SEVERN VALE HOUSING SOCIETY LIMITED

Strategic Report and Financial Statements

Year Ended 31 March 2017

Contents

Board Members, Executive Directors, Advisors and Bankers
For the year ended 31 March 2017

Board			
Chair	Mr L James	Independent Representative	
Vice Chair	Mr M Davies	Independent Representative	
Other Members	Mr J Dickson	Independent Representative	
	Mrs M Miller	Independent Representative	
	Mr S Walley	Independent Representative	Resigned 31 October 2016
	Miss L Church	Independent Representative	Resigned 1 October 2016
	Mrs D Midwinter	Customer Representative	
	Mr R Carey	Customer Representative	Appointed 1 April 2016
	Mr D Waters	Council Representative	
	Mr R Allen	Council Representative	Resigned 28 May 2016
	Mr T Knight	Executive Board Member	Appointed 1 August 2016
	Mrs J Jones	Executive Board Member	Appointed 1 August 2016 Resigned 3 October 2016
	Mrs C Barve	Audit Committee Co-optee	Appointed 1 February 2017
	Ms K James	Audit Committee Co-optee	Appointed 1 February 2017
Executive Directors			
Chief Executive	Mr T Knight		
Finance & Development Director	Mrs J Jones		Resigned December 2016
Governance & Strategy Director	Mrs C Cobban		
Customer & Community Director	Mrs F Shanahan		
Asset & Commercial Director	Mr M Craggs		
Secretary	Mr T Knight		Retired 4 July 2016
	Mrs C Cobban		Appointed 4 July 2016
Registered office	Shannon Way Ashchurch Tewkesbury Gloucestershire GL20 8ND		
Registered number	Co-operative & Community Benefit Society 28557R Homes and Communities Agency (HCA) L4171		
Auditors	Beever and Struthers St George's House 215-219 Chester Road Manchester M15 4JE		
Solicitors	Shakespeare Martineau Bridgeway House Stratford-Upon-Avon CV37 6YX		
Bankers	Barclays Bank Plc 128 High Street Cheltenham Gloucestershire GL50 1EG		
Funders (Joint)	Lloyds Banking Group Plc 3rd 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
For the year ended 31 March 2017

The Board presents its report and the Group's audited financial statements for the year ended 31 March 2017.

Principal activities
Severn Vale Housing (the Group) consists of Severn Vale Housing Society Limited, the main registered stock holding body, together with Severn Vale Housing Properties Limited, a company established for the purpose of leasing the administrative centre, and Severn Vale Housing Association Limited, both of which are currently dormant.
Severn Vale Housing Society Limited (the Society) is a Co-operative and Community Benefit Society (Registration No. 28557R) administered by a voluntary Board and operating principally within Gloucestershire. It is also a social landlord registered by the HCA and a public benefit entity.

Business review
Details of the Group's performance for the year and future plans are set out in the Strategic Report that follows this Report of the Board.

Donations
The Group made donations totalling £2,600 during the financial year (2016: £9,000).

Events after the end of the reporting period
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 29 days (2016: 27 days).

Financial instruments
The Group's approach to financial risk management is outlined in the Treasury section of the Strategic Report, page14.

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 customers 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 equality, diversity and inclusion principles 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.

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.

Board Members and Executive Directors
The present Board Members and the Executive Directors of the Group are set out on page 2.
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 primarily on the same terms as other staff, their notice periods ranging from three to six months.
Pensions:	The Chief Executive is a member of the Gloucestershire County Council Pension Fund scheme; the remaining Directors are members of Social Housing Pension Fund 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 is pleased to report that the Group complies with the recommendations of the NHF Code of Governance 2015. This was audited by our Internal Auditors, Service Matters, in March 2017, which provided assurance that the Group was fully compliant.

Statement of compliance

The Board confirms that the Group complies with the Homes & Communities Agency's Governance and Financial Viability Standard.

Regulation

The Group started the financial year with a governance rating of G1 and a financial viability rating of V2. Further information about this is included in the Strategic Report. The Group's governance rating was changed to G2 on 26 July 2017 following an In-Depth Assessment carried out by HCA between April and June 2017. The published information on Group's Regulatory Judgement can be obtained on-line from HCA's website:
www.gov.uk/government/publications/regulatory-judgement-severn-vale-housing-society-limited--3

The Board confirms that it has complied with United Kingdom Generally Accepted Accounting Practice (UK GAAP) including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Internal controls assurance

The Board acknowledges its overall responsibility, applicable to all organisations within the Group, for establishing and maintaining the whole system of internal control and for reviewing annually 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 in 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:

<u>Identification and evaluation of key risks</u>

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. The results continue to be reviewed by the Board on a quarterly basis. The Governance & Strategy Director is responsible for reporting significant risks or any changes in significant risks facing the Group to the Board within these reports.

<u>Monitoring and corrective action</u>

The Audit Committee is responsible providing assurance on system 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.

<u>Control environment and control procedures</u>

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. These are reviewed regularly to ensure they are relevant, up to date and fit for purpose. They set out the Group's procedures with regards 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.

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 reviews key performance indicators at least quarterly 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 (Service Matters) who are responsible for providing independent assurance to the Board through SVHS Audit Committee. The Audit Committee considers internal controls and risk each year.

Service Matters conducted a review of the effectiveness of the system of internal controls throughout 2016/17 and submitted an annual report to the Society's Audit Committee.

The trend of internal audit findings is summarised in the table below:

Finding rating	Number of Findings			
	2016-17	2015-16	2014-15	2013-14
Critical	None	None	None	None
High	None	3	None	None
Medium	1	8	7	10
Low	14	4	9	13
Total	15	15	16	23
Number of audits	**6**	**6**	**4**	**6**

No high-risk findings were identified during the 2016/17 Internal audits undertaken. All recommendations from each audit undertaken is transferred to an Internal Audit Action Plan, and progress on the completion of each recommendation is reported to the Audit Committee. 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.

The areas of high risk with regards to Property Compliance identified during 2015/16 have been reassessed by Service Matters and the follow up audit has confirmed that the actions taken have addressed the areas of high risks effectively.

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 7 August 2017 at the Society's registered office address.

External auditors

The Board has approved the reappointment of Beever and Struthers as external auditors for the year ending 31 March 2018.

Approval

The Report of the Board was approved by the Board on 7 August 2017 and signed on its behalf by

Laurence James.

Laurence James, Chair

Strategic Report

For the year ended 31 March 2017

Background of activities

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**

At 31 March 2017 the Group owned 3,826 (2016: 3,828) properties, comprising 3,459 (2016: 3,462) social housing units, 85 (2016: 84) market rented properties; and 282 (2016: 282) student units over four student accommodation blocks.

The Group also provides:

- ‘Helplines’ for tenants and non-tenants
- full governance and management services to Gloucestershire Rural Housing Association
- housing management and repair services for NASUWT (The Teacher’s Union), and
- development agency services to several other local Registered Providers

Corporate strategy

2016/17 completed the second year of our Corporate Strategy 2020 with our vision:

To be recognised as the leading housing provider in Gloucestershire

Annual Delivery Plan 2016-17

The Annual Delivery Plan below highlights the corporate projects to support the three strategic objectives: Efficiency – Growth - Adaptability

Efficiency

Improve efficiency of our service delivery

- Carry out a review of service charges, and understand the impact on Tenancy Agreements
- Streamline our tenancy agreements to reduce complexity and improve clarity
- Carry out a complete review of our approach to service charges and leaseholder agreements to improve efficiency and return rates
- Establish a more formal commercial arrangement between the operatives and the rest of the business
- Review the Information Communications Technology Strategy to ensure it aligns to our business needs, and delivers continuous improvement
- Promote the use of digital services internally and with customers to improve efficiency while also improving customer service
- Create effective automated processes on performance and financial data, enabling transparency of where we are making efficiencies
- Review how we purchase legal services to make sure we are maximising value-for-money
- Review and embed a performance reporting framework, including KPI scorecards from Team to Board level to provide assurance and to drive continuous improvement

Improve affordability and quality of our homes

- Investigate alternative investment strategies to increase our borrowing capacity, which will be utilised to boost development
- Maximise investment return on assets both owned and managed by the organisation
- Work with partners to deliver joint development opportunities
- Create a voluntary right-to-buy policy that defines which properties the Society is prepared to dispose of

Growth

Explore health and wellbeing funding opportunities as part of our Older Person's Services Review to help support our customers to live independently

- Review our older person's services (including helpline services) to identify opportunities for growth and areas for improvement

Offer flexible tenures to meet customer demand and increase income

- Increase income by insourcing repairs work, and investigate how our operatives can provide services to external customers

Increase value from external contracts, partnerships and collaboration

- Work in partnership to deliver more cost-effective services through shared services.
- Investigate opportunities to work with partners to deliver a joint Direct Services Organisation (DSO) while improving efficiency and identify opportunities for growth
- Secure national and local grant opportunities for community-based work for the benefit of our communities
- Work with suppliers, contractors and partners to identify social value opportunities and implement them for the benefit of our communities

Maximise future funding opportunities

- Review the structure of our business to ensure it is suitable to support our future growth

Adaptability

Ensure all staff and stakeholders understand what we aim to achieve and how they contribute

- Review impact of the Housing & Planning Act 2016 and make sure we are in a position to be able to react to further changes
- Ensure any merger opportunities arising are considered based on improving the business for the benefit of our customers
- Review our current approach to Health and Safety and implement any necessary improvement
- Review and implement a Policy Review methodology and programme
- Review our Sustainability Policy and make sure it is fit for the future
- Ensure that we understand our stakeholders' views, and deliver an improvement plan based on the thoughts of our Stakeholder Senate

Invest in staff and Board members so they have the necessary skills to support current and future business needs

- Improve the performance of our teams via training and support, alongside the continuation of our robust 1:1 process
- Ensure we offer fair and reasonable rewards, and that all staff and members of the business are given the support they need to succeed

Maintain a robust business planning and governance framework, that allows our business to respond quickly to any challenges

- Embed the Risk Management and Assurance framework, ensuring risks are identified, managed and controlled effectively across the business
- Carry out strategic research projects to support evidenced-based decision making to inform the future direction of our business

