target set of 10%, and also 12.5% which is the CIPD Annual Turnover statistical measure.

Sickness Absence

Sickness levels, as at the end of March 2014, were 11.2 days, slightly above target set at 10 days (CIPD: 9.49 days). This includes both short and long-term sickness. It was a key aim to review the Group's Sickness and Absence Policy towards the end of 2012 and to implement the new policy and process in 2013. The Group's Management team, together with the Staff Consultation Group, were involved in agreeing the new principles and the Group has now uses the Bradford Factor to help monitor and manage sickness absence.

Appraisals

The Group's Staff Appraisal system, previously a labour-intensive paper-based solution, has now been replaced by the "Clearview Personal Performance Module". At the same time as implementing this change the opportunity was taken to introduce a "Competency based appraisal". A comprehensive set of competencies that supported the Group's overall business vision was developed by the Group's Managers' Group and used for the first time in the March 2013 Annual Staff Appraisals.

The new system has provided the Group with;

- A Performance Management Framework which links clearly to the Corporate Objectives and Goals of the Group
- A consistent approach towards rating Individual Staff and Team Performance
- Transparency that links to and supports the Group's Remuneration Strategy in terms of annual pay
- A Corporate Training Plan that will ensure all staff have the appropriate skills and expertise to carry out their role efficiently and effectively in relation to the organisation's Corporate Plan

Pensions

The Group participates in two final salary pension schemes, the Gloucestershire County Council Pension Fund (GCCPF) administered by Gloucestershire County Council (GCC); and the Social Housing Pension Scheme (SHPS) administered by the Pensions Trust.

Details are shown in Note 7 to these accounts.

Due to the escalating costs and increasing longer-term liabilities of pension fund deficits that is impacting upon the majority of housing associations and the wider business community, the Board has tasked Audit Committee to recommend an appropriate future Pensions Strategy for the Group. This is to ensure that the Group's Pension Strategy is both affordable and that it offers pension benefits to staff that are in line with the current housing association industry best practice. The Board have ensured that staff are closely involved in the Pensions Review process being conducted by Audit Committee. The review started in January 2013 and was completed in October 2013, with proposed changes to the current Pensions Strategy submitted to the Board.

VFM Self-assessment of Human Resources

As part of the Group's annual VFM Self-assessment a detailed analysis of its Human Resources activity can be viewed in the Human Resources Activity Dashboard at [Human Resources](#).

Development

During 2013-14 the Group increased its stock by adding 83 new units. 30 of these properties were designed and built by the Society with grant subsidy from the Homes and Communities Agency (HCA), 52 were secured through planning agreements (Section 106) with a further 1 unit being secured through the government's Mortgage Rescue scheme.

The Society received £261k of grant funding from the HCA of which £187k was from the 2011-2015 Affordable Homes Programme in respect of new and completed developments and £74k being received in respect of the Mortgage Rescue property.

All of these new homes transferred into management during the year, 43 into Social Housing, 19 into Affordable Rent, 1 into Intermediate rent, 9 into Shared Ownership and 11 being managed as Market Rents.

This exceptional amount of "Unplanned Income" was undoubtedly achieved due to the expertise of the Group's Development Team and their colleagues at lead investment partner New Futures, working effectively with the HCA, to deliver an efficient social housing development programme.

The Group's Development Team also provides development services to other Registered Providers that include GRHA, CHS and WHA. This function is carried out within the team's existing capacity and generates Agency fees for the Group.

We have boosted our funding to £125 million through two new successful financing deals. This funding will allow us to develop over 160 additional new homes for future customers.

Operating and Financial Review (continued)

VFM Self-assessment of Development

As part of the Group's annual VFM Self-assessment a detailed analysis of its Development activity can be viewed in the Development Activity Dashboard at [Development](#).

Environment

Homes developed by the Group for Target Rent and Affordable Rent tenures will be compliant with the Design and Quality Standards which include the Code for Sustainable Homes Level 3; this is a requirement of the HCA in order to apply an Affordable Rent. All remaining tenures developed by the Group in the future will be built to the current Building Control Regulations.

Customer Service

The Group has strong policies and procedures combined with new initiatives that will help ensure it continues to deliver efficient customer service.

During the last twelve months the Contact Centre has continued to be developed to provide a more holistic service to customers with the aim of resolving a wider range of enquiries at the first point of contact, The range of tasks dealt with at the first point of contact includes;

- Diagnosing and appointing repairs
- Taking rent payments and dealing with rent enquiries
- Processing "Self Service Portal" enquiries
- Arranging gas maintenance & servicing appointments
- Answering general letting enquiries
- Logging complaints, comments and compliments
- Making gas servicing appointments
- Processing HomeSwapper registrations

This has been achieved through introducing efficient processes, effective training, all supported through new technology. This provides more efficient customer service delivery and enables the Group to achieve its lowest ever percentage of telephone calls abandoned; 11% (Target 10%).

With the Contact Centre picking up these activities, it has freed up capacity in the respective operational teams. Plans are in place to develop the role of the Contact Centre still further during 2014/15, which should similarly result in more efficiencies.

Customer Satisfaction

The Group has a comprehensive approach for capturing customer feedback, which includes a range of regular telephone and paper based satisfaction surveys. These cover all key areas of service delivery.

The Board monitors five key indicators through the Group's Balance Scorecard on a quarterly basis. These are;

- % of customers overall satisfied with services – 93.67% (2013: 92.79%)
- % of customers satisfied that their views are listened to and acted upon – 83.06% (2013: 83.13%)
- % of customers satisfied with Planned Repairs – 95.56% (2013: 97%)
- % of customers satisfied with Responsive Repairs – 95.22% (2013: 96.74%)
- % of customers satisfied with the quality of their accommodation – 88.86% (2013: 88.7%)
- % of customers satisfied with Estate Services – 85.39% (2013: 85.71%)

Customer satisfaction is broadly in line and consistent with 2012/2013, despite the challenges the sector and our customers have faced due to welfare reform.

Other services are monitored for customer satisfaction; the results are shown below;

- % of customers overall satisfied with the adaptations service – 92.94% (2013: 94.19%)
- % of customers overall satisfied with the helpline service – 100% (2013: 96.47%)
- % of customers overall satisfied with the letting service – 93.94% (2013: 95.98%)

Working with Acuity Research the Group conducted a strategic and operational review of customer satisfaction surveys, which has resulted in a more streamlined and focused approach, and also reduced the cost of this function by approximately £18,795. A case study was published on this project.

The Group has successfully implemented Phase 1 of its Customer Relationship Management (CRM) System. This will provide the foundations that will enable staff across the operational areas to provide a holistic and consistent service. Orchard Information Systems have published a case study on this work. This will be complemented by Electronic Document Management and Community Action Solution in 2014/2015, which will centralise all forms and types of customer contact. The Group has successfully used its influence at user group level to influence the redesign of Orchard Information Systems Customer Dashboard, which will have saved The Group £10,000 in development costs.

Operating and Financial Review (continued)

Customer Complaints

The Group's Complaints Procedure has embedded well across the organisation and this is demonstrated by the number of formal complaints recorded throughout the organisation. The Group maintained its record of no maladministration identified from the Housing Ombudsman, which reflects the robustness of the procedure and the decision making of investigating and reviewing officers. During 2013/2014 one complaint was referred to the Housing Ombudsman and a decision is still outstanding from the Housing Ombudsman Service. The outcome is not expected to be known until October 2014.

The quality of case management has seen a significant improvement when compared to cases recorded in previous years. This is supported by independent quality checks carried out by the Customer Complaints Audit Panel, an independent group of customers that sample a number of cases on a quarterly basis.

To help ensure complaints remain a visible priority, the Group is chaired by a Customer Board Member. The Groups complaint panel received complaint panel training from HQN. The Chair of the Complaints Panel was shortlisted for a TPAS award.

In November, The Group successfully implemented complaints workflow, which helps to automate the procedure and provide a consistent framework for case management.

Average amount of compensation paid per case is below the benchmark norm for the sector. The Group follows a Customer Approved Compensation Policy, and advice and guidance from the Housing Ombudsman Service.

The number of stage 1 complaints upheld/partially upheld, is below the HouseMark benchmark. However, time taken to respond to complaints within the published target timescales was 8.32% off target, but the implementation of workflow will help the central complaints team to effectively monitor this in the future.

During 2013/2014 the Group noticed a dip in customer satisfaction with complaint handling and outcome, and so commissioned The Groups Customer Consultative Group, who completed a research project and presented back findings and recommendations to staff involved with complaint investigations.

Whilst the Group are keen to use HouseMark's benchmarking tools, The Group identified validation issues with data supplied by other landlords regarding two performance indicators; satisfaction with handling and outcome. The Group made HouseMark aware and they will be resolving this matter before 2014/2015 and contacting those landlords affected.

There were 140 formal complaints made during the year. Of these 115 were Stage 1; 21 were Stage 2; and 4 were Stage 3. The highest number of complaints received relate to Response Repairs, which is consistent across the Social Housing Sector. The number of complaints received is comparable with landlords of a similar size to Severn Vale. This is a slight overall reduction in the number of complaints received compared to 2012/2013. The biggest reduction has been with the number of complaints escalated to stage 3.

Not wishing to rest on its laurels the Group is planning further Complaints Process Improvements during 2014/2015. This will focus on;

- Continue to identify opportunities for learning
- Staff involved with complaints to complete Housing Ombudsman eLearning
- HQN Manager Investigation training
- Development of a "Learning from Complaints" performance indicator within the customer service scorecard
- Increased "Complaints Benchmarking" through HouseMark
- More detailed performance analysis and reporting following the introduction of workflow

VFM Self-assessment of Complaints & Compliments

As part of the Group's annual VFM Self-assessment a detailed analysis of its Complaints & Compliments activity can be viewed in the Complaints & Compliments Activity Dashboard at [Complaints and compliments](#).

Marketing & Communications

Effective communication to customers and other stakeholders has become a core part of the Group's work. The implementation of the Group's overarching Communication Strategy has commenced, which has resulted in the following outcomes so far;

➤ Public Relations

Over the past twelve months the relationship with the local media has developed positively, which has helped to raise awareness to customers and other stakeholders of the organisation's achievements. The Group has generated over £10,000 worth of free publicity

A total of 60 articles were published throughout 2013/2014

Advertising Value Equivalent (AVE) measures the perceived value of editorial publicity. AVE is calculated by multiplying the coverage dimensions by the respective media advertising rates. During 2013-14 the Group had an AVE of over £10k for editorial print.

