

Year ended 31 March 2012



# report and financial statements



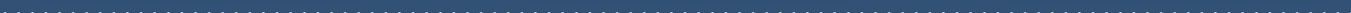
Report of the Board



Operating & Financial Review



Financial Statements



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## Auditors, Advisors and Bankers

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<b>Registered Office</b>	The Rurals, 1 Parker Court, Staffordshire Technology Park, Beaconside, Stafford ST18 0WP Registered Company No: 5452678 Registered Charity No: 1112582 Registered by the Homes & Community Agency No: L4458
<b>Internal Auditors</b>	<b>KPMG LLP</b> , One Snowhill, Snowhill, Queensway, Birmingham, B4 6GH
<b>External Auditors</b>	<b>PKF UK LLP</b> , 5 Temple Square, Temple Street, Liverpool L2 5RH
<b>Solicitors</b>	<b>Anthony Collins Solicitors LLP</b> , 134 Edmund Street, Birmingham, B3 2ES
	<b>Cobbetts LLP</b> 1 Colmore Square, Birmingham, B4 6AJ
	<b>Weightmans Solicitors LLP</b> , India Buildings, Water Street, Liverpool, L2 0GA
<b>Bankers</b>	<b>Barclays Bank PLC</b> , Barclays Bank Social Housing Team, PO Box 3333, 15 Colmore Row, Birmingham, B3 2WN

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# Board Members and Executive Directors

## Board of Directors as at 31 March 2012

Name	Appointed	Resigned
Kevin Upton (Chair)	11 August 2005	
Lynne Bakker-Collier	26 May 2011	4 January 2012
Frances Beatty	27 June 2007	23 May 2011
June Bradshaw	29 November 2007	1 December 2011
Ann Draper	12 November 2008	4 January 2012
Andrew Harp	18 August 2009	
Adam Hill	26 January 2012	
Jason Holder	13 May 2005	
Tony Holmes	26 May 2011	4 January 2012
Jack Kemp	13 May 2005	8 December 2011
Ruth Knott	6 November 2006	4 January 2012
Angela Loughran	23 May 2011	
Sue Nicholls	19 May 2005	
Margaret Palphreyman	4 February 2008	22 September 2011
Gillian Pardesi	26 January 2012	
Barry Stamp	27 June 2007	23 May 2011
Mike Stevenson	5 September 2007	
Neil Tryner	3 November 2005	
Shirley Wheat	9 May 2005	

Long Term Observer		
Hester Parsons	6 November 2007	

Executive Directors		
<b>Karen Armitage</b> , Chief Executive	1 November 2005	
<b>Deborah Emmitt</b> , Director of Neighbourhood Services	2 January 2008	
<b>Ian Yeomans</b> Director of Asset Management & Development	5 August 2010	23 September 2011
<b>David Stevenson</b> Director of Asset Management & Acquisitions	6 February 2012	
<b>Ian Parker</b> Interim Director of Finance & IT	14 October 2010	11 August 2011
<b>Grant Shipley</b> Director of Finance & Business Services	15 August 2011	

Company Secretary		
Karen Marshall	3 June 2009	

# Report of the Board

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The Board presents its financial report and the Company's audited Financial Statements for the year ended 31 March 2012.

## **Nature of SARH business**

Stafford and Rural Homes Limited (SARH) is a Company limited by guarantee formed through a transfer of the social housing stock from Stafford Borough Council (SBC) in February 2006.

SARH delivers first class landlord services to customers and provides a wider range of services to the Borough of Stafford in partnership with SBC and other key partners.

## **Principal activities**

SARH's principal activities include:

- The provision of affordable housing
- Allocation of homes to customers through an approved choice-based lettings scheme
- Management, repair and maintenance of homes
- Improvement of homes so they reflect the changing needs of the customer and applicable local and national standards
- Customer empowerment and involvement with services delivered
- Acquisition and development of homes that meet customers' diverse needs
- Providing adaptations and suitable care for customers to enable them to live in their own homes
- Management of income and expenditure to ensure that the Company is financially viable
- Appropriate governance, scrutiny and decision making arrangements

## **Business review**

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

## **Regulation**

SARH is registered with and regulated by the Tenant Services Authority (TSA) whose functions were take over by the Homes and Communities Agency from 1 April 2012.

For the year ending 31 March 2012, SARH is required to comply with the TSA's Regulatory Framework, which in 2011/12 set out the following six standards:

- Tenant Involvement and Empowerment
- Home
- Tenancy
- Neighbourhood and Community
- Value for Money
- Governance and Financial Viability

The TSA reports on compliance with the Value for Money and the Governance and Financial Viability standards. The regulatory judgement issued in December 2011 by the TSA assessed that:

- SARH meets the requirements set out in the Governance and Financial Viability standard (this assessment upgrades the previously published viability rating); and
- The governing body, supported by appropriate governance and executive arrangements, maintains satisfactory control of the organisation.

Customers are involved in assessing performance against the other standards (Tenant Involvement and Empowerment, Home, Tenancy and Neighbourhood and Community). Details of performance are included in an Annual Report to customers.

# Report of the Board (continued)

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## Corporate Objectives

SARH revised its corporate objectives in 2010 following consultation with customers, staff and other stakeholders. The Board subsequently ratified the changes to the objectives after customer consultation.

