Stafford and Rural Homes

Report and Consolidated Financial Statements

Year ended 31 March 2019

HousingWorx
Stafford and Rural Homes

Development Worx
Stafford and Rural Homes

Stafford and Rural Homes

County Town
Homes

Creating Great Places to Live, Work and Grow

Contents

Executives and Advisors

Stafford & Rural Homes:
Board Directors and Executive Directors

Board of Directors	Appointed	Resigned
Alison Hadden (Chair)	13 March 2015	
Vivien Cross	08 March 2018	
Philip Green	28 January 2016	
Timothy Harris	13 February 2015	
Gareth Jones	23 May 2016	
Richard Lawrence	11 May 2017	
Angela Loughran	23 May 2011	
Gillian Pardesi	26 January 2012	
Craig Royall	15 September 2016	
Tina Swani	10 March 2016	
Paul Wisher	13 December 2018	
Long Term Observers	**Appointed**	**Resigned**
Adam Hill	20 December 2016	28 September 2018
Karen Armitage	05 October 2017	
Executive Directors	**Appointed**	**Resigned**
Karen Armitage (Chief Executive)	01 November 2005	
Stephen Duffill (Executive Director of Resources)	02 May 2017	
Christopher Poulton (Executive Director of Operations)	31 July 2012	
Company Secretary	**Appointed**	**Resigned**
Stephen Duffill	02 May 2017	

Email: housing@sarh.co.uk Call: 0800 111 4554 www.sarh.co.uk

Executives and Advisors

Audit Committee

Audit Committee	Appointed	Resigned
Timothy Harris (Chair)	15 April 2015	
Adam Hill	26 January 2012	28 September 2018
Vivien Cross	26 July 2018	
Philip Green	10 March 2016	
Angela Loughran	06 March 2012	
Craig Royall	26 October 2016	
Tina Swani	11 October 2018	

Executives and Advisors

Auditors, Advisors and Bankers

Registered Office
The Rurals, 1 Parker Court, Staffordshire Technology Park, Beaconside, Stafford ST18 0WP
Stafford & Rural Homes
Charitable Community Benefit Society No: 7852
Registered by the Regulator of Social Housing No: L4458
Housing Worx Limited
Registered Company No: 07988482
Development Worx Limited
Registered Company No: 09592448
County Town Homes (Stafford) Limited
Registered Company No: 10584130
Internal Auditors
Mazars LLP, 45 Church Street, Birmingham B3 2RT
External Auditors
BDO LLP, 5 Temple Square, Temple Street, Liverpool L2 5RH
Solicitors
Shakespeare Martineau, Bridgeway House, Bridgeway, Stratford upon Avon CV37 6YX
Trowers & Hamlins, 55 Princess Street, Manchester M2 4EW
Anthony Collins Solicitors LLP, 134 Edmund Street, Birmingham B3 2ES
Knox Ellis Solicitors, Old Bank House, 1A Deacon Road, Widnes, Cheshire WA8 6EA
DWF LLP, 1 Scott Place, Hardman Street, Manchester M3 3AA
Bankers
Barclays Bank PLC, Barclays Bank Social Housing Team, PO Box 3333, 15 Colmore Row, Birmingham B3 2WN

Report of the Board

The Board presents its financial report and the Group's audited Financial Statements for the year ended 31 March 2019. The Report of the Board includes the Strategic Report and Value for Money (VfM) statement.

Nature of business
Stafford & Rural Homes (SARH), previously a Private Company limited by guarantee formed through a transfer of social housing properties from Stafford Borough Council in February 2006, converted into a Charitable Community Benefit Society on the 01 October 2018.

Housing Worx Limited, a wholly owned trading subsidiary of SARH, provides a wide range of home improvement and maintenance services for commercial clients, including SARH, in addition to providing telecare services to other registered providers, Local Authorities and individuals under the You First Telecare brand.

Development Worx Limited, a wholly owned subsidiary of SARH, provides design and build services to SARH.

County Town Homes Limited, a wholly owned subsidiary of SARH, delivers new build developments for outright sale.

Principal activities
SARH principal activities include:
- Providing affordable housing and collection of rent.
- Allocating homes to customers.
- Managing, repairing, maintaining and improving homes so they continue to meet the Decent Homes Standard and meet the changing needs of customers.
- Procuring labour and materials locally as appropriate.
- Providing care and support through Telecare services and supported living care plans.
- Acquiring and developing new properties to meet demand for affordable homes.
- Providing adaptations and suitable care for customers to enable them to live in their own homes.
- Training and empowering customers to have input into decisions on the way that services are delivered.
- Managing income and expenditure to ensure that the Company remains financially viable and has value for money at its core.
- Creating jobs and training opportunities through apprenticeships.
- Building new homes.

Board Directors
SARH is governed by a Board currently comprising eleven non-executive Directors (nine Independent Board Directors, of which two are SARH tenants and also members of the Customer Board; the remaining two are nominees provided by Stafford Borough Council), plus SARH Chief Executive. Board Directors and the Executive Directors who served during the year are listed on page 2 and individual biographies can be found on SARH website. Board Directors collectively bring together a diverse range of skills, abilities, professionalism and knowledge. Every Board Director plays an active role in the leadership of SARH.

The Board has agreed one co-opted Board Member position (referred to in Company Rules as Long-Term Observers) who can vote in Board meetings but not at General Meetings. This post is held by SARH Chief Executive.

The social housing sector continues to face new challenges and it is vital that SARH Board keeps pace with these changes. This is achieved by robust succession planning. In the year, one new Board Director joined the Board, as noted on page 2. The regular addition of new Board members demonstrates the continuing commitment of SARH in maintaining the highest standards of governance.

Qualifying third party indemnity provisions

The Company has no qualifying third-party indemnity provisions in place for the Board Directors of SARH.

Going concern

Following completion and review of the SARH Business Plan and cash flow and the application of appropriate stress tests, the Board has a reasonable expectation that SARH has adequate resources to continue to operate for 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' statement in the Financial Statements.

Disclosure of information to auditors

At the date of this report each of the SARH Board Directors, as set out on page 2, confirm the following:

- So far as each Board Director is aware, there is no relevant information needed by the Company's auditors in connection with preparing their report of which the Company's auditors are unaware, and
- Each Board Director has taken all the steps that ought to be taken as a Board Director in order to make themselves aware of any relevant information needed by the Company's auditors in connection with preparing their report; and to establish that the Company's auditors are aware of that information.

External auditors

A resolution to appoint BDO LLP as external auditors of SARH and its subsidiaries will be proposed at the forthcoming Annual General Meeting.

Public benefit entity

SARH is a public benefit entity.

Equality and diversity

SARH is committed to equal opportunities, to respecting differences, values and opinions and ensuring fair access to all services.

SARH has an Equality and Diversity Strategy which is regularly reviewed and updated. All policies are subject to an Equality Analysis to ensure they do not discriminate against or disadvantage any group. SARH conducts regular training for staff, Board Directors, customers and other partners on the needs and requirements of different groups.

Approval

The Report of the Board was approved by the Board on 25 July 2019 and signed on its behalf by:

Alison Hadden
Chair
Charitable Community Benefit Society. 7852

Strategic Report

The Strategic Report is part of the Report of the Board and enables stakeholders to assess the performance of the business, providing a balanced and neutral assessment of the financial year and setting out future plans, including risks and uncertainties to be faced.

Corporate objectives
Following the general election in 2015, the Government announced rental policy reforms that will result in SARH receiving 12% less income than expected by March 2020. In addition, welfare reform changes and the extension of Right to Buy (RTB) created further financial pressures.

In 2017 the Government subsequently reviewed its rental policy announcing a return to Consumer Price Index (CPI) plus 1% for rent rises after 2020 providing “social tenants, councils and housing associations the security and certainty they need”. Coupled with increased funding capacity as a consequence of SARH performance against its Board approved cost mitigation strategy, a response to the rent reduction; an increase in RTB receipts; and an increase in the average value of Homes England capital grants received; SARH took the opportunity to refresh its Corporate Plan in 2018 and in particular the number of homes it expects to deliver by 2021. The plan sets out three objectives:

- **Homes:** Invest in and maintain existing SARH stock and ensure quality housing services are delivered with and for customers.
- **Build:** Continue to build new homes to meet a growing demand.
- **Growth:** Trade to generate profit and investigate opportunities to partner group or share where there is a Board approved sound business case to do so

The refreshed Corporate Plan ‘Delivering in an ever changing world 2016-2021 (2018 update)’ set a range of stretch targets, including the delivery of 300 more homes by 2021, taking the overall target from 600 to 900 homes during the lifetime of the Corporate Plan.

SARH Vision
Creating Great Places to Live, Work and Grow.

Values
- **C**ommunicating with one another in a range of ways that are timely and informative.
- **A**pproachable so that people can communicate with one another, share ideas and remain informed.
- **R**especting of each others’ differences, values and opinions, treating everybody as they wish to be treated.
- **E**mpowering of staff, customers and stakeholders to have real and meaningful input into the business.
- **S**upportive of each other, offering only constructive criticism and being willing to help make the service excellent.

Business model
The SARH Group consists of SARH a charitable housing association, registered with the Regulator of Social Housing (RSH) and three wholly owned subsidiaries;
- **Housing Worx Limited** has five Board Directors appointed by the SARH Group Board. These members comprise of three Independent Board Directors, SARH Chief Executive and SARH Executive Director of Operations;
- **Development Worx Limited** has two Board Directors, SARH Executive Director of Resources and one Independent Board Director; and

- **County Town Homes (Stafford) Limited** has four Board Directors appointed by SARH Group Board, comprising two Independent Board Directors, SARH Chief Executive and SARH Executive Director of Operations.

Future corporate structure
The Boards of SARH and Housing Plus Group (HPG), which includes South Staffordshire Housing Association and Severnside Housing, are evaluating an exciting potential merger of the two companies to create a strong regional Placeshaper working across Staffordshire and Shropshire offering excellent services to customers across the new group.

Both companies already demonstrate Value for Money with lower costs and higher performance than sector peers. Each holds a G1, V1 rating with the Regulator of Social Housing. This is a strong platform from which to build; together the combined organisation would increase capacity, resilience, impact and influence. Merger would enhance and accelerate delivery of the priorities within the existing respective corporate strategies.

If the case is supported by both Boards, following consultation as appropriate with customers, stakeholders and the Regulator and with the approval of funders, merger could lead to a more resilient, influential provider with a unique commitment to a clear geographic place.

Subject to the necessary support and approvals, it is anticipated that the merger would take place during the latter part of the calendar year 2019.

SARH employees
As a Times Top 100 BEST Company, people are considered a major element to the success of SARH. The strong and innovative approach to employee engagement; investment in staff development and wellbeing, drives a high performance culture in staff to be 'Be the Best They Can Be'. The Company's strengths lie in the quality and commitment of all its employees, the ability to meet Company objectives, and the drive to meet customer expectations in an efficient and effective manner in order to make "Every Contact Count".

Development and performance
The detailed financial accounts can be found on pages 39 to 79.

SARH recognises that in delivering its corporate objectives, it must operate as a financially viable business, meeting the highest standards of probity and governance.

In the year ended 31 March 2019 consolidated turnover was £31.1m (2018: £31.6m) and a consolidated operating surplus of £11.3m was generated (2018: £11.4m). £12.1m was spent on improvement works to SARH properties and acquiring and building additional affordable homes. At the year end borrowing totalled £80.0m (2018: £80.0m) within an approved facility of £95.0m. This financial performance outlined in the Financial Statements confirms that the funder's covenants have been met in full.

Payment of creditors
SARH aims to pay its creditors within 30 days of invoicing. Creditors are encouraged to invoice electronically using a minimum number of invoices to ensure efficiency. SARH paid its creditors in an average of 27.85 days in the year ended 31 March 2019 (2018: 27.40).

Pensions
The Company participates in two occupational pension schemes:

- The Local Government Pension Scheme (LGPS) administered by Staffordshire County Council; and
- The Social Housing (defined contribution) Pension Scheme (SHPS) administered by the Pensions Trust.

The LGPS admission agreement applied only to staff employed by SARH. This scheme was closed to new members on 01 September 2016. The SHPS scheme is open to both SARH and Housing Worx employees and is the default scheme for Auto Enrolment purposes as required by the Pensions Regulator.

The current employee participation rate at 31 March 2019 is 93.7% in SARH and 72.4% in Housing Worx.

Housing properties and future investment
At 31 March 2019 SARH managed 6,365 housing properties of which 6,364 are owned by the Company. The properties are shown in the Consolidated Statement of Financial Position with a Net Book Value in respect of these properties of £165.0m.

Development
During the financial year 108 new build properties were completed, including 33 new shared ownership homes. During 2018/19 SARH have either sold or reserved 37 shared ownership homes.

Development continues apace with SARH projected to acquire or build 309 new homes in 2019/20, including 37 shared ownership homes.

Capital structure and treasury policy
At the year end borrowing totalled £80.0m (2018: £80.0m) with the following repayment profile:

Maturity	2019	2018
	£'000	£'000
Within one year	5,000	-
Between one and two years	-	5,000
Between two and five years	5,000	-
After five years	70,000	75,000
	80,000	**80,000**

SARH borrows funds from Barclays Bank PLC and M&G investments. SARH exposure to the adverse effect of interest rate fluctuations is managed through its Treasury Management Policy hedging requirement for a significant proportion of its loans to be held on a fixed rate basis. As at 31 March 2019, all drawn debt was held on fixed rates. SARH has access to a £15.0m variable rate revolving credit facility (RCF) which is currently undrawn. During 2018/19 SARH re-negotiated the £15m RCF, extending the facility until 2024.

The average rate on all funds borrowed at the end of the year was 4.6%.

Cash flows and liquidity
The net cash from operating activities of the Group was £15.7m (2018: £15.5m). Cash outflow from investing activities was £0.3m (2018: £14.6m). The cash outflow from financing activities was £3.6m (2018: £3.6m) resulting in a net inflow of £11.9m (2018: £2.7m). No loans were repaid during the year (2018: Nil). Cash inflows and outflows during the year are shown in the Consolidated Statement of Cash Flows on page 45.

Thirteen Right to Buy (RTB) sales, three Right to Acquire (RTA) sales, three auction sales, two Shared Ownership Staircasing sales and one land sale completed during 2018/19, generating a total surplus from sale of fixed assets of £1.2m.

Details of performance are included in an Annual Report to customers which is available on the website.

Principal risks and uncertainties
As a provider of social housing operating in an environment that is challenging and uncertain SARH places a high priority on the identification and effective management of the existing and potential risks it faces. An important component of the corporate governance framework is to identify, evaluate and manage risks and opportunities in realisation of the Group's aims and objectives.

The major risks affecting the organisation and its subsidiaries are identified, evaluated and managed through a formal and on-going process of risk management review which is coordinated through a quarterly reporting framework. A three lines of defence approach demonstrates how inherent risks to the no-achievement of business objectives are being identified and managed in a transparent and methodical manner.