Over the next 12 months the PR team will continue to develop the Group's relationships with journalists and actively send press releases through to the various media channels.

The Group has successfully handled several high profile PR matters such as the retirement of the CEO, the 'Heather Frost/eco mansion'

➤ Social Media

The Group's Social media activities continue to grow with increased numbers of Facebook 'likes' and Twitter 'followers'. LinkedIn has proved successful for staff recruitment and is now a core element of advertising roles.

Our social media channels provide us with the following benefits;

Operating and Financial Review (continued)

- ❖ Free communication channel to customers and community partners, reducing phone calls, emails and other forms of communication
- ❖ Open conversation on our timeline with customers answering each other's enquiries, reducing staff involvement and possibly reducing calls into the Group's Contact Centre or housing officers
- ❖ Improved relationship with partners, sharing posts, photos and comments
- ❖ Real-time communication to enable the Group to get "the message across" quickly where necessary
- ❖ Increased awareness and recognition of the Group's brand within the housing sector, for example joining online conversations at the TPAS awards

With maintained promotion through 24/Severn, the Group's website and other channels, the organisation will aim to continue to grow its "Social Media Community", encouraging customers to "like" its Facebook page, stakeholders to join its Twitter page and identify further ways to utilise LinkedIn and YouTube.

The Group will also continue to develop its relationships with community partners, sharing articles and events to widen the organisation's exposure in the region.

➤ External Communications Review

The Group external communications review is still on-going with notable successes such as the re-branding of the helpline alarm services

➤ Benchmarking

Over the next 12 months the Group will explore ways of benchmarking the Group's Marketing and Communications function against comparable landlords.

The Group has ambitious plans for 2014/2015 around the website, self-service portal and developing a customer App. The Group will also be undertaking 'crisis comms' training for key senior staff, stakeholder perception survey and stakeholder analysis

VFM Self-assessment of Customer Service, Marketing & Communications

As part of the Group's annual VFM Self-assessment a detailed analysis of its Marketing & Communications activity can be viewed in the Marketing & Communications Activity Dashboard included in [Customer Service and Communications](#).

Asset Management

Planned Maintenance

The Group uses the Keystone Asset Management system to profile and manage its 40-year planned maintenance programme. This enables it to have greater control over the upkeep of its housing stock.

A 5-year Stock Condition Survey is currently in progress and the percentage of these surveys completed at the end of March 2014 was 80%. Stock condition surveys have been carried out on communal blocks, sheltered schemes and universities and the data has been uploaded into keystone. This will allow these areas to be part of future planned programmes.

These in-house surveys continue to be subject to independent assessment (on a 20% sample survey basis) by external consultants (Faithorn Farrell and Timms). Their audit report return is showing positive trends with the surveys undertaken to date. The Keystone stock database will be subjected to an independent audit on a biannual basis to provide confidence in the data held within Keystone.

The team have not only used the SAP ratings of properties of under 40 or EPC banding of E-G but also looked at properties that have no heating. A series of works have been carried out including loft and cavity wall insulation, external wall insulation, and the replacement of the un-insulated mansard and roofing to non-traditional properties.

The Group's Resident Inspectors' Group (RIG) continues to develop and the group have visited a number of housing exhibitions to gain further knowledge on product availability.

The team currently use procurement advisor for termed contracts and have tendered for contract works including contracts such as painting; window replacements and external door replacements

The Planned Maintenance budget for 2013-14 was £2.426m (2013: £2.874m) the final out-turn spend of £2.474m, which included "void works outside the survey" of £257k.

VFM Self-assessment of Planned Maintenance

As part of the Group's annual VFM Self-assessment a detailed analysis of its Planned Maintenance activity can be viewed in the Planned Maintenance Activity Dashboard at [Planned Maintenance](#).

Response Repairs

Performance against the "Repairs Completed on Time" indicator for 2013-14 was 88.5% (2013: 87.74%), which was below the target set by the Board of 90% (2013: 85%). During the year the repairs team have been able to monitor the operatives whilst out on site and assess capacity within the team to ensure full utilisation and reduce the repairs issued to contractors.

Operating and Financial Review (continued)

Since the Connect appointment and scheduling implementation the repairs team has reviewed and assessed the current processes and made refinements to the system. This has included the feedback from the operatives.

Following on from implementing the Connect appointment and scheduling system for repairs this has now been expanded to pre-inspections. Pre-inspections are now raised through the Connect system. The contact centre can appoint the pre-inspection at the first point of contact with the customer. The pre-inspection is then updated whilst on site and the information is sent back to the office in real time. This means the repairs team in the office can raise further works if needed and appoint the job. This has also reduced the amount of paper used. Operatives can also request pre-inspections whilst on site which has reduced the number of telephone calls and complaints

The Repairs service has been able to report on "Right First Time" repairs which was below target at 80.4 (Target: 85%) (2013: 85.8%) and "Appointments made and kept" which again was above target at 97.2% (Target: 90%) (2013: 92%).

Customer satisfaction still remained consistent at 95.2% (2013: 96.74%) which was slightly above target (Target:95%)

With the Connect system the repairs team have been able to not only provide the Board with high level performance but operationally been able to look at individual and team performance. This has been used in team meetings and in performance meetings to discuss areas of improvement.

The repairs service has also had a Value for Money review carried out which has been used to support and develop the service improvement plan for 14/15.

VFM Self-assessment of Response Repairs

As part of the Group's annual VFM Self-assessment a detailed analysis of its Response Repairs activity can be viewed in the Response Repairs Activity Dashboard at [Repairs](#).

Response Repairs (continued)

Voids

268 voids were completed during 2013-14 (2013: 238) with an average spend of £1,908 per property (2013: £1,317). The majority of work is completed by the "In-house Voids team". Weekly meetings are held with the Lettings and Voids teams to discuss the void properties and prioritise the repairs. This ensures properties are being turned over quickly to meet demand.

Accompanied property viewings are carried out to agree the works with the Inspector to agree any works that can be carried out while the customer is living in the property.

An electrician is now dedicated to voids which allows flexibility within the team and reduces the use of contractors. The members of the void team have received training on how to lay vinyl flooring which will reduce the use of contractors.

In some cases "Decoration Packs" are used if this approach can be agreed with customers, thereby removing the need to use "In-house Voids team" to complete full decorations on the voids.

VFM Self-assessment of Void Repairs

As part of the Group's annual VFM Self-assessment a detailed analysis of its Voids Repairs activity can be viewed in the Voids Repairs Activity Dashboard at [Void Repairs](#).

Gas Servicing & Repairs

At 31 March 2014 gas services completed were at 99.81% (2013: 99.85%) which was marginally above the target set by the Board (99.8%). There were 3 properties outstanding at the year end. All 3 properties were under 2 months of being overdue. These properties had been appointed to be completed by the end of April 2014. The gas service team complete on average six services a day (2013: 6) however this is under review. The gas team now carry out bulk servicing on the sheltered schemes which allows the team to carry out up to 8 services a day.

VFM Self-assessment of Gas Servicing & Repairs

As part of the Group's annual VFM Self-assessment a detailed analysis of its Gas Servicing & Repairs activity can be viewed in the Gas Servicing & Repairs Activity Dashboard at [Gas Repairs](#).

Rent Losses from Voids and Bad Debts

The Group's target for the year was to keep rent losses below 0.90% of rental income receivable. The organisation experienced a high number of voids during 2013-14 (268), compared to 2012-13 (265). Restrictions to the Void Repairs budget resulted in slightly longer turnaround times than originally anticipated. At the year-end voids as a percentage of rent debit was 1.21% (2013: 0.97%).

The Group's Housing Manager carried out a Service Review of its Waiting List Management to see if there were any opportunities to make V&E improvements. As a result of this review it was decided to suspend use of the Group's own waiting list, preferring to use the "Choice-Based Lettings" systems operated by the relevant local authority housing departments.

Operating and Financial Review (continued)

This created increased capacity within the Letting team, enabling the Group to absorb increased workloads resulting from the Welfare Reform changes without increasing staffing resources within the team.

Looking forward, results of an "Asset Review" undertaken on Garage Stock will be used to plan a long-term approach to garage management, as the condition of the stock has led to decreasing revenue from rents charged.

Income Management

This has been the first year of some significant changes to Welfare Reform including the introduction of the Under Occupancy charge. We have concentrated on making our processes more efficient and introduced any day, any frequency direct debits that can be set up over the phone. This resulted in arrears stabilising after the previous year where arrears reduced significantly - these were 2.11% of debit against a target of 2.74%, a slight increase over previous years (2013: 1.98%). This consisted of current tenant arrears of 1.87% (2013: 1.81%) and former tenant arrears of 0.22% (2013: 0.15%).

The Business Plan target for 2013-14 is to manage total rent arrears within 2.44% of rental income; this not only takes account of a continued landscape of increasing hardship for our residents with regards to the Welfare Changes, but it also is driving performance improvements at the same time.

A review of the use of the IT systems has resulted in a more streamline process that has freed up additional time allowing our Officer to review and chase more cases. One aspect of the Welfare Changes is the higher number of cases 733 current arrear cases under £500 (2013:589) we have to deal with however this has been offset by the number of higher cases 17 cases owing over £2000 (2013:24)

VFM Self-assessment of Income Management

As part of the Group's annual VFM Self-assessment a detailed analysis of its Income Management activity can be viewed in the Income Management Activity Dashboard at [Income Management](#).

Anti-social Behaviour (ASB)

The ASB team dealt with 230 cases during 2013-14 (2013: 265). Satisfaction levels with the way ASB complaints were dealt with improved from 84% in 2012/13 to 88% in 2013/14, as a positive result of the implementation of the policy and procedure reviewed during the previous year. 21 cases remained on-going at 31 March 2014 (2013: 30).

In 2013-14 we have evaluated the ASB case management system and have opted to use Orchard Information Systems Community Action Solution (CAS). This went live for the ASB team on 10th September 2014 and training for the rest of the organisation will follow. This is complimented by ASB call handling joint training for the Customer Services and the ASB Team. During 2013/14 we have reviewed the Policies and Procedures relating to Mutual Exchanges to enable a more effective process which proactively enforces tenant responsibilities but also meets customer expectations. We also reviewed our permissions policy (including for instance pets, taking in a lodger, running a business from home etc. as part of our focus on proactive tenancy management.

We have also improved partnership working and communication between ourselves, the Police and the Local Authorities. We are also building our reputation in other areas such as Stroud and the Forest of Dean. A result of the new partnership work we trialled the use of the Council's legal team, this is a reduction of £80 per hour for each ASB legal action taken.