Overarching Principles

Ensure we have a cross cutting approach and culture of:

- **One Team** - Continue our cultural improvement process to ensure we are agile as a business
- **Value-for-money** - Develop a thorough understanding of both quality and cost of our services to make sure we provide value-for-money
- **Engaging as an active partner in strategic partnerships** - Work with our partners to improve our services, while supporting others, making a positive impact in our communities

During the year, we achieved the following:

Corporate Objective 1: Efficiency

- Completed a review of our approach to service charges and leaseholder agreements to improve efficiency and return rates
- Created a new Digital Strategy to promote the use of digital services internally and with customers to improve efficiency while also improving customer service
- Created effective automated processes for performance and financial data, enabling us to be transparent about the areas in which we are making efficiencies
- Reviewed the Information Communications Technology Strategy to ensure it aligns to our business needs and delivers continuous improvement
- Reviewed the performance reporting framework, including KPI scorecards from team to Board, level to provide assurance and to drive continuous improvement

Corporate Objective 2: Growth

- Reviewed our older person's services (including helpline services) to identify opportunities for growth and areas for improvement
- Increased income by insourcing repairs work, and investigating how our DSO can provide services to external customers
- Secured national and local grant opportunities for community-based work for the benefit of our communities
- Worked with suppliers, contractors and partners to identify social value opportunities and implement them for the benefit of our communities

Corporate Objective 3: Adaptability

- Reviewed our current approach to Health and Safety and launched a new Health and Safety management and assurance framework
- Ensured that we offer fair and reasonable rewards, and that all staff and members of the business are given the support they need to succeed
- Continued to embed and maintain an effective risk management framework
- Carried out strategic research projects to support evidenced-based decision making to inform the future direction of our business
- Developed a better understanding of both quality and cost of our services to ensure we provide Value for Money
- Continued to work with our partners to improve our services, while supporting others, making a positive impact in our communities

Our work continues to be supported by our guiding principles, which remain unchanged from the previous corporate plan:

1. We are supported by robust, transparent and audited governance and strong financial planning
2. We operate under stringent quality controls across all our service areas

3. We identify and effectively manage risks throughout the business
4. We make decisions based on evidence and knowledge of our business, customers and communities
5. We work collaboratively on shared goals, both inside the organisation; and with selected external partners
6. We maximise the commercial value of our assets
7. We invest in and support our staff in achieving their full potential

Monitoring achievement of corporate strategy

The Board is monitoring the effective delivery of the corporate plan through bespoke project reports, and a selection of indicators to ensure our current performance is in line with the targets set.

The information is reviewed at least quarterly, and the set of indicators are regularly reviewed by the Board to ensure they provide the required information. This includes considerations of the key ratios and indicators that the HCA and our lenders require us to monitor. We set targets to monitor how we should be progressing against objectives over the life of the corporate plan and, where relevant, established benchmarks to give an indication of where our performance ranks against our peers.

Our performance against these targets at 31 March 2017 is as follows:

Indicator	Performance 2016/17	Benchmark	Target	Performance 2015/16	Trend (against prior year)
Financial Viability					
Net Rent Arrears (% of total rent debit including year-end accrued direct Housing Benefit payments)	1.4%	not available	1.80%	1.71%	⇧
Gross Rent Arrears (% of total rent debit excluding year-end accrued direct Housing Benefit payments)	3.7%	not available	3.50%	n/a	
Rent loss due to voids	0.87%	not available	1.00%	0.90%	⇧
Rent loss due to voids	£152k	not available	£174k	£156k	⇧
Financial Covenants: Lloyds Asset Cover Ratio	1.44	> 1.13	> 1.13	1.29	⇧
Financial Covenants: Lloyds Net Operating Surplus: Total Interest	1.5	>1.1	>1.1	1.17	⇧
Financial Covenants: Lloyds Average Debt Per Unit	£34,331	< £36,000	< £36,000	£34,390	⇧
Financial Covenants: BAE Asset Cover Ratio	1.24	> 1.1	> 1.1	1.24	⇔
Financial Covenants: BAE Net Operating Surplus: Total Interest	1.5	>1.1	>1.1	1.17	⇧
Productivity					
Operating costs against national average operating cost	-26%	not available	-5%	-17%	⇧
Number of social units per employee	29.3	not available	32.00	29.1	⇧
Staff wellbeing (RAG rating: (Red/Amber/Green)					⇧

Business Growth					
Gross Operating Margin	43%	33.8%	>34%	38%	⇧
Annual income from non-social housing activities	£2,053k	not available	£2,009k	£1,935k	⇧
Subcontractor work brought in-house	£283,000	n/a	£300,000	£123,000	⇧
Business Improvement					
VfM efficiency gains/savings	£588,000	n/a	£120,000	£99,442	⇧
Increase in net income from service charge % on prior year	17.44%	n/a	15%	1%	⇧
Total return on asset	6.86%	3.23%	5.95%	6.19%	⇧
VfM saving from shared services	£0	n/a	£20,000	n/a	
Social Value					
£ of social value generated from contracts	£2,200	n/a	£2,000	n/a	
£ social value generated from grant secure	£202,525	n/a	£198,000	n/a	
Overall customer service	(*)	not available			⇧
Governance					
Regulatory Compliance (RAG rating)	(*)				⇔
Governance Compliance (RAG rating)	(*)				⇔
Reputation (RAG rating)	94	n/a	70	90	⇧
Health and Safety (RAG rating)	(*)	not available			⇔
HCA Governance Rating	G2 (**)	G1	G1	G1	⇩
HCA Viability Rating	V2	V1	V1	V2	⇔

(*) Health and Safety, Customer Service, Regulatory Compliance and Governance Compliance sections comprise of a variety of quantifiable and non-quantifiable measures, hence no single numerical scores are presented.
(**) At the time of writing this report the Governance Rating has been rescored to G2 by HCA and published on 26 July 2017.

Voluntary merger code

The Board decided not to adopt the voluntary code for housing associations to consider mergers, group structures, and partnerships, developed by the National Housing Federation.

In line with our corporate plan, the Board continues to identify, discuss and consider a wide range of options to drive business growth and improve our services to customers. All of this is undertaken in an open and transparent manner using factual evidence to support initiatives that are debated fully at all levels.

In practice, the Group believes that it already employs good governance and business principles, and adoption of the merger code would not add any material change to the way it considers collaborative opportunities.

Value For Money

The Board agreed a new Value For Money (VfM) Strategy in February 2017, which will be formally launched in the financial year 2017/18. The strategy concludes a review of the way in which we collect and monitor data about the costs and quality of our services, and has established 8 priorities of focus for delivery of VFM in the future:

1. Delivering social value
2. Reduce operating costs through efficiency improvements
3. Improving mechanisms for monitoring efficiency achievements
4. Improving the documentation of VFM during procurement
5. Improving benchmarking of our costs and quality
6. Continuing work on improving our return on assets

7. Revisiting treasury management strategy
8. Improving investment decision-making processes

In accordance with the requirements of the Homes and Communities Agency's (HCA) Economic Regulatory Standard, we have published a Value for Money self-Assessment statement on our website (https://www.svhs.org.uk/corporate-publications).

In 2016, the Board requested the Society to achieve £9m in 'Total Income Less Expenditure' by 31 March 2017 against the annual budget of £8.417m approved in the April 2016, representing a financial stretch target of £583k.

The progress against the target was recorded in an 'Efficiency Tracker' and presented quarterly to the Board alongside the quarterly financial report.

At the end of March 2017, the savings attributable to 'the efficient working' were £588k, £5k ahead of the target set by the Board in June 2016.

Risks and uncertainties

Risks to the Group are managed and controlled in line with the Risk Management and Assurance Strategy. This involves the proactive review of the risk register on a quarterly basis by the Directors, Audit Committee and the Board.
The top risks faced by the Group are summarised below. We monitor the quality of internal controls and assurance to ensure that these risks are managed appropriately to a level that the Board considers acceptable, and have action plans in place to address gaps in assurance levels. These risks levels are rated as gross risks, prior to any corrective actions being taken.

- Ensure the Society complies with its Health and Safety responsibilities, including gas compliance
- Failure to ensure financial viability including compliance with loan covenants, interest cover, debt per unit and asset covers
- Cost of employer's pension contributions greater than planned
- Failure to achieve planned maintenance and Housing Quality and Internal Standards within agreed budget
- Failure to receive financial return from student accommodation included in SVHS Business Plan
- Failure to have effective governance arrangements in place and non-compliance with National Standards
- Tax liability greater than expected
- Failure to review, evaluate and report risks effectively with no robust assurances in place
- Failure to meet National Standards for VfM and internal efficiency targets
- Failure to comply with relevant legislation (excluding Health and Safety and Data Protection)
- Failure to achieve/maintain a regulatory judgement from the HCA in line with SVHS strategic objectives
- Failure of business-critical projects to deliver expected benefits within planned costs and timescales
- Failure to detect fraud, corruption, theft. Need to minimise the Society's exposure
- Failure to performance manage effectively
- Failure to ensure compliance with Data Protection (ISO) Regulations
- Failure to deliver development programme
- Worse than expected financial outcome from property sales
- Re-let times/loss of rent due to voids greater than planned