Operational and Strategic Risk Registers are based on current business objectives. These list the identified risks, the risk scores for each item and the details of mitigating actions to reduce the likelihood or the degree of impact of each risk.

The Risk Registers are regularly updated. All key risks are monitored by the Leadership Team and reported on a quarterly basis to the Audit Committee. The Board reviews the Strategic Risk Register on a biannual basis.

The Board requires all risks to be extremely well managed. Risk management is a dynamic ongoing process, at any point in time new risks will be identified, some will be ended, and control measures will to be adapted in response to changing internal and external events or factors. Effective management of risks is given a high priority within SARH to ensure that appropriate risk mitigations and controls are in place and maintained. The Board, the Audit Committee and external Audit providers work together to ensure that the management of risks and that existing and potential emerging risks associated with the current and planned activities of the organisation are identified and documented in the Risk Register.

The Board monitors liquidity and cash flow risks throughout the year. Detailed budgets are prepared and actual performance is measured regularly against expectations and prior year performance, allowing management to make key decisions promptly with regard to these risks.

The current principal risks and challenges faced by SARH as at 31 March 2019 are set out below:

- Safeguarding and Compliance – risks associated with all SARH Assets
- Ongoing Financial Viability
- Data Security
- Business Disruption
- Development – managing development risks
- Governance – ensuring regulatory compliance

Assessment of the effectiveness of internal control
SARH Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage and mitigate risk, to achieve business objectives, and to provide reasonable assurance against material misstatement or loss. The system also exists to give reasonable assurance about the reliability of financial and operational information and the safeguarding of SARH assets and interests.

The SARH Board annually reviews the effectiveness of the system of internal controls in existence in the Group. This review includes a review of the fraud register. The Board confirms that all necessary actions are taken to remedy any failings or weaknesses which may have been identified during the review.

The Board has approved policies for; Whistle Blowing, Anti-Money Laundering, Anti-Bribery and Fraud. The Audit Committee regularly reviews the Fraud Register on behalf of the Board. This year a series of policies have been reviewed in order to ensure that SARH continues to maintain the required standards of governance and probity – these include the Group combined Financial Regulations and Standing Orders following conversion to a Community Benefit Society, Board Remuneration Policy, Data Protection Policies, Shareholder Membership Policy.

The Board has established an internal control framework, the key elements include:

- A high level vision embedded in the service planning, delivery, risk management, and performance management frameworks.
- Board approved terms of reference and delegated authorities for Audit Committee, Human Resources and Equalities Committee, Remuneration and Nominations Committee, Customer Board, Development Worx Board, Housing Worx Board and County Town Homes Board as well as the Leadership Team.
- A risk management framework with clearly defined management responsibilities for the identification, evaluation and control of significant risks. All key risks are monitored by the Leadership Team and reported on a quarterly basis to the Audit Committee. The Board reviews the Strategic Risk Register on a biannual basis.
- Comprehensive programme of internal audits delivered by SARH outsourced internal audit partner. The internal audit partner reports directly to the Audit Committee.
- Business continuity planning is in place, which is regularly reviewed and updated.
- Robust strategic and business planning processes, with detailed financial budgets and forecasts which are annually reviewed.
- Comprehensive budget setting and monitoring framework
- Formal recruitment, retention, training and development policies for all staff including induction training, one to ones and appraisals to guide and monitor performance are in place and fully consulted with staff and unions.
- A set of behaviours expected by staff have been developed and staff are assessed on their demonstration of these behaviours in the appraisal and in the achievement of individual objectives.
- Linked Board membership between Group and Subsidiary Boards.
- Regular reporting to the appropriate committee on key business objectives, targets, outcomes, service delivery, policy changes, and associated risks ensuring regular scrutiny and approval of the Company objectives.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit Committee to regularly review the effectiveness of the system of internal control.

As part of the internal control process, the Board receives minutes of the Audit Committee meetings, and an annual report from Audit Committee of its activities in the preceding financial year. The Board also receives minutes of the Housing Worx, Development Worx, County Town Homes and Customer Board meetings. In addition, it receives annual reports from the Subsidiary Boards and Customer Board on its activities in the preceding year.

The Audit Committee has received the Chief Executive's Annual Review of the Effectiveness of the System of Internal Control for the SARH Group, and the annual report of the internal auditor, and has reported its findings to the Board which acknowledges that this internal controls assurance and the associated processes provide reasonable assurance against material misstatement of SARH financial position. The Board confirms no weaknesses were found in the internal controls for the year ended 31 March 2019 which might otherwise have resulted in material losses, contingencies or uncertainties which require disclosure in the Financial Statements.

Health & Safety
In 2018 SARH was again awarded the Royal Society for the Prevention of Accidents (RoSPA) Gold Medal that recognises high levels of excellence in health and safety performance. This has been held since 2009 which means that this is SARH tenth consecutive Gold Medal Award. This is a significant achievement and demonstrates SARH consistent commitment to health and safety and SARH ability to maintain high standard of performance over a long period. A tenth gold award is so impressive that RoSPA also award the RoSPA President's Award in recognition of the achievement.

In 2018 SARH were the recipient of the President's Award.

SARH health and safety management system continues to improve and develop. There are appropriate policies and processes in place to deliver and monitor compliance and ensure that SARH high standards are maintained. SARH ensures that our colleagues and contractors are competent and that responsibilities for health and safety are allocated throughout the line management chain.

SARH achieved 100% compliance on gas safety checks in 2018/19 and has a rolling programme to maintain this safe level in 2019/20. SARH had already achieved excellence in management of fire safety when the Grenfell fire occurred and delivered further improvements through a group convened to examine lessons learned and improvement opportunities. The KPIs related to fire have been improved to ensure greater visibility at Board level and a Compliance and Contracts Manager has been recruited to provide consistent challenge against all SARH KPIs.

A Board Champion oversees the Strategic Health and Safety Group and adherence to the Health and Safety Strategy for the Company.

Highlights, five-year summary Group 2015 to 2019;

Restated

For the year ended 31 March	2019	2018	2017	2016	2015
Statement of Comprehensive Income	£'000	£'000	£'000	£'000	£'000
Total Turnover	31,064	31,615	32,618	28,142	27,235
Income from lettings	27,115	26,820	27,186	25,214	24,553
Operating Surplus	11,349	11,443	12,979	9,495	10,411
Surplus for the year transferred to reserves	7,766	7,898	9,862	7,600	9,217
Statement of Financial Position					
Housing properties, net of depreciation	164,883	150,026	136,604	118,542	103,264
Other fixed assets	3,998	4,258	4,223	4,106	4,023
Investment properties	5,670	5,580	5,550	5,017	4,350
Fixed assets net of depreciation	174,551	159,864	146,377	127,665	111,637
Net current assets / (liabilities)	14,249	21,974	27,142	(193)	(2,176)
Total assets less current liabilities	188,800	181,838	173,519	127,472	109,461
Creditors amounts falling due after a year	87,618	89,280	89,746	54,302	44,948
Net pension liability	8,786	6,215	6,178	5,837	8,818
Revaluation reserve	4,986	4,896	4,861	4,378	3,878
Revenue reserves	87,410	81,447	72,734	62,955	51,817

For the year ended 31 March	2019	2018	2017	2016	2015
Accommodation figures					
Total housing stock owned/managed at year end (number of dwellings):					
Social housing	6,365	6,292	6,185	5,923	5,837
Statistics					
Surplus for the year as % of turnover	25.0%	24.6%	30.2%	27.0%	33.8%
Surplus for the year as % of income from lettings	28.6%	29.0%	36.3%	30.1%	37.5%
Rent losses (voids and bad debts as % of rent and service charges receivable)	1.00%	0.67%	0.67%	1.62%	1.56%
Rent arrears as % of debit	1.52%	1.35%	1.35%	1.34%	1.43%
Interest cover (surplus before interest payable divided by interest payable and capitalised interest)	3.1	3.1	4.0	5.0	6.5
Liquidity (current assets divided by current liabilities)	2.17	5.35	6.22	0.97	0.81
Gearing (total loans as % of reserves and grants prior to 31/03/2014)	100.24%	109.62%	123.39%	86.25%	86.74%
Total revenue reserves per home owned	£13,733	£12,945	£11,760	£10,629	£8,877

Performance indicators and other key statistics

The table below shows the Company's performance for the last three years:

	Actual	Actual	Actual	Actual
Performance indicators	**31 March 2019**	**31 March 2018**	**31 March 2017**	**31 March 2016**
Voids - number of properties	26	37	34	10
Emergency repairs within target	100.00%	100.00%	100.00%	100.00%
Urgent repairs within target	100.00%	100.00%	98.25%	100.00%
Routine repairs within target	99.72%	99.77%	99.68%	99.96%
Repairs completed right first time	98.45%	97.00%	94.53%	93.64%
Rent collection rate	99.93%	99.83%	100.00%	99.86%
Current tenant arrears	1.59%	1.52%	1.35%	1.34%
Decent Homes percentage compliant	100.00%	100.00%	100.00%	100.00%
SAP rating (Standard Assessment Procedure) measure of energy efficiency of properties	72.80	72.00	71.64	71.54

Governance

Community Benefit Society

The conversion of SARH from a company registered with the Charity Commission into a Community Benefit Society (CBS), registered with the Financial Conduct Authority (FCA), was completed on 01 October 2018, following approval by SARH Board and consultation with tenant company members and the wider tenant customer base.
SARH converted into a charitable CBS because it better reflects the work and structure of the organisation.

The Board

Governance is defined by SARH as: the leadership, direction and control of the association by the Board, in partnership with the executive.

The purpose of the SARH Board is to lead, direct and control the Company by determining strategy and scrutinising and evaluating delivery of those strategies. Operational management of the organisation is delegated to the Chief Executive and staff and differentiates the non-executive and executive roles. All Board Directors share responsibility for the work of SARH and for carrying out the work of the Board in a business-like manner appropriate to an organisation which is the recipient of public money to enable new housing development and substantial loans from a range of funders.

The Board has delegated some of its powers to a number of committees whilst maintaining appropriate systems of accountability and control. The Board has agreed a scheme of delegation to three sub-committees: the Audit Committee; the Human Resources and Equalities Committee and the Remuneration and Nominations Committee.

The Board, as part of its commitment to encourage and support tenant involvement in governance, commits appropriate resources to developing the capacity and capability of the Customer Board and prospective Tenant Board Directors which are appointed by its members. The Customer Board has the scope for up to nine members. Its primary role is to analyse performance and make recommendations to improve and or enhance services.

Board Directors receive regular training and have appraisals to assess their performance and contribution and identify future training and development needs.

Compliance with Regulatory Standards
SARH has reviewed its compliance with all the Regulatory Standards both Economic and Consumer. This comprised a comprehensive self-assessment to provide SARH Board with an honest picture of how well the Group is performing against regulatory requirements.

SARH is registered with and regulated by the Regulator of Social Housing (RSH). The role of the RSH is to ensure that housing providers protect social housing assets and do not place them at undue risk as a result of a financially challenging operating environment.

The RSH have seven regulatory standards against which SARH and other housing associations have to comply with.

The standards are divided as follows between Economic and Consumer Standards:

Economic Standards
- Governance & Financial Viability
- Value for Money (VfM)
- Rent

Consumer Standards
- Tenant Involvement & Empowerment
- Home
- Tenancy
- Neighbourhood & Community

The Customer Board monitors performance against the Consumer Standards and plays a key role in the governance of SARH, helping to generate customer feedback on services, checking that services reflect the priorities sought by customers and also demonstrate value for money. Performance information is monitored over time to identify trends and challenge performance when there is an opportunity for improvement. Scrutiny also involves examining how particular services are planned and delivered.

Statement of compliance
The RSH takes a proactive role in the regulation of the Economic Standards. The Board is primarily responsible for SARH performance, delivering its objectives effectively, and properly managing its financial and other affairs. Periodically, the RSH will publish its 'Regulatory Judgement' of each social housing provider.

The latest Regulatory Judgement for SARH published by the Regulator of Social Housing on 19 December 2018 confirmed the following assessment:

G1: The provider meets the requirement on governance set out in the Governance and Financial Viability Standard.

V1: The provider meets the requirement on viability set out in the Governance and Financial Viability Standard and has the capacity to mitigate its exposures effectively.

SARH has complied with the RSH's Governance and Financial Viability Standard.

NHF Code of Governance
The Board subscribes to the maintenance of the highest standards of corporate governance in order to ensure the best long-term interests of the people we serve – including customers, staff, the Regulator and funders.

The Board carried out an assessment of compliance against its chosen Code of Governance - National Housing Federation Code of Governance (2015). SARH complies in full with the principles and provisions of the Code.

Work undertaken to ensure that SARH meets with the requirements of the Code includes:-

- Strengthening Board skills profile.
- Review of Standing Orders following conversion to a Community Benefit Society in October 2018.
- Transition of the Board and Committee members from Company Limited by Guarantee to Community Benefit Society.
- New Shareholder and Board Membership Policy approved.
- Ongoing stress testing to confirm the

robustness of the Business Plan.
- Board training compliance: including Health and Safety, Regulation, Stress Testing, and GDPR.
- Review of the Assets and Liabilities Register.
- Approving the VfM statement.
- Compliance with Governance and Regulatory Standards.
- Review of governance related policies.

Value for Money Statement

1. Introduction

The Stafford and Rural Homes (SARH) Value for Money (VfM) Statement helps SARH measure the impact of its approach to VfM and acts as an annual record of VfM efficiencies gained and future VfM plans.

Value for Money Strategy 2018-2021

SARH Board and Leadership Team take a strategic view of VfM throughout all group operations and are committed to achieving the best possible outcomes from the resources available. SARH VfM Strategy 2018-2021 provides assurance that the company considers VfM to be a vital part of all activities within the group and is embedded within all key strategies.

All SARH strategies address their own VfM opportunities and the VfM targets contained within the strategies are regularly reported to the Leadership Team and Board.

The Regulators revised VfM Standard was launched in March 2018, which sets out the Regulators expectations in relation to VfM. The specific expectations being:

- A robust approach to achieving VfM;
- Regular and appropriate consideration by the Board of potential VfM gains;
- Consideration of VfM across the whole business, including investment in non-social housing activities; and
- Appropriate targets are in place for measuring performance in achieving VfM

SARH is committed to recording its VfM achievements and although not required by the VfM Standard, SARH continues to produce an annual VfM Statement, highlighting areas of good practice within the group.

SARH Corporate Plan update, 'Delivering in an 'ever' changing world' sets the Board approved direction for the Company from 2016-2021. SARH Group Board approved the progress update in May 2018 and agreed that the objectives Homes, Build and Growth were still relevant, and being achieved. The Board remains committed to delivering new housing in a range of tenures, continued investment in SARH existing housing stock, delivering the best deal for customers and generating income to invest in services.

The Board agreed that SARH was on target but issued a very clear challenge by way of stretch targets on service delivery and development, ensuring SARH is making best use of its assets to achieve more within existing resources and continuing to perform as a 'best in class' organisation.