VFM Self-assessment of ASB

As part of the Group's annual VFM Self-assessment a detailed analysis of its ASB activity can be viewed in the ASB Activity Dashboard at [Anti-Social Behaviour](#).

Lettings

VFM Self-assessment of Lettings

In 2013-14 a new team structure was implemented, incorporating accompanied viewings and shared ownership to create a more flexible and responsive team maintaining high performance and increasing customer satisfaction. During this period the team allocated a total of 349 properties, 89.5% through Gloucestershire Homeseecker (CBL).

Void turnaround times remained well ahead of targets for the fourth year running:

- Housing for the Elderly - 27 days (target of 30 days)
- General Needs – 7.9 days (target 15 days)
- Combined – 10.7 days (target 20 days)

Turn around have consistently reduced from 14.6 days (Combined GN and HfOP) in 2011/12, 13.9 days in 2012/13 to 10.7 days in 2013/14.

Operating and Financial Review (continued)

A review of the open waiting list took place and a decision made to close it, retaining a transfer waiting list and therefore releasing time for the Lettings team to take on accompanied viewings and Shared Ownership, which has improved the properties accepted at first offer from 73% in 2012/13 to 89% in 2013/14. The Allocations Policy was reviewed with a new application form being devised giving the team more information about the customers financial situation, a rents vulnerability assessment being completed by the customer and the Lettings team so that assistance and support could be provided by accurate signposting to relevant SVHS departments or support agencies.

The Assisted Moves Policy was created and monitored throughout the whole of last year to ensure assistance was being provided to those customers wishing to downsize be it through the waiting list or by way of mutual exchange due to Welfare Reform changes. Shared ownership policies were written and processes created to ensure consistency and high performance. A Tenancy Policy was created providing information on all tenancy agreements currently used by the Society, especially with the introduction of the new fixed term affordable rent tenancy which has been used at new development schemes. End of Occupancy Policy and procedure was newly created again providing clear and concise guidance on how to end tenancies currently held with the Society.

Going forward all Local Lettings Plans will be reviewed to firstly establish whether or not they are still required in the particular areas and secondly to look at how effective they have been and the length of time they should continue for. A review of the Voids policy and procedure took place with further work continuing into 2014-15 to review the empty homes standard.

As part of the Group's annual VFM Self-assessment a detailed analysis of its Lettings activity can be viewed in the Lettings Activity Dashboard at [Lettings](#).

Grounds Maintenance

During 2012-13 the organisation carried out a VFM review of the grounds maintenance service to identify opportunities for improving the service to customers and increase efficiency. As a result the service was moved from The Tenancy and Estate Management team to responsive repair, in order to increase efficiencies by joint management of the Grounds maintenance in house team and the responsive repairs staff. An action plan is currently in development which is aimed at maximising the improvement opportunities identified.

VFM Self-assessment of Grounds Maintenance

As part of the Group's annual VFM Self-assessment a detailed analysis of its Grounds Maintenance activity can be viewed in the Grounds Maintenance Activity Dashboard at [Grounds Maintenance](#).

Elderly Services

This year the Elderly Services Team has worked closely with tenants to provide a Retirement Housing Service Standard. This Standard sets out what tenants can expect from the service provided to them. It details how the Scheme Manager will work with residents to make sure day to day living needs are met. Independent Living plans were created to monitor the help which is needed and provided to tenants from external agencies to successfully maintain their independence. The organisation engaged in a dialogue with the Health and Wellbeing Boards to establish opportunities to increase the Health and Wellbeing of residents in our communities, which will hopefully lead to tangible opportunities going forward.

Retirement accommodation remains popular, with void turnaround times at 25 calendar days (compared to a target of 30 days). The team will conduct a demographic profiling and future service provision needs assessment to ensure the service will continue to be delivered in line with business aspirations and customer needs.

VFM Self-assessment of Elderly Services

As part of the Group's annual VFM Self-assessment a detailed analysis of its Elderly Services activity can be viewed in the Elderly Services Activity Dashboard at [Elderly Services](#).

Customer and Community Involvement

During 2013-14, the Community Involvement Team has continued to support the business in ensuring customer views inform the decisions made about service delivery. A real focus this year has been on empowering customers to lead their own activities to improve service areas. Members of our Customer Consultative Group (CCG) and Retirement Forum received training in peer-to-peer consultations and used these new found skills to review the complaints handling process and laundry service provider for schemes. As a result of this work the CCG has presented their complaints findings to managers and influenced the type of contact made to complainants (less letters, more face to face or telephone). Following a programme of supplier interviews and discussions at scheme coffee mornings, the Retirement Forum has selected new suppliers for laundry equipment and even varied the service across schemes to reflect their individual needs. In addition the Forum has helped to shape a new set of service standards for elderly services team.

During the year 212 customers have been participated in regular, meeting based activities resulting in 12 significant changes to service influenced by their involvement. In addition to those mentioned above, these changes have included:

Operating and Financial Review (continued)

- Resident Inspector recommendations led to 2 changes to kitchen replacement programme – electric stop taps and cooker splash backs now fitted for all

- New antisocial behaviour awareness campaign in retirement schemes with a poster designed by tenants
- CCG telephone surveys to mutual exchange customers led to changes around where the paperwork is completed and when properties are visited during the mutual exchange process
- A brand new service standard was created for the elderly services team including formal processes for daily calls, health and safety and tenancy checklists – all designed in partnership with forum members from across our retirement schemes.

In addition to regular, more formal activities we have continued to seek and act on views from a wide range of customers through more informal methods. During the year 3072 customers completed telephone surveys with staff to share their views across a variety of services including grounds maintenance, gas servicing, communal cleaning, helpline service and more. The results of these surveys, together with complaints and compliments have helped our decision makers to prioritise service reviews. They also feed in to further customer involvement activities such as CCG led policy reviews and scrutiny exercises.

In response to the scrutiny panel review of customer involvement in 2012 the team have been working hard to reduce costs for involvement and focus efforts more on targeted activities that produce specific impacts.

VFM Self-assessment of Customer Involvement

As part of the Group's annual VFM Self-assessment a detailed analysis of its Customer Involvement activity can be viewed in the Customer Involvement Activity Dashboard at [Customer Service and Communications](#).

Community Development

This year, the focus for Community Development has been on supporting our staff and communities to cope with the welfare reforms experienced so far and to prepare for those to come. This has included:

- 'Cooking on a Budget' training in partnership with local children's centres
- Supporting customers with discretionary housing payment applications
- Showing staff, resident inspectors and customers how to save money on energy bills through tariff switching using the 'cheap energy club' tool. (Largest predicted saving of £360 per annum)
- Staff training from Severn Trent in ways to help customers save on water bills
- Working with financial support agency 'green square' to refer customers for one-to-one budgeting support.

We have rebranded our grant funding for community groups as the new 'Community Impact Fund'. Through this fund we have awarded £7000 of funding this year for 13 projects that benefit the communities we serve. 5 of these projects have supported youth activities, 3 have been aimed at building community spirit/cohesion, 3 have been for garden/nature related projects, 1 has helped a group with learning difficulties and 1 funded a local transition group tackling fuel poverty in a local area.

We have also been meeting our local offer promise to customers agreed last year in relation to offering garden assistance to customers who struggle to do this for themselves. In partnership with the local wildlife trust we have devised and launched a ground breaking 'Garden Mentors' project. The project was set up as a 2 year pilot costing SVHS just £5000 in the first year (match funded by the wildlife trust). Through the project, housing officers and community team staff at SVHS identify customers who are unable to maintain their garden. Customers are visited to assess their needs and then local volunteers are sought and trained as Garden Mentors. Mentors work with our customer and a helper from the trust to improve garden spaces, making them easier to maintain and better habitats for wildlife to flourish. During this first year the project has met its target to help 8 gardens and develop 15 volunteer mentors.

Continuing the gardening theme we have continued to grow our annual gardening competition for customers which this year had 17 entrants (5 more than the year previous). The competition has created enthusiasm in customers and rewarded those who look after their spaces. We have also supported a local environment charity with the development of a community garden in one of our most deprived neighbourhoods. Our support with promoting this project, funding water butts and youth created mural and assisting with external funding bids has contributed to the projects recent success in achieving £37,500 of external funding to continue to grow and develop the garden.

As a result of all of this environmental work and more, we were recognised by the Gloucestershire Wildlife Trust 'Nature Works' awards this year when they awarded SVHS with the prize for 'inspiring and educating about the natural environment'.

A final highlight of this year has been the growth of our efforts to support the digital inclusion of our communities following the data gathered in our 2012 STAR survey which highlighted that 51% of our customers did not have access to the internet. During the year we have continued to offer IT training to residents using the online 'learn my way' training tool. We have also developed a new internet café in Priors Park (our most digitally excluded community) where tenants and other local residents can come to get online support and free internet access.

Operating and Financial Review (continued)

VFM Self-assessment of Community Development

As part of the Group's annual VFM Self-assessment a detailed analysis of its Community Development activity can be viewed in the Community Development Activity Dashboard at [Community Involvement](#).

Other Housing Activities

Student Accommodation

The Group currently owns 282 Student units over four Student Accommodation blocks. These are let to local Universities as follows;

- University Of Gloucester - Ermin Hall, Denmark Road (86 units); Regency Hall, Cheltenham (100 units), St. Mary's (13 units - 35 Bed-spaces)
- University Of Worcester - Sansome Hall (83 units)

All 4 blocks are let on leases for varying periods up to 25 years, but each is subject to a break clause (i.e. "If either the Landlord or the Tenant shall desire to determine the term hereby granted and shall give to the other party not less than nine calendar months prior notice expiring on the tenth anniversary of the Commencement date of such desire then immediately upon the expiry...the tenant shall yield and deliver up the demised Premises with vacant possession and otherwise..."); the relevant dates for the breaks being;

- Denmark Road - Commencement Date 19th August 2005; Break clause 2015
- Regency Hall - Commencement Date 8th September 2006; Break Clause 2016
- Sansome Hall - Commencement Date 12th September 2008; Break clause 2018
- St Georges Place - Commencement Date 19th September 2008; Break clause 2019

Currently all schemes produce a healthy net income for the Group, after taking expenses such as repairs and refurbishment costs in to account. These are in line with the original approved business case.

During 2013-4 a project to review of the financial viability of the Group's Student Accommodation units was undertaken to ensure the financial risks are managed effectively should the Universities decide to exercise their break clause.