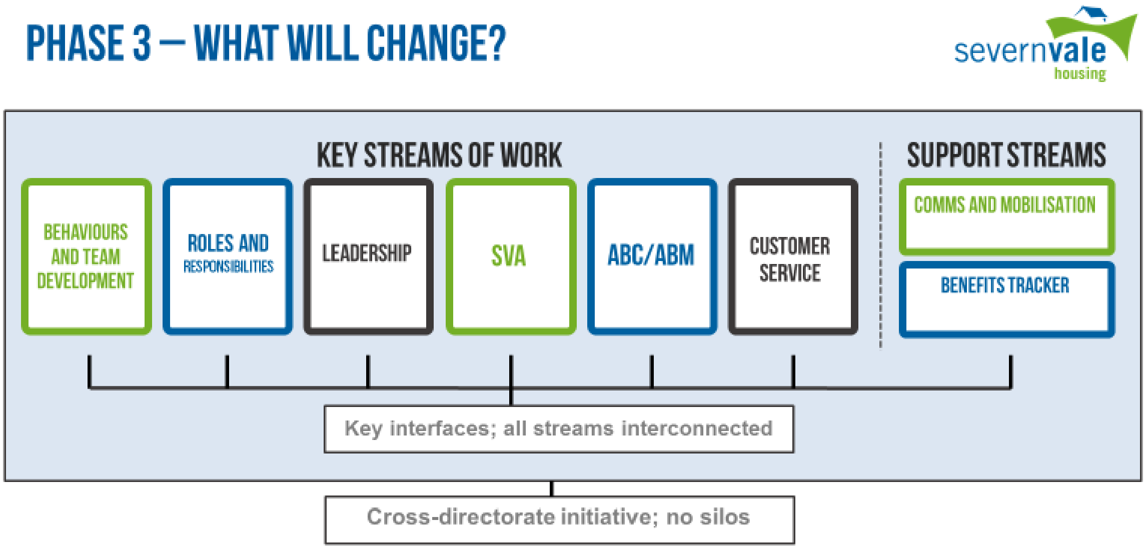
A set of Early Warning Indicators is alerting the Board if any risks are likely to materialise, and if the controls in place are appropriate to manage the risks, within the risk appetite.
The risk appetite was reviewed and set by the Board against each of the key risks, to provide guidance to the Executive as to what risk exposure is tolerated by the Board. The overall risk appetite level can be summarised as follows:
SVHS has a cautious approach to risks, focused on avoidance and lowering risks exposure, while accepting it is not fully in the organisation's control (in relation to external factors).

One Team – Our culture change journey

The culture change journey that SVHS started in January 2015 has undoubtedly helped us to build strong and resilient teams which have responded well to all the challenges that have been seen in the housing sector in recent years. However, we recognise that we have not finished yet. To truly thrive as an organisation, our next big challenge is embedding a much more commercial mindset within the organisation and being open to new ideas and opportunities.

Completion of this phase of our culture change journey will see improved customer satisfaction, engaged teams and confident leaders; we will have behaviours that support our values and greater use of data to help us realise our vision to be the leading housing provider in Gloucestershire.

This phase of our culture change programme, which will run from 1 April 2017 – 31 March 2018, is going to focus on 6 key areas of work supported by 2 further areas of work. These are:



Three key business priorities are being tackled through this culture change work;

Both tangible and intangible benefits have been identified and will be tracked through a process of benefits tracking. These include:

Tangible:

- Increased income
- Reduced costs

Intangible:

- Greater efficiency
- Reduced waste
- Improved reputation
- Improved customer satisfaction
- Improved staff engagement

It is recognised that some of the above benefits will not be realised immediately upon the completion of this phase of our culture change programme: for this reason, we will continue to measure these beyond the completion of the programme to ensure improvements are seen and the change in mindset has been embedded.

Finance

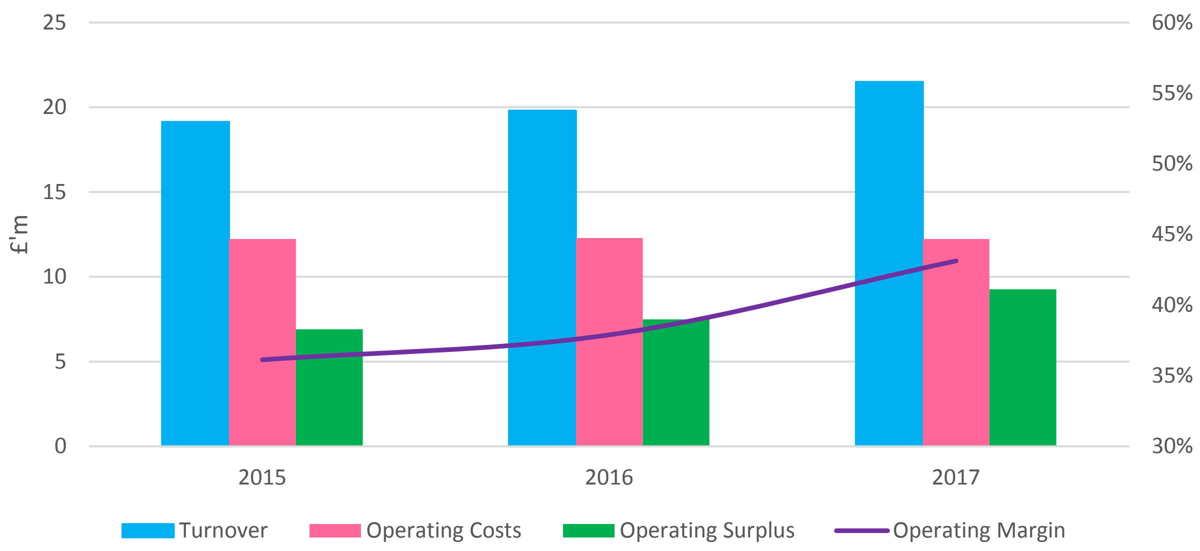
The Board approved an ambitious budget for the year to ensure not only compliance with the funders' covenants, but also to ensure future long term sustainability of the business while meeting customer service levels and requirements.

It has been the first year of reduced rents, as per government rule announced in July 2015.

Our viability rating of V2 remained unchanged since March 2016. The HCA's description of the rating: "The provider meets our viability requirements. It has the financial capacity to deal with a reasonable range of adverse scenarios but needs to manage material risks to ensure continued compliance." Because of the impact of the rent cut, there is less capacity in our business plan to manage adverse variances against financial forecasts.

Summary of results for the year

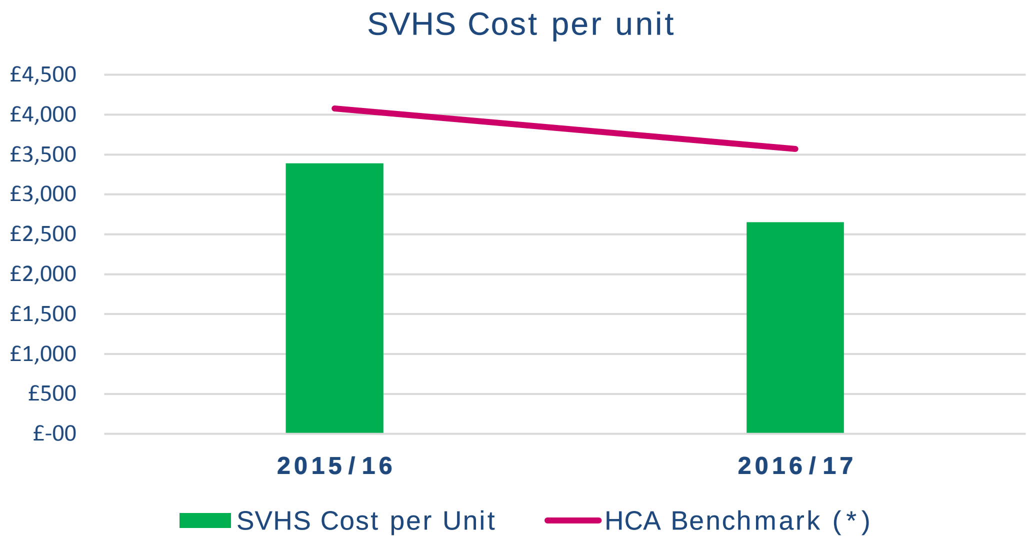
The Group's turnover has increased 8.6% year on year, with a corresponding 24% increase in operating surplus.



The Society's operating margin has been consistently increasing in the past years reaching 43% for 2016/17. The Society managed to marginally reduce its operating costs despite some price increases in many areas of the business by the "Insourcing of Works" programme in Routine Repairs and increase its turnover by the receipts from the property sales under its Stock Rationalisation Programme, part of Asset Management Strategy.

Cost per unit

Our operating costs per social housing unit, including all year end accounting adjustments, have been benchmarked against the (*) HCA's Median of headline social housing costs, Table 22 of 2016 and 2015 Global Accounts of private registered providers (accessible online from HCA's website: https://www.gov.uk/government/organisations/homes-and-communities-agency) and shows a favourable result and a decreasing trend from last year.



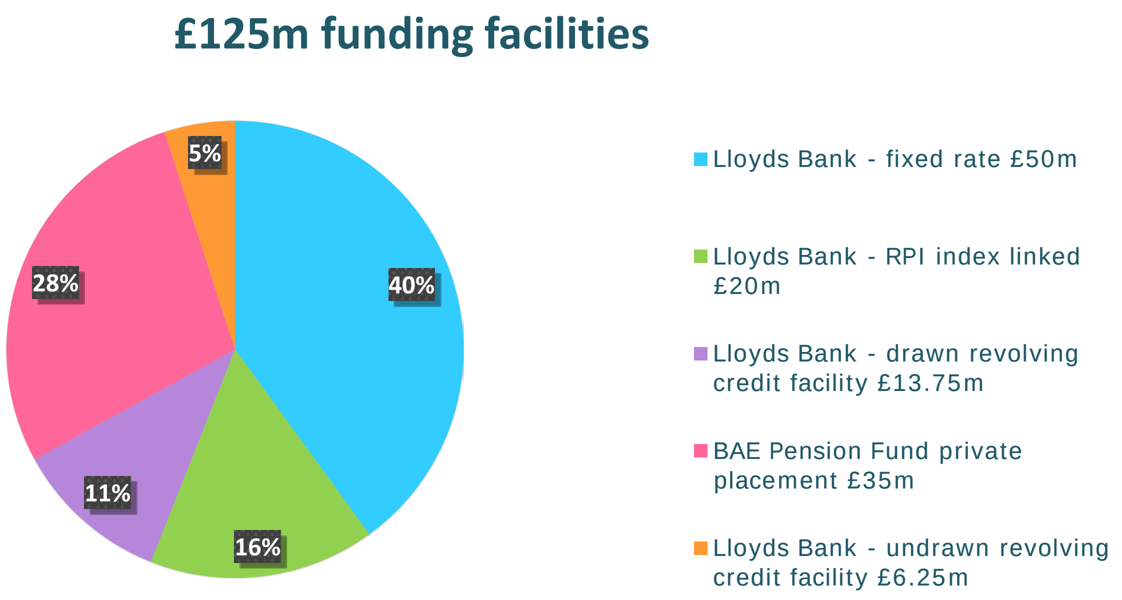
Accounting Policies
The Group's principal accounting policies are set out on pages 28 to 33 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and remain the same as in the previous financial year.