The Vision, Values and Objectives of SARH enshrine the Company's aspirations to be excellent, deliver first class services and increase the supply of homes to customers.

## SARH Vision

Together we aim to deliver: Homes, Communities and Services where people can thrive and prosper.

## 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 would 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 as excellent as we aspire it to be

## Objectives

- Investing in the success of our homes, neighbourhoods and communities
- Investing in empowering and growing the influence of our people
- Investing in the sustainability of the local economy and environment
- Investing in the growth and reputation of our business and successful partnerships

## Customer involvement

Customers are involved in a variety of ways in the business of SARH, including:

- Strategic decision making
- Shaping service delivery
- Scrutinising and inspection
- Vetting documents
- Procuring services

SARH has an A to Z of Involvement that sets out the different ways in which customers can be involved. In 2012 SARH created a Customer Board which is helping to shape and improve services provided.

SARH provides a customer learning programme delivered annually to increase the capacity of customers to influence and scrutinise effectively.

## SARH employees

SARH is committed to investing in employees to make SARH a Company people want to work for. The Company's strengths lie in the quality and commitment of all its employees. In particular the ability to meet Company objectives and customer expectations in an efficient and effective manner is dependent on the contributions of the staff. Information is shared and staff are consulted upon through monthly briefings with the Chief Executive involving Board Members, and through regular team briefings.

# Report of the Board (continued)

## SARH employees (continued)

In 2011 SARH commissioned a staff survey. The top 10 results from the staff survey are detailed below:

Top 10 results	Questions Raised	Responses
1	I understand the aims and objectives of Stafford and Rural Homes	99%
2	The Chief Executive communicates the direction of Stafford and Rural Homes well	99%
3	I understand how the work I do helps Stafford and Rural Homes to achieve its aims	98%
4	I care about the future of Stafford and Rural Homes	97%
5	The Chief Executive is open and approachable	97%
6	I understand my team's objectives	96%
7	I have the knowledge and skills to do my job	95%
8	I understand the need for change at Stafford and Rural Homes	94%
9	My line manager trusts me to do a good job	94%
10	People in my immediate team work well together	94%

**The overall engagement rate was 91%**

SARH invested over £47,000 last year on staff training. Approximately nine training courses were run internally and 20 externally. A number of professional qualifications were funded by SARH. External courses/seminars are attended by staff when appropriate.

- SARH awarded 11 internal 'Aspiring to Excellence Ambassador' awards to staff and 22 runners up.
- Five Intermediate Apprenticeships were started in October 2011 in our Repairs First Team.
- Ten higher level Apprenticeships in Management were started in January 2012.
- Seven staff are completing professional qualifications that are being funded by SARH

In October 2011, SARH recruited a Training & Development Officer so that more training can be provided internally, achieving better value for money.

Staff are a huge asset and SARH remains committed to supporting trade union membership and the staff group PENSATA.

## Equality and diversity

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

SARH has been delivering the Equality and Diversity Action Plan which was reviewed and updated in 2010 to take account of changes to legislation including the Equality Act and best practice. Equality Analyses are completed on all Company policies to ensure that they do not discriminate against or disadvantage any group. SARH conducts regular training for staff, Board Members, customers and other partners on the needs and requirements of different groups. During the year training has been provided to new staff and Board Members as part of their induction and to staff who carry out equality analyses.

# Report of the Board (continued)

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## **Corporate Governance**

In January 2012 SARH implemented the recommendations of a governance review, which included reducing the size of the Board. SARH is now governed by a Board comprising of ten non-executive Members (two Tenant Board Members who are also Members of the Customer Board; five Independent Board Members; and three who are appointed by SBC). The Board Members and the Executive Directors as at 31 March 2012 are listed on page 2. The Board Members have a broad spectrum of experience in the social housing and commercial sectors.

Board Members receive regular training and are appraised annually.

Board Members have opportunities to network with others, including other organisations' Boards, in order to ensure the Company proactively reacts to changes and delivers good services to all customers. The Board is served by specialist committees that scrutinise the following key areas of activity:

- Audit
- Human resources and equalities, and
- Remuneration

The Board's direction is delivered by the Company's Chief Executive who is supported by a Director of Finance and Business Services, a Director of Asset Management and Acquisitions, and a Director of Neighbourhood Services.

The Customer Board has up to nine Members. Its role is to scrutinise performance and make recommendations to improve services.

Board Members actively seek opportunities to network through membership of the 'Generate' informal partnership – which consists of five social landlords based in England – and locally by working in partnership with others including SBC, key leaders of other public services, the County Council and the Company's development partner, Housing Plus.

Insurance policies indemnify Board Members and officers against liability when acting on behalf of SARH.

## **NHF Code of Governance**

SARH is pleased to report that it complies fully with the requirements of the NHF Code of Governance (revised July 2010).

## **Health and Safety**

In early 2012 SARH received the Royal Society for the Prevention of Accidents Gold Award for the fourth year running. All contractors and agents who work for SARH must comply with the health and safety method statements produced at commencement of contracts. SARH's Health and Safety Officer is responsible for checking that all aspects of health and safety are adhered to and any necessary legal or regulatory actions are undertaken by others. SARH achieved 100% compliance on gas safety checking and has a rolling programme to maintain this safe level. In partnership with the fire service SARH staff identify vulnerable customers and arrange for home fire safety checks to be carried out by the fire service.