As part of the Group's annual VFM Self-assessment a detailed analysis of its Student Accommodation activity can be viewed in the Student Accommodation Activity Dashboard at [Student Accommodation](#).

Helplines

The Helpline Alarm Service continues to provide a service to the North Cotswolds and Tewkesbury Borough areas with 680 units in operation. We continue to build up relationships with external agencies such as GP's District Nurses and Village Agents to make sure that we have access into the community to provide this service to vulnerable people. Through the redevelopment of our literature and marketing we are also promoting the service as a short term option for people recovering from operations and illness.

As part of the Group's annual VFM Self-assessment a detailed analysis of its Helplines activity can be viewed in the Helplines Activity Dashboard at [Helplines](#).

Financial Position

The Group Income and Expenditure Account and Balance Sheet are summarised in Table 1 (Page 23) and the following paragraphs highlight key features of the Group's financial position at 31 March 2014.

Accounting Policies

The Group's principal accounting policies are set out on pages 32 to 34 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include the deduction of capital grant from the cost of assets, housing property depreciation and treatment of shared ownership properties. Each of these policies has remained unchanged during the period under review.

Housing Properties

At 31 March 2014 the Group owned 3,723 housing properties (2013: 3,655). The properties were carried in the balance sheet at cost (after depreciation and capital grant) of £86m (2013: £82m). The last professional valuation of these properties (completed by Savills) was completed as at 31 March 2014. There was sufficient asset cover to meet existing loan facility arrangements.

The Society's investment in housing properties this year was funded through a mixture of affordable housing grant, operating cashflow and loan finance.

Capital Structure and Treasury Policy

The Society took the opportunity to increase and to restructure its access to future funding requirements during 2013 -2014 to facilitate future development of social housing properties.

The new loan arrangements increased the finance capacity from £113m to £125m but involved some repayment and restructuring of the Society's debt with Lloyds Bank. The new arrangements with Lloyds involved a repayment of capital to leave

Operating and Financial Review (continued)

an outstanding loan facility with them totalling £90m. This comprised a fixed loan of £50m, two index linked loans to R.P.I. of £10m were retained and a revolving credit facility (RCF) of £20m was agreed.

This involved significant negotiations with Lloyds, around restructuring the existing fixed rate debt, including the callable loans. It was agreed that the indexed debt should remain in place unaltered, primarily due to the size of the break cost involved. With the indexed linked loans remaining unaltered, the new facility would be a revised £50m 20 year fix at a rate of circa 6.15% pre margin.

A capital repayment profile for the £50m fixed rate tranche was agreed. There will be no capital repayment requirements for 5 years but thereafter £3m per annum will be required to be repaid on the fixed rate debt for 15 years, leaving a single bullet requirement of £5m at year 20.

The two existing indexed loans are repayable in 2034 and 2035 respectively at £10m each and these repayment dates will be maintained.

In addition, the RCF will become repayable in full on the 10th anniversary in 2023.

As well as maintaining its long term relationship with Lloyds the Society went to the bond market and secured £35m of new funding for 30 years from the pension fund of British Aerospace (BAE). The Private Placement was priced on 29 November 2013 at 5.25%. The structure of the placement involved 5 annual capital repayments of £7m each commencing in 2039 through to 2043.

In return for this the Society would no longer need to seek annual approval of its business plan, it released the Society to seek alternative finance from other providers after four years should it so wish and revised covenants which focus on asset cover, debt per unit and operating income to interest cover was revised. The same covenants were agreed with both funders which assists the society in its management of the financial aspects of the business.

Cashflows

Cash inflows and outflows during the year are shown in the Consolidated Cash Flow Statement (page 30)

Although the cash decreased by £2 million in the year, the Society continued to fund its development programme investing £6.5m for new homes and completed a major re-financing project in addition to expenditure to improve longer term return on assets. Utilisation of the cash balances in hand (2013 of £2.3m) and the cash inflow from operating activities of £7m (2013: £7.9m), sale of properties of £828k (2013 £585k) meant that the Society needed to draw £2.25m from its loan facility.

However the Group continues to reap the benefit of investment in its development programme as operating revenues benefit from the net income generated by new schemes. The Group's indebtedness was £109.5m at the end of the year (2013 £107.25m).

Future Developments

A key influence on the timing of borrowings is the rate at which development activity takes place. The Board has approved plans to spend £7.4m during the next financial year to develop affordable housing, which will be financed from new borrowings operating cashflow and affordable housing grant.

Statement of Compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in the SORP 2010.

Operating and Financial Review (continued)

Table 1 - Group highlights, five-year summary

For the year ended 31 March	2014	2013	2012	2011	2010
	£'000	£'000	£'000	Restated* £'000	£'000
Group income and expenditure account					
Total turnover	18,819	17,448	16,952	15,200	16,333
Income from lettings	15,904	14,948	14,023	13,193	13,185
Other income	2,557	2,418	2,614	1,891	4,333
First tranche shared ownership sales	358	83	315	115	NA
Operating surplus	6,042	5,425	4,043	3,785	3,875
Deficit for the year transferred to reserves	671	197	(213)	(506)	(497)
Group balance sheet					
Housing properties, net of depreciation	102,968	98,919	94,710	92,370	87,166
SHG and other capital grants	(16,990)	(16,816)	(16,537)	(16,409)	(14,703)
Housing properties, net of depreciation and grants	85,978	82,003	78,173	75,961	72,463
Other fixed assets	1,872	1,941	2,032	1,990	1,857
Fixed assets net of capital grants and depreciation	87,850	83,499	80,205	77,426	74,320
Net current assets/(liabilities)	(2,134)	(477)	1,643	(487)	(1,266)
Total assets less current liabilities	85,715	83,467	81,848	77,464	73,054
Loans (due over one year)	109,500	107,250	105,750	101,000	96,100
Other	275	258	206	185	139
Pension liabilities	4,279	3,884	3,349	2,809	5,720
Reserves					
: restricted	-	-	-	-	-
: revenue	(27,646)	(27,910)	(27,457)	(26,530)	(28,905)
: total	(27,646)	(27,910)	(27,457)	(26,530)	(28,905)
Total loans, pension liability and reserves	85,408	83,482	81,848	77,464	73,054
Accommodation figures					
Total housing stock owned at year end (<i>number</i>)					
Social housing	3,358	3301	3,282	3,248	3,222
Non-social housing	365	354	344	348	333
Statistics					
Growth/(reduction) in revenue	6.31%	4.38%	11.5%	(4.49)%	5.98%
Surplus/(Deficit) for the year as % of turnover	3.57%	1.13%	(1.26%)	(3.33%)	(3.10%)
Surplus/(Deficit) for the year as % of income from lettings	4.22%	1.32%	(1.52%)	(3.84%)	(3.77%)
Rent losses (<i>voids and bad debts as % of rent and service charges receivable</i>)	1.87%	1.70%	1.42%	1.61%	2.14%
Rent arrears (<i>gross arrears as % of rent and service charges receivable</i>)	3.31%	2.33%	2.09%	2.23%	2.36%
Interest cover (<i>Operating surplus divided by interest payable</i>)	114%	106%	96%	94%	94%
Liquidity (<i>current assets divided by current liabilities</i>)	0.40	0.87	1.63	0.77	0.58

* The 2011 figures were restated for the change in the Group's accounting policy as a result of the adoption of component accounting. Prior period reported information was not similarly adjusted because the impact of the change was not deemed material by the Board

Statement of the responsibilities of the board for the report and financial statements

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

Industrial and Provident Societies legislation requires the Board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Industrial and Provident Society legislation the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Group and Society for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers Update 2010, have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Society and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002. It is also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware:

- there is no relevant information of which the Society's auditors is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and establish that the auditors are aware of that information

The Board is responsible for the maintenance and integrity of the corporate and financial information on the Group's website.

Independent auditor's report to the members of Severn Vale Housing Society Limited

We have audited the financial statements of Severn Vale Housing Society Limited for the year ended 31 March 2014 which comprise the Consolidated and Society income and expenditure accounts, the Consolidated and Society statements of total recognised surpluses and deficits, the Consolidated and Society reconciliation of movements in funds, the Consolidated and Society balance sheets, the Consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the society's members, as a body, in accordance with regulations made under Sections 87 and 98(7) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society'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 society and the society's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Board and Auditors

As explained more fully in the Statement of Board's Responsibilities set out on page 24, the board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. In addition, we read all the financial and non-financial information in the operating and financial review and Board Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Scope of the Audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Society's affairs as at 31 March 2014 and of the Group's and Society's income and expenditure for United Kingdom Generally Accepted Accounting Practice for the year then ended
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2012.
- have been prepared in accordance with the requirements of the Statement of Recommended Practice (SORP): Accounting for Registered Social Housing Providers

Matters on which we are Required to Report by Exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained; or
- the Society has not kept proper accounting records; or
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.



Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
22 September 2014

Consolidated Income and Expenditure Account

For the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Turnover	3	18,819	17,448
Operating costs	3	(12,777)	(12,023)
Operating surplus	4	6,042	5,425
Surplus on sale of housing properties through RTB and RTA	4,12	39	-
Interest receivable and similar income	5	5	5
Interest payable and similar charges	6	(5,303)	(5,131)
Other finance costs	7	(111)	(102)
Surplus on ordinary activities before taxation		672	197
Tax on surplus on ordinary activities	8	-	-
Surplus for the financial year	19	672	197

All of the above results derive from the continuing operations of the Group.

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

The notes on pages 32 to 50 form part of these financial statements.

Society Income and Expenditure Account

For the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Turnover	3	18,819	17,475
Operating costs	3	(12,777)	(12,023)
Operating surplus	4	6,042	5,452
Surplus on sale of housing properties through RTB and RTA	4,12	39	-
Interest receivable and similar income	5	5	5
Interest payable and similar charges	6	(5,303)	(5,131)
Other finance costs	7	(111)	(102)
Surplus on ordinary activities before taxation		672	224
Tax on surplus on ordinary activities	8	-	-
Surplus for the financial year	19	672	224

All of the above results derive from the continuing operations of the Society.

Historical costs surpluses and deficits were identical to those shown in the income and expenditure account.

The notes on pages 34 to 52 form part of these financial statements.