Treasury

The Group is financed by a combination of long-term debt facilities and social housing grant received either directly from Government or from Recycled Capital Grant Fund.

Group priorities are to ensure that there is sufficient cash and liquidity to fund operations in accordance with the Treasury Management Strategy, to ensure security is in place when required, to protect against the impact of adverse movements in interest rates, and to ensure loan covenants are comfortably met.

As at 31 March 2017, we had drawn £118.75m (2016: £118.75m) from our total loan facilities of £125m. Sufficient security is in place to support the total £125m facility together with a minimum 5% asset cover tolerance throughout our 40-year business plan.



Cash and liquidity management

The Group maintained significant cash balances throughout the year to provide adequate and ongoing funding for the development programme. The Group's strategy is to hold cash equivalent to three months' net cash requirement, with a minimum of £500,000 at all times, and cash and liquidity for twelve months' net cash requirement.

Currency risk

The Group borrows and invests surplus cash in sterling only and therefore does not have currency risk in its normal course of business.

Counterparty risk

The Group operates a conservative counterparty risk management strategy that aims to minimise the risk of a financial loss, reputational loss or liquidity exposure resulting from a counterparty to any treasury transaction becoming insolvent.

Interest rate risk management

At the financial year end, 72% of debt was fixed (2016: 72%). The Group has no exposure to derivative margin calls.

Loan covenant compliance

Compliance with financial covenants is monitored on a monthly basis, reported to the Board quarterly and was comfortably met throughout the year and at the year-end for all loan facilities.

Technology

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 2016/17 several new technological projects were completed to enable us to move forward in this regard. These linked to the overall objectives of the Group. They included:

- Implementation & launch of the new customer portal, a key element of our digital strategy
- Implementation of Office 365 giving us greater flexibility as a business
- Rationalised the ownership of mobile phones within the business, and then carried out a review of usage and cost
- Implementation and launch of the new intranet to support collaborative working culture within the business
- Scoping and procurement of a mobile working solution to deliver a housing mobile solution 2017/18
- Scoping and procurement of a supplier to implement bespoke housing workflows (safeguarding, tenancy breach and mutual exchange)
- Implementation of a building-wide Wi-Fi solution for the head office (and trial technology to understand suitability for use in communal areas)
- Implementation of a risk management module of our asset system to help manage risk assessments and follow up actions
- Review of data protection compliance across the business, and development of an improvement plan

Human Resources

The HR Team has been key in supporting and facilitating the cultural change programme and our 'One Team' initiative. The new Induction Programme was developed, which includes bespoke new colleagues Induction Journeys. The programme is expected to be fully implemented in 2017/18 and will allow new recruits get familiar with the organisation and the culture even prior to their employment commencement.

The Apprenticeship Programme marketing material

The HR Team has developed an Apprenticeship programme to help people in the local area change their career path or find an alternative to a costly university route. This gives while ourselves an opportunity to recruit driven and talented individuals who can help us achieve our corporate objectives. The first apprentices started their employment with SVHS on 4 January 2017.

This year has seen several changes take place within our staffing structure, including the departure of the Finance & Development Director in December (position vacant as at 31 March 2017), Development Team moving into the Asset & Commercial Directorate and ICT Team moving to Customer & Community Directorate. A revised reporting structure was rolled out within Asset & Commercial Directorate to support our Growth Strategy (please refer to Corporate Strategy section on page 6).

The staff turnover in 2016/17 was 17%, compared to 13% in the previous year (restated from 25% as a new, Housemark methodology for calculating the staff turnover has been adopted). Most of the staff turnover was voluntary, comprising retirements and ending of fixed-term contracts put in place to help us with the transformational change programme started in 2014/15.

The HR Team has begun to develop a Health and Wellbeing (H&W) Strategy for SVHS employees and in 2016/17 a new H&W Room, located in SVHS Head Office, was made available to all staff. As in previous years, we continue to offer staff our complementary Employee Assistance Programme for confidential advice and support on a wide range of work and personal issues.

Development

The Group's development team had another successful year by completing the development of 32 new homes including 4 for shared ownership sale, all funded entirely from private finance with no grant subsidy.

At the year-end, there were a further 17 properties being developed; 4 flats at York Road and a 13-unit extension to our existing retirement scheme at Parklands Salvia Close, Churchdown.

As well as developing homes for the Group, our development team continued their work providing development services to other registered providers that include Gloucestershire Rural Housing Association, Cirencester Housing Society, Two Rivers Housing and Wyedean Housing Association.

New Homes in Kingsway, Gloucester

Customer & Communities

Rent losses from voids and bad debts
The Group's target for the year was to keep rent losses from voids below 1% of rental income. At the year-end, void loss as a percentage of rent debit was 0.87% (2016: 0.90%), well within the target set. This excludes the long-term void properties that have been handed over to Planned Maintenance for major works or to Development for disposal. The target for bad debts (i.e. write-offs) was 0.30% of the annual rent debit, performance at year end was 0.23% (2016: 0.22%).

Income management
We set a target of 96% cash collection for the year, based on our performance in 2016, and the uncertainty surrounding the introduction of Universal Credit; and achieved year end performance of 100.37% (2016: 97.71%). We saw a corresponding decrease in the rent arrears of current tenants which went down to 1.40% (2016: 1.71%).

Elderly Services Strategic Report 31st March 2017
The team continues to provide a service to 12 SVHS retirement schemes as well as full time management of Rushworth House in Cheltenham (NASUWT) and cover for leave and out of hours emergencies at Brannigan Court, Northway (Stonewater).
Our dedicated Scheme Managers encourage independent living, help customers sustain long-term tenancies and facilitate events to promote health and wellbeing. Our Grants & Social Value Officer secured funding for our schemes to be provided with indoor soft bowls equipment and is working towards building constitutions at the schemes so that we can apply for further funding of future events. Residents at Lanes Court bid for and were awarded community funds for an extension to their patio area.
Three schemes recently held their first community information events promoting our properties and external agencies that can support our customers.
Our Helpline Alarm Service recently carried out an upgrade project, where over 100 units were scrapped and replaced so that every customer now has the most up-to-date equipment.
All schemes have been visited by an independent fire risk assessor and we are subsequently working through the recommendations to reduce risk. All scheme managers have now received general risk assessment training.

The Senate

The Stakeholder Senate (the Senate) is an independent group that provides a formal link between stakeholders and Severn Vale Housing Society (SVHS). Its purpose is to champion the voice of those who receive, or are affected by, SVHS services and ensure that this perspective is understood by the Board and factored in to any decisions they make.

The Senate is made up of nine customer members, the Chair of SVHS's Board and six representatives of stakeholder partners including Tewkesbury Borough Council, Tewkesbury Job Centre, Gloucestershire Fire Service, GreenSquare, Gloucestershire Police and the Furniture Recycling Project.

Over the last year, Senate members have been consulted and participated in several working groups and continue to review, comment on the impact of, and make suggested improvements to policies which directly affect SVHS customers. The Senate has contributed to positive changes to the New Tenancy Agreement, Value for Money Statement, Tenant's Handbook Animation and the Repairs and Maintenance Policy.

The Senate meets once a quarter, with additional opportunities for the members to join working groups, participate in complaint panels and attend events. Additional training is given to support the Senate members in their role. The Senate developed a Scorecard which tracked SVHS's performance in key areas, identified by the Senate members. The Scorecard is supported by presentations from both within the organisation and from the stakeholder partners who provide additional contextual information.

The Senate's hard work and commitment was recognised in their shortlisting for two awards: The Most Innovative Use of Customer Engagement in the Housing Innovation Awards and for Excellence in Scrutiny at the TPAS awards.

It has been over a year since the first appointment of members to the Severn Vale Housing Stakeholder Senate and the recruitment process to find new members to join the Stakeholder Senate has begun.

Community Activities

This year, we have continued to assist our community groups to maximise their incomes and grant funding and have supported them with governance and with training for grants officers. This support has been provided across Gloucestershire and will assist many of our tenants and will also help to improve our communities.
We have assisted our charity partners in obtaining in excess of £210,000 for work being conducted in our local communities from being more active with soft bowls and table tennis within our retirement schemes, to local children having access to youth clubs and activities (such as Glow Sports, Martial Arts and Climbing, summer activities, encouraging children to talk through drama), adding a canopy for young people to enjoy the outdoors at school, extending a patio in a communal garden, replacing kitchens and bathrooms and installing CCTV in community buildings, staffing (volunteer coordinators), funding for a much needed van for collections and deliveries, funding core costs and much more.
We are also involved in many forums to help improve activities and support to our tenants including meetings and forums for Community Hubs, Active Aging, Youth Physical activity, Groundworkers, Gloucestershire Meaningful Activity and Well-being Network, Tewkesbury VCS forum, Big Community Give and Gain, Crimestoppers and Gloucestershire Community Network.

Customer complaints

There were 85 formal complaints made during the year (2016:116). Of these, 59 (2016: 80) were upheld. We are pleased to report that during 2016/17 we had no cases reported to the Housing Ombudsman.

During the year, we implemented changes to our Complaints Policy and measures to capture learning from complaints received. This has contributed to the reduction in the volume of complaints received.