2. VfM Metrics

It is a requirement of the Regulator that the VfM Metrics are reported as part of the companies Financial Statements. The table below is a summary of how SARH has performed when compared to the previous two years and the prior year sector median. A more detailed analysis forms part of sections 3 to 7 of this VfM Statement.

	Actual	Actual	Actual	Sector*
VfM Metrics	**2016-17**	**2017-18**	**2018-19**	**2017-18**
Reinvestment %	16.88%	12.35%	12.74%	6.03%
New Supply Delivered %	4.77%	2.21%	1.70%	1.16%
Gearing %	37.20%	37.00%	35.57%	42.90%
EBITDA MRI	3.68	3.04	2.67	2.05
Headline Social Housing Cost Per Unit	£2,682	£2,680	£2,803	£3,397
Operating Margin – Social Housing Letting	39.80%	36.65%	33.23%	32.14%
Operating Margin – Overall	39.79%	36.19%	32.65%	28.89%
Return on Capital Employed (ROCE)	7.48%	6.29%	6.01%	4.08%

*HQN 2018 VfM Metrics

SARH VfM Metric targets below were approved by SARH Board as part of the VfM Strategy 2018-2021. The VfM Strategy is aligned with the remaining life of the Corporate Plan and the targets approved consider the Corporate Plan objectives for the same period.

Annually until 2021

Metric	Target
Gearing %	Less than 50%
EBITDA MRI	Greater than 2.5
Headline Social Housing Cost Per Unit	Less than £3,000
Operating Margin – Social Housing Lettings	Greater than 35%
Operating Margin – Overall	Greater than 30%
Return on Capital Employed (ROCE)	Greater than 5%
Reinvestment % (Inc. Development)	Greater than 10% of the total value of property held

Cumulative by 2021

Metric	Target
Reinvestment % (Ex. Development)	Greater than 10% of the total value of property held
New Supply Delivered %	Greater than 7% of total Social Housing units owned

3. Delivering Value Through: Homes

SARH seeks to understand and optimise its return on assets in order to make best use of funding to maximise their financial return and increase the longevity of the stock whilst providing quality homes for customers.

Return on Assets
Increasing the EUV-SH value of housing assets will provide additional capacity to raise funds for the development of new homes. Any fall in security valuations will create a material constraint on SARH ability to provide new affordable homes.

During 2018/19 SARH reviewed its component lifecycles in line with industry standards and professional advice. This allowed SARH to reduce the average 30 year spend on investment per property from £57k to £51k, releasing capacity within the Group Business Plan. SARH Board have also approved the valuation of SARH unencumbered stock which will take place in early 2019/20. This valuation will form part of a new Charging Strategy, enabling SARH to maximise the benefit of the security held with trustees, without the need to service additional debt.
For 2018/19 SARH has achieved a return on capital employed of 6.01% which is 1.93% above the sector median when compared to the Global Accounts data for 2017/18.

	Actual	Actual	Actual	Sector	Target
VfM Standard: Metric 7 – Return on capital employed %	**2016-17**	**2017-18**	**2018-19**	**2017-18**	**Until 2021**
Return on Capital Employed (ROCE)	7.48%	6.29%	6.01%	4.08%	>5%

The metric shows the operating surplus as a % of total assets less current liabilities. The 2018/19 result shows that the return on capital employed reduces in comparison to 2017/18 due to the reduction in depreciation in 2017/18 as a result of the impact of the change in depreciation estimates retrospectively applied and the increased depreciation for 2018/19 due to the continued higher than average capital spend. SARH continues to perform ahead of the sector median for this metric.

Asset Management Strategy 2018-2021

The Asset Management sector is currently facing new challenges including reduced financial resources, rising costs and increased customer expectations. SARH Asset Management Strategy outlines how SARH will deliver investment and regeneration initiatives, the methods of programme delivery and the resources required. It outlines how SARH will manage these resources to ensure it can achieve the four aims stated within the strategy:

- Maximising asset performance;
- Regeneration;
- Energy efficient homes; and
- VfM.

Maximising asset performance
The strategy includes the target to maintain a continuous cycle of 20% annual stock condition surveys each year. This provides SARH with the most accurate and up to date stock condition data to inform decision making. During 2018/19 these decisions included SARH selling four properties with a negative Net Present Value (NPV), with a further two properties currently under consideration for auction.

The 2018-2021 Garage Action Plan was approved by SARH Leadership Team during 2018/19. The Action Plan uses an NPV modelling tool to identify garages which should be either retained or disposed of, aligning value for money with return on investment. Garage rents have also been reviewed during the year and 2019/20 will see garage rents increased by applying a 52-week charge, rather than the current 48-week charge, previously set in line with property rent.

Regeneration

SARH have completed the second phase of the large-scale regeneration project (Total Place 2) with an additional £800k of investment in the regeneration of the area around Greyfriars shops and flats. External wall installation and new roof tiles have been added, which has contributed towards the modernisation of the block and improved its appearance significantly. This work has also improved the EPC thermal performance and is estimated to reduce SARH customers heating bills by up to 50%.

Value for Money

SARH Asset Management Strategy seeks to ensure VfM by reviewing the capital programme annually, increasing partnership working specifically with Housing Worx where VfM can be clearly demonstrated and adopting best practice in procurement. The strategy adopts the Regulators global accounts cost per unit as its primary indicator with the 2017/18 global accounts benchmarking (see page 28) showing SARH has increased its major repairs cost per property from £712 to £873 per unit in 2018/19. This cost increase has resulted from SARH regeneration activities and the cycle of component replacements required. SARH approach to VfM ensures that adequate resources are made available within the Group Business Plan to re-invest in its existing stock with a VfM Strategy 2018-2021 target of investing greater than 10% in existing housing stock by March 2021, compared to the carrying value held within the Financial Statements.

	Actual	Actual	Actual	Sector	Target
VfM Standard: Metric 1 – Reinvestment %	**2016-17**	**2017-18**	**2018-19**	**2017-18**	**Until 2021**
Reinvestment % (including development)	16.88%	12.35%	12.74%	6.03%	>10%

The metric shows the investment in housing stock as a % of the stock held including development. The 2018/19 result shows a 0.39% increase in the reinvestment spend % compared to 2017/18. The result is more than double that of the sector median based on the Regulators global accounts data.

	Actual	Actual	Actual	Sector	Target
SARH Target: Reinvestment % excluding development	**2016-17**	**2017-18**	**2018-19**	**2017-18**	**By 2021**
Reinvestment % (excluding development) - Annual	5.09%	2.98%	3.37%	1.50%	N/A
Reinvestment % (excluding development) - Cumulative	N/A	N/A	3.37%	1.50%	>10%

The SARH VfM Strategy 2018-2021 includes a cumulative target for investing in its existing housing stock. The target to increase the housing properties value at cost by 10% (£15.3m) from 2018 to 2021 from re-investment is currently forecast to be achieved.

Landlord Services

2018/19 was the first year of the new staffing structure within the landlord services division. The restructure achieved budgeted savings in the year of 25% with a 27% reduction in the number of full-time equivalents. Despite the reduction in resources the Landlord Services Performance Dashboard below presents a consistent performance to that achieved in 2017/18. There has also been noticeable improvement in areas of the Core Service delivery, having a positive affect on our customers as detailed in the Lettings, Rent Collection and Repairs sections.

The Business Transformation Programme completed in 2017/18, coupled with the corporate ethos of “making every contact count” has seen the team develop their generic housing management roles, enabling SARH customers to receive a holistic landlord service helping SARH to deliver on its Corporate Objectives.

Performance Indicator	Target	2017-18	2018-19
% of emergency repairs completed within 24 hours	100%	100%	100%
% of repairs where an appointment was made and kept	>98%	99.6%	99.4%
Arrears as % of total debt	<1.8%	1.5%	1.6%
Arrears at year end	<£481k	£408k	£424k
Voids average turnaround time	<22 days	21.5	14.7
Rent loss through void work as a % of total debt	<0.60%	0.49%	0.58%
% of repairs completed right first time	>92%	97%	98.4%
% of tenants overall satisfied with responsive repairs	>95%	97.4%	97%
Average time taken to complete responsive repairs	<9 days	7.9	8.6
% of properties with a valid Gas Safety Certificate	100%	100%	100%

Lettings - Rent loss attributed to void properties for 2018/19 was 0.58% compared to 0.49% in 2017/18. There has been a significant improvement on void turnaround times, with the outturn for 2018/19 showing 14.7 days compared to 21.5 days for 2017/18. This result is expected to be top quartile performance using Housemark benchmarking with the 2017/18 top quartile results being 18.8 days or less. This performance has been improved by the close working relationships formed from the restructure of Landlord Services, and the streamlining of processes implemented during the Business Transformation Programme, including a more proactive approach to advertising properties available for rent, targeting specific groups via SMS.

Rent collection - The arrears as a percentage of the rent debit at 31 March 2019 were 1.6% against a target of 1.8%. The year had seen a full roll out of Universal Credit and the business responded positively through what was a time of uncertainty. Early intervention has benefited the customer and mitigated the risk of loss of income to the business. This result is expected to be top quartile performance using Housemark benchmarking with the 2017/18 top quartile results being 1.8% or less.

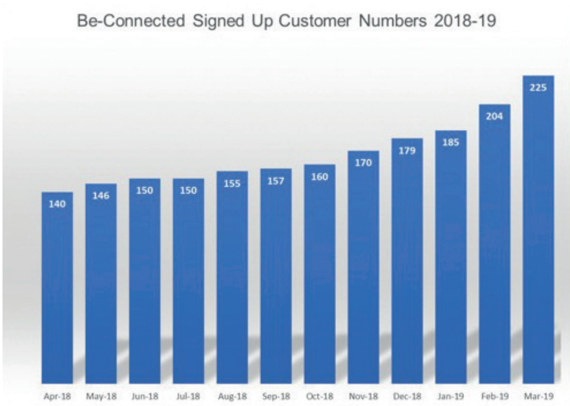
Repairs - The importance to customers of completing repairs at first visit (Right First Time) has been tracked through customer feedback. This indicator has improved from 97% in 2017/18 to 98.45% in 2018/19. Improved van stock management and operative’s ability to multi trade has helped contribute toward this positive performance. This result is expected to be top quartile performance using Housemark benchmarking with the 2017/18 top quartile results being 96% or above.

Money Advice
SARH continues to provide its free to access Money Advice Service. The service supports customers to maximise their income by assessing their benefit entitlement and where required, attending benefit tribunals with customers. The work of this service improves the lives of SARH customers whilst also contributing towards the continued top quartile performance for arrears and bad debts.

In 2018/19 SARH secured additional income of £792k for its customers, totalling over £2.35m over the last 3 years. This figure is calculated as the total of backdated benefits and an assumed one year of future benefits. The future income benefits could theoretically be receivable in the much longer term and therefore the total income receivable to SARH customers is likely to be significantly higher. The figure for 2018/19 includes £152k of housing benefit which is paid direct to SARH. This figure is five times greater than the cost of the service. In addition to the financial benefits this service contributes significantly to the overall wellbeing of SARH customers.

BeConnected
BeConnected helps older people who are lonely or socially isolated to connect or re-connect with their communities and the service has continued to develop, receiving a first place in the Central Region from the Tenant Participation Advisory Service in April 2018.

SARH secured £41k of funding from the Department for Communities and Local Government for the period 2017/18. The project is led by a part-time member of staff supported by a team of 15 volunteers and is currently supporting 225 customers. BeConnected is complimentary to the SARH vision of creating great places to live, work and grow and demonstrates the added value of SARH as a leading housing association.



In 2018 the project received £60k of funding from the National Lottery grant fund which will cover project costs for a further 2 years until 2020/21.

The graph shows the sign up of BeConnected customers throughout the financial year, with a consistent increase month on month for the period.

You First Telecare
Following a successful audit by the Telecare Services Association in November 2018, You First Telecare has demonstrated compliance across a new Quality Standards Framework. Reviewing the recommendations from the audit has led to service improvements that will make the service even better value for money. These include self-audit by Customer Call Advisors and logging recurring issues for calls which had longer response times. The Telecare Service is provided to 850 SARH homes which is 15% of total housing stock. This service helps customers to sustain their tenancies, providing SARH with continuity of rental income exceeding £3.5m.

4. Delivering Value Through: Build

Refreshed Corporate Plan
The SARH Refreshed Corporate Plan sets a stretch target of delivering 900 new affordable homes by 2021, a 50% increase on the previous corporate plan target. SARH are able to

achieve this stretch target through the continued optimisation of the Group Business Plan updated in 2018/19. This work identified loan capacities in the previous Business Plan by challenging existing assumptions, aligning released loan capacity with an increased development programme and matching the Boards appetite to build or acquire more homes for the Group. During the Corporate Plan 2016-2021 SARH will increase its stock holding by more than 15% from around 6,000 units to near 7,000 in 5 years.

Development Strategy 2018-2021

The refreshed SARH Development Strategy builds on the five aims of the original strategy and continues to provide the strategic roadmap that ensures SARH operates a joined-up and focussed development programme.

The five targets are:

- Build or acquire 900 new affordable homes between 2016-2021;
- Secure or develop 30 new homes for market sale;
- All new developments deliver value for money and create social value;
- Deliver long life and low energy new homes which incorporate innovative technologies; and
- Secure external funding to assist SARH to deliver at least 300 new affordable homes

The 2018/19 financial year saw SARH deliver 108 new affordable and shared ownership homes towards this target. This means SARH has achieved 60% of the 5-year target within the first three years of the Corporate Plan cycle. This additional development is central to the refreshed Corporate Plan and provides evidence of SARH growth aspirations.

The 108 homes completed in 2018/19 cost on average £110k per home in comparison to an average open market value (OMV) of £158k. Therefore, SARH have achieved an average discount of £48k or 31% in comparison to the OMV before any grant income is considered.

The 108 homes developed comprised of 75 homes for rent and 33 shared ownership properties. The development programme is delivered through a mix of design and build and Section 106 opportunities. The design and build schemes cost on average £132k to complete, however attract grant funding with average grant per home of £41k.

The following table sets out the value achieved against the RICS Building Cost Information Service regional average build rate of £1,786 per m2 for SARH design and build contracts:

Project	Type	Location	Cost per m2	Comparison to regional average
Riverway	Design and Build	Town centre	£1,526	£1,786
Sandon Road, Stafford	Design and Build	Town centre	£1,406	£1,786
Woodlands Road, Stafford	Design and Build	Town centre	£1,494	£1,786
Blythe Lodge, Blythe	Design and Build	Town centre	£1,540	£1,786

In total the table shows that SARH outperformed against the expected build cost of these schemes by 16% based on a weighted average. If this saving is extrapolated over the four design and build schemes (above) it equates to a total saving of over £3m. The primary driver for this performance is SARH focus on de-risking opportunities before they are offered for tender or an offer is made for a package deal. As land and build costs continue to increase due to limited land availability, Brexit and labour skill shortages, the cost of development is expected to increase. SARH will continue to identify the best value developments in this challenging environment, ensuring new and existing customers have a great home.