A Board champion oversees the Health and Safety Steering Group and adherence to the Health and Safety Strategy for the Company, which is ratified by the Board.

# Report of the Board (continued)

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## Pensions

The Chief Executive and two other Directors are Members of the Local Government Pension Scheme operated by Staffordshire County Council. They participate in the scheme on the same terms as all other eligible staff and SARH contributes to the scheme on behalf of employees. The scheme is open and 78% of SARH staff are members.

## Housing property assets

Details of changes to fixed assets are shown in notes 12 and 13 to the financial statements. Housing property values are considered in the Operating and Financial Review.

## Payment of creditors

SARH aims to pay its creditors within 30 days of invoicing to ensure they are able to manage their cash flow correctly and with security. Creditors are encouraged to bill electronically using a minimum number of invoices to ensure efficiencies. SARH achieved a performance of 31.54 days in the year ended 31 March 2012 (2011: 27.23).

## Financial risk

SARH's approach to financial risk management is outlined in the Operating and Financial Review (OFR).

## Complaints

SARH has a clear and simple Complaints Policy available to all customers. The policy encourages complaints, compliments and comments. A total of 302 complaints were received during 2011/12 of which:

- 270 were resolved successfully at stage 1
- 22 were resolved successfully at stage 2
- 6 were resolved successfully at stage 3
- 3 were resolved successfully at stage 4
- 1 complaint was referred to Housing Ombudsman. No maladministration was found.

Compliments are received regularly and 75 were received during the financial year 2011/12.

## Internal controls assurance

SARH's Board acknowledges its 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 process for identifying, evaluating and managing the significant risks faced by the Company is ongoing and has been in place throughout the period, up to the date of approval of the report and financial statements. SARH has an approved Corporate Plan 2010/15, and the key risks that could affect the achievement of the Company objectives are shown in the table on page 13.

The Board has in place an approved Whistle Blowing Policy, Anti-Money Laundering Policy, an Anti-Bribery Policy, and a Fraud Policy. The Board regularly reviews the Fraud Register.

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

- Board approved terms of reference and delegated authorities for Audit Committee, Human Resources and Equalities Committee and the Customer Board as well as the Executive Team.
- A risk management framework with clearly defined management responsibilities for the identification, evaluation and control of significant risks. Quarterly scrutiny is undertaken by the Audit Committee with recommendations made to the Board
- Business continuity planning is in place, which is regularly reviewed and updated
- Robust strategic and business planning processes, with detailed financial budgets and forecasts are in place and annually reviewed



# Report of the Board (continued)

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- Formal recruitment, retention, training and development policies for all staff, including one to ones and appraisals to guide and monitor performance, are in place and fully consulted with staff and unions
- 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 quarterly Audit Committee meetings.

The Audit Committee has received and agreed the Chief Executive's Annual Review of the effectiveness of the system of internal control for SARH, and the Annual Report of the Internal Auditor. It has reported its findings to the Board, which acknowledges that this internal controls assurance and the processes within provide reasonable assurance against material misstatement.

## **'Going concern'**

After consideration of SARH forward business plans and cash flows, and the application of appropriate sensitivities, the Board has a reasonable expectation that SARH has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the 'going concern' statement in the financial statements.

## **Disclosure of information to auditors**

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

- So far as each 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 Director has taken all the steps that ought to be taken as a 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 reappoint PKF (UK) LLP as external auditors of SARH will be proposed at the forthcoming Annual General Meeting on 20 September 2012.

The report of the Board was approved by the Board on 26 July 2012 and signed on its behalf by:



**Kevin Upton**  
Chair

**Company No. 5452678**

# Operating and Financial Review

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## **Financial performance 2011/12**

The detailed financial accounts can be found on pages 20 to 46.

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

In the year ended 31 March 2012 turnover was £23.3 million (2011: £21.5 million) and an operating surplus of £8.0 million was generated (2011: £8.6 million). £6.2 million was spent on improvement works to SARH properties and a further £3.0 million on acquiring additional affordable homes. At the year end there were borrowings of £34.7million (2011: £37.7 million) within an approved facility of £60 million.

This financial performance outlined in the financial statements confirms that the funder's covenants have been met in full.

# Operating and Financial Review (continued)

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## Operating Summary

### Driving efficiency

SARH has continued to invest significant time and energy into developing a well-managed business that is fit for the future. Achievements include:

- Delivered a higher level of improvements for the same expenditure as the previous year
- Generated a surplus by bringing internal door replacement programme in-house; the savings were used to deliver £54,000 of essential roofline improvements to seven blocks of flats
- Reduced consultancy fees by bringing more services in house, saving £230,000
- Delivered 52% more energy efficient heating systems than in 2010/11
- Installed GPS trackers in the new van fleet which has led to increased operational efficiency and logistics
- Developed a new governance structure enabling the Board to lead the Company to meet future challenges and opportunities more effectively
- Introduced shared IT services with a local housing provider
- Completed a telecommunications review, generating potential savings of £55,000 per annum
- Successfully streamlined and restructured key areas of the business in line with future business objectives
- Reduced the reliance on external training delivery with the appointment of a new training officer
- Extended the Customer Learning Programme to more communities
- Increased the level of income generated by SARH's telecare services
- Enhanced customer profiling which has enabled better targeting of services including welfare benefits
- Achieved overall 'satisfaction with services' rating of 85%

These are highlights demonstrating SARH's commitment to deliver its objectives, improve efficiency and provide value for money services.