Statement of Total Recognised Surpluses and Deficits

For the year ended 31 March 2014

	Group		Society	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Surplus for the financial year	672	197	672	224
Actuarial gains and losses arising on pension scheme liabilities	(393)	(665)	(393)	(665)
Total recognised surpluses/(deficits) relating to the financial year	<u>279</u>	<u>(468)</u>	<u>279</u>	<u>(441)</u>

Reconciliation of Movements in Group's and Society's funds

For the year ended 31 March 2014

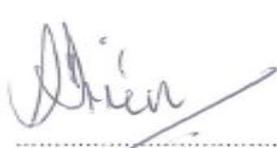
	Group		Society	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Opening total funds	(27,925)	(27,457)	(27,925)	(27,484)
Total recognised surpluses / (deficit) relating to the year	<u>279</u>	<u>(468)</u>	<u>279</u>	<u>(441)</u>
Closing total funds	<u>(27,646)</u>	<u>(27,925)</u>	<u>(27,646)</u>	<u>(27,925)</u>

Consolidated and Society Balance Sheets at 31 March 2014

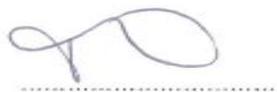
	Note	Group 2014 £'000	Society 2014 £'000	Group 2013 £'000	Society 2013 £'000
Tangible fixed assets					
Housing properties - gross cost	9	119,306	119,306	113,620	113,620
Housing properties - SHG	9	(16,990)	(16,990)	(16,815)	(16,815)
Housing properties - depreciation	9	(16,338)	(16,338)	(14,803)	(14,803)
		<hr/>	<hr/>	<hr/>	<hr/>
Housing properties		85,978	85,978	82,002	82,002
Head office building	11	1,565	1,565	1,609	1,609
Other tangible fixed assets	11	307	307	333	333
Investments in subsidiary	14	-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		87,850	87,850	83,944	83,944
Current assets					
Properties for sale	10	-	-	-	-
Debtors due within one year	13	915	915	765	765
Stocks		107	107	51	51
Cash at bank and in hand		383	383	2,387	2,387
		<hr/>	<hr/>	<hr/>	<hr/>
		1,405	1,405	3,203	3,203
Creditors: Amounts falling due within one year	16	(3,539)	(3,539)	(3,680)	(3,680)
		<hr/>	<hr/>	<hr/>	<hr/>
Net current assets / (liabilities)		(2,134)	(2,134)	(477)	(477)
		<hr/>	<hr/>	<hr/>	<hr/>
Total assets less current liabilities		85,716	85,716	83,467	83,467
		<hr/>	<hr/>	<hr/>	<hr/>
Creditors: Amounts falling due after more than one year	17	109,083	109,083	107,508	107,508
Net pension liability	7	4,279	4,279	3,884	3,884
		<hr/>	<hr/>	<hr/>	<hr/>
		113,362	113,362	111,392	111,392
Capital and reserves					
Revenue reserve deficit	19	(27,646)	(27,646)	(27,925)	(27,925)
		<hr/>	<hr/>	<hr/>	<hr/>
Group and Society funds		(27,646)	(27,646)	(27,925)	(27,925)
		<hr/>	<hr/>	<hr/>	<hr/>
		85,716	85,716	83,467	83,467
		<hr/>	<hr/>	<hr/>	<hr/>

The notes on pages 35 to 52 form part of these financial statements.

The financial statements were approved by the Board on 22nd September 2014 and signed on its behalf by:


 Hiten Patel
 Board Chair


 Jim Dickson
 Board Member


 Tim Knight
 Chief Executive

Consolidated Cash Flow Statement

For the year ended 31 March 2014

	Note	2014	2013
		£'000	£'000
Net cash inflow from operating activities	A		
		7,030	7,879
Returns on investments and servicing of finance			
Interest received		5	5
Interest paid		(5,636)	(4,688)
Net cash outflow from returns on investment and servicing of finance			
		(5,631)	(4,683)
Capital expenditure and financial investment			
Purchase of housing properties including capitalised improvements		(6,512)	(6,175)
Social housing grant received		174	278
Surplus on sale of housing properties through RTB and RTA		39	-
Payments to acquire other fixed assets		(184)	(217)
Sale of housing properties		828	585
Net cash outflow from capital expenditure and other financial investment			
		(5,655)	(5,529)
Net cash outflow before financing			
		(4,256)	(2,333)
Financing			
Housing loans received		2,250	1,500
Net cash inflow from financing			
		2,250	1,500
Decrease in cash in year	B		
		(2,004)	(833)

The notes on pages 34 to 53 form part of these financial statements.

Notes to the Consolidated Cash Flow Statement

For the year ended 31 March 2014

	2014		2013	
	£'000	£'000	£'000	£'000
(A) Reconciliation of operating surplus to net cash inflow from operating activities				
Operating surplus	6,042		5,452	
Depreciation charges	1,787		1,749	
Refinancing fees amortised	(693)		-	
Disposal of tangible fixed assets - housing properties	-		14	
Decrease / (Increase) in properties for sale	-		209	
Increase in debtors	(150)		(27)	
Decrease in creditors	(141)		690	
Increase in stock	(57)		24	
Loan interest Accrual	333			
Increase in Sinking Fund	18			
Pension operating costs	308		185	
Pension contributions paid	(417)		(417)	
	<u> </u>		<u> </u>	
		7,030		7,879
		<u> </u>		<u> </u>
(B) Reconciliation of net cash inflow to movement in net debt				
Cash at bank and in hand at start of year	2,387		3,220	
Cash at bank and in hand at end of year	383		2,387	
	<u> </u>		<u> </u>	
(Decrease) / Increase in cash in year		(2,004)		(833)
Cash inflow from increase in debt		(2,250)		(1,500)
		<u> </u>		<u> </u>
Change in net debt resulting from cashflows		(4,254)		(2,333)
Net debt at start of year		(104,863)		(102,530)
		<u> </u>		<u> </u>
Net debt at end of year		(109,117)		(104,863)
		<u> </u>		<u> </u>
(C) Analysis in changes of net debt				
		At 31 March 2014		At 31 March 2013
		£'000		£'000
Bank		383		2,387
Debt due after one year		(109,500)		(107,250)
		<u> </u>		<u> </u>
		(109,117)		(104,863)
		<u> </u>		<u> </u>

The notes on pages 35 to 53 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2014

1. Legal Status

The Society is registered under the Industrial and Provident Societies Act 1965 with the reference number 28557R and is registered with the HCA as a housing provider under reference L4171.

2. Accounting Policies

Basis of Accounting

The financial statements of the Group and Society are prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2010 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2013.

Basis of Consolidation

The Society is required to prepare Group accounts, which include the results of the Society and its subsidiaries Severn Vale Housing Properties Limited and Severn Vale Housing Association Limited.

Turnover and Revenue Recognition

Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. 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.

Housing Properties

Principally housing properties are stated at historical cost less depreciation. The cost of housing properties includes:

- Land acquisition costs
- Development costs
- Architects and other professional fees directly related to the acquisition and construction of properties
- Expenditure incurred in respect of improvements

Expenditure costs on schemes which are subsequently aborted are written off in the year in which it is recognised that the schemes will not be developed to completion. Schemes are classified in the relevant note as being 'completed' or 'under construction'. Schemes are transferred to "completed schemes" on practical completion and, where appropriate, when the final grant funding is due.

Works to existing properties are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised.

Shared ownership properties are included in housing properties at cost, less the first tranche sale proceeds and any provisions needed for depreciation or impairment.

Social Housing Grant

Social Housing Grant (SHG) is allocated by the HCA and utilised to reduce the capital costs of housing properties, including land costs. The amount of SHG is calculated on the qualifying costs of the scheme in accordance with the instructions issued from time to time by the HCA. Where developments have been financed wholly or partly by SHG, the cost of those developments has been reduced by the amount of grant received.

Where grants are received in advance they are carried forward as current liabilities to be matched against future capital expenditure as it is incurred. SHG receivable in respect of schemes under construction is included as a debtor in the financial statements. SHG receivable in respect of rent loss is disclosed within income from lettings.

SHG is repayable under certain circumstances, primarily following the sale of a property. SHG is normally available to be recycled and is credited to a recycled capital grant fund and included in the Balance Sheet under creditors.

Major Repairs & Planned Maintenance

Expenditure on housing properties which has resulted in an improvement which is additional to the existing structure or provides additional facilities, or which enables the Group to derive additional income from the property, is capitalised. Other major repairs are charged to the Income and Expenditure account in the year they are incurred.

Development administration expenditure is charged to the income and expenditure account in the year it is incurred. Expenditure on initial purchase of land and buildings is capitalised and disclosed as part of properties in the course of construction within the tangible fixed assets note.

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

Depreciation

Depreciation is provided for on a straight-line basis on the net cost of completed housing properties less the cost of the land. The group separately identifies the major components which comprise its housing properties, and charges depreciation so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful life. For housing properties, the cost is also net of SHG and other capital grants.

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on the asset cost less residual value on a straight-line basis over the expected economic useful lives of the assets at the following rates:

Properties:	Years
Structure	
Traditional General Needs Stock Built Pre-war	50
Non-Traditional Construction Units	60
Traditional General Needs Stock Built 1946-1964	75
Traditional General Needs Stock Built 1964-1980	100
Traditional General Needs Stock Built Post 1980	120
Student Accommodation	100
Roofs	60
Kitchens	20
Bathrooms	30
Windows	30
Heating	30
Other tangible fixed assets:	Years
Office Furniture and Equipment	4
Computer Equipment and Software	2
Leased Assets	10
Head Office	50
Motor Vehicles	10

The Group's policy is to capitalise all costs relating to a capital project or any other asset costing more than £2,000.

Pension Costs

The Group participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Gloucestershire County Council Pension Fund (GCCPF).

For the SHPS, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

For the GCCPF, scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the Group.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs. Actuarial gains and losses are reported in the Statement of Total Recognised Gains and Losses.

Bad and Doubtful Debts

Provision is made against rent arrears of current and former tenants of the Group as well as other miscellaneous debts to the extent that their recovery is considered doubtful.

Right to Buy

Under the terms of the transfer agreement dated 27 April 1998 a proportion of the proceeds from right to buy sales are shared with Tewkesbury Borough Council. On completion of a right to buy sale contract, the full proceeds are credited to the Income and Expenditure account and the share payable to the Council is treated as a cost of sale.

Notes to the Financial Statements (continued)

2. Accounting Policies (continued)

Deferred Taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Except as noted below, full provision for deferred taxation is made under the incremental liability method on all timing differences that have arisen, but not reversed by the balance sheet date.

In accordance with FRS 19, deferred tax is not provided for gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the Balance Sheet date. Deferred tax assets and liabilities are not discounted.