Marketing and communications

Effective communication to customers, colleagues and stakeholders is key to building our reputation in our communities and sector. Throughout 2016/17 we have worked on enhancing our communication channels to facilitate our communication and increase the internal and external reputation over the coming years. The following are the main achievements of the marketing & communication team in 2016/17:

- **Intranet –** A new intranet was launched, and is now available to all staff on any device
- **Website –** Although the new website was launched just before the start of the financial year, the majority of improvements have been made since launch. This includes a redesigned homepage, content edits and links to the customer portal. We are working on an improvement plan which will take us through the next year
- **Social Media –** We have improved our performance on Twitter and Facebook. We are now focussing on improving it even further and engaging the online community. Our presence on LinkedIn did not substantially change in the last financial year, however this is more of a priority going forward
- **Customer Portal –** Our SID (Severn Vale is Digital) campaign was successful in launching the new customer portal. Customers can now pay their rent, check their balance, report a repair and more, online, from any device
- **Let's Talk Housing –** We led the organisation of the Gloucestershire Homes & Communities Partnership (GHCP) Let's Talk Housing event, "The 50,000 New Homes Challenge". Around 140 industry professionals from across Gloucestershire took part in workshops designed to help tackle the challenges facing the sector. We are continuing this initiative over the next financial year by organising working groups made up of participants from the day
- **Newsletters –** In the previous financial year we launched new communications to customers and stakeholders. These new publications ran through 2016/17 and we are now looking at how we can further improve on them

- **New Tenancy Agreement –** Extensive planning for the New Tenancy Agreement rollout took place throughout the year. The plan is now in place and the rollout of the agreement is underway
- **Cultural Change –** We ran the SHINE|16 event to enable us to recognise our colleagues' great achievements. In addition to this we helped to support the culture shift through workshops and health and wellbeing awareness day
- **Best Companies –** We achieved 102nd place in the Best Companies Survey. We are now rolling out intermediary surveys to improve upon our internal reputation

Asset management

Planned maintenance

The Group continues to use the Keystone Asset Management System to profile and manage its 40-year planned maintenance programme. The system utilises mobile working which enables assessments to be carried out on site using tablets. This is already proving time saving as previous manual tasks using the old method are not required.

We increased use of the Keystone's Servicing & Inspection Module during 2016/17 to enable our servicing to be managed through the system instead of using manual records. In December 2016 we purchased the Keystone's Risk Management System and a project team implemented the system within three months which will enable Severn Vale to manage Communal Block Inspections, Fire Risk Assessments, Legionella Assessments and Solid Fuel Flue Inspections. The system is fully auditable and is able to schedule inspections within target and manage any actions of work according to level of risk. We intend to expand use of the system throughout 2017/18 as we have System Administrators trained in-house to be able to do this instead of relying on our software supplier.

We completed our planned maintenance programme within the timeframes set out in the Decent Homes Standard and our average SAP of our Housing stock increased to 69%.

During Q4 we started utilising Microsoft's Power BI Reporting System to reduce the number of manual reports being created. The system can create user defined reports which are accessible to the team in real time which can incorporate visual aids such as pie charts, graphs and maps. It has allowed us to work smarter not harder which has resulted in a performance improvement.

Gas servicing continues to be managed through Keystones Servicing Inspection Module to ensure 100% compliance.

SVHS has 173 blocks which require a Fire Risk Assessment (FRA) to be carried out under the requirements of the Regulatory Reform (Fire Safety) Order 2005. In terms of 'high rise' flats (18 meters / 6 or more floor levels / ground + 5 storey), SVHS do not have any buildings that resemble a high-rise block. Our tallest set of flats are 5 floor levels high, Regency Hall in Cheltenham and Sansome Hall in Worcester.

None of SVHS's blocks have been refurbished using the ACM cladding systems and the Asset Management team is currently validating all data in relation to ACM type cladding and External Wall Insulation (EWI) in SVHS blocks.

Response Repairs

The focus for 2016/17 was on internalisation of commercial works, which previously would have been sub-contracted externally. This in turn allowed us to create efficiencies that contributed to managing downwards the Group's operating costs for the year.

The Property Services department has regained its NICEIC Certification (National Inspection Council for Electrical Installation Contracting – electrical compliance governing body) and has insourced Periodic Electrical Testing works, part of Planned Maintenance Programme, which previously had been outsourced to the external contractors. This will further build our reputation as a recognised electrical contractor and allow the department to utilise the skills and experience of the electrical engineers.

During 2016/17 the Group completed 92% of repairs within target in comparison to 2015/16, where 83% were completed in target. This is directly attributable to the fact that more and more of the repairs are being internalised and hence the Group has a lot more control over the timely completion of works.

Home Induction Team

During the 2016/17 financial year we dealt with 296 void properties (2016: 234).

The Stock Disposals Strategy, established in the previous year, was followed to further help us review long-term void properties or properties in disrepair and assess whether it is economic to retain them in the business. As a result, five housing properties were sold and the net sale proceeds are ringfenced for building new, efficient homes in the future.

The Home Induction Team has reviewed and updated the Allocations Policy and procedures to reflect the anticipated increased financial pressures on families following the full rollout of Universal Credit in Autumn 2017. There is more emphasis put on ensuring that the prospective tenants are matched to properties that they can afford to sustain and, where such affordability criteria are not met, the team actively signposts the social housing applicants to the right services for help.

The team has been working closely with the local authority to improve their understanding in our allocations affordability criteria, which resulted in a big decrease of complaints from local authorities in cases where applicants were refused housing that they could not afford.

Non-social housing activities

Student Accommodation

The Group owns 282 student units over four student accommodation blocks. These continued to be let to local Universities as follows:

- University Of Gloucestershire - 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 was not exercised
- Regency Hall - Commencement Date 8th September 2006; break clause 2017; exercised by University of Gloucestershire – lease termination agreed for 30 June 2017;
- Sansome Hall - Commencement Date 12th September 2008; break clause 2018
- St George's 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 Group's business plan.

In February 2017, the Board decided that the management of the Regency Hall from September 2017 will be brought in-house following University of Gloucestershire's withdrawal from the lease.

Market Rent

The Group owns 85 homes which are let on the open market. The Group uses a lettings agency, GA Management, for marketing, letting and tenant relations with the repairs and rent accounting for these properties being done in house. The market rent portfolio continues to bring a healthy net income in line with the Group's budget. The rent charge for these properties is kept in line with the average market rent prices in the area and is not subject to social rent cuts.

Helplines

The Helpline Alarms continue to provide a valuable service in the North Cotswolds and in the borough of Tewkesbury with 554 units in operation and the aim to grow the service in the coming years.

Statement of compliance

In preparing this Strategic Report, the Board has followed the principles set out in the Housing SORP 2014.

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

For the year ended 31 March 2017

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

Co-operative and Community Benefit Society legislation requires the Board to prepare financial statements for each financial year. Under that law the Board 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 Co-operative and Community Benefit Society legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Society and Group for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards and the Housing SORP 2014 have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society 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 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 2015. 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.

The Board are responsible for the maintenance and integrity of the corporate and financial information included on the Society's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 2017 which comprise the Consolidated and Society Statements of Comprehensive Income, the Consolidated and Society Statements of Financial Position, the Consolidated and Society Statements of Changes in Reserves, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Society's members, as a body, in accordance with Section 87(2) 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 the auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 21, 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 Financial Reporting Council's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group and parent Society's affairs as at 31 March 2017 and of the group and parent's income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of 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 2015.

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 parent 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.

Beever and Struthers

Beever and Struthers
Statutory Auditors
St George's House
215-219 Chester Road
Manchester
M15 4JE

22 September 2017

Consolidated and Society Statement of Comprehensive Income

For the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Turnover	3	21,506	19,796
Operating expenditure	3	(12,231)	(12,295)
Operating surplus	4	9,275	7,501
Gain on disposal of housing properties	4,11	163	5
Interest receivable and similar income	5	1	23
Interest payable and similar charges	6	(6,037)	(6,335)
Other finance costs	7	(134)	(537)
Increase in valuation of investment properties	12	705	-
Surplus before taxation		3,973	657
Tax on surplus	8	-	-
Surplus for the financial year		3,973	657
Actuarial (loss)/gain on defined benefit pension schemes	7	(695)	1,186
Total comprehensive income for the year		3,278	1,843

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

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

The notes on pages 28 to 53 form part of these financial statements.

The financial statements on pages 23 to 53 were approved and authorised for issue by the Board on 7 August 2017 and signed on its behalf by:

Laurence James	Mark Davies	Tim Knight	Claudia Cobban
Board Chair	Vice Chair	Chief Executive	Governance and Strategy Director and Secretary

Consolidated and Society Statement of Financial Position

At 31 March 2017

	Note	Group 2017 £'000	Society 2017 £'000	Group 2016 Restated £'000	Society 2016 Restated £'000
Fixed assets					
Tangible fixed assets – housing properties	9	83,376	83,376	85,679	85,679
Tangible fixed assets – head office building	10	1,435	1,435	1,478	1,478
Other tangible fixed assets	10	51	51	289	289
Investment properties	12	26,600	26,600	25,895	25,895
Investments in subsidiary	13	-	-	-	-
		111,462	111,462	113,341	113,341
Current assets					
Properties held for sale	14	37	37	310	310
Stocks	15	87	87	87	87
Trade and other debtors	16	1,050	1,050	1,374	1,374
Cash and cash equivalents	17	5,924	5,924	519	519
		7,098	7,098	2,290	2,290
Creditors: Amounts falling due within one year	19	(3,353)	(3,353)	(3,600)	(3,600)
Net current assets / (liabilities)		3,745	3,745	(1,310)	(1,310)
Total assets less current liabilities		115,207	115,207	112,031	112,031
Creditors: Amounts falling due after more than one year	20	134,938	134,938	135,426	135,426
Net pension liability	7	3,645	3,645	3,259	3,259
		138,583	138,583	138,685	138,685
Reserves					
Income and expenditure reserve		(23,376)	(23,376)	(26,654)	(26,654)
Total reserves		(23,376)	(23,376)	(26,654)	(26,654)
		115,207	115,207	112,031	112,031

The notes on pages 28 to 53 form part of these financial statements.