# Operating and Financial Review (continued)

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## First-class service

SARH has always committed to “Putting Customers First” and this continues to underpin the Company’s key objectives and values.

Headline achievements for SARH customers this year include:

- All SARH’s homes met the Government’s Decent Homes Standard
- Improved specification of internal doors whilst still achieving savings against budget of £60,000
- Improved the energy efficiency rating of SARH homes
- 100% of all annual gas safety checks required for 4,969 SARH homes containing a gas appliance were completed on time
- Created a Customer Board to focus on improving service delivery
- Achieved the Royal Society for Prevention of Accidents Gold Award
- Introduced a new mobile office in order to take services closer to SARH’s customers
- Extended the money advice service
- Improved void turnaround times
- Increased partnership working by offering the telecare service across south and mid Staffordshire

## Other achievements

- Funded and developed an eco home
- Employed five trade apprentices within Repairs First
- Introduced regular training days for the operatives
- Achieved one of the highest ever staff survey ratings
- Reviewed the business plan and created additional financial capacity
- Received the top judgement for viability from the TSA
- Met the requirements set out in the Governance and Financial Viability standard
- Trained six employees to deliver vulnerable adults training
- Gas engineer awarded the ‘Institute of Customer Services’ award for ‘Customer Champion Regional Winner’ for the West Midlands
- Negotiated a £20 million increase in the Company’s funding facility with Barclays Bank
- Improved absence management - SARH performed in the upper quartile compared to their benchmark group of Housing Companies for average working days lost due to sickness absence
- Raised funds for local charities
- Commenced SARH’s first rural exception scheme development

SARH has already delivered many improvements for its customers and is well equipped to meet the challenges facing the social housing sector, including the changing funding framework and the difficult macro economic climate. Customers are helping to scrutinise and make recommendations to further improve service and overall performance. Raising customer satisfaction is vital and this will be monitored through customer feedback, and formal surveys.

# Operating and Financial Review (continued)

## Performance indicators and other key statistics

During the year further progress has been made in improving performance and delivering on key objectives to provide first class homes to customers.

**The table below shows there has been continued progress in the Company's performance.**

Performance indicators	Actual 31.03.12	Actual 31.03.11	Actual 31.03.10
Void numbers	12 Properties	34 Properties	98 Properties
Emergency repairs within target	99.90%	100%	99.30%
Urgent repairs within target	99.00%	98.60%	96.30%
Routine repairs within target	99.61%	98.60%	93.60%
Rent collection rate	99.24%	100.65%	100.50%
Current tenant arrears	1.60%	1.17%	1.53%
Decent Homes percentage compliant	100%	100%	98.67%
SAP rating (Standard Assessment Procedure) measure of energy efficiency of properties	66.00	65.38	63.45

Other key statistics (No of properties)	Actual 31.03.12	Actual 31.03.11	Actual 31.03.10
Number of central heating systems fitted	697	528	213
External works	401	307	342
Loft insulation	1,707	-	-
Number of bathrooms fitted	25	117	117
Number of kitchens fitted	52	216	265
Replacement doors	356	418	1,012
Replacement windows	-	16	19
Internal doors	170	173	475
Soffits and fascias	155	43	192
Roofs	153	-	-

# Operating and Financial Review (continued)

## Risks and uncertainties

The main risks that need to be addressed are monitored by the Executive Team, considered by the Audit Committee and are reviewed annually by the Board as part of the corporate planning and risk management processes. Risks are recorded and assessed in terms of their impact and probability.

Primary risks, presenting the greatest challenges to the Company, are reported on a quarterly basis to the Audit Committee together with action taken to mitigate the risks and the key controls used to manage the risks. The major risks identified and managed currently are:

Key risks	Controls
<p>Deteriorating economic conditions lead to increase in unemployment and other social problems, with a negative impact on the operations and finances of the Company.</p>	<ul style="list-style-type: none"> <li>• The Company's financial plans include scenario planning for a deteriorating economy</li> <li>• Increased resources are being given to the money advice service provided to customers</li> <li>• Monitoring of key performance indicators gives an early warning of negative impact on Company expectations and finances</li> </ul>
<p>Welfare reform legislation reduces tenants' ability to pay rents leading to increasing arrears and voids</p>	<ul style="list-style-type: none"> <li>• An additional money advice service post has been created</li> <li>• Customer profiling has identified customers that will be impacted by the reforms, enabling targeted advice</li> <li>• Communication strategies have been developed to inform customers about the impact of the reforms</li> </ul>
<p>Reduction in Supporting People funding</p>	<ul style="list-style-type: none"> <li>• The Company has agreed with Staffordshire County Council to vary contracts and introduce clusters of schemes instead of one contract covering all schemes</li> <li>• Service delivery is monitored and changed to meet the needs of customers</li> </ul>
<p>Department of Work and Pensions I.T. arrangements do not work effectively resulting in payments not being made to customers</p>	<ul style="list-style-type: none"> <li>• Progress made in developing new arrangements is monitored</li> <li>• Plans are in place to provide support to tenants who are experiencing difficulty in obtaining benefits</li> </ul>
<p>Government proposals for extending the Right to Buy increase take-up of Right to Buy among eligible SARH customers, leading to financial losses</p>	<ul style="list-style-type: none"> <li>• Strategies for reducing the impact of increased discounts on Right to Buy sales are being considered</li> <li>• Right to Buy take up is being closely monitored to determine impact on SARH finances and business plan</li> </ul>

# Operating and Financial Review (continued)

## Financial position

The following paragraphs highlight key features of SARH's financial position at 31 March 2012.