VAT

The Group charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on its expenditure. The financial statements include VAT to the extent it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable and receivable at the year end is included as a current liability or asset.

Stocks

Stocks consisting of stationery, IT consumables and the Direct Service Organisation's maintenance parts, are stated at the lower of cost and net realisable value.

Interest

Interest is charged to the Income and Expenditure account on an accruals basis as it is incurred.

Operating Leases

Rentals paid under operating leases are charged to the Income and Expenditure account as incurred. Rental income from operating leases is recognised in the Income and Expenditure account on a receivable basis.

Restricted Reserves

Restricted reserves are those funds received for which the use is subject to legislation or by the terms on which the funds were given.

Housing Loans

All borrowings are initially stated at the fair value of the consideration received. Finance costs are charged to the Income and Expenditure account over the term of the borrowings. Interest payable but not yet paid at the year end is shown as accrued interest within creditors due within one year.

Liquid Resources

Liquid resources comprise short term treasury deposits with the Group's bankers.

Notes to the Financial Statements (continued)

3. Turnover, Cost of Sales, Operating Costs and Operating Surplus

GROUP - continuing activities

	Turnover £'000	2014 Operating costs £'000	Operating surplus £'000
Social housing lettings	15,904	(11,578)	4,326
Other social housing activities			
Lifelines	109	(70)	39
External contract work	145	-	145
First tranche shared ownership sales	358	(189)	169
Other	66	-	66
	678	(259)	419
Non-social housing activities			
Lettings	1,875	(695)	1,180
Other	41	(31)	10
Disposal of Housing Properties	321	(214)	107
	2,237	(940)	1,297
Turnover from continuing activities	18,819	(12,777)	6,042

GROUP - continuing activities

	Turnover £'000	2013 Operating costs £'000	Operating Surplus £'000
Social housing lettings	14,948	(10,537)	4,411
Other social housing activities			
Lifelines	110	-	110
External contract work	180	-	180
First tranche shared ownership sales	83	(66)	17
Other	73	-	73
	446	(66)	380
Non-social housing activities			
Lettings	1,617	(985)	632
Other	43	(57)	(14)
Disposal of Housing Properties	394	(378)	16
	2,024	(1,420)	634
Turnover from continuing activities	17,448	(12,023)	5,425

Notes to the Financial Statements (continued)

3. Turnover, Cost of Sales, Operating Costs and Operating Surplus (continued)

Particulars of Income and Expenditure

GROUP

	General Needs housing £'000	Supported housing and housing for older people £'000	Shared ownership £'000	Affordable Rent £'000	Total for social housing lettings £'000	Market rents £'000	Garages £'000	Student let £'000	Other £'000	2014 Total £'000	2013 Total £'000
Income from lettings											
Rent receivable net of identifiable service charges	13,033	1,670	451	101	15,255	662	167	1,131	8	17,223	15,970
Service charges receivable - housing benefit allowable	286	506	51	-	843	-	-	-	33	876	861
Gross rents receivable	13,319	2,176	502	101	16,098	662	167	1,131	41	18,099	16,831
Less rent losses from voids	(150)	(40)	(4)	-	(194)	(28)	(57)	-	-	(279)	(223)
Total income from lettings	13,169	2,136	498	101	15,904	634	110	1,131	41	17,820	16,608
Expenditure on lettings activities											
Services	(332)	(517)	(7)	(1)	(857)	-	-	-	(7)	(864)	(858)
Management	(4,571)	(563)	(163)	(34)	(5,331)	(58)	-	(109)	(2)	(5,500)	(5,227)
Housing asset depreciation	(933)	(116)	(51)	(39)	(1,139)	(169)	-	(227)	-	(1,535)	(1,481)
Bad debts	(34)	-	-	-	(34)	(25)	-	-	-	(59)	(63)
Routine maintenance	(2,309)	(65)	(9)	-	(2,383)	(89)	(7)	(13)	(20)	(2,512)	(2,331)
Major repairs / aborted development schemes	(1,834)	-	-	-	(1,834)	-	-	-	(2)	(1,836)	(1,618)
Total expenditure on letting activities	(10,113)	(1,261)	(230)	(74)	(11,578)	(341)	(7)	(349)	(31)	(12,306)	(11,579)
Operating surplus	3,156	875	268	27	4,326	293	103	782	10	5,514	5,029

Notes to the Financial Statements (continued)

4. Operating Surplus

Surplus is stated after charging:

	2014 £'000	2013 £'000
Depreciation of housing properties	1,535	1,482
Depreciation of other tangible fixed assets	252	302
Auditors' remuneration:		
External auditors	23	23
Taxation services	8	5
Internal auditors	24	33
	<u> </u>	<u> </u>

5. Interest receivable and other income

	2014 £'000	2013 £'000
Interest Receivable (other)	5	5
Interest Receivable (bank)	-	-
	<u> </u>	<u> </u>
	5	5
	<u> </u>	<u> </u>

6. Interest Payable and Similar Charges

	2014 £'000	2013 £'000
Interest on Bank Loans	(5,226)	(5,131)
Refinancing Fees Amortised	(77)	-
	<u> </u>	<u> </u>
	(5,303)	(5131)
	<u> </u>	<u> </u>

7. Employees

The average number of persons employed during the year was:

	2014 No	2013 No
Directors	3	4
Business Services	18	18
Developments	2	3
Finance	5	6
ITC	5	5
Community	5	4
Housing (incl. Scheme Managers)	41	40
Planned Maintenance	8	8
Responsive Repairs	35	36
	<u> </u>	<u> </u>
	122	124
	<u> </u>	<u> </u>

Total full-time equivalent paid staff for the year to 31 March 2014 was 117.85 (2013: 114.73).

	2014 £'000	2013 £'000
Staff costs:		
Wages and salaries	3735	3,508
Employer's contribution - national insurance	313	305
Employer's contribution - pension	360	308
	<u> </u>	<u> </u>
	4,408	4,121
	<u> </u>	<u> </u>

Notes to the Financial Statements (continued)

7. Employees (continued)

The Directors are defined for this purpose as the Chief Executive and any other person who is a member of the Senior Management Team reporting to the Chief Executive or directly to the Board and whose total emoluments exceed £40,000 per year. None of the Board Members received any emoluments.

	Basic Salary & N.I. £'000	Benefits in kind £'000	Pension contributions £'000	2014 £'000	2013 £'000
Chief Executive - Hugh Aldridge	70	1	126	197	140
Finance Director - Tim Knight	96	2	16	114	109
Operations Director - Judith Tector	91	2	15	108	103
Business Services Director - Ann Wolstencroft	88	2	10	100	96
	<u>345</u>	<u>7</u>	<u>167</u>	<u>519</u>	<u>448</u>

Chief Executive's pension contribution included a one off contractual payment to the Local Government Pension Scheme on retirement.

Total expenses reimbursed to the Board Members £3,368 (2013: £1,311)

3 of the Directors were ordinary members of the GCCPF during 2013-14 (2013: 3), the remaining Director being a member of the SHPS. No enhanced or special terms apply and the Group makes no contribution to any individual pension arrangements. The value of the Group's contribution to the GCCPF was £51k (2013: £51k) and to the SHPS fund was £9k (2013: £9k).

The full time equivalent number of staff who received emoluments:

	2014 No.	2013 No.
£90,001 to £100,000	1	1
£100,001 to £110,000	2	2
£110,001 to £120,000	-	-
£120,001 to £130,000	-	-
£130,001 to £140,000	1	1

Pension Scheme

The Group participates in two pension schemes. One is run by the Pensions Trust which administers the Social Housing Pension Scheme (SHPS). The other is the GCCPF run by Gloucestershire County Council (GCC) as an admitted body. Both schemes provide defined benefit schemes. SHPS also provide a defined contribution scheme.

The total pension cost for the Group was £871,887 (includes a one off contractual payment to the Local Government Pension Scheme on retirement of the Chief executive (2013: £660,727) covering 79 employees (2013: 86).

a) Social Housing Pension Scheme

New employees are eligible to participate in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the state scheme.

SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

The Scheme operated a single benefit structure, final salary with a 1/60th accrual rate, to March 2007. From April 2007, this changed to there being three benefit structures available, namely:

- Final salary with 1/60th accrual rate
- Final salary with 1/70th accrual rate
- Career average re-valued earnings with a 1/60th accrual rate

From April 2010 a further two benefit structures have been available, namely:

- Final salary with 1/80th accrual rate
- Career average re-valued earnings with a 1/80th accrual rate

A defined contribution benefit structure was made available from 1 October 2010.

Notes to the Financial Statements (continued)

7. Employees (continued)

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at the individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period ended 31 March 2014 the Group paid contributions at the rate of 6% to 16%. Member contributions varied between 3% and 8%. The total cost during the year was £307,872 (2013: 262,116).

As at 31 March 2014, there were 51 active members of the Scheme employed by the Group (2013: 50). The annual pensionable payroll in respect of these members was £1,440,924 (2013: 1,429,451). The Group continues to offer membership of the Scheme to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS 17 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at September 2011 by a professionally qualified actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062m. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035m, equivalent to a past service funding level of 67%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 31 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,718m. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,151m, equivalent to a past service funding level of 70%.

Financial Assumptions

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

Valuation discount rates	% per annum
Pre retirement	7.0
Non pensioner post retirement	4.2
Pensioner post retirement	4.2
Pensionable earnings growth	2.5 (4.4 from year 4)
Price inflation	2.9
Pension increases - Pre 88 GMP	0.0
Pension increases - Post 88 GMP	2.0
Pension increases - Excess over GMP	2.4

Expenses for death-in-service insurance, administration and Pension Protection Fund (PPF) levy are included in the contribution rate.