The financial statements on pages 23 to 53 were approved and authorised for issue by the Board on 7 August 2017 and signed on its behalf by:

Laurence James Board Chair	Mark Davies Vice Chair	Tim Knight Chief Executive	Claudia Cobban Governance and Strategy Director and Secretary

Consolidated and Society Statement of Changes in Reserves

For the year ended 31 March 2017

	Income and expenditure reserve £'000	Total £'000
Balance as at 1 April 2015	(28,497)	(28,497)
Total comprehensive income for the year	1,843	1,843
Balance as at 31 March 2016	(26,654)	(26,654)
Total comprehensive income for the year	3,278	3,278
Balance as at 31 March 2017	**(23,376)**	**(23,376)**

The notes on pages 28 to 53 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	2017		2016	
	£'000	£'000	£'000	£'000
Net cash generated from operating activities		11,082		8,748
Cash flow from investing activities				
Purchase and construction of housing properties	(556)		(5,695)	
Improvements to housing properties	(959)		(1,568)	
Payments to acquire other fixed assets	(7)		(61)	
Sale of housing properties	1,804		205	
Interest received	1		23	
Net cash from investing activities		**283**		**(7,096)**
Cash flow from financing activities				
Housing loans received	-		4,000	
Interest paid	(5,960)		(6,258)	
Net cash from financing activities		**(5,960)**		**(2,258)**
Net change in cash and cash equivalents		5,405		(606)
Cash and cash equivalents at beginning of year		519		1,125
Cash and cash equivalents at end of year		5,924		519

The notes on pages 28 to 53 form part of these financial statements.

Notes to the Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	2017		2016	
	£'000	£'000	£'000	£'000
Reconciliation of operating surplus to net cash generated from operating activities				
Operating surplus	3,973		657	
Depreciation of housing properties	2,204		2,110	
Depreciation of other fixed assets	288		365	
Amortisation of Grants	(169)		(144)	
(Increase) / Decrease in stock	-		(16)	
Decrease / (Increase) in properties held for sale	273		-	
Decrease / (Increase) in debtors	324		(180)	
(Decrease) in creditors	(800)		(255)	
Pension costs less contributions payable	(416)		(395)	
Carrying amount of shared ownership disposals	103		135	
Adjustments for investing or financing Activities				
Gain on disposal of housing properties	(163)		(5)	
Interest receivable and similar income	(1)		(23)	
Interest payable and similar charges	6,037		6,335	
Other finance costs	134		164	
Increase in valuation of investment properties	(705)		-	
		11,082		8,748

Notes to the Financial Statements

For the year ended 31 March 2017

1. Legal status

The Society is incorporated under the Co-operative and Community Benefit Societies Act 2014 with the reference number 28557R and is registered with the HCA as a Private Registered Provider of Social Housing under reference L4171.

The registered office is Shannon Way, Ashchurch, Tewkesbury, Gloucestershire, GL20 8ND.

2. Accounting policies

Basis of accounting

The financial statements of the Group and Society have been prepared in accordance with applicable United Kingdom Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for Registered Social Housing Providers: Housing SORP 2014.

The financial statements comply 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 2015.

The accounts are prepared on the historical cost basis of accounting as modified by the revaluation of investments properties.

The Group's financial statements have been prepared in compliance with FRS 102. The Group meets the definition of a public benefit entity (PBE).

The financial statements are presented in Sterling (£) rounded to the nearest £'000.

The **individual** accounts of the Society have also adopted the following disclosure exemption:

- the requirement to present a statement of cash flows and related notes

The comparative figures in the financial statements have been restated to reclassify the Social Housing Pension Scheme (SHPS) pension agreement plan liability as a creditor. In the financial statements for the year ended 31 March 2016 the amount was classified under pension liabilities.

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants. On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The following are the significant management judgements made in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Capitalisation of property development costs

Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation management monitors the asset and considers whether changes indicate that impairment is required. No amounts were capitalised in the year.

Estimation uncertainty

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

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components.

2. Accounting policies (continued)

Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 7).

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices.

Basis of consolidation

The Group accounts consolidate the accounts of the Society and all its subsidiaries at 31 March using the purchase method.

Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the Society and entities (including special purpose entities) controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate, using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

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 where recoverable) of goods and services supplied in the year and 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, net of any voids. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period.

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

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

Investment properties

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

2. Accounting policies (continued)

Government grants

Government grants include grants receivable from the Homes and Communities Agency (the HCA), local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the HCA. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors. If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to income and expenditure. Upon disposal of the associated property, the Group is required to recycle these proceeds and recognise them as a liability.

Depreciation

The Group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

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

	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

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land.

2. Accounting policies (continued)

Depreciation (continued)

The principal annual rates used for other assets are:

	Years
Office Furniture and Equipment	4
Computer Equipment and Software	2
Leased Assets	10
Head Office	50
Motor Vehicles	5

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

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

Leasehold properties are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Impairment

Annually housing properties are assessed for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as expenditure in income and expenditure. Where an asset is currently deemed not to be providing service potential to the Society, its recoverable amount is its fair value less costs to sell.

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

Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Pensions

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 charge to the income and expenditure represents the employer contribution payable to the scheme for the accounting period. Contributions payable from the Society to the SHPS under the terms of its funding agreement for past deficits are recognised as a liability in the Society's financial statements.

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

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

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.

2. Accounting policies (continued)

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 Statement of Comprehensive Income and the share payable to the Council is treated as a cost of sale.

Deferred taxation

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax relating to investment property that is measured at fair value is measured using the tax rates and allowances that apply to the sale of the asset, except for investment property that has a limited useful life and is held in a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference. With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the Group has a legally enforceable right to set off current tax assets against current tax liabilities, and

- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously.

Value Added Tax

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

Interest payable

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents

a) interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or

b) a fair amount of interest on borrowings of the association as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

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

Financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit.

Debtors

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

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

2. Accounting policies (continued)

Creditors

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

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.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Group recognises annual rent expense equal to amounts owed to the lessor. The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Properties for sale

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

Provisions for liabilities

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

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

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in Statement of Comprehensive Income in the period it arises.

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

Reserves

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

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

3. Turnover, operating expenditure and operating surplus

GROUP - continuing activities	Turnover £'000	2017 Operating expenditure £'000	Operating Surplus £'000
Social housing lettings	17,449	(10,931)	6,518
Other social housing activities			
Lifelines	103	(58)	45
External contract work	131	-	131
First tranche shared ownership sales	592	(338)	254
Disposal of housing properties	1,015	(41)	974
Other	163	-	163
	2,004	(437)	1,567
Non-social housing activities			
Lettings	1,989	(790)	1,199
Other	64	(73)	(9)
	2,053	(863)	1,190
Turnover from continuing activities	21,506	(12,231)	9,275

GROUP - continuing activities	Turnover £'000	2016 Operating expenditure £'000	Operating Surplus £'000
Social housing lettings	17,244	(11,399)	5,845
Other social housing activities			
Lifelines	104	(55)	49
External contract work	150	-	150
First tranche shared ownership sales	214	(135)	79
Other	149	-	149
	617	(190)	427
Non-social housing activities			
Lettings	1,891	(600)	1,291
Other	44	(106)	(62)
	1,935	(706)	1,229
Turnover from continuing activities	19,796	(12,295)	7,501

3. Turnover, Operating Expenditure and Operating Surplus (continued)
Particulars of Income and Expenditure

GROUP AND SOCIETY

2017	General Needs housing £'000	Supported housing & 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	2017 Total £'000
Income										
Rent receivable net of identifiable service charges and net of voids	13,886	1,711	471	172	**16,240**	703	112	1,174	20	**18,249**
Service charge income	322	665	53	-	**1,040**	-	-	-	44	**1,084**
Amortised government grants	169	-	-	-	**169**	-	-	-	-	**169**
Total turnover from lettings	**14,377**	**2,376**	**524**	**172**	**17,449**	**703**	**112**	**1,174**	**64**	**19,502**
Operating expenditure										
Management	(3,818)	(475)	(138)	(47)	**(4,478)**	(161)	(24)	(416)	(75)	**(5,154)**
Service charge costs	(421)	(525)	(10)	(1)	**(957)**	(4)	-	-	(9)	**(970)**
Routine maintenance	(2,148)	(64)	(6)	(1)	**(2,219)**	(44)	(4)	(22)	(11)	**(2,300)**
Major repairs expenditure	(998)	-	-	-	**(998)**	(9)	-	(106)	(36)	**(1,149)**
Bad debts	(75)	-	-	-	**(75)**	-	-	-	-	**(75)**
Depreciation of housing properties	(1,875)	(147)	(76)	(106)	**(2,204)**	-	-	-	-	**(2,204)**
Total expenditure on letting activities	**(9,335)**	**(1,211)**	**(230)**	**(155)**	**(10,931)**	**(218)**	**(28)**	**(544)**	**(131)**	**(11,852)**
Operating surplus	**5,042**	**1,165**	**294**	**17**	**6,518**	**485**	**84**	**630**	**(67)**	**7,650**
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	(118)	(32)	(1)	(1)	**(152)**	(8)	(63)	-	-	**(223)**

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

3. Turnover, Operating Expenditure and Operating Surplus (continued)

Particulars of Income and Expenditure

GROUP AND SOCIETY

2016	General Needs housing £'000	Supported housing & 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	2016 Total £'000
Income										
Rent receivable net of identifiable service charges and net of voids	13,852	1,687	464	208	**16,211**	631	103	1,157	10	**18,112**
Service charge income	266	578	45	-	**889**	-	-	-	34	**923**
Amortised government grants	144	-	-	-	**144**	-	-	-	-	**144**
Total turnover from lettings	**14,262**	**2,265**	**509**	**208**	**17,244**	**631**	**103**	**1,157**	**44**	**19,179**
Operating expenditure										
Management	(3,914)	(464)	(144)	(56)	**(4,578)**	(129)	(23)	(359)	(63)	**(5,152)**
Service charge costs	(397)	(588)	(9)	(1)	**(995)**	(8)	-	-	(8)	**(1,011)**
Routine maintenance	(2,176)	(72)	(8)	(3)	**(2,259)**	(33)	(4)	(13)	(12)	**(2,321)**
Major repairs expenditure	(1,412)	-	-	-	**(1,412)**	-	-	(30)	(77)	**(1,519)**
Bad debts	(45)	-	-	-	**(45)**	-	-	-	-	**(45)**
Depreciation of housing properties	(1,876)	(114)	(61)	(59)	**(2,110)**	-	-	-	-	**(2,110)**
Total expenditure on letting activities	**(9,820)**	**(1,238)**	**(222)**	**(119)**	**(11,399)**	**(170)**	**(27)**	**(402)**	**(160)**	**(12,158)**
Operating surplus	**4,442**	**1,027**	**287**	**89**	**5,845**	**461**	**76**	**755**	**(116)**	**7,021**
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	(122)	(31)	(2)	(1)	**(156)**	(17)	(71)	-	-	**(244)**