## Accounting policies

Principal accounting policies, approved by SARH's Board, are set out on pages 23 to 27 of the Financial Statements.

## Housing properties and future investment

At 31 March 2012 SARH managed 5,740 housing properties of which 5,739 are owned by the Company. The properties are shown in the balance sheet at cost (after depreciation and Social Housing Grant received in respect of these properties) of £66.5m. The Board appointed professional valuers to value the housing properties as at 31 March 2012 and at that date the value of the properties, on an existing use for social housing basis, was £85.78m.

## Capital structure and treasury policy

At the year end borrowings amounted to £34.7m (2011: £37.7m) with the following repayment profile:

Maturity	2012	2011
	£'000	£'000
Within one year	-	1,000
Between one and two years	-	-
Between two and five years	-	-
After five years	34,700	36,700
	<b>34,700</b>	<b>37,700</b>

SARH borrows funds from Barclays Bank PLC at both fixed and floating rates of interest. The treasury management policy provides for hedging a significant proportion of the loan against interest rate increases by the use of long term fixed rates of interest that are embedded within the loan. As at 31 March 2012 £28m of the total debt was held on fixed rates.

A loan repayment of £3.0m was made during the year to make best use of funds available.

The rates of interest on the loan range between 0.75% to 4.75% and the average rate on all funds borrowed at the end of the year was 3.63%.

The key influences on the timing of borrowing are the rates of expenditure on the major investment programme and the new property development programmes, and any market opportunities as they arise.

## Cash flows and liquidity

The net cash inflow after returns on investment and servicing of finance was £10.4m (2011: £4.9m) with £8.2m (2011: £14.9m) of capital expenditure resulting in a net inflow before financing of £2.2m (2011: £9.9m). The movement of financing was due to £3.0m loans being repaid (2011: £10.2m loans received).

Cash inflows and outflows during the year are shown in the consolidated cash flow statement on page 22.

# Operating and Financial Review (continued)

Despite the current economic climate, nine Right To Buy sales have been completed in the year. Consequently the sales proceeds were £109,000 more than anticipated. Under the transfer agreement a proportion of the Right to Buy sales proceeds are paid to SBC. The success of SARH's business plan is not dependant on Right to Buy proceeds as only minimal levels have been assumed for future years.

In line with the original business plan a cash flow deficit occurred in 2011/12. This, together with cumulative deficits from previous years, has been funded from bank loans.

## Post balance sheet events

There were no post balance sheet events.

## Statement of compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in Part 2 of the SORP 'Accounting by Registered Social Landlords 2010'.

## Highlights, five-year summary

For the year ended 31 March	2012	2011	2010	2009	2008
Income and Expenditure Account	£'000	£'000	£'000	£'000	£'000
Total Turnover	23,314	21,453	20,626	18,859	17,872
Income from lettings	22,299	20,495	19,867	18,146	17,191
Operating surplus	7,959	8,605	6,667	3,858	5,133
Surplus for the year transferred to reserves	6,736	7,748	6,223	3,097	5,040
<b>Balance Sheet</b>					
Housing properties, net of depreciation	72,596	65,967	50,402	34,066	26,051
Social Housing Grant	(6,070)	(5,013)	(2,877)	(490)	(-)
Housing properties, net of depreciation and grants	66,526	60,954	47,525	33,576	26,051
Other fixed assets	4,172	4,225	4,376	4,633	4,824
Fixed assets net of capital grants and depreciation	70,698	65,179	51,901	38,209	30,875
Net current liabilities	(1,881)	(737)	(2,573)	(2,845)	(5,344)
Total assets less current liabilities	68,817	64,442	49,328	35,364	25,531
Loans (due over one year)	34,504	36,753	27,569	19,850	13,200
Net pension liability	2,867	2,133	8,143	2,251	242
Reserves: revenue	31,446	25,556	13,616	13,263	12,089



# Operating and Financial Review (continued)

For the year ended 31 March	2012	2011	2010	2009	2008
<b>Accommodation figures</b>					
<b>Total housing stock owned at year end (number of dwellings):</b>					
Social housing	5,739	5,722	5,670	5,539	5,535
Non-social housing	-	-	-	-	-
<b>Statistics</b>					
Surplus for the year as % of turnover	28.9%	36.1%	30.2%	16.4%	28.2%
Surplus for the year as % of income from lettings	30.2%	37.8%	31.3%	17.1%	29.3%
Rent losses (voids and bad debts as % of rent and service charges receivable)	1.13%	0.9%	0.9%	1.4%	1.76%
Rent arrears as % of debit	1.6%	1.17%	1.53%	1.98%	2.03%
Interest cover (surplus before interest payable divided by interest payable and capitalised interest)	5.9	6.8	6.5	4.6	8.6
Liquidity (current assets divided by current liabilities)	0.55	0.80	0.44	0.32	0.26
Gearing (total loans as % of capital grants plus reserves)	91.97%	120.23%	167.16%	144.30%	109.20%
Total reserves per home owned	£5,479	£4,466	£2,401	£2,394	£2,184