Blythe Lodge was an existing Independent Living site with significant issues with voids, and difficulties with reletting properties. The site has been demolished and in its place 13 new houses and apartments have been built taking account of local demand. The scheme received £30k of grant funding per unit which totalled £390k for the scheme.

In 2018/19 SARH have signed contracts with developers to deliver 139 new homes and acquire 154 homes from another Registered Provider in 2019/20, achieving 92% of the five-year target in four years.

Shared Ownership Properties
SARH continues to develop and sell shared ownership properties. The Business Plan includes 25% of new properties being developed for shared ownership. This helps to increase the number of new properties delivered and increases home ownership in the area. The plan assumes shared ownership properties are sold with an equity sale of 38% at a 40% mark up on costs which equates to a 30% profit margin.

Actual performance in 2018/19 outperformed these assumptions with an average equity sale of 40% (2018: 37%) with a 36% profit margin. This results in over 60% of the total cost of the new home being recovered through the sale of the equity share, while SARH still retains a 60% share in the property attracting rent.

Sales continue to outperform against internal targets and appraisal assumptions, with the average sales period from handover to completion being 19 weeks (2018: 21 weeks). The average equity share sold in the year was 40% (2018: 37%), realising an average sales value of £65k per unit (2018: £64k). As at 31 March 2019 SARH had one home unsold or not reserved after more than 6 months from completion.

Out of Borough
During 2018/19 SARH Board agreed a revised development delivery plan. Historically SARH have only built within the Borough of Stafford and to support achieving the development stretch target of the revised Corporate Plan and allow the group to explore new opportunities, the Board approved several strategic growth areas outside of the Borough. SARH have secured its first two out of borough opportunities in Wellington (73 homes) and Shifnal (11 homes). These schemes will be delivering new affordable homes from June 2019. The rationale for the decision was the limited number of opportunities available in Stafford and increasing costs due to the high level of competition in the marketplace. To date SARH have taken the opportunities where available within Stafford that comply with Board approved parameters, helping achieve SARH Corporate Plan objectives. The areas have been identified as strategic growth areas due to the radius to SARH offices with a maximum travelling time of 45 minutes, ensuring the properties can be maintained efficiently.

	Actual	Actual	Actual	Sector	Target
VfM Standard: Metric 2 – New Supply Delivered %	**2016-17**	**2017-18**	**2018-19**	**2017-18**	**By 2021**
New Supply Delivered %	4.77%	2.21%	1.70%	1.16%	N/A

The metric shows the investment in new housing stock as a % of the stock held. The 2018/19 result shows that although SARH investment in new housing stock is lower than 2017/18, it is still ahead of the sector median. It should be noted the SARH forecast for 2019/20 is more than double the 2018/19 result due to the planned acquisition of 154 units from another Registered Provider.

	Actual	Actual	Actual	Sector	Target
SARH Target: New Supply Delivered 2018-2021 (%)	**2016-17**	**2017-18**	**2018-19**	**2017-18**	**By 2021**
New Supply Delivered % - Cumulative	N/A	N/A	1.70%	1.16%	>7%

SARH VfM Strategy 2018-2021 includes a target for investing in new housing. The target to increase housing properties numbers by 7% (440) by 2021 as a result of development and acquisition is currently forecast to be achieved.

Improving Cashflow Management
During 2018/19 SARH invested in a new development appraisal and project management system. The system will make development appraisal more accurate, improving data management and supporting SARH treasury management. It is envisaged the system will help SARH achieve efficiencies in the region of £50k over a three-year period related to both staff efficiencies and improved cashflow management with the increased accuracy allowing surplus cash to be deposited on longer-term interest-bearing accounts. The system includes a single data base allowing SARH to minimise double handling and remove duplication.

Stock Transfer
In 2018/19 SARH agreed to purchase 154 homes from another Register Provider, with the units, originally built in the 1990's, being acquired at half the price of current new build costs. SARH were successful in a competitive tender against several other housing associations. SARH exchanged contracts in January 2019 with the transfer set for completion in April 2019. SARH offer was based on offering a local customer focused service to incumbent customers. This investment was possible due to the continued ongoing review and scrutiny of the Group Business Plan and the renegotiation of the existing Revolving Credit Facility (RCF). This acquisition will substantially reduce the cost of carry for the organisation, utilising surplus fixed rate drawn debt.

5. Delivering Value Through: Growth
For SARH to achieve growth it must ensure that it has the resources available and that it uses those resources effectively. SARH continues to assess the impact of its services and seeks to reduce costs where it can do so efficiently. SARH seeks to deliver the effective use of resources through:

- Competitive financing arrangements;
- Ensuring services are fit for the future in an increasingly technological world;
- A clear focus on cost reduction; and
- Generating new income and sound investment decisions to support the Company's objectives.

Business Plan Optimisation
The 2019/20 Business Plan has built capacity to fund in excess of 900 homes within the Corporate Plan 2016-21. This has been

achieved by outperforming against the Board approved mitigations required to offset the lost income of the Government imposed rent reduction, a more robust approach to budget setting and higher than anticipated grant and shared ownership capital receipts. This additional capacity has led to the refresh of the existing Corporate Plan which increased the development target from 600 to 900 homes over the 5-year period. Development resources have been increased to facilitate the successful delivery of this revised Corporate Plan target.

The plan has included reprofiled development schemes and increased development spend in order to fully utilise and maximise the use of the available loan capacity, while the extension of RCF reduces future contracting restrictions due to this facility originally only being available until June 2021. This ensures SARH complies with its Treasury Policy which states contracts can only be entered in to with secured funding available.

Housing Worx Growth Strategy 2018-2021

Housing Worx Growth Strategy sets out how Housing Worx, trading as a subsidiary of SARH, will expand and develop both Housing Worx Property and Telecare (branded as “You First” Telecare). The expansion will be in line with the company’s corporate objectives, maximising performance, quality and profitability, whilst increasing turnover, expanding external contracting operations and delivering efficient services which offer VfM.

The Housing Worx Growth Strategy has eight targets incorporating both Housing Worx Property (HWP) and Housing Worx Telecare (HWT):

- Housing Worx to generate a minimum of £1.0m Gift Aid per year.
- Increase external contracts to reflect a minimum of 15% of turnover by 2021.
- 90% of HWP labour to be provided from local suppliers, contractors and SME’s.
- HWT to increase the number of completed Telecare installations in customer homes by 10% year on year to 2020/21.
- HWT to increase the number of customers with different support needs, reflecting local demographics.
- HWT to achieve Business Plan growth targets.
- Maintain customer satisfaction levels at greater than 90%.

In 2018/19 Housing Worx generated surpluses of £1.0m (2018: £1.1m) which will be returned to SARH by the way of Gift Aid. Housing Worx has continued to increase the value of works completed for SARH and maintained exceptional customer satisfaction levels of 99%. The gift aid generated in 2018/19 is lower than 2017/18 as a result of the mix of workstreams completed. The annual profit target was achieved and the value of gift aid to SARH in the 3 years from 2016/17 is £3.03m and is therefore on track to deliver the £5.0m gift aid commitment from 2016 to 2021.

Service delivered through Housing Worx represents greater than 50% of SARH total spend (excluding development). SARH ensures VfM by comparing Housing Worx schedule of rates to previous contract tenders, identifying savings against prices tendered inflated by RPI. SARH completes soft market testing, to ensure VfM is achieved.

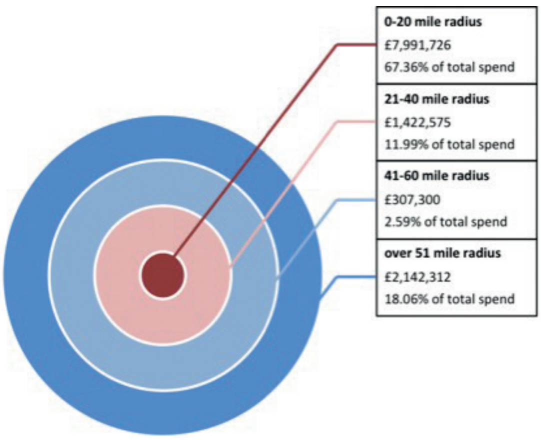
Housing Worx can generate higher profit margins on SARH contracts when compared to outside contractors as a result of the business model which engages with subcontractors operating below the VAT registration threshold. This VAT efficient model significantly reduces the value of Input VAT paid when compared to the same works being completed by a large outside contractor. The Input VAT saving for the group, by adopting this model is in the region of £700k in the year.

Procurement Strategy 2018-2021

SARH procurements during the year covered a range of products and services. When procuring larger contracts, either directly or via consortia, SARH have sought to leverage social value in the form of providing apprenticeships and/or employment opportunities within the local community as part of the contract specification.

The SARH Procurement Strategy has four aims:

- Monitor procurement arrangements, reduce the cost of contracts, improve the quality of services and build on partnerships;
- Maintain the reputation of SARH by ensuring compliance with all relevant legislation and regulations;
- Procurement arrangements are open, accountable and transparent; and
- Make effective use of modern methods of procurement.



*Statistics based on the SARH Procurement Report 2017/18

SARH is committed to supporting the local economy; with 67%* (2017: 61%) of SARH spend being delivered by companies with registered offices within a 20-mile radius of SARH Head Office.

SARH used 13* (2017: 9) procurement frameworks during the year, with a total spend of £2.2m* (2017: £1.8m). The VfM received from working with framework consortiums is driven by the economies of scale they generate by their negotiating multiple contracts concurrently. Consortiums also share skills, best practice and market intelligence.

6. Performance Management

Scrutiny

The SARH performance management framework focuses on continuous improvement, using performance reports, targets, benchmarking and customer feedback to monitor how SARH is performing against a broad range of services.

Regular performance reporting by each service area provides details of performance against targets, achievements and customer satisfaction levels. The Leadership Team and Board receive regular reports to monitor performance against both targets and trends and consider corrective action and any associated risks. Performance in each of the key service areas is reported to the Leadership Team by service managers in person on a quarterly basis.

Performance is reported to customers in an Annual Report, through information posted on the SARH website and quarterly customer publications.

Landlord services are monitored and scrutinised by the Customer Board and a team of Customer Inspectors. Detail of outcomes resulting from the work of the two customer groups are provided on the SARH website and through customer publications.

Global Accounts

SARH benchmarks itself using the Regulators global accounts data. The Regulator has defined a “Headline Social Housing Costs per Unit” measure to analyse global accounts cost data. This is made up of the main cost components of management, service charge, maintenance, major repairs and other social housing costs. The Regulator considers this as the best general-purpose cost definition to review and compare costs across the sector. SARH compares itself to the sector and a peer group comprising of Registered Providers owning and/or managing between 5,000 and 9,999 units.

	Actual	Actual	Actual	Sector*	Peer*
Global Accounts Comparison	**2016-17**	**2017-18**	**2018-19**	**2017-18**	**2017-18**
	£'s	£'s	£'s	£'s	£'s
Headline	2,682	2,680	2,803	3,397	3,310
Management	791	792	831	974	937
Service Charge	122	147	153	389	336
Maintenance	919	934	869	948	985
Major repairs	752	712	873	720	734
Other social housing costs	98	95	77	245	210

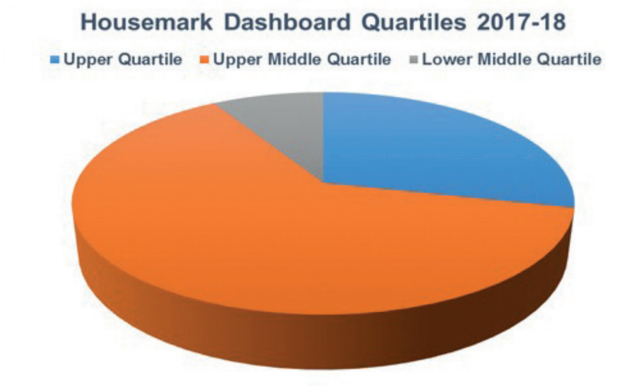
*HQN 2018 VfM Metrics

In comparison to the Regulators global accounts data for the year 2017/18, the most recent available, SARH has a headline social housing cost per unit of £2,803. This is 17% lower than the sector median of £3,397 and 15% lower than the £3,310 median of Registered Providers owning and/or managing 5,000 to 9,999 homes. SARH headline social housing cost per unit has increased by £123 when compared to 2017/18 as a result of increased regeneration activity in 2018/19.

	Actual	Actual	Actual	Sector	Target
VfM Standard: Metric 5 – Headline social housing cost per unit	**2016-17**	**2017-18**	**2018-19**	**2017-18**	**Until 2021**
Headline Social Housing Cost Per Unit	2,682	2,680	2,803	3,397	<£3,000

The metric shows the cost per unit of managing SARH social housing stock. This is the main comparator across the sector and gives a high-level indicator of how Registered Providers compare. SARH Social Housing Cost per Unit is £594 lower than the sector median for 2017/18 despite having a higher than average % of both rural and housing for older people, both of which are traditionally more expensive to manage.

HouseMark



Benchmarking is carried out through HouseMark, using a group of over 500 traditional housing associations and Large-Scale Voluntary Transfers across England. HouseMark benchmarking results quoted in this report are for 2017/18.

The Housemark 2017/18 annual cost and performance summary dashboard showed SARH are upper quartile for 32 of the 35 (92%) areas benchmarked. This result is detailed in the chart above.

By example, upper quartile performance was achieved in the following key areas:

Performance Indicator	Upper quartile 2017-18	SARH 2017-18
Total units developed as a % of current stock	2.14%	2.15%
% of repairs completed at the first visit	96.0%	97.0%
Satisfaction with repairs	96.9%	97.4%
Current Tenant Arrears	1.83%	1.59%
Reinvestment %	9.31%	12.6%
Operating margin	31.7%	32.4%
Return on Capital Employed	5.0%	6.1%
Satisfaction with neighbourhoods as a place to live	88.0%	89.5%
Voids Loss	0.6%	0.5%
Direct Cost per Property of Voids service provision	£124	£74

The three areas where SARH did not perform in the upper quartile results in 2017/18 have all improved during 2018/19 and are detailed below:

- Responsive repairs per property at 3.4 was above the median of 3.3, this has decreased in 2018/19 to 2.84, which based on the 2017/18 Housemark results would place SARH in the upper middle quartile.
- Satisfaction with repairs and maintenance. The SARH result of 78.8% is below the median of 80%. Following analysis of a customer satisfaction report an action plan was developed to address the issues raised. This has involved Customer Inspectors carrying out a review/ audit of the repairs service, resulting in recommendations being made. In addition, a closed Facebook group and new customer group have been asked to give feedback and thoughts on the service. It should be noted that “transactional” surveys carried out during 2018/19 on the Repairs Service have shown satisfaction at 97.03%.
- Tenancy Turnover of 8.7% was above the median of 7.2% in 2017/18. In 2018/19 the number of terminations dropped by 73 to 460 for the year (7.3%) which takes SARH closer to the 2017/18 median of 7.2%.