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

4. Operating surplus

Surplus is stated after charging:

	2017 £'000	2016 £'000
Depreciation of housing properties	2,204	2,110
Depreciation of other tangible fixed assets	288	364
Auditors' remuneration (excluding VAT):		
External auditors		
- Audit of the financial statements	17	28
- Taxation services	-	10
Internal auditors	20	43

5. Interest receivable and other income

	2017 £'000	2016 £'000
Interest receivable (other)	1	23

6. Interest payable and similar charges

	2017 £'000	2016 £'000
Interest on bank loans	5,960	6,258
Refinancing fees amortised	77	77
	6,037	6,335

7. Employees

The average number of persons employed during the year expressed in full time equivalents (37.5 hours per week) was:

	2017 No.	2016 No.
Directors	5	5
Business services	24	21
Development	2	2
Finance	6	6
ICT	4	4
Community	1	3
Housing (incl. scheme managers)	32	36
Planned maintenance	4	7
Responsive repairs	40	35
	118	119

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

7. Employees (continued)

Staff costs:	2017 £'000	2016 £'000
Wages and salaries	3,642	3,568
Employer's contribution - national insurance	359	314
Employer's contribution - pension	304	310
Pension deficit contributions	628	545
	4,933	4,737

Aggregate number of full time equivalent staff whose remuneration (including compensation for loss of office) exceeded:

	2017 No.	2016 No.
£60,001 - £70,000	3	3
£70,001 - £80,000	1	-
£80,001 - £90,000	-	2
£90,001 - £100,000	2	1
£100,001 - £110,000	1	1
£110,001 - £120,000	-	-
£120,001 - £130,000	-	-
£130,000 – £140,000	-	-
£140,000 – £150,000	-	-
£150,000 – £160,000	1	1
	8	8

Directors' remuneration

The Directors are defined for this purpose as the Chief Executive and any other person who is a member of the Directors' Team reporting to the Chief Executive or directly to the Board and whose total emoluments exceed £40,000 per year.

	Basic Salary £000's	Benefits in Kind £000's	Pension £000's	2017 £000's	2016 £000's
Chief Executive – Tim Knight (Highest paid Director)	130	2	25	157	153
Former Finance & Development Director – Julie Jones	71	1	7	79	98
Customer & Communities Director – Fay Shanahan	90	2	5	97	61
Governance & Strategy Director – Claudia Cobban	96	2	9	107	101
Assets & Commercial Director – Michael Craggs	84	2	6	92	86
Former Interim Finance Director – David Johnson	-	-	-	-	89
	471	9	52	532	588

These Directors are also considered to be key management personnel together with the non-executive members of the Board.

7. Employees (continued)

Payments of £37,153 in respect of emoluments and expenses were made to members of the Board during the year (2016: £37,732).

	2017 £'000	2016 £'000
Laurence James	11	12
Mark Davies	5	5
Jim Dickson	4	4
Mary Miller	5	5
Simon Walley	2	4
Louise Church	2	3
Deborah Midwinter	4	4
Richard Carey	4	-
Anthony Newall	-	1
	37	38

Total key management personnel remuneration for the year is £569k (2016: £626k).

One of the Directors was an ordinary member of the GCCPF during the year (2016: 2), the remaining Directors were members of the Social Housing Pension Scheme. No enhanced or special terms apply and the Group makes no contribution to any individual pension arrangements.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

7. Employees (continued)

Pension Scheme

The Group participates in two pension schemes. One is run by the TPT Retirement Solutions 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.

Employer contributions paid over in the year are as follows (excluding employee contributions):

	2017	**2016**
	£'000	**£'000**
Social Housing Pension Scheme	397	347
Gloucestershire County Council Pension Fund	535	508
	932	**855**

a) Social Housing Pension Scheme

The Group participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

We operate a final salary 1/60th accrual rate benefit structure that is now closed to new employees. We offer a career average re-valued earnings (CARE) structure with a 1/60th accrual rate; this is not open to new employees. New employees are entitled to join the SHPS defined contribution scheme.

It is a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Group to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the Group is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Tier 1 From 1 April 2016 to 30 September 2020:	£40.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 2 From 1 April 2016 to 30 September 2023:	£28.6m per annum (payable monthly and increasing by 4.7% each year on 1st April)
Tier 3 From 1 April 2016 to 30 September 2026:	£32.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)
Tier 4 From 1 April 2016 to 30 September 2026:	£31.7m per annum (payable monthly and increasing by 3.0% each year on 1st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

7. Employees (continued)

a) Social Housing Pension Scheme (continued)

Where the scheme is in deficit and where the Group has agreed to a deficit funding arrangement, the Group recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Present values of provision

	2017	2016	2015
	£'000	£'000	£'000
Present value of provisions	1,291	1,412	1,168

Reconciliation of opening and closing provisions

	2017	2016
	£'000	£'000
Provision at start of period	1,412	1,168
Unwinding of the discount factor (interest expense)	27	21
Deficit contribution paid	(182)	(142)
Remeasurements – impact of any change in assumptions	34	(8)
Remeasurements – amendments to the contribution schedule	-	373
Provision at end of period	**1,291**	**1,412**

Income and expenditure impact

	2017	2016
	£'000	£'000
Interest expense	27	21
Remeasurements – impact of any change in assumptions	34	(8)
Remeasurements – amendments to the contribution schedule	-	373
Contributions paid in respect of future service*	188	142
Costs recognised in income and expenditure account	209	205
	458	**733**

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes.

Assumptions

	2017	2016	2015
Rate of discount	1.33%	2.06%	1.92%

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

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.

In order to assess the actuarial valuation of the Group's liabilities in respect of this Scheme at 31 March 2017, the actuaries have rolled forward the actuarial value of the liabilities reported in the previous triennial valuation.

The major assumptions used by the actuary in assessing Scheme liabilities were:

	2017	2016
Rate of increase in salaries	2.7%	3.7%
Rate of increase in pensionable payments	2.4%	2.2%
Discount rate	2.5%	3.5%

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:

2017	Males Assumed life expectancy in Years at age 65	Females Assumed life expectancy in Years at age 65
Current pensioners	22.4	24.6
Future pensioners	24.0	26.4

Amounts recognised in surplus or deficit

	2017 £'000	2016 £'000
Current service cost	119	151
Past service cost	-	-
Amounts charged to operating costs	119	151
Interest income on plan assets	(413)	(374)
Interest cost on defined benefit obligation	520	517
Amounts charged to other finance costs	107	143

7. Employees (continued)

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

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

	£'000
Opening scheme liabilities	15,041
Current service cost	119
Interest cost on defined benefit obligation	520
Plan participants' contributions	30
Benefits paid	(498)
Remeasurements	765
Closing scheme liabilities as at 31 March 2017	15,977

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

	£'000
Opening fair value of plan assets	11,782
Interest income	413
Plan participants' contributions	30
Employer contributions	535
Benefits paid	(498)
Return on assets (in excess of interest income)	70
Closing fair value of plan assets as at 31 March 2017	12,332

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

	2017 %	2016 %
Equities	71	70
Bonds	20	21
Properties	7	8
Cash	2	1

Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Change in assumptions at 31 March 2017	Approximate % increase to Employer Liability	Approximate monetary amount £'000
0.5% decrease in real discount rate	8%	1,272
0.5% increase in the salary increase rate	1%	98
0.5% increase in the pension increase rate	7%	1,162

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

8. Tax on Surplus on Ordinary Activities

Taxation charge for the period from 1 April 2016 to 31 March 2017:

	2017 £'000	2016 £'000
Surplus on ordinary activities before tax	3,973	657
Tax on surplus on ordinary activities at UK tax rate 20% (2016: 20%)	795	131
Effects of:		
Expenses not deductible for tax purposes	(31)	13
Fixed assets differences	(59)	357
Amounts credited/(charged) directly to income	(139)	163
Chargeable gains	372	(337)
Deferred tax not recognised	(905)	(385)
Other timing differences	(33)	217
Adjustments to brought forward values	-	(159)
Total current tax charge	-	-

9. Tangible fixed assets – Housing 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	Total £'000
Cost					
At 1 April 2016	92,011	1,895	9,003	271	103,180
Additions to new developments	-	468	-	88	556
Works to existing properties	959	-	-	-	959
Schemes completed	2,285	(2,285)	359	(359)	-
Disposals	(2,200)	(1)	(409)	-	(2,610)
At 31 March 2017	93,055	77	8,953	-	102,085
Depreciation and Impairment					
At 1 April 2016	(16,901)	-	(600)	-	(17,501)
Charged in year	(1,687)	-	(76)	-	(1,763)
Eliminated on disposal	532	-	23	-	555
At 31 March 2017	(18,056)	-	(653)	-	(18,709)
Net book value at 31 March 2017	74,999	77	8,300	-	83,376
Net book value at 31 March 2016	75,110	1,895	8,403	271	85,679

The carrying amount of housing properties pledged as security for liabilities is £61.148m (2016: £62.522m).