# Statement of the Responsibilities of the Board for the Report and Financial Statements

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

Company law and law applicable to registered social housing providers in England require the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements the Board are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Housing SORP;
- Make judgments and accounting estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and the Housing and Regeneration Act 2008. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

# Independent Auditor's report to the Members of Stafford and Rural Homes Limited

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We have audited the financial statements of Stafford and Rural Homes Limited for the year ended 31 March 2012 which comprise the income and expenditure account, the statement of total recognised surpluses and deficits, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company in accordance with section 137(1) of the Housing and Regeneration Act 2008 and to the Company's Members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company and the Company'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 Company and the Company's Members as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the Board and the auditor**

As explained more fully in the Board's responsibilities statement, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## **Scope of the audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

# Independent Auditor's report to the Members of Stafford and Rural Homes Limited (continued)

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## **Opinion on Financial Statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2012 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and in accordance with the Housing and Regeneration Act 2008 and the Accounting Requirements for Registered Social Landlords General Determination 2006.

## **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Housing and Regeneration Act 2008 require us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- a satisfactory system of control of those records, its cash holdings and its receipts and remittances has not been maintained; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## **Hamid Ghafoor (Senior statutory auditor)**

for and on behalf of PKF (UK) LLP, Statutory auditor

Liverpool, UK

Date: 26 July 2012

# Income and Expenditure Account

## For the year ended 31 March 2012

	Note	Year ended 31 March 2012	Year ended 31 March 2011
		£'000	£'000
<b>Turnover</b>	3	23,314	21,453
Cost of Sales	3	(193)	(101)
<b>Gross Profit</b>		<b>23,121</b>	<b>21,352</b>
Operating Cost	3	(15,162)	(12,747)
<b>Operating surplus:</b>	3,5	<b>7,959</b>	<b>8,605</b>
Surplus on sale of fixed assets			
– housing properties	6	109	81
Interest payable and similar charges	7,8	(1,332)	(1,188)
Donated land	12	-	250
<b>Surplus for the financial year</b>	18	<b>6,736</b>	<b>7,748</b>

The notes on pages 23 to 46 form an integral part of these Financial Statements.

All of the activities of the company are classed as continuing.

## Statement of Total Recognised Surpluses and Deficits

	Year ended 31 March 2012	Year ended 31 March 2011
	£'000	£'000
Surplus for the financial year	6,736	7,748
Actuarial gain/(loss) relating to pension scheme (note 11)	(846)	4,192
Total recognised surpluses and deficits relating to the year	5,890	11,940

# Balance Sheet

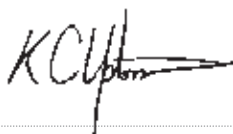
## At 31 March

	Note	As at 31 March 2012 £'000	As at 31 March 2011 £'000
<b>Tangible fixed assets</b>			
Housing properties	12	66,526	60,954
Other tangible fixed assets	13	4,172	4,225
		<u>70,698</u>	<u>65,179</u>
<b>Current assets</b>			
Stock		33	67
Debtors	14	1,728	2,490
Cash at bank and in hand		534	376
		<u>2,295</u>	<u>2,933</u>
<b>Creditors:</b> Amounts falling due within one year	15	(4,176)	(3,670)
<b>Net current liabilities</b>		<u>(1,881)</u>	<u>(737)</u>
<b>Total assets less current liabilities</b>		<u><b>68,817</b></u>	<u><b>64,442</b></u>
<b>Creditors:</b> Amounts falling due after more than one year	16	34,504	36,753
Net pension liability	11	2,867	2,133
		<u>37,371</u>	<u>38,886</u>
<b>Capital and reserves</b>			
Revenue reserves	18	31,446	25,556
<b>Total</b>		<u><b>68,817</b></u>	<u><b>64,442</b></u>

The notes on pages 23 to 46 form an integral part of these Financial Statements.

The Financial Statements were approved by the Board on 26 July 2012 and signed on its behalf by:

Kevin Upton  
**Chair**



Mike Stevenson  
**Chair of Audit Committee**



Karen Marshall  
**Company Secretary**



**Company No. 5452678**

# Cash Flow Statement

## For the year ended 31 March 2012

	Note	Year ended 31 March 2012	Year ended 31 March 2011
		£'000	£'000
<b>Net cash inflow from operating activities</b>	21	11,719	6,076
<b>Returns on investments and servicing of finance</b>			
Interest paid and similar charges		(1,332)	(1,142)
<b>Net cash outflow after returns on investment and servicing of finance</b>		10,387	4,934
<b>Capital expenditure</b>			
Purchase and construction of housing properties	12	(9,190)	(17,094)
Social Housing Grant received	12	914	2,136
Purchase of other fixed assets	13	(121)	(51)
Sales of housing properties		168	129
<b>Net cash outflow from capital expenditure</b>		(8,229)	(14,880)
<b>Net cash inflow/(outflow) before financing</b>		2,158	(9,946)
<b>Financing</b>			
Loans (repaid)/received		(3,000)	10,175
<b>Increase/(decrease) in cash</b>	23	(842)	229

The notes on pages 23 to 46 form an integral part of these Financial Statements.