SARH housing management costs for 2017/18 were £367 per property; this is £86 less than the median of the Registered Providers benchmarked. This equates to a saving against the median of £541k if projected against all SARH properties.

SARH responsive repairs and voids works costs in 2017/18 were £745 per property which is a saving of 5% compared to the previous year. This cost is £66 less than the median of the Registered Providers benchmarked. This equates to a saving against the median of £415k if projected against all SARH properties.

VfM Metrics

It is a requirement of the Regulator that the VfM Metrics are reported as part of the companies Financial Statements. The operational financial performance metrics are detailed below.

Operating Margin

The SARH Corporate Plan 2016-2021 requires operating margins to be maintained above 30% for the duration of the plan. The operating margin is an indicator of how well an organisation is being managed, relative to its risk appetite. The VfM Standard metrics measure two operating margins, social housing lettings and overall.

	Actual	Actual	Actual	Sector	Target
VfM Standard: Metric 6a – Operating Margin (social housing lettings only) %	**2016-17**	**2017-18**	**2018-19**	**2017-18**	**Until 2021**
Operating Margin – Social Housing Lettings	39.80%	36.65%	33.23%	32.14%	>35.00%

The metric shows that SARH operating margin for social housing letting only has reduced by 3.42% when compared to 2017/18. The margin has reduced due to the impact of the changes in depreciation estimate applied in 2017/18 and the continued higher than average capital expenditure resulting in a higher depreciation charge in 2018/19. Although the reduction appears to be a continuing trend it should be noted that the 2016/17 result included one off commuted sums of £1.2m. Although performance is below the VfM Strategy stretch target, it should be noted that it exceeds the Corporate Plan target of 30%.

	Actual	Actual	Actual	Sector	Target
VfM Standard: Metric 6b – Operating Margin (overall) %	**2016-17**	**2017-18**	**2018-19**	**2017-18**	**Until 2021**
Operating Margin – Overall	39.79%	36.19%	32.65%	28.89%	>30.00%

The metric shows that overall SARH maintains an operating margin for non social housing activities consistent with that of its social housing lettings. SARH overall operating margin is 3.76% higher than the sector median.

Interest Cover Ratio
Interest cover or earnings before interest, tax, depreciation and amortisation (major repairs included) is a common lending covenant and details the number of times an organisation can cover its interest payments through ongoing operational cash surpluses. SARH loan covenant is 1.1.

	Actual	Actual	Actual	Sector	Target
VfM Standard: Metric 4 – EBITDA MRI	**2016-17**	**2017-18**	**2018-19**	**2017-18**	**Until 2021**
EBITDA (MRI)	3.68	3.04	2.67	2.05	<2.5

SARH EBITDA MRI has reduced year on year due to the increased regeneration spend classed as major repairs. Although the reduction appears to be a continuing trend it should be noted that the 2016/17 result included one off commuted sums, increasing the operating surplus by £1.2m. The result is 0.62 higher than the sector median, meaning that SARH could absorb £2.2m of additional revenue or major repairs expenditure before the interest cover ratio was the same as the sector median.

Gearing
Gearing demonstrates the relationship between the company's net debt position and the value of the housing properties owned at depreciated cost. SARH have a target of gearing remaining below 50% for the duration of the Corporate Plan to ensure that any loan drawdown or operating surpluses are invested in new or existing housing.

	Actual	Actual	Actual	Sector	Target
VfM Standard: Metric 3 – Gearing %	**2016-17**	**2017-18**	**2018-19**	**2017-18**	**Until 2021**
Gearing %	37.20%	37.00%	35.57%	42.90%	<50%

The metric shows loans less cash held as a % of assets held. The 2018/19 result is 7% below the sector median. As at 31 March 2019 SARH holds £21.0m (2018: £24.0m) in cash and cash equivalents and £80.0m (2018: £80.0m) of drawn loans. The gearing % has decreased when compared to 2017/18 due to the £3.0m reduction in net debt, being more than offset by a £15.0m increase in housing properties owned at depreciated cost.

6. Looking Back/Looking Forward

The 2017/18 VfM statement said:

Housing Worx - Telecare	
Increase the number of completed Telecare installations by 10%.	The planned increase in installations was exceeded with actual increases of 45%.
Increase number of customers with different support needs to demonstrate a customer base that reflects local demographics.	To identify potential new customer markets, baseline data about the gender, ethnicity, medical conditions and health difficulties of Telecare customers were collated in May 2018. This customer segmentation will be developed further during 2019/20.
Generate £20k of new business, through growth of Telecare, out of hours and lone worker monitoring service.	This target was achieved with £22k of income generated.
Customer Satisfaction levels to be 90% as a minimum across 4 areas: service quality, speed of response, helpful staff, and good value.	This target was achieved with 90% customer satisfaction levels throughout 2018/19.

Housing Worx - Property	
Generate a minimum of £1.0 million Gift Aid per year.	Profits to be gift aided in the year were £988k.
Maintain a minimum operating margin of at least 10% on external works.	The actual margin was 8% on a higher value of works with the overall profit value achieved.
Customer Experience levels to be a minimum of 95%.	Customer satisfaction is 99% for the year.
90% of labour to be provided from local suppliers, contractors and SMEs within a 30-mile radius.	Achieved – Only one contractor was from outside a 30-mile radius.

Development	
Developing outside the Borough of Stafford.	SARH have secured its first two out of borough opportunities in Wellington (73 homes) and Shifnal (11 homes).
Providing a balanced portfolio of package/design & build schemes compared to S106 opportunities.	This has been achieved with four design and build schemes and 9 section 106 schemes being developed during 2018/19.
Customer satisfaction levels to be 90% as a minimum.	Customer satisfaction was 100% during 2018/19 for shared ownership sales.

Regeneration – Total Place 2	
The Investment in SARH Non-Traditionally constructed stock is due to start on site in early summer 2018. This will include major repairs to the properties and a large-scale external wall insulation programme, improving the lives of SARH customers and reducing their heating costs.	The regeneration project was substantially completed during 2018/19.

Procurement	
Some of SARH largest contracts will be re-procured during 2018/19. Full OJEU procurement for these contracts will ensure VfM.	Compliance was achieved for all contracts tendered. All procurement in the year was through procurement framework arrangements. Due diligence is performed on each framework to ensure VfM.

Repairs	
The feasibility of using property MOTs as a method of providing operational delivery will be trialled during 2018/19. It is expected that this will continue the year on year reduction in repairs per property.	A property styled MOT approach to delivering responsive repairs was trialled during 2018/19, with the aim of completing all repairs needed via a single appointment. A thorough checklist was devised to ensure all components/fixtures and fittings were in good working order when checked/repaired, thus reducing any further calls on the service. Positive feedback was received from both customers and the trade persons delivering the service, but for SARH to deliver the outcomes envisaged at the start of the process, certain modifications would have to be made before a full roll out could be implemented. A variation of this initiative will be incorporated into 2019/20 service provision using a risk-based approach.

A full review of service delivery for responsive repairs and voids will be completed during 2018/19. HouseMark benchmarking indicates that SARH repairs management cost is lower than the sector median and the service delivery cost is high. This will be addressed as part of the review, whilst ensuring customer satisfaction is not adversely affected.	The review undertaken on the delivery of the Repairs Service has shown that void maintenance demonstrates value for money, and that no significant changes to that work programme are needed. There is a robust performance framework in place that has been reviewed and updated and will be put in place for a further 2 years. The review highlighted that there were further improvements required to remove inefficiencies from the Responsive Repairs service including:
	• Reducing non-productive time due to excessive travel between jobs.
	• Reduce the need for “follow on” work by,
	  ◦ Improving the skills of the Trade Team.
	  ◦ Build flexibility into the working day to allow works to be fully completed.
	The customer satisfaction results were published in September 2018 and it was clear that the time taken to complete a repair, and the need for multiple visits were the main reasons for dissatisfaction. This will be addressed over the 2019/20 financial year.

2019/20 VfM

Repairs

The Repairs Team will adopt a “patch based” approach to the delivery of the responsive repairs service during 2019/20 for a third of the stock. A team with a range of skills will be selected to respond to all the repair requests that are generated in an area. A set of indicators will be identified to measure the success or otherwise of delivering the service with defined boundaries. If this initiative is successful, it will be rolled out to the rest of the stock in 2020/21.

As in 2018/19, property MOTs will continue, targeting both high and low users of the service.

Housing Worx

Housing Worx will continue to generate a profit to be gift aided back to SARH. Housing Worx has a rolling target of delivering £5m of gift aid over a five-year period. Targets are restated annually through the Housing Worx Business Plan.

Security Valuations

It is a requirement of SARH loan and Private Placement agreements that SARH values its securitised stock on the third anniversary of the signing of the agreements. SARH plans to take the opportunity to value its unencumbered stock alongside these security valuations, through a desktop exercise. This valuation will inform a new Charging Strategy, which is intended to allow SARH to maximise the benefit of the security held with trustees, without the need to service additional debt.

Cashflow Management

SARH intend to use new project management software to increase the accuracy of its development cashflow forecasts. The software will be updated by those closest to each development, building on relationships with developers to increase forecasting accuracy by continuously reviewing variances from previous cashflow forecasts. Improving the accuracy of the forecasts for SARH largest area of spend will help reduce the cost of carry when SARH starts to access its Revolving Credit Facility forecast during 2019/20.

Customer Portal

A new Customer Portal due to be implemented in Q2 2019 will offer greater flexibility and increased functionality and is supportive of the Making Every Contact Count initiative. It is expected that this will improve:

- Data quality, with customers able to update their own details;
- Reporting, the portal forms part of the main housing system and therefore reporting is real time;
- Resourcing, the total number of contacts that come into SARH should start to reduce;
- Services delivered, as consultation with customers would determine the type and level of service offered.

Approval

This Strategic Report was approved by order of the Board on 25 July 2019 and signed on behalf by:

Alison Hadden Chair	Tim Harris Chair of Audit Committee	Stephen Duffill Company Secretary

Charitable Community Benefit Society No. 7852

Statement of Responsibilities of the Board

The Board Directors are responsible for preparing the strategic report and report of the Board and the Financial Statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the Board Directors to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these Financial Statements, the Board Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and association's transactions and disclose with reasonable accuracy at any time the financial position of the group and association and enable them to ensure that the Financial Statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019. They are also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board Directors are responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

Financial Statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of Financial Statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the Board Directors. The Board Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

Independent Auditor's Report

Opinion
We have audited the Financial Statements of Stafford & Rural Homes ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2019 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in equity, the consolidated cash flow statement and notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the Financial Statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2019 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014 and the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

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

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

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

Other information
The Board are responsible for the other information. Other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. Our opinion on the Financial Statements does not cover the other information we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read the other information including the Strategic Report, Statement of Corporate Governance and Internal Controls and VfM Statement, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where we are required by the Co-operative and Community Benefit Societies Act 2014 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the Financial Statements are prepared is not consistent with the Financial Statements;
- adequate accounting records have not been kept by the Parent Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the Parent Association Financial Statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board
As explained more fully in the Statement of Responsibilities of the Board set out on page 35, the Board is responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the Board of Directors determine is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

A further description of our responsibilities for the audit of the Financial Statements is located on the Financial Reporting Council's website at:

www.frc.org.uk/auditorsresponsibilities

This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP
Statutory Auditor
Liverpool

Date:

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 March 2019	Year ended 31 March 2018
		£'000	£'000
Turnover	3	31,064	31,615
Cost of sales	3	(1,722)	(2,470)
Operating costs	3	(19,198)	(18,923)
Surplus on sale of assets	6	1,205	1,221
Operating surplus		**11,349**	**11,443**
Interest receivable and other income	7	155	123
Interest and financing costs	8	(3,738)	(3,668)
Surplus before taxation		**7,766**	**7,898**
Taxation on surplus	11	-	-
Surplus for the financial year		**7,766**	**7,898**
Actuarial gains/(losses) on defined benefit pension scheme	24	(1,803)	815
Unrealised surplus on revaluation of investment properties	14	90	240
Total comprehensive income for the year		**6,053**	**8,953**

The notes on pages 46 to 79 form part of these Financial Statements.

All activities relate to continuing operations.

Association Statement of Comprehensive Income

	Note	Year ended 31 March 2019	Year ended 31 March 2018
		£'000	£'000
Turnover	3	30,794	31,185
Cost of sales	3	(1,066)	(1,756)
Operating costs	3	(20,019)	(19,335)
Surplus on sale of assets	6	1,205	1,221
Operating surplus		**10,914**	**11,315**
Gift aid receipt from Subsidiary	15	1,131	-
Interest receivable and other income	7	174	123
Interest and financing costs	8	(3,738)	(3,668)
Surplus before taxation		**8,481**	**7,770**
Taxation on surplus	11	-	-
Surplus for the financial year		**8,481**	**7,770**
Actuarial gains / (losses) on defined benefit pension scheme	24	(1,803)	815
Unrealised surplus on revaluation of investment properties	14	90	240
Total comprehensive income for the year		**6,768**	**8,825**

The notes on pages 46 to 79 form part of these Financial Statements.

All activities relate to continuing operations.

Consolidated Statement of Financial Position as at 31 March 2019

	Note	As at 31 March 2019	As at 31 March 2018
		£'000	£'000
Fixed assets			
Tangible fixed assets - housing properties	12	164,883	150,026
Tangible fixed assets - other	13	3,998	4,258
Investment properties	14	5,670	5,580
		174,551	159,864
Current assets			
Properties for sale	16	2,515	859
Stock	17	138	131
Debtors - receivable within one year	18	2,398	1,539
Investments		-	15,000
Cash and cash equivalents		21,355	9,492
		26,406	27,021
Creditors: Amounts falling due within one year	19	(12,157)	(5,047)
Net current assets / (liabilities)		14,249	21,974
Total assets less current liabilities		**188,800**	**181,838**
Creditors: Amounts falling due after more than one year	20	(87,618)	(89,280)
Net assets excluding pension liability		101,182	92,558
Pension liability	24	(8,786)	(6,215)
Net assets		**92,396**	**86,343**
Capital and reserves			
Income and expenditure reserve		87,410	81,447
Revaluation reserve		4,986	4,896
Total reserves		**92,396**	**86,343**

The notes on pages 46 to 79 form part of these Financial Statements.