Valuation Results

The valuation was carried out using the following demographic assumptions:

- Mortality pre retirement - 41% SAPS S1 Male/Female. All pensioners (amounts), year of birth, CM1 - 2009 projections with long-term improvement rates of 1.5% pa for males and 1.25% pa for females
- Mortality post retirement - 97% SAPS S1 Male/Female. All pensioners (amounts), year of birth, CM1 - 2009 projections with long-term improvement rates of 1.5% pa for males and 1.25% pa for females

The long-term joint contribution rates required from April 2014 from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit Structure	Long term joint contribution rate (% of pensionable salaries)
Final Salary with 1/60th accrual	19.4
Final Salary with 1/70th accrual	16.9
Career average re-valued earnings with a 1/60th accrual rate	18.1
Final salary with a 1/80th accrual rate	14.8
Career average re-valued earnings with a 1/80th accrual rate	14.0
Defined Contribution	9.0 to 19.0

Notes to the Financial Statements (continued)

7. Employees (continued)

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation, it was agreed that the shortfall of £1,035m would be dealt with by the payment of deficit contributions as shown in the table below

From 1 April 2014 to 30 September 2020	A cash amount (*) equivalent to 7.5% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 October 2020 to 30 September 2023	A cash amount (*) equivalent to 3.1% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 April 2014 to 30 September 2026	£30.64 million per annum (payable monthly and increasing by 3% per annum each 1 April; first increase on 1 April 2014)

(*) The contributions of 7.5% will be expressed in nominal pound terms (for each Employer), increasing each year in line with the earnings growth assumption used in 30 September 2008 valuation (re 4.7% pa). The contributions of 3.1% will be calculated by proportioning the nominal pound payment at the time of the change. Earnings at 30 September 2008 (for each Employer) will be used as the reference point for calculating these contributions.

These deficit contributions are in addition to the long-term joint contribution rates set out in the table above.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the Scheme to new entrants are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into the SHPS.

New employers that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and applies until the 2nd valuation after the date of joining the Scheme, at which point the standard employer contribution rate is payable. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

A copy of the Recovery Plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to The Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or Recovery Plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Scheme liabilities and hence impact on the Recovery Plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the Recovery Plan). A response regarding the 30 September 2011 valuation is awaited.

As a result of the pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities of the Scheme (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Scheme's liability attributable to employment with the leaving employer compared to the total amount of the Scheme's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any "orphan" liabilities in respect of previously participating employers. The amount of the debt therefore depends upon many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy out market. The amounts of debt can therefore be volatile over time.

The society has been notified by The Pensions Trust of estimated debt on withdrawal from Social Housing Pension Scheme, based on the financial position of the scheme as at 30 September 2013. At this date the estimated employer debt for the society was £4,969,658.

Notes to the financial statements (continued)

7. Employees (continued)

b) Gloucestershire County Council - Local Government Scheme (GCCPF)

The Gloucestershire County Council Pension Fund (GCCPF) is a funded scheme with the assets held in separate Trustee administered funds.

The Group's pension costs for this Scheme are determined with the advice of independent qualified actuaries. Triennial actuarial valuations of the Pension Scheme are performed by a qualified actuary using the projected unit method. The most recent formal actuarial review of this Pension Scheme was at 31 March 2010. The Group's share of the net liabilities of the Scheme at that date was £5.7m.

In order to assess the actuarial valuation of the Group's liabilities in respect of this Scheme at 31 March 2013, the actuaries have rolled forward the actuarial value of the liabilities reported in the previous triennial valuation as at 31 March 2010, allowing for changes in financial assumptions as prescribed under FRS 17.

Estimated employers' contributions to the GCCPF during the accounting period commencing 1 April 2014 are £449,155.

The major assumptions used by the actuary in assessing Scheme liabilities on an FRS 17 basis were:

	2014	2013
Rate of increase in salaries	4.1%	4.6%
Rate of increase in pensionable payments	2.8%	2.8%
Discount rate	4.3%	4.5%
Rate of price inflation	2.8%	2.8%
Expected return on assets	5.9%	5.2%

The valuation was carried out using the PA92C2033 mortality table for non pensioners and PA92C2007 mortality table for pensioners. The table below illustrates the assumed life expectancy in years for Pension Scheme members at age 65 using these mortality assumptions:

2013	Males Assumed life expectancy in Years at age 65	Females Assumed life expectancy in Years at age 65
Current Pensioners	23.5	25.8
Future Pensioners	21.7	23.6

2014	Males Assumed life expectancy in Years at age 65	Females Assumed life expectancy in Years at age 65
Current Pensioners	22.5	24.6
Future Pensioners	24.4	27.6

The fair value of assets in the Scheme and expected rates of return were:

	2014 £'000	2014 %	2013 £'000	2013 %	2012 £'000	2012 %
Equities	7,026	6.6	6,518	5.7	5,285	6.2
Bonds	1,951	3.8	1,477	3.4	1,564	3.9
Property	585	4.8	521	3.9	447	4.4
Cash	195	3.7	174	3.0	149	3.5
	<hr/>		<hr/>		<hr/>	
Fair value assets	9,757		8,690		7,445	
Actuarial value of liability	(14,036)		(12,574)		(10,794)	
	<hr/>		<hr/>		<hr/>	
Recoverable deficit in the Scheme	(4,279)		(3,884)		(3,349)	
Deferred tax	-		-		-	
	<hr/>		<hr/>		<hr/>	
Net pension liability	(4,279)		(3,884)		(3,349)	
	<hr/> <hr/>		<hr/> <hr/>		<hr/> <hr/>	

Notes to the Financial Statements (continued)

7. Employees (continued)

Analysis of the amount Charged / (Credited) to Operating Costs:

	2014 £'000	2014 % of payroll	2013 £'000	2013 % of payroll	2012 £'000	2012 % of payroll
Current service cost	211	27.1	185	22.1	179	21.4
Past service cost / (gain)	97	12.5	-	-	18	2.2
Amount charged / (credited) to operating costs	308	39.6	185	22.1	197	23.6

Analysis of the amount Charged to Other Finance Costs:

	2014 £'000	2014 % of payroll	2013 £'000	2013 % of payroll	2012 £'000	2012 % of payroll
Expected return on pension assets	455	58.5	414	49.3	486	58.1
Interest on pension scheme liabilities	(566)	(72.8)	(516)	(61.5)	(542)	(64.8)
Amounts charged to other finance costs	(111)	(14.3)	(102)	(12.2)	(56)	(6.7)
Net revenue account cost/(credit)	419		287		253	

Analysis of the amount Recognised in Statement of Total Recognised Surpluses and Deficits (STRSD):

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Actuarial (loss) / gain recognised in STRSD	(393)	(665)	(714)	1,823	(2,872)
Cumulative actuarial loss recognised in STRSD	(3,975)	(3,582)	(2,917)	(2,203)	(4,026)

Amounts recognised in the Balance Sheet:

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Fair value of Scheme assets	9,757	8,690	7,445	7,085	6,633
Present value of funded liabilities	(14,036)	(12,574)	(10,794)	(9,894)	(12,353)
Present value of unfunded liabilities	(4,279)	(3,334)	(3,349)	(2,809)	(5,720)
Unrecognised past service costs	-	-	-	-	-
Related deferred tax asset	(4,279)	(3,884)	(3,349)	(2,809)	(5,720)
Net liability recognised in the balance sheet	(4,279)	(3,884)	(3,349)	(2,809)	(5,720)

Notes to the Financial Statements (continued)

7. Employees (continued)

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

	2014 £'000	2013 £'000	2012 £'000
Opening fair value of Scheme assets	8,690	7,445	7,085
Expected return on assets	455	414	486
Contributions by members	53	57	57
Contributions by employer	417	417	427
Actuarial (losses) / gains	493	668	(258)
Benefits paid	(351)	(311)	(352)
	<u>9,757</u>	<u>8,690</u>	<u>7,445</u>

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

	2014 £'000	2013 £'000	2012 £'000
Opening Scheme liabilities	12,574	10,794	9,894
Current service cost	211	185	179
Interest cost	566	516	542
Contributions by members	53	57	57
Actuarial losses / (gains)	886	1,333	456
Past service costs / (gains)	97	-	18
Benefits paid	(351)	(311)	(352)
	<u>14,036</u>	<u>12,574</u>	<u>10,794</u>

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

	2014 %	2013 %	2012 %
Equities	72	75	71
Bonds	20	17	21
Properties	6	6	6
Cash	2	2	2

Amounts for the current and previous four accounting periods:

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Fair value of Scheme assets	9,757	8,690	7,445	7,085	6,633
Present value of Scheme liabilities	(14,036)	(12,574)	(10,794)	(9,894)	(12,353)
Deficit on Scheme	(4,279)	(3,884)	(3,349)	(2,809)	(5,720)
Experience adjustment on plan liabilities	493	668	(258)	(29)	1,616
Experience adjustment on plan assets	-	17	(130)	305	-

Notes to the Financial Statements (continued)

8. Tax on Surplus on Ordinary Activities

Taxation charge for the period from 1 April 2013 to 31 March 2014:

	2014 £'000	2013 £'000
Surplus on Ordinary Activities before Tax	672	224
Tax on Surplus on ordinary activities at UK tax rate 23% (2013: 24%)	155	54
Effects of:		
Expenses not deductible for tax purposes	441	460
Difference between accounting and tax profits on property disposals	3	3
Decrease in tax losses	(603)	(521)
Other timing differences	4	4
Total current tax charge	-	-

9. Tangible Fixed Assets - Properties

Group and Society

	Freehold housing properties completed £'000	Freehold housing properties in the course of construction £'000	Shared ownership properties completed £'000	Shared ownership properties in the course of construction £'000	Non-social housing properties completed £'000	Non-social housing properties in the course of construction £'000	Total £'000
Cost							
At 1 April 2013 (Restated)	74,984	3,234	8,322	-	26,425	655	113,620
Additions	944	4,589	-	441	-	540	6,513
Schemes completed	6,269	(6,269)	441	(441)	1,195	(1,195)	-
Transfer from current assets	-	-	-	-	-	-	-
Disposals	(616)	-	(212)	-	-	-	(828)
At 31 March 2014	<u>81,581</u>	<u>1,554</u>	<u>8,551</u>	<u>-</u>	<u>27,620</u>	<u>-</u>	<u>119,306</u>
Depreciation and Impairment							
At 1 April 2013 (Restated)	(12,328)	-	(335)	-	(2,140)	-	(14,803)
Charged in year	(1,345)	-	(58)	-	(396)	-	(1,799)
Eliminated on disposal	258	-	6	-	-	-	264
At 31 March 2014	<u>(13,415)</u>	<u>-</u>	<u>(387)</u>	<u>-</u>	<u>(2,536)</u>	<u>-</u>	<u>(16,338)</u>
b) Social Housing and Other Grant							
At 1 April 2013 (Restated)	(14,954)	(151)	(1,710)	-	-	-	(16,815)
Receivable during year	-	(262)	-	-	-	-	(261)
Schemes completed	(413)	413	-	-	-	-	-
Recycled Capital Grant	-	-	87	-	-	-	87
At 31 March 2014	<u>(15,367)</u>	<u>-</u>	<u>(1,623)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,990)</u>
Net book value at 31 March 2014	<u>52,799</u>	<u>1,554</u>	<u>6,541</u>	<u>-</u>	<u>25,084</u>	<u>-</u>	<u>85,978</u>
Net book value at 31 March 2013 (restated)	<u>47,702</u>	<u>3,083</u>	<u>6,277</u>	<u>-</u>	<u>24,285</u>	<u>655</u>	<u>82,002</u>