# Notes to the Financial Statements

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## 1. Legal status

The Company is incorporated under the Companies Act 2006 as a Company limited by guarantee without share capital (registered number 5452678), is a charity registered with the Charity Commission (registered number 1112582) and is registered with the Homes and Communities Agency as a Registered Provider, as defined by the Housing and Regeneration Act 2008 (registration number L4458).

## 2. Accounting policies

### Accounting convention

The Financial Statements of the Company are prepared in accordance with applicable accounting standards and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2010 (SORP), and comply with the Accounting Requirements for registered social landlords latest General Determination (currently 2006).

### Turnover

Turnover represents rental income receivable, service charges, income from shops, garages and sundry income. Service charges charged to tenants are recognised at the invoiced value (excluding VAT) of goods and services supplied in the year. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities. Disposals including Right to Buy and Right to Acquire are recognised at the point of completion.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.



# Notes to the Financial Statements

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## 2. Accounting policies (continued)

### Property managed by agents

Where the Company carries the financial risk on property managed by agents, all the income and expenditure arising from the property will be included in the Income and Expenditure Account. Where the agency carries the financial risk, the Income and Expenditure Account includes only that income and expenditure that relates solely to SARH.

### Bad debts and write-offs

Bad debts will be charged to the Income and Expenditure Account in the year in which they are incurred. A provision for bad and doubtful debts will be made on an estimation of those debts that will not be recovered at the Balance Sheet date.

### Depreciation

Freehold land is not depreciated. Fixed assets will be depreciated in accordance with Financial Reporting Standard ('FRS') 15 at rates calculated to write off the cost less estimated residual value of the asset over its expected remaining useful life at the following rates on a straight-line basis:

Housing properties (Based on cost of the property, excluding land, less grants received)	Over 50 years
Office premises	Over 40 years
Computer equipment	Over 3 years
Furniture, equipment and motor vehicles	Over 3-10 years
Major component repairs	
Kitchens	20 years
Bathrooms	30 years
Windows	30 years
Roofing	40 years
Central Heating	15 years
Doors	30 years
Facias & Guttering	30 years
Electrical Works	30 years
Internal Works	30 years
Housing Act Sewerage Works	25 years
A de-minimus level for capitalisation will be set at £1,000 for all assets	

# Notes to the Financial Statements

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## 2. Accounting policies (continued)

### Interest and finance costs

Interest and finance costs on development borrowings, after deduction of interest on Social Housing Grant 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 Income and Expenditure Account in the year in which it is incurred.

### Housing properties

Completed housing properties are stated at cost less grant received and applicable depreciation. Cost includes the cost of acquiring land and buildings, development costs and interest charges during the development period which are directly attributable to the development. Housing properties under construction are stated at cost less social housing and other grants and are transferred into completed housing properties at practical completion.

### 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.

### Impairment

For all properties impairment reviews will be carried out on an annual basis and any impairment in an income generating unit is recognised by a charge to the Income and Expenditure Account 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.

### Capitalisation of major repair costs

The Company will capitalise expenditure on housing properties which is either capable of generating increased future rents, extends its useful life, or otherwise adds to the value of the property. All other expenditure incurred in respect of general repairs to its housing stock will be charged to the Income and Expenditure Account in the year in which it is incurred.

### Capitalisation of development overheads

SARH entered into an agency agreement with Housing Plus to facilitate the purchase and development of new properties. These agency costs are capitalised as they are directly attributable to bringing the properties into a lettable condition.

### Capitalisation of day to day repairs

The Company will not capitalise day to day repairs and maintenance unless the cost of a specific repair exceeds £1,000 and also meets the definition of a repair as required by FRS15.

# Notes to the Financial Statements

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## 2. Accounting policies (continued)

### Social Housing Grant

Where developments have been financed wholly or partly by Social Housing Grant, the cost of those developments will be reduced by the amount of the grant received. Social Housing Grant may be recycled or repaid under certain circumstances, primarily following sale of a property, but will normally be restricted to net proceeds of sale. Grants for revenue expenditure are credited to the Income and Expenditure Account as they become receivable.

Where Social Housing Grant becomes repayable on the sale of the properties it will be shown as a current liability.

Social Housing Grant in respect of housing properties under construction, received in advance of expenditure, will be shown as a current liability.

Social Housing Grant received for items treated as revenue expenditure will be credited to the Income and Expenditure Account at the time the revenue expenditure is incurred.

Social Housing Grant on properties sold will immediately be transferred to current liabilities.

### Other grants

Where developments have been financed wholly or partly by other grants, the cost of those developments will be reduced by the amount of grant received. Other grants received for items treated as revenue expenditure will be credited to the Income and Expenditure Account.

### Stocks

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

### Leasing commitments

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

### Provisions

The use of provisions is restricted to situations where a liability exists but where there is some uncertainty as to the timing or amount of the expenditure or the identity of the creditor.

### 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 Income and Expenditure Account in the accounting period in which they arise. Actuarial gains and losses are recognised in the Statement of Total Recognised Surpluses and Deficits within the financial statements.

### Designated reserve for major repairs

The Company will designate specific reserves for specific purposes as and when required.