The Financial Statements were approved by the Board on 25 July 2019 and signed on its behalf by:

Alison Hadden
Chair

Tim Harris
Chair of Audit Committee

Stephen Duffill
Company Secretary

Charitable Community Benefit Society No. 7852

Association Statement of Financial Position as at 31 March 2019

	Note	As at 31 March 2019	As at 31 March 2018 (Restated)
		£'000	£'000
Tangible fixed assets			
Tangible fixed assets - housing properties	12	169,463	153,706
Tangible fixed assets - other	13	4,003	4,241
Investment properties	14	5,670	5,580
		179,136	163,527
Current assets			
Properties for sale	16	1,677	859
Stock	17	72	67
Debtors - receivable within one year	18	2,285	1,557
Debtors - receivable after one year	18	800	-
Investments		50	15,050
Cash and cash equivalents		20,199	8,376
		25,083	25,909
Creditors: Amounts falling due within one year	19	(11,997)	(4,891)
Net current assets / (liabilities)		13,086	21,018
Total assets less current liabilities		**192,222**	**184,545**
Creditors: Amounts falling due after more than one year	20	(87,618)	(89,280)
Net assets excluding pension liability		104,604	95,265
Pension liability	24	(8,786)	(6,215)
Net assets		**95,818**	**89,050**
Capital and reserves			
Income and expenditure reserve		90,859	84,181
Revaluation reserve		4,959	4,869
Total reserves		**95,818**	**89,050**

The notes on pages 46 to 79 form part of these Financial Statements.

The Financial Statements were approved by the Board on 25 July 2019 and signed on its behalf by:

Alison Hadden
Chair

Tim Harris
Chair of Audit Committee

Stephen Duffill
Company Secretary

Charitable Community Benefit Society No. 7852

Email: housing@sarh.co.uk Call: 0800 111 4554 **www.sarh.co.uk**

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019	Income and expenditure reserve	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2018	**81,447**	**4,896**	**86,343**
Surplus for the year	**7,766**	**-**	**7,766**
Actuarial losses on defined benefit pension scheme	(1,803)	-	(1,803)
Unrealised surplus on revaluation of housing properties	-	90	90
Other comprehensive income for the year	**(1,803)**	**90**	**(1,713)**
Reserve Transfers: Transfer from revaluation reserve to income and expenditure reserve (demolition of garages)	-	-	-
Balance at 31 March 2019	**87,410**	**4,986**	**92,396**

For the year ended 31 March 2018	Income and expenditure reserve	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2017	**72,734**	**4,861**	**77,595**
Surplus for the year	**7,898**	**-**	**7,898**
Actuarial gains on defined benefit pension scheme	815	-	815
Unrealised surplus on revaluation of housing properties	-	240	240
Other comprehensive income for the year	**815**	**240**	**1,055**
Reserve Transfers: Transfer from revaluation reserve to income and expenditure reserve	-	(205)	(205)
Balance at 31 March 2018	**81,447**	**4,896**	**86,343**

Association Statement of Changes in Equity

For the year ended 31 March 2019	Income and expenditure reserve	Revaluation reserve	Total (Restated)
	£'000	£'000	£'000
Balance at 1 April 2018	**84,181**	**4,869**	**89,050**
Surplus for the year	**8,481**	**-**	**8,481**
Actuarial losses on defined benefit pension scheme	(1,803)	-	(1,803)
Unrealised surplus on revaluation of housing properties	-	90	90
Other comprehensive income for the year	**(1,803)**	**90**	**(1,713)**
Reserve Transfers: Transfer from revaluation reserve to income and expenditure reserve (demolition of garages)	-	-	-
Balance at 31 March 2019	**90,859**	**4,959**	**95,818**

For the year ended 31 March 2018	Income and expenditure reserve	Revaluation reserve	Total (Restated)
	£'000	£'000	£'000
Balance at 1 April 2017	**75,596**	**4,834**	**80,430**
Surplus for the year	**7,770**	**-**	**7,770**
Actuarial gains on defined benefit pension scheme	815	-	815
Unrealised surplus on revaluation of housing properties	-	240	240
Other comprehensive income for the year	**815**	**240**	**1,055**
Reserve Transfers: Transfer from revaluation reserve to income and expenditure reserve	-	(205)	(205)
Balance at 31 March 2018	**84,181**	**4,869**	**89,050**

Consolidated Statement of Cash Flows for the year ended 31 March 2019

	Note	Year ended 31 March 2019	Year ended 31 March 2018
		£'000	£'000
Cash flow from operating activities			
Surplus / (deficit) before taxation		**7,766**	**7,898**
Adjustments for:			
Depreciation of tangible fixed assets	12	6,161	5,151
Impairment of tangible fixed assets	12	-	3
Decrease / (increase) in properties for sale	16	(1,656)	110
Decrease / (increase) in stock	17	(7)	(40)
Decrease / (increase) in trade and other debtors	18	(840)	(230)
Increase / (decrease) in trade and other creditors	19	1,633	(181)
Pensions operating charge	24	1,124	1,252
Pension contributions paid	24	(531)	(570)
Loss / (gain) on disposal of fixed assets	6	(1,205)	(1,221)
Government grants utilised in the year	21	(232)	(228)
Loan Fees amortised in the year		(87)	-
Interest payable		3,738	3,668
Interest received		(155)	(123)
		15,709	15,489
Cash flow from investing activities			
Purchase and construction of housing properties	12	(20,809)	(19,423)
Purchase of other fixed assets	13	(102)	(243)
Purchase of investment		15,000	2,000
Sales of housing properties	6	1,555	1,405
Sales of other fixed assets	6	18	3
Social housing grant received	21	4,079	1,698
		(259)	(14,560)
Cash flow from financing activities			
Interest paid and similar charges	8	(3,587)	(3,614)
		(3,587)	(3,614)
Net change in cash and cash equivalents		**11,863**	**(2,685)**
Cash and cash equivalents at beginning of the year		9,492	12,177
Cash and cash equivalents at end of the year		**21,355**	**9,492**

The notes on pages 46 to 79 form part of these Financial Statements.

Notes forming part of Financial Statements

Index of notes

Email: housing@sarh.co.uk Call: 0800 111 4554 **www.sarh.co.uk**

1. Legal status

Stafford & Rural Homes is a Charitable Community Benefit Society (Reg No 7852) that is registered with the Regulator of Social Housing as a Registered Provider, as defined by the Housing and Regeneration Act 2008 (registration number L4458). The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the directors' report.

2. Basis of accounting

The Financial Statements of the Group and Association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

The Financial Statements are presented in Sterling (£).

Basis of preparation and consolidation

The Financial Statements have been prepared on the historical cost basis of accounting. The Financial Statements are Group statements and consolidate the results of Stafford and Rural Homes and its subsidiaries Housing Worx Limited, Development Worx Limited and County Town Homes (Stafford) Limited. Housing Worx (registered number 07988482), Development Worx (registered number 09592448) and County Town Homes (registered number 10584130) are wholly owned subsidiaries, limited by shares.

Turnover and revenue recognition

Turnover comprises rental income, service charges and sundry 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.

Taxation

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

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 and finance costs on development borrowings, after deduction of interest on Social Housing Grant (SHG) received in advance, are capitalised to the extent that they are deemed to be directly attributable to financing the development programme. All other interest and charges are charged to the Statement of Comprehensive Income in the year in which it is incurred.

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.

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

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

Pensions
SARH is a member of the Staffordshire County Council Local Government Pension Scheme. The operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. In addition any related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, from the assets of the scheme should be recognised in the Statement of Comprehensive Income in the accounting period in which they arise. Actuarial gains and losses are also recognised in the Statement of Comprehensive Income within the Financial Statements.

SARH also operate the Social Housing (defined contribution) Pension Scheme (SHPS). Contributions to the Association's defined contribution pension scheme are charged to the Statement of Comprehensive Income in the year in which they become payable.

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 and 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.

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

Capitalisation of development overheads
Costs are capitalised as they are directly attributable to providing additional housing.

Capitalisation of day to day repairs
The Association does not capitalise day to day repairs and maintenance unless the invoice cost of a specific property component repairs exceeds £1k such as kitchens, bathrooms and internal doors.

Donated land
Land donated by local authorities and others is added to cost at the market value of the land at the time of donation. Where the land is not related to a specific development, and is donated by a public body, an amount equivalent to the increase in value between market value and cost is added to other grants.

Investment properties
Investments 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.

Government grants
Government grants include grants receivable from Homes England (HE), local authorities and other government organisations. Government grants received from HE 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 that the funds will be received.

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

Other grants
Grants received from non-Government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance related conditions on the Association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised 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. SARH has revised its depreciation estimates during 2017/18 to be consistent with that of the expected component lifecycles. Components are now depreciated over the following periods:

(a) Housing properties	
based on cost of the property, excluding land	75 years
(b) Office premises	
	40 years
(c) Furniture, equipment and motor vehicles	
	3-10 years
(d) Major component repairs	
Kitchens	25 years
Bathrooms	30 years
Windows	30 years
Pitched Roofing	75 years
Flat Roofing	15 years
Boilers	17 years
Radiators and Pipework	35 years
Doors	30 years
Fascias & Guttering	30 years
Electrical Works	35 years
Internal Works	30 years
Housing Act Sewerage Works	25 years
Solar Panels	25 years

A de-minimus level for capitalisation will be set at £1k for all assets.

Freehold land is not depreciated.

Impairment
Impairment reviews will be carried out on an annual basis. Any impairment in an income-generating unit is recognised by a charge to the Statement of Comprehensive Income in accordance with the SORP. Impairment is recognised where the carrying value of an income-generating unit exceeds the higher of its net realisable value or its value in use.

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

Assets held under finance leases will be capitalised in the Statement of Financial Position and depreciated over their useful lives. The interest element of the rental obligation is charged to the Statement of Comprehensive Income over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

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

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.

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.

Revaluation reserve
The difference on transition between the fair value of investment properties and the historical cost carrying value is credited to the revaluation reserve.

Stocks
Stocks are stated at the lower of cost and net realisable value.

Gift aid donation
Where SARH received a charitable donation from its wholly owned subsidiaries, Housing Worx and Development Worx, during the year, it will be accounted for as income in the Statement of Comprehensive Income for the year.

Exemptions policy
In preparing the separate Financial Statements of the parent Company, advantage has been taken of the following disclosure exemptions available in FRS 102:-

- No cashflow statement has been presented for the parent Company;
- Disclosures in respect of the parent Company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole;
- No disclosure has been given for the aggregate remuneration of the key

management personnel of the parent Company as their remuneration is included in the totals of the Group as a whole.

Recoverable amount of rental and other trade receivables
Bad debts will be charged to the Statement of Comprehensive Income in the year in which they are incurred. The Association estimates the recoverable value of rental and other receivables and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt.

Judgements in applying accounting policies and key sources of estimation uncertainty
In preparing these Financial Statements, the key judgements have been made in respect of the following:

Impairment - Existing properties have been reviewed using a Net Present Value (NPV) modelling tool to review the NPV per property. Properties identified with a negative NPV would be impaired.

New developments completed in 2018/19 have been reviewed. The total expected scheme costs have been compared to the Existing Use – Social Housing Value (EUV-SH) to ensure there is headroom over carrying value.

Development - The anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for outright sale. This judgement is also based on the best estimate of sales value based on economic conditions within the area of development.

Pensions - The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.

Operating leases - Whether leases entered into by the Group either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

Assets - The appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.
The categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.

Other key sources of estimation uncertainty

Tangible fixed assets (see note 12 and 13)
Tangible fixed assets are depreciated over their useful lives taking into account residual values, if appropriate. The actual lives of the assets are assessed annually and may vary depending on a number of factors.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

Debtors - The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

3. Particulars of turnover, cost of sales, operating costs and operating surplus - Group

For the year ended 31 March 2019	Turnover	Cost of sales	Operating costs	Operating surplus
	£'000	£'000	£'000	£'000
Social housing lettings				
General needs	20,912	-	14,012	6,900
Supported housing and housing for older people	5,781	-	3,819	1,962
Shared ownership	422	-	275	147
	27,115	-	18,106	9,009
Other social housing activities				
First tranche shared ownership sales	1,625	1,066	-	559
Charges for support services	165	-	122	43
Other	415	-	370	45
Activities other than Social Housing				
Garages, shops, land etc	1,024	-	600	424
Other non-social housing activities	720	656	-	64
Surplus on sale of fixed assets				
Surplus on sale of fixed assets	-	-	-	1,205
Total	**31,064**	**1,722**	**19,198**	**11,349**

For the year ended 31 March 2018	Turnover	Cost of sales	Operating costs	Operating surplus
	£'000	£'000	£'000	£'000
Social housing lettings				
General needs	20,599	-	13,353	7,246
Supported housing and housing for older people	5,903	-	3,429	2,474
Shared ownership	318	-	209	109
	26,820	-	16,991	9,829
Other social housing activities				
First tranche shared ownership sales	2,305	1,742	-	563
Staircasing Activity on Low Cost Home Ownership	35	14	-	21
Charges for support services	282	-	237	45
Other	406	-	359	47
SBC Transfer Agreement	-	-	1,274	(1,274)
Activities other than Social Housing				
Garages, shops, land etc	953	-	211	742
Other non-social housing activities	814	714	(149)	249
Surplus on sale of fixed assets				
Surplus on sale of fixed assets	-	-	-	1,221
Total	**31,615**	**2,470**	**18,923**	**11,443**

3. Particulars of turnover, cost of sales, operating costs and operating surplus - Association

For the year ended 31 March 2019	Turnover	Cost of sales	Operating costs	Operating surplus
	£'000	£'000	£'000	£'000
Social housing lettings				
General needs	20,912	-	14,138	6,774
Supported housing and housing for older people	5,781	-	3,892	1,889
Shared ownership	422	-	275	147
	27,115	-	18,305	8,810
Other social housing activities				
First tranche shared ownership sales	1,625	1,066	-	559
Charges for support services	290	-	247	43
Other	415	-	370	45
Activities other than Social Housing				
Garages, shops, land etc	1,002	-	755	247
Other non-social housing activities	347	-	342	5
Surplus on sale of fixed assets				
Surplus on sale of fixed assets	-	-	-	1,205
Total	**30,794**	**1,066**	**20,019**	**10,914**

For the year ended 31 March 2018	Turnover	Cost of sales	Operating costs	Operating surplus
	£'000	£'000	£'000	£'000
Social housing lettings				
General needs	20,599	-	13,486	7,113
Supported housing and housing for older people	5,903	-	3,471	2,432
Shared ownership	318	-	209	109
	26,820	-	17,166	9,654
Other social housing activities				
First tranche shared ownership sales	2,305	1,742	-	563
Staircasing Activity on Low Cost Home Ownership	35	14	-	21
Charges for support services	282	-	237	45
Other	406	-	359	47
SBC Transfer Agreement	-	-	1,274	(1,274)
Activities other than Social Housing				
Garages, shops, land etc	1,011	-	204	807
Other non-social housing activities	326	-	95	231
Surplus on sale of fixed assets				
Surplus on sale of fixed assets	-	-	-	1,221
Total	**31,185**	**1,756**	**19,335**	**11,315**