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

9. Tangible fixed assets – Housing properties (continued)

Expenditure on works to existing properties

Group and Society

	2017 £'000	2016 £'000
Amounts capitalised	959	1,568
Amounts charged to income and expenditure account	998	1,412
	1,957	2,980

Social Housing Grant	2017 £'000	2016 £'000
The total accumulated government grant and financial assistance received or receivable at 31 March:		
Held as deferred capital grant	15,340	15,784
Recognised as income in Statement of Comprehensive Income in year	1,527	1,358
	16,867	**17,142**

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

10. Tangible fixed assets - Other

Group and Society

	Freehold Head office building	Office equipment fixtures and fittings	Vehicles	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2016	2,130	2,964	58	3,022
Additions	-	7	-	7
At 31 March 2017	2,130	2,971	58	3,029
Depreciation				
At 1 April 2016	(652)	(2,675)	(58)	(2,733)
Depreciation charged in year	(43)	(245)	-	(245)
At 31 March 2017	(695)	(2,920)	(58)	(2,978)
Net book value at 31 March 2017	1,435	51	-	51
Net book value at 31 March 2016	1,478	289	-	289

11. Sale of properties

	2017 Housing properties RTB	2017 Housing properties RTA	2017 Shared Ownership	2017 Outright Sales	2017 Total	2016 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Sale proceeds	587	135	436	2,093	3,251	267
Less: Cost of sales (non-cash)	(176)	(15)	(283)	(1,074)	(1,548)	(201)
Less: Cost of sales (cash)	(26)	(5)	(7)	(4)	(42)	(17)
Less: Cost of Capital Improvements	(35)	-	-	-	(35)	(8)
Less: Amount due to Tewkesbury Borough Council	(359)	-	-	-	(359)	(36)
Transfer to Disposal Proceeds Fund	-	(130)	-	-	(130)	-
Surplus / (loss) on disposal	(9)	(15)	146	1,015	1,137	5

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

12. Investment properties

	Market rent properties £'000	Student housing £'000	Total £'000
As at 1 April 2016	13,155	12,740	25,895
Movement in Fair Value of Investment Properties	395	310	705
As at 31 March 2017	13,550	13,050	26,600

The amount of housing properties at vacant possession value with restricted title is £2.704m (2016: £2.625m). This is due to properties being held as security for the Local Government Pension Scheme (LGPS).

The market rent properties were valued by Savills, professional external valuers as at 31 March 2016 on a vacant possession basis. The Society has increased the value of the market rent properties by 3% in 2017, and considers this to be a fair reflection of the national average property price increase during 2017.

The student housing properties were valued by CBRE Limited, professional external valuers as at 16 August 2016 and we consider this to be a fair value as at 31 March 2017.

13. Investments

	Group 2017 £	Society 2017 £	Group 2016 £	Society 2016 £
Investment in subsidiary	-	2	-	2

Investment in subsidiary consists of 100% of the issued share capital of Severn Vale Housing Properties Limited (SVHP), being two £1 shares. SVHP's profit for the year was £nil and it had net assets of £2 at 31 March 2017.

14. Properties for sale

Group and Society	2017 £'000	2016 £'000
Shared Owners Properties	-	235
Freehold Housing Properties	37	75
	37	310

15. Stocks

Group and Society	2017 £'000	2016 £'000
Consumables	87	87

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

16. Debtors

	Group 2017 £'000	Society 2017 £'000	Group 2016 £'000	Society 2016 £'000
Amounts falling due within one year				
Arrears of rents and service charges	722	722	856	856
Less: Provision for doubtful debts	(157)	(157)	(127)	(127)
	565	565	729	729
Other debtors	184	184	539	539
Car loans *	2	2	19	19
Prepayments and accrued income	299	299	87	87
	1,050	1,050	1,374	1,374

*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.

17. Cash and cash equivalents

Group and Society	2017 £'000	2016 £'000
Cash at bank	5,924	519

Included in the Cash at Bank total is £440k (2016:£0) held in a separate bank account with Lloyds Banking Group as a restricted cash reserve from the sale of charged housing properties. The monies will be released to the Society when additional properties are charged to the Lloyds loan agreement.

18. Deferred Taxation

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

	Group 2017 £'000	Society 2017 £'000	Group 2016 £'000	Society 2016 £'000
Accelerated capital allowances	(51)	(51)	(548)	(548)
Tax losses	(542)	(542)	(1,387)	(1,387)
Other timing differences	(456)	(456)	(19)	(19)
Total deferred tax	(1,049)	(1,049)	(1,954)	(1,954)

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

19. Creditors: Amounts falling due within one year

	Group 2017 £'000	Society 2017 £'000	Group 2016 Restated £'000	Society 2016 Restated £'000
Trade creditors	585	585	784	784
Rent and service charges received in advance	361	361	355	355
Deferred capital grant (note 21)	169	169	144	144
Other taxation and social security	13	13	20	20
Loan interest accrual	659	659	659	659
SHPS pension agreement plan (note 7)	189	189	182	182
Other creditors	(11)	(11)	45	45
Accruals	425	425	693	693
Recycled Capital Grant fund (note 22)	386	386	308	308
Disposal Proceeds fund (note 23)	215	215	84	84
Special projects	362	362	326	326
	3,353	3,353	3,600	3,600

Time taken to pay creditors was 29 days (2016: 27 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.

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

	Group 2017 £'000	Society 2017 £'000	Group 2016 Restated £'000	Society 2016 Restated £'000
Housing loans repayable by instalments due after more than 5 years	118,750	118,750	118,750	118,750
Refinancing fees amortised over 10 years	(462)	(462)	(538)	(538)
Unutilised contributions from leaseholders and tenants	377	377	344	344
Deferred capital grant (note 21)	15,171	15,171	15,640	15,640
SHPS pension agreement plan (note 7)	1,102	1,102	1,230	1,230
	134,938	134,938	135,426	135,426

The Group and Society have a total loan facility of £125m with £6.25m remaining undrawn as at 31 March 2017. Housing loans are secured by fixed charges on individual properties.

£35m of senior secured amortising notes are due for repayment in full on 2 December 2043. Interest is 5.25% p.a. A facility agreement £90m with Lloyds Bank plc is as follows:

	£'000	Fixed rate excluding margin	Maturity
Fixed rate loan	50,000	6.07% until 29 Dec 2017 then 5.96%	31 March 2034
RPI linked loan	20,000	2.1% plus RPI	31 March 2036
Revolving facility	20,000	n/a	2 Dec 2023

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

21. Deferred grant income

	Group 2017 £'000	Society 2017 £'000	Group 2016 £'000	Society 2016 £'000
At 1 April	15,784	15,784	15,928	15,928
Grants transferred as part of sale	(200)	(200)	-	-
Grant recycled during the year	(75)	(75)	-	-
Grant released to income during the year	(169)	(169)	(144)	(144)
As at 31 March	15,340	15,340	15,784	15,784

	Group 2017 £'000	Society 2017 £'000	Group 2016 £'000	Society 2016 £'000
Amounts to be released within one year	169	169	144	144
Amounts to be released in more than one year	15,171	15,171	15,640	15,640
	15,340	15,340	15,784	15,784

22. Recycled Capital Grant Fund

The Group and Society utilised disposal proceeds as follows:

	2017 £'000	2016 £'000
At 1 April	308	308
Interest accrued	3	-
Recycled from disposals	75	-
At 31 March	386	308
Amounts three years or older	214	125

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

23. Disposal Proceeds Fund

The Group and Society utilised disposal proceeds as follows:

	2017 £'000	2016 £'000
Opening balance	84	84
Inputs to DPF: (source of funds)		
Funds recycled	-	-
Net PRTB receipts	130	-
Certain proceeds of profit making PRP's	-	-
Interest accrued	1	-
Transfer from other PRP's	-	-
Use of DPF: (allocation of funds)	-	-
New build	-	-
Major repairs and works to existing stock	-	-
Transfer to other PRP's	-	-
Other	-	-
Repayment of funds to the HCA / GLA	-	-
Closing balance	215	84
Amounts 3 years old or older where repayment may be required	85	-

24. 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 FRS 102. 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 2017 £	Society 2017 £	Group 2016 £	Society 2016 £
Shares of £1 each issued and fully paid:				
As at 1 April 2016 and 31 March 2017	6	6	6	6

25. Commitments and contingencies

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

	2017 £'000	2016 £'000
Capital commitments		
Capital expenditure contracted for but not provided for in the financial statements	1,866	660

The above commitments will be financed primarily through cash surpluses and remaining undrawn loan facilities.
The Group and Society had no contingent liabilities at 31 March 2017 (2016: Nil).

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

26. Units in management

	2017 Number	2016 Number
General needs accommodation	2,843	2,834
Affordable rents accommodation	25	34
Mortgage rescue	9	9
Sheltered accommodation	409	409
Shared ownership	167	169
Rent to Home Buy	6	7
Total social housing	3,459	3,462
Market rents	85	84
Student accommodation	282	282
	3,826	3,828

27. Related parties

There are two Customer Representatives at SVHS Board. They are both SVHS tenants. Their tenancies are on normal commercial terms and they are not able to use their positon to their advantage. Mr R Carey is also a 50% share owner of his property.

During the year ended 31 March 2017 they paid the total rent of £9,365 (2016: £9,497) and as at 31 March 2017 the aggregate balance on their rent accounts was £347 in credit (2016: £164 credit).

Two members of our Board, Mr D Waters and Mr R Allen (resigned 28 May 2016), are Councillors with Tewkesbury Borough Council, a local authority having nomination rights over tenancies for certain groups of properties. All transactions with the Council are on normal commercial terms and the Councillors are not able to use their position to their advantage.

Disclosures in relation to key management personnel are included in note 7.

Notes to the Financial Statements (continued)

For the year ended 31 March 2017

28. Financial Instruments

Group and Society

	2017 £'000	2016 £'000
Categories of financial assets and liabilities		
Financial assets measured at historical cost:		
Trade debtors	722	856
Other debtors	186	558
Cash and cash equivalents	5,924	519
Total financial assets	6,832	1,933

	2017 £'000	2016 £'000
Financial liabilities measured at historical cost:		
Trade creditors	585	784
Other creditors and accruals	18,127	18,618
Financial liabilities measured at amortised cost:		
Loans payable	118,750	118,750
Total financial liabilities	137,462	138,152

29. Subsidiary undertakings

Severn Vale Housing Properties Limited (SVHP) (Non-Regulated)

SVHP is a private limited company registered under the Companies Act 2006, 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 Co-operative and Community Benefit Societies Act 2014, the Group is required to prepare consolidated financial statements.

Severn Vale Housing Association Limited (SVHA) (Non-Regulated)

SVHA is a Co-operative and Community Benefit Society 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.