Notes to the financial statements (continued)

10. Tangible Fixed Assets - Expenditure on Works to Existing Properties

Group and Society

	2014 £'000	2013 £'000
Amounts capitalised	911	1,170
Amounts charged to income and expenditure account	1,834	1,596
	<u>2,744</u>	<u>2,765</u>
Social Housing Grant	2014 £'000	2013 £'000
Total accumulated SHG receivable at 31 March was:		
Capital grants	16,990	16,816
	<u>16,990</u>	<u>16,816</u>
Properties for Sale	2014 £'000	2013 £'000
Opening Shared Ownership Properties	-	209
Completed Properties	-	(209)
	<u>-</u>	<u>-</u>

Housing Properties book value, net of depreciation & grant; & offices net book value comprises:

	2014 £'000	2013 £'000
Freehold land and buildings	85,978	82,002
Long leasehold land and buildings	-	-
	<u>85,978</u>	<u>82,002</u>

11. Tangible Fixed Assets - Other

Group and Society

	Head Office building £'000	Office equipment fixtures and fittings £'000	Vehicles £'000	Group Total £'000
Cost				
At 1 April 2013	2,130	2,274	58	4,462
Additions	-	183	-	183
Disposals	-	-	-	-
	<u>2,130</u>	<u>2,457</u>	<u>58</u>	<u>4,445</u>
Depreciation				
At 1 April 2013	(522)	(1,941)	(58)	(2,521)
Depreciation charged in year	(43)	(209)	-	(252)
Eliminated on Disposals	-	-	-	-
	<u>(565)</u>	<u>(2,150)</u>	<u>(58)</u>	<u>(2,772)</u>
Net book value at 31 March 2014	<u>1,565</u>	<u>307</u>	<u>-</u>	<u>1,872</u>
Net book value at 31 March 2013	<u>1,608</u>	<u>333</u>	<u>-</u>	<u>1,941</u>

Notes to the Financial Statements (continued)

12. Sale of Properties

	2014 Housing properties RTB £'000	2014 Housing properties RTA £'000	2014 Other housing properties £'000	2014 Total £'000	2013 Total £'000
Sale proceeds	477	85	679	1,241	476
Less: Cost of sales (non-cash)	(116)	(39)	(212)	(367)	(368)
Less: Cost of sales (cash)	(34)	(3)	(191)	(228)	(11)
Less: Cost of Capital Improvements	(22)	-	-	(22)	(10)
Less: Amount due to Tewkesbury Borough Council	(225)	-	-	(225)	(54)
Transfer to Disposal Proceeds fund	-	(84)	-	(84)	-
Surplus on disposal	80	(41)	276	315	33

Cost of sales includes legal and valuation fees incurred in connection with the sale of properties.

13. Debtors

	Group 2014 £'000	Society 2014 £'000	Group 2013 £'000	Society 2013 £'000
Amounts falling due within one year				
Arrears of rents and service charges	599	599	392	392
Less: Provision for doubtful debts	(117)	(117)	(94)	(94)
	482	482	298	298
Other debtors	230	230	208	208
Car loans *	103	103	126	126
Prepayments and accrued income	100	100	133	133
	915	915	765	765

* Car loans are made to employees of the Group under an assisted car purchase scheme and are repayable in instalments over a period not exceeding 5 years.

14. Investments

	Group 2014 £	Society 2014 £	Group 2013 £	Society 2013 £
Investment in subsidiary	-	2	-	2

Investment in subsidiary consists of 100% of the issued share capital of Severn Vale Housing Properties Limited, being two £1 shares

Notes to the Financial Statements (continued)

15. Deferred Taxation

Potential deferred taxation asset not provided for in the accounts is as follows:

	Group 2014 £'000	Society 2014 £'000	Group 2013 £'000	Society 2013 £'000
Accelerated capital allowances	875	875	835	835
Tax losses	(2,747)	(2,747)	(3,350)	(3,350)
Other timing differences	(91)	(91)	(91)	(91)
	<hr/>	<hr/>	<hr/>	<hr/>
Total deferred tax	(1,963)	(1,963)	(2,606)	(2,606)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

16. Creditors: Amounts falling due within one year

	Group 2014 £'000	Society 2014 £'000	Group 2013 £'000	Society 2013 £'000
Trade creditors	897	897	1,173	1,173
Rent and service charges received in advance	238	238	208	208
Other taxation and social security	14	14	105	105
Loan Interest accrual	659	659	992	992
Other creditors	75	75	66	66
Accruals	1,188	1,188	860	860
Recycled Capital Grant fund	210	210	124	124
Disposal Proceeds fund	84	84	-	-
Special projects	174	174	152	152
	<hr/>	<hr/>	<hr/>	<hr/>
	3,539	3,539	3,680	3,680
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Time taken to pay creditors was 22 days (2013: 23 days).

The amounts included in creditors in respect of the Disposal Proceeds Fund represent the net proceeds of properties sold under the Right to Acquire legislation. These amounts may only be spent on items of expenditure allowed under Right to Acquire legislation. The Recycled Capital Grant Fund represents the amount of SHG received in respect of those properties sold later.

17. Creditors: Amounts falling due after more than one year

	Group 2014 £'000	Society 2014 £'000	Group 2013 £'000	Society 2013 £'000
Housing loans repayable by instalments due after more than 5 years	109,500	109,500	107,250	107,250
Refinancing Fees Amortised over 10 years	(693)	(693)	-	-
Unutilised contributions from leaseholders and tenants	275	275	258	258
	<hr/>	<hr/>	<hr/>	<hr/>
	109,083	109,083	107,508	107,508
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Group and Society have total loan facility of £125m.

Notes to the Financial Statements (continued)

18. Called-up Non Equity Share Capital

Five ordinary members of the Board of Management each hold one share of £1 in the Society, as do a nominee of the Tenants Forum and of the Council. The shares are non-transferable and non-redeemable and carry no rights to receive either income or capital repayments. They are thus classified as non-equity shares in accordance with Financial Reporting Standard 4. The shares provide members with the right to vote at General Meetings, but do not provide any rights to dividends or distributions on winding up.

	Group 2014 £	Society 2014 £	Group 2013 £	Society 2013 £
Shares of £1 each issued and fully paid: As at 1 April 2013 and 31 March 2014	7	7	7	7

19. Reserves

Group	Revenue deficit £'000	Group total 2014 £'000
At 1 April 2013	(27,925)	(27,925)
Losses on revaluation on pension scheme liabilities	(393)	(393)
Surplus for the year	672	672
	<hr/>	<hr/>
Closing balance	(27,646)	(27,646)
	<hr/>	<hr/>

Company	Revenue Deficit £'000	Company total 2014 £'000
At 1 April 2013	(27,925)	(27,925)
Losses on revaluation on pension scheme liabilities	(393)	(393)
Surplus for the year	672	672
	<hr/>	<hr/>
Closing balance	(27,646)	(27,646)
	<hr/>	<hr/>

20. Recycled Capital Grant Fund

The Group and Society utilised disposal proceeds as follows:

	2014 £'000	2013 £'000
At 1 April 2013	124	46
Recycled from disposals	86	78
Utilised on Development Projects	-	-
	<hr/>	<hr/>
Closing balance	210	124
	<hr/>	<hr/>

No allowance is made for notional interest on the sale proceeds.

Notes to the Financial Statements (continued)

21. Disposal Proceeds Fund

The Group and Society utilised disposal proceeds as follows:

	2014 £'000	2013 £'000
At 1 April 2013	-	-
Recycled from disposals	84	-
Utilised on Development Projects	-	-
	<hr/>	<hr/>
Closing balance	84	-
	<hr/> <hr/>	<hr/> <hr/>

No allowance is made for notional interest on the sale proceeds.

22. Surplus on the Sales Housing properties through RTB and RTA

	2014 £'000	2013 £'000
Disposal Proceeds	562	90
Carrying Value of Fixed Assets	(439)	(88)
	<hr/>	<hr/>
Disposal Proceeds Fund	123	1
	(84)	-
	<hr/>	<hr/>
	39	-
	<hr/> <hr/>	<hr/> <hr/>

22. Commitments and Contingencies

The Group and Society's expenditure commitments are as follows:

	2014 £'000	2013 £'000
Capital commitments		
Capital expenditure contracted for but not provided for in the financial statements	4,037	3,650
	<hr/> <hr/>	<hr/> <hr/>

The above commitments will be financed primarily through borrowings which are available for draw-down under the new loan arrangements.

The Group and Society had no contingent liabilities at 31 March 2014 (2013: Nil).

Notes to the Financial Statements (continued)

23. Units in Management

	2014 Number	2013 Number
General Needs Accommodation	2,745	2,712
Affordable Rents Accommodation	23	4
Mortgage Rescue	9	8
Sheltered Accommodation	410	410
Shared Ownership	163	159
Rent to Home Buy	8	8
	<hr/>	<hr/>
Total social housing	3,358	3,301
Market Rents	83	72
Student Accommodation	282	282
	<hr/>	<hr/>
	3,723	3,655
	<hr/> <hr/>	<hr/> <hr/>

24. Related Party Transactions

Car loans have been provided and are available on common terms to all staff, the balance of which is shown in note 13. No Car loans of were advanced to a director during the year (2013: £Nil). At the year end, the balance was £4,554 (2013: £7,955).

The tenancies of the Tenant Representatives as detailed on page 3 are on the same terms and conditions as other tenants of the Group. They cannot use their position as Board Members to their advantage in their relationship with the Group.

25. Subsidiary Undertakings

Severn Vale Housing Properties Limited (SVHP) is a private company, and its principal activity is property leasing. It is a subsidiary by virtue of the fact that Severn Vale Housing Society holds 100% of the shares in SVHP, and thus is able to direct the activities of the company; and therefore in accordance with Financial Reporting Standards and the Industrial and Provident Societies Acts 1965 - 2002, the Group is required to prepare consolidated financial statements.

Severn Vale Housing Association Limited (SVHA) is a private company incorporated on 4 November 2005. Its principal activities will be charitable but it is currently dormant and will remain so until suitable opportunities for using it are identified.

26. Stocks

Stock consists of consumable items held for use within the business.