3. Income and expenditure from social housing lettings - Group

Particulars of income and expenditure from social housing lettings	Year ended 31 March 2019				Year ended 31 March 2018
	General needs housing	Supported housing and housing for older people	Shared ownership	Total	Total
	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	20,319	5,208	371	25,898	25,585
Service charge income	388	565	31	984	1,007
Amortised government grants	205	8	20	233	228
Turnover from social housing lettings	**20,912**	**5,781**	**422**	**27,115**	**26,820**
Expenditure on social housing lettings					
Management	4,483	809	-	5,292	4,982
Service charge costs	442	519	16	977	932
Routine maintenance	3,620	978	-	4,598	3,981
Planned maintenance	630	306	-	936	1,896
Bad debts	157	(15)	(-)	142	49
Depreciation of housing properties	4,680	1,222	259	6,161	5,151
Operating expenditure on social housing lettings	**14,012**	**3,819**	**275**	**18,106**	**16,991**
Operating surplus on social housing lettings	**6,900**	**1,962**	**147**	**9,009**	**9,829**
Void losses	**69**	**58**	**-**	**127**	**130**

3. Income and expenditure from social housing lettings - Association

Particulars of income and expenditure from social housing lettings	Year ended 31 March 2019				Year ended 31 March 2018
	General needs housing	Supported housing and housing for older people	Shared ownership	Total	Total
	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	20,319	5,208	371	25,898	25,585
Service charge income	388	565	31	984	1,007
Amortised government grants	205	8	20	233	228
Turnover from social housing lettings	**20,912**	**5,781**	**422**	**27,115**	**26,820**
Expenditure on social housing lettings					
Management	4,495	809	-	5,304	4,982
Service charge costs	442	519	16	977	932
Routine maintenance	3,709	1,007	-	4,716	4,170
Planned maintenance	677	350	-	1,027	1,919
Bad debts	157	(15)	(-)	142	49
Depreciation of housing properties	4,658	1,222	259	6,139	5,114
Operating expenditure on social housing lettings	**14,138**	**3,892**	**275**	**18,305**	**17,166**
Operating surplus on social housing lettings	**6,774**	**1,889**	**147**	**8,810**	**9,654**
Void losses	**69**	**58**	**-**	**127**	**130**

3. Particulars of turnover from non-social housing lettings

Group

For the year ended 31 March	2019	2018
	£'000	£'000
Garage rent	610	602
Shop rent	236	255
Land rent	5	33
Housing act sewerage works	1	3
Leaseholders	87	56
Feed in tariff	80	-
Other	5	4
Total	**1,024**	**953**

Association

For the year ended 31 March	2019	2018
	£'000	£'000
Garage rent	610	602
Shop rent	236	255
Land rent	5	33
Housing act sewerage works	1	3
Leaseholders	87	56
Feed in tariff	58	58
Other	5	4
Total	**1,002**	**1,011**

4. Accommodation in management and development

At the end of the year accommodation in management for each class of accommodation was:

For the year ended 31 March	2019	2018
Social housing	No.	No.
General housing (of which 1 (2018:1) was not owned)		
Social Rent	4,415	4,397
Affordable Rent	370	342
Supported housing - social rent	1,389	1,393
Leasehold scheme for the elderly	30	30
Shared ownership	161	130
Total managed	**6,365**	**6,292**
Affordable rent properties under construction as at 31 March	**55**	**14**

5. Operating surplus/deficit

Group

For the year ended 31 March	2019	2018
	£'000	£'000
Depreciation of housing properties	5,799	4,945
Depreciation of other tangible fixed assets	362	206
Impairment	-	3
Operating lease charges		
Motor vehicles	133	133
Piper network control	22	19
Other	11	17
Auditor's remuneration		
For audit services	28	28
For non-audit services	2	2

Association

For the year ended 31 March	2019	2018
	£'000	£'000
Depreciation of housing properties	5,799	4,945
Depreciation of other tangible fixed assets	340	169
Impairment	-	3
Operating lease charges		
Motor vehicles	133	133
Piper network control	22	19
Other	11	17
Auditor's remuneration		
For audit services	19	18
For non-audit services	2	2

6. Surplus on disposal of fixed assets

For the year ended 31 March	2019	2018
	£'000	£'000
Disposable proceeds		
Right to buy/acquire/auction	1,414	1,405
2nd tranche sales	141	-
Other assets	18	3
Carrying value of fixed assets		
Right to buy/aquire	(270)	(187)
2nd tranche sales	(98)	-
Disposal Proceeds Fund	-	-
Surplus on disposals	**1,205**	**1,221**

7. Interest receivable and income from investments

	Group		Association	
For the year ended 31 March	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Interest receivable	(155)	(123)	(174)	(123)
	(155)	(123)	(174)	(123)

8. Interest payable and similar charges

For the year ended 31 March	2019	2018
	£'000	£'000
Loans and bank overdrafts	3,658	3,666
Commitment fee	83	83
Loan arrangement fee	87	26
	3,828	3,775
Interest payable capitalised on housing properties under construction	(265)	(277)
Pension interest	175	170
	3,738	3,668
Capitalisation rate used to determine the finance costs capitalised during the period	4.58%	4.58%

9. Employees

Group

For the year ended 31 March	2019	2018
	No.	No.
Administration	30.3	31.1
Asset management and stock investment	18.5	21.7
Housing, care and support	58.3	51.1
Direct maintenance team	61.3	65.1
Total	**168.4**	**169.0**

Full time equivalents are calculated based on a standard working week of 37 hours.

Group Employee Costs

For the year ended 31 March	2019	2018
	£‘000	£‘000
Wages and salaries	5,135	4,991
Social security costs	488	486
Other pension costs	603	585
Total	**6,226**	**6,062**

Association

For the year ended 31 March	2019	2018
	No.	No.
Administration	30.3	31.1
Asset management and stock investment	18.5	21.7
Housing, care and support	58.3	51.1
Direct maintenance team	34.2	36.8
Total	**141.3**	**140.7**

Full time equivalents are calculated based on a standard working week of 37 hours.

Association Employee Costs

For the year ended 31 March	2019	2018
	£‘000	£‘000
Wages and salaries	4,379	4,355
Social security costs	430	437
Other pension costs	588	579
Total	**5,397**	**5,371**

10. Key management personnel

The remuneration paid to staff (including Extended Leadership Team) earning over £60,000 upwards:

Salary bandings for employees earning over £60,000 For the year ended 31 March	2019	2018
	No.	No.
£60,000 to £70,000	6.0	6.0
£70,001 to £80,000	1.0	-
£80,001 to £90,000	1.0	1.0
£90,001 to £100,000	-	-
£100,001 to £110,000	1.0	1.0
£110,001 and above	2.0	2.0
	11.0	**10.0**

The directors are defined as the members of the Board of Management, the Chief Executive and the Leadership Team disclosed on page 2.

For the year ended 31 March	2019	2018
	£'000	£'000
Executive Directors		
Emoluments (including benefits in kind)	336	338
Pension contributions	41	40
Total	**377**	**378**
Emoluments paid to highest paid executive director disclosed above (excluding pension contributions)	133	131

The total amount payable to the Chief Executive, who was also the highest paid director in respect of emoluments was £133k (2018: £131k).

As a member of the Local Government Pension Scheme, the pension entitlement of the Chief Executive is identical to those of other members.

10. Key management personnel

For the year ended 31 March	2019	2018
	£'000	£'000
Board Directors - Association		
Emoluments (including benefits in kind)	31	24
Pension contributions	-	-
Total	**31**	**24**
Board Directors - Group		
Emoluments (including benefits in kind)	48	39
Pension contributions	-	-
Total	**48**	**39**

11. Taxation on surplus/(deficit) on ordinary activities

	Group		Association	
For the year ended 31 March	2019	2018	2019	2018 (Restated)
	£'000	£'000	£'000	£'000
Current tax reconciliation				
Surplus on ordinary activities before tax	7,766	7,898	8,481	7,770
Tax charge at UK corporation tax rate 19%	1,475	1,580	1,611	1,476
Less surplus attributable to charitable activities	(1,475)	(1,580)	(1,611)	(1,476)
Current tax charge	**-**	**-**	**-**	**-**

12. Tangible fixed assets - housing properties

Group

	Freehold general housing properties	Freehold supported housing properties	Freehold housing properties total
Cost	£'000	£'000	£'000
At 1 April 2018	137,895	29,041	166,936
Reclassifications	(203)	203	-
Additions	-	-	-
Improvements	4,303	1,252	5,555
Schemes completed	6,544	-	6,544
Disposals	(360)	(8)	(368)
At 31 March 2019	**148,179**	**30,488**	**178,667**
Depreciation and impairment			
At 1 April 2018	(22,056)	(7,893)	(29,949)
Reclassifications	65	(65)	-
Depreciation charged in year	(4,320)	(1,219)	(5,539)
Impairment charged in year	-	-	-
Released on disposals	105	6	111
At 31 March 2019	**(26,206)**	**(9,171)**	**(35,377)**
Net book value			
At 31 March 2019	**121,973**	**21,317**	**143,290**
At 31 March 2018	**115,839**	**21,148**	**136,987**

Other	Shared ownership completed	Individual social housing properties under construction	Individual shared equity properties under construction	Total
£'000	£'000	£'000	£'000	£'000
24	9,470	3,516	586	180,532
-	-	-	-	-
-	-	12,586	2,870	15,456
-	-	-	-	5,555
-	2,206	(6,544)	(2,206)	-
-	(105)	-	-	(473)
24	**11,571**	**9,558**	**1,250**	**201,070**
(16)	(541)	-	-	(30,506)
-	-	-	-	-
(1)	(259)	-	-	(5,799)
-	-	-	-	-
-	7	-	-	118
(17)	**(793)**	**-**	**-**	**(36,187)**
7	**10,778**	**9,558**	**1,250**	**164,883**
8	**8,929**	**3,516**	**586**	**150,026**

12. Tangible fixed assets - housing properties

Association

	Freehold general housing properties	Freehold supported housing properties	Freehold housing properties total
Cost	£'000	£'000	£'000
At 1 April 2018	140,907	29,636	170,543
Reclassifications	(203)	203	-
Additions	-	-	-
Improvements	4,825	1,386	6,211
Schemes completed	6,544	-	6,544
Disposals	(360)	(8)	(368)
At 31 March 2019	**151,713**	**31,217**	**182,930**
Depreciation			
At 1 April 2018	(22,056)	(7,893)	(29,949)
Reclassifications	65	(65)	-
Depreciation charged in year	(4,320)	(1,219)	(5,539)
Released on disposal	105	6	111
At 31 March 2019	**(26,206)**	**(9,171)**	**(35,377)**
Net book value			
At 31 March 2019	**125,507**	**22,046**	**147,553**
At 31 March 2018	**118,851**	**21,743**	**140,594**

Other	Shared ownership completed	Individual social housing properties under construction	Individual shared equity properties under construction	Total
£'000	£'000	£'000	£'000	£'000
24	9,527	3,532	586	184,212
-	-	-	-	-
-	-	12,809	2,891	15,700
-	-	-	-	6,211
-	2,206	(6,544)	(2,206)	-
-	(105)	-	-	(473)
24	**11,628**	**9,797**	**1,271**	**205,650**
(16)	(541)	-	-	(30,506)
-	-	-	-	-
(1)	(259)	-	-	(5,799)
-	7	-	-	118
(17)	**(793)**	**-**	**-**	**(36,187)**
7	**10,835**	**9,797**	**1,271**	**169,463**
8	**8,986**	**3,532**	**586**	**153,706**

12. Tangible fixed assets - housing properties

Expenditure on works to existing properties

Group

For the year ended 31 March	2019	2018
	£'000	£'000
Amounts capitalised	5,555	4,476
Amounts charged to income and expenditure	936	1,896
Total	**6,491**	**6,372**

Association

For the year ended 31 March	2019	2018
	£'000	£'000
Amounts capitalised	6,211	5,285
Amounts charged to income and expenditure	936	1,896
Total	**7,147**	**7,181**

Housing properties book value, net of depreciation, and offices net book value comprises:

Group

For the year ended 31 March	2019	2018
	£'000	£'000
Freehold land and buildings	164,883	150,026
Long leasehold land and buildings	3,998	4,240
Total	**168,881**	**154,266**

Association

For the year ended 31 March	2019	2018
	£'000	£'000
Freehold land and buildings	169,463	153,706
Long leasehold land and buildings	4,003	4,241
Total	**173,466**	**157,947**

13. Other tangible fixed assets

Group

	Long leasehold offices	Furniture fixtures and fittings	Computers and office equipment	Motor vehicles	Total
Cost	£'000	£'000	£'000	£'000	£'000
At 1 April 2018	3,955	1,190	1,713	65	6,923
Reclassifications	-	-	-	-	-
Additions	40	-	62	-	102
Disposals	-	-	-	-	-
At 31 March 2019	**3,995**	**1,190**	**1,775**	**65**	**7,025**
Depreciation					
At 1 April 2018	(608)	(916)	(1,094)	(47)	(2,665)
Reclassifications	-	-	-	-	-
Charged in year	(29)	(31)	(284)	(18)	(362)
Disposals	-	-	-	-	-
At 31 March 2019	**(637)**	**(947)**	**(1,378)**	**(65)**	**(3,027)**
Net book value					
At 31 March 2019	**3,358**	**243**	**397**	**-**	**3,998**
At 31 March 2018	**3,347**	**274**	**619**	**18**	**4,258**

Association

	Long leasehold offices	Furniture fixtures and fittings	Computers and office equipment	Motor vehicles	Total
Cost	£'000	£'000	£'000	£'000	£'000
At 1 April 2018	3,955	1,138	1,713	12	6,818
Reclassifications	-	-	-	-	-
Additions	40	-	62	-	102
Disposals	-	-	-	-	-
At 31 March 2019	**3,995**	**1,138**	**1,775**	**12**	**6,920**
Depreciation					
At 1 April 2018	(608)	(863)	(1,094)	(12)	(2,577)
Reclassifications	-	-	-	-	-
Charged in year	(29)	(27)	(284)	-	(340)
Disposals	-	-	-	-	-
At 31 March 2019	**(637)**	**(890)**	**(1,378)**	**(12)**	**(2,917)**
Net book value					
At 31 March 2019	**3,358**	**248**	**397**	**-**	**4,003**
At 31 March 2018	**3,347**	**275**	**619**	**-**	**4,241**

14. Investment properties

Group

	Commercial	Garages	Total
	£'000	£'000	£'000
At 1 April 2018	2,100	3,480	5,580
Reclassifications	-	-	-
Additions	-	-	-
Impairments	-	-	-
Disposals	-	-	-
Revaluations	(30)	120	90
At 31 March 2019	**2,070**	**3,600**	**5,670**

Association

	Commercial	Garages	Total
	£'000	£'000	£'000
At 1 April 2018	2,100	3,480	5,580
Reclassifications	-	-	-
Additions	-	-	-
Impairments	-	-	-
Disposals	-	-	-
Revaluations	(30)	120	90
At 31 March 2019	**2,070**	**3,600**	**5,670**

The Group's investment properties are valued annually on 31 March at fair value, determined by an independent, professionally qualified valuer, Jones Lang LaSalle. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Professional Standards, the National Housing Federations Statement of Recommended Practice and FRS102. Details on the assumptions made and the key sources of estimation uncertainty are given in note 2.

In valuing investment properties, a discounted cash flow methodology was adopted.

The surplus on revaluation of investment property arising of £90k (Association - £90k) has been credited to the Statement of Comprehensive Income for the year.

15. Investments in subsidiaries

Intra Group Transactions

The Group has three trading subsidiaries, Housing Worx, which carries out housing improvement services, Development Worx, which provides design and build services to SARH and is the contracting vehicle for external partners, suppliers and contractors who support the SARH development programme and County Town Homes, which provides homes for outright sale.

The balance payable to Housing Worx at 31 March 2019 is £354k (2018: £46k [restated]). The transactions made during the year consist of housing improvement works performed by Housing Worx for SARH and Gift Aid payments paid to SARH.

The balance payable to Development Worx at 31 March 2019 is £612k (2018: £483k [restated]). The transactions made during the year consist of design and build services performed by Development Worx for SARH and Gift Aid payments paid to SARH.

County Town Homes received an investment of £50k from SARH during its incorporation and has subsequently drawn down £800k of the £5m facility made available through an intra-group loan agreement. The balance payable to SARH at 31 March 2019 is £49k.

Recharges of corporate overhead costs from SARH were made to both Housing Worx and Development Worx to ensure the trading subsidiaries pay a fair allocation of central overheads and demonstrate SARH does not subsidise its commercial subsidiaries.

Intra Group management fees are receivable by SARH from Housing Worx and Development Worx to cover the running costs the entity occurs on behalf of managing its subsidiaries. The management fee is calculated on a department basis, with different methods of allocation for each department. These costs are apportioned as follows:

Department	Housing Worx Recharge	Development Worx Recharge
Corporate Management	5% of costs	1% of costs
Corporate Costs	5% of costs	Not Recharged
Finance	5% of costs	5% of costs
Human Resources and Training	Headcount	Not Recharged
Governance Team and Board	Board Structure	Board Structure
Information Technology and Telephones	Number of PCs	Not Recharged
Facilities	Floor Space	Not Recharged

Intra Group housing improvement works and development design and build services
Intra Group charges are payable by SARH to Housing Worx to cover the costs of housing improvement works performed on their behalf. Charges are also payable by SARH to Development Worx for design and build services on their behalf.

15. Investments in subsidiaries

For the year ended 31 March	Amounts charged to / (from) non-regulated entities 2019	2018 (Restated)
	£'000	£'000
Housing Worx (Subsidiary)		
Management costs	302	205
Solar Panel rental	58	58
Gift Aid donation	1,091	-
Housing improvement works	(5,677)	(4,976)
Development Worx (Subsidiary)		
Management costs	109	39
Gift Aid	40	-
Development design and build services	(5,340)	(825)
County Town Homes (Subsidiary)		
Loan	(700)	(100)
Investment	-	(50)
Total	**(10,117)**	**(5,649)**

16. Properties for sale

For the year ended 31 March	Group 2019	Group 2018	Association 2019	Association 2018
	£'000	£'000	£'000	£'000
Shared ownership properties				
Completed properties	898	468	898	468
Work in progress	779	391	779	391
	1,677	**859**	**1,677**	**859**
Properties developed for outright sale				
Work in progress	838	-	-	-
Total	**2,515**	**859**	**1,677**	**859**

17. Stock

	Group		Association	
For the year ended 31 March	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Raw materials and consumables	67	62	67	62
Telecare equipment	71	69	5	5
Total	**138**	**131**	**72**	**67**

18. Debtors

	Group		Association	
For the year ended 31 March	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Due within one year				
Rent and service charges receivable	932	829	932	829
Less provision for bad and doubtful debts	(450)	(490)	(450)	(490)
	482	**339**	**482**	**339**
Grant receivable	19	-	19	-
Other trade debtors including court costs and rechargeable works	1,683	523	1,534	530
Other taxation and social security	8	9	-	-
Amounts owed by group undertakings	-	-	61	46
Prepayments, accrued income and other debtors	590	916	560	890
Less provision for bad and doubtful debts	(384)	(248)	(371)	(248)
	1,916	1,200	1,803	1,218
Due after one year				
Amounts owed by group undertakings	-	-	800	-
	-	**-**	**800**	**-**
Total	**2,398**	**1,539**	**3,085**	**1,557**

19. Creditors: amounts falling due within one year

For the year ended 31 March	Note	Group 2019	Group 2018	Association 2019	Association 2018
		£'000	£'000	£'000	£'000
Debt (secured)	23	5,000	-	5,000	-
Trade creditors		1,415	17	937	13
Rent and service charges received in advance		895	825	895	825
Social housing grant received in advance		1,407	862	1,407	862
Deferred grant income	21	239	228	239	228
Other taxation and social security		170	38	131	16
Amounts owed to group undertakings		-	-	966	482
Disposal Proceeds Fund	22	335	335	335	335
Other creditors and accruals		2,696	2,742	2,087	2,130
Total		**12,157**	**5,047**	**11,997**	**4,891**

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

For the year ended 31 March	Note	Group 2019	Group 2018	Association 2019	Association 2018
		£'000	£'000	£'000	£'000
Debt (secured)	23	75,000	80,000	75,000	80,000
Deferred capital grant	21	10,351	10,028	10,351	10,028
Loan issue costs		(739)	(766)	(739)	(766)
Social housing grant received in advance		2,970	-	2,970	-
Recycled Capital Grant		36	18	36	18
Disposal Proceeds Fund		0	0	0	0
Total		**87,618**	**89,280**	**87,618**	**89,280**

21. Deferred capital grant

	Group		Association	
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
At 1 April	10,256	10,484	10,256	10,484
Grant received in the year	566	-	566	-
Released to income in the year	(232)	(228)	(232)	(228)
At 31 March	**10,590**	**10,256**	**10,590**	**10,256**
Amounts to be released within one year	239	228	239	228
Amounts to be released in more than one year	10,351	10,028	10,351	10,028
	10,590	**10,256**	**10,590**	**10,256**

22. Disposal Proceeds Funds

	Group	Association
For the year ended 31 March	2019	2019
	£'000	£'000
As at 1 April 2018	335	335
Net sales proceeds recycled	-	-
Interest accrued	-	-
Withdrawals	-	-
As at 31 March 2019	**335**	**335**

23. Loans and borrowing

Maturity of debt

For the year ended 31 March	2019	2018
	£'000	£'000
Within one year	5,000	-
Between one and two years	-	5,000
Between two and five years	5,000	-
After five years	70,000	75,000
Total	**80,000**	**80,000**

The loans are secured by a fixed charge over the assets of the Association. The fixed rate financial liabilities have a weighted average interest of 4.6%. As at 31 March 2019 the Association had undrawn loan facilities of £15m from a re-stated loan facility agreed in February 2019.

24. Pensions

Two pension schemes are operated by the Group.

Defined benefit pension scheme
The Staffordshire Pension Fund (SPF) is a multi-employer scheme, administered by Staffordshire County Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2016 and rolled forward allowing for the different financial assumptions required under FRS 102 to 31 March 2019 by a qualified independent actuary. The employer's contributions to the SPF by SARH for the year ended 31 March 2019 were £531k (2018: £570k) at a contribution rate of 17.9% of pensionable salaries.

The employer's contribution rate reduced from 1 April 2017 to 17.9%, the estimated contribution for the year ending 31 March 2020 is £496k.

Defined contribution scheme
A defined contribution pension scheme is operated by the Group on behalf of the employees of SARH and Housing Worx. The assets of the scheme are held separately from those of the Association in an independently administered fund. The pension charge represents contributions payable by the Group to the fund and amounted to £18k SARH and £6k Housing Worx.

Reconciliation of opening and closing balances of the present value of scheme liabilities **For the year ended 31 March**	**2019**	**2018**
	£'000	£'000
Opening scheme liabilities	(40,281)	(39,170)
Current service cost	(1,109)	(1,243)
Past service cost	(15)	(9)
Interest cost	(1,098)	(1,031)
Remeasurements	(4,011)	913
Plan participants' contribution	(205)	(222)
Benefits paid	469	481
Closing defined benefit obligation	**(46,250)**	**(40,281)**

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24. Pensions

Reconciliation of opening and closing balances of the fair value of plan assets For the year ended 31 March	2019	2018
	£'000	£'000
Opening fair value of plan assets	**34,066**	**32,992**
Interest Income	923	861
Plan participants' contributions	205	222
Return of plan assets (in excess of interest income)	2,208	(98)
Contribution by the employer	531	570
Benefits paid	(469)	(481)
Closing fair value of plan assets	**37,464**	**34,066**
Actual return on scheme assets	**(8,786)**	**(6,215)**
Actual return on scheme assets %	**9.2%**	**2.3%**

Major categories of plan assets as a percentage of total plan assets For the year ended 31 March	2019	2018
	%	%
Equities	68	73
Bonds	21	14
Property	8	8
Cash	3	5

Sensitivity analysis For the year ended 31 March	2019		2018	
	%	£'000	%	£'000
0.5% decrease in real discount rate	12	5,586	12	4,776
0.5% increase in salary increase rate	2	816	2	732
0.5% increase in the pension increase rate	10	4,677	10	3,981

24. Pensions

Amounts recognised in the Statement of Financial Position For the year ended 31 March	2019	2018
	£'000	£'000
Present value of funded obligations	(46,250)	(40,281)
Fair value of plan assets	37,464	34,066
Net under funding in funded plans	(8,786)	(6,215)
Net Liability	**(8,786)**	**(6,215)**
Amounts in Statement of Financial Position Liabilities	**(8,786)**	**(6,215)**

Amounts recognised in surplus or deficit For the year ended 31 March	2019	2018
	£'000	£'000
Current service cost	1,109	1,243
Past service cost	15	9
Loss on settlements	-	-
Amount charged to operating costs	**1,124**	**1,252**
Net interest	175	170
Amount charged to other finance costs	**175**	**170**
Total charged/(credited) to the Statement of Comprehensive Income	**1,299**	**1,422**

Mortality assumptions For the year ended 31 March	2019	2018
	No. of years	No. of years
Retiring today - Males	22.1	22.1
Retiring today - Females	24.4	24.4
Retiring in 20 years - Males	24.1	24.1
Retiring in 20 years - Females	26.4	26.4

Financial assumptions For the year ended 31 March	2019	2018
	% per annum	% per annum
Discount rate	2.4	2.7
Future salary increases	2.9	2.8
Future pension increases	2.5	2.4
Inflation assumptions	1.9	2.4

25. Capital commitments

	Group		Association	
For the year ended 31 March	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Expenditure contracted for but not provided in the accounts	37,983	30,647	37,983	30,647
Expenditure authorised by the Board, but not contracted	-	7,016	-	7,016
	37,983	37,663	37,983	37,663

26. Contingent assets/liabilities

The SARH Group had no contingent liabilities at 31 March 2019 (2018: £Nil).

27. Leasing commitments

The Group and the Association had minimum lease payments under non-cancellable operating leases as set out below. The payments which SARH is committed to make in the next year under operating leases are as follows:

For the year ended 31 March	2019	2018
	£'000	£'000
(i) Vehicles		
- Within one year	137	137
- Two to five years	225	362
(ii) Piper Network Control Equipment		
- Within one year	16	16
- Two to five years	31	47
(iii) Office equipment and computers expiring		
- Within one year	16	16
- Two to five years	8	24
Total	**433**	**602**

28. Related party disclosures

There are two tenant members of the SARH Board. Their tenancies are on normal commercial terms and they are unable to use their position to their advantage. At the year end £NIL amounts were outstanding (2018: £NIL) and rental income of £9k was received (2018: £9k).

All transactions during the year with the local authority were made at arm's length and on normal commercial terms.

Other related parties are the Group's subsidiaries Housing Worx Ltd, Development Worx Ltd and County Town Homes as per Note 15.

There are no other related party transactions.

29. Financial assets and liabilities

Financial assets For the year ended 31 March	Group 2019	Group 2018	Association 2019	Association 2018 (Restated)
	£'000	£'000	£'000	£'000
Financial assets measured at historical cost				
Trade receivables	482	339	482	339
Other receivables	1,916	1,200	2,603	1,218
Investments	-	15,000	50	15,050
Cash and cash equivalents	21,355	9,492	20,199	8,376
Total	**23,753**	**26,031**	**23,334**	**24,983**

Financial liabilities For the year ended 31 March	Group 2019	Group 2018	Association 2019	Association 2018
	£'000	£'000	£'000	£'000
Financial liabilities measured at amortised cost				
Loans payable	79,261	79,234	79,261	79,234
Financial liabilities measured at historical cost				
Trade creditors	1,415	17	937	13
Other creditors	5,742	5,030	6,060	4,878
Total	**86,418**	**84,281**	**86,258**	**84,125**

30. Analysis of change in net debt

For the year ended 31 March	2018	Cashflows	Other Changes	2019
Cash & cash equivalents	9,492	11,863	-	21,355
Debt due within one year	1,539	840	19	2,398
Debt due after more than one year	-	-	-	-
Investments	15,000	(15,000)	-	-
Total	**26,031**	**(2,297)**	**19**	**23,753**

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31. Reconciliation of liabilities arising from financing activities

For the year ended 31 March	2018	Cashflows	Other Changes	2019
Cash and cash equivalents	9,492	11,863	-	21,355
Investments	15,000	(15,000)	-	-
Long-term borrowings	(80,000)	-	-	(80,000)
Total liabilities from financing activities	**(55,508)**	**(3,137)**	**-**	**(58,645)**

32. Prior year adjustment

Following the new guidance/clarification issued by Charity SORP (Information Sheet 2), gift aid payments made from subsidiaries to their parents cannot be accrued unless there is a legal obligation i.e. a deed of covenant in place pre the year end. The Association has adjusted for gift aid accruals in prior years where there was no legal obligation in place.

33. Post balance sheet events

At its meeting on the 25 July, SARH Board approved a merger with Housing Plus Group (HPG). Although this is a merger from a governance perspective in terms of the composition of Board and Executive, from a legal standpoint SARH will accede into the Group and become a subsidiary of HPG alongside the existing RP subsidiaries Severnside and South Staffordshire Housing Association. Implementation will be achieved through amendments to SARH constitution (the Rules) which would admit HPG, as the new Group Parent, as a shareholder and provide rights related to this status. Assuming final approval by SARH Shareholders at a Special General Meeting and funder and pension fund consents as required, it is likely that this will occur on or around 01 October 2019.

34. Reserves

The income and expenditure reserve is the surplus generated from the Group's activities. The final reserves position as at 31 March 2019 is £87.4m (2018: £81.4m).

The revaluation reserve relates to the Group's investment properties adjusted for annual review. The Group's revaluation reserve as at 31 March 2019 is £5.0m (2018: £4.9m).

Notes

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