# Notes to the Financial Statements

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## 2. Accounting policies (continued)

### Value added tax

SARH is VAT registered but a large proportion of income and rents is exempt for VAT purposes and therefore gives rise to a partial exemption calculation. Expenditure is shown inclusive of VAT as VAT recovered is a minimal amount. Input tax recovered is deducted from operating costs.

### Development (Improvement) agreement

A development agreement was entered into with SBC on transfer of the Council's housing stock to SARH. The agreement reflects the obligation on the Council to undertake improvements and catch-up repairs over the following 10 years to the stock. At the same time, a contract was established for SARH to undertake the work to the same value. The purpose of this arrangement was to enable VAT to be reclaimed on the value of the works under what is known as the VAT Shelter Scheme. As the amount due to be incurred by SARH under this agreement in relation to the cost of repairs is the same as the value of the Council's obligation to carry out the refurbishment works, and as this agreement is part of the same contract, the figures are netted off within the Balance Sheet. The gross values of the obligations are disclosed as financial commitments.

### Cash flow

Under the requirements of FRS1 the Company has prepared a cash flow statement on the basis of continuing operations.

### Shared Ownership

Shared ownership properties are split proportionally between current and fixed assets based on the first tranche proportion. First tranche proportions are accounted for as current assets and the related sales proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset so that any subsequent sale is treated as a part disposal of a fixed asset.

### Sale of housing properties

Properties developed for outright sale are included in turnover and cost of sales. Properties not developed for outright sale are divided into first tranche sales and other sales. The appropriate proportion of costs of housing properties that are built with the intention of full or partial sale, including equity share and shared ownership properties, are disclosed as current assets and stated at the lower of cost or net realisable value.

First tranche sales proceeds and the relative proportion of the property cost are recognised in turnover and cost of sales respectively. Subsequent tranches are not included within turnover and cost of sales but are shown as a separate item after the operating surplus in the Income and Expenditure Account. All other sales of fixed asset properties are dealt with in this way.

### True and fair override

Under the requirements of the SORP, capital grants are shown as a deduction from the cost of housing properties on the balance sheet. This treatment is not in accordance with the Regulations made under Companies Act 2006 which requires fixed assets to be shown at cost and grants as deferred income. The treatment has been adopted in order to show a true and fair view as, in the opinion of the Board; this is a relevant accounting policy, comparable to that adopted by other registered providers.

# Notes to the Financial Statements

## 3. Turnover, cost of sales, operating costs and operating surplus

### For the year ended 31 March 2012

	Turnover	Cost of sales	Operating costs	Operating surplus
	£'000	£'000	£'000	£'000
<b>Social housing lettings</b>				
General needs	15,820	-	11,107	4,713
Supported housing and housing for older people	6,449	-	3,467	2,982
Shared ownership	30	-	14	16
	<u>22,299</u>	<u>-</u>	<u>14,588</u>	<u>7,711</u>
First tranche shared ownership sales	199	193	-	6
<b>Non-social housing activities</b>				
Garages, shops, land etc	816	-	90	726
Non-social housing activities	-	-	484	(484)
<b>Total</b>	<b><u>23,314</u></b>	<b><u>193</u></b>	<b><u>15,162</u></b>	<b><u>7,959</u></b>

### For the year ended 31 March 2011

	Turnover	Cost of sales	Operating costs	Operating surplus
	£'000	£'000	£'000	£'000
<b>Social housing lettings</b>				
General needs	14,536	-	9,409	5,127
Supported housing and housing for older people	5,934	-	3,203	2,731
Shared ownership	25	-	6	19
	<u>20,495</u>	<u>-</u>	<u>12,618</u>	<u>7,877</u>
First tranche shared ownership sales	96	101	-	(5)
<b>Non-social housing activities</b>				
Garages, shops, land etc	862	-	123	739
Non-social housing activities	-	-	6	(6)
<b>Total</b>	<b><u>21,453</u></b>	<b><u>101</u></b>	<b><u>12,747</u></b>	<b><u>8,605</u></b>

# Notes to the Financial Statements

## 3. Turnover, cost of sales, operating costs and operating surplus (continued)

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

	Year ended				31 March 2011
	31 March 2012				Total
	General needs housing	Supported housing & housing for older people	Shared ownership	Total	Total
	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	15,413	4,755	17	20,185	18,654
Service charges receivable	285	844	13	1,142	903
Charges for support services	-	696	-	696	694
<b>Net rental income</b>	15,698	6,295	30	22,023	20,251
Other	122	154	-	276	244
<b>Turnover from social housing lettings</b>	15,820	6,449	30	22,299	20,495
<b>Expenditure on social housing lettings</b>					
Management	(4,370)	(1,022)	-	(5,392)	(4,660)
Services	(71)	(470)	-	(541)	(542)
Routine maintenance	(3,556)	(960)	-	(4,516)	(3,994)
Planned maintenance	(1,463)	(271)	-	(1,734)	(1,616)
Bad debts	(58)	(16)	2	(72)	(9)
Depreciation of housing properties	(1,589)	(728)	(16)	(2,333)	(1,797)
<b>Operating costs on social housing lettings</b>	(11,107)	(3,467)	(14)	(14,588)	(12,618)
<b>Operating surplus on social housing lettings</b>	4,713	2,982	16	7,711	7,877
<b>Void losses</b>	118	53	-	171	172

# Notes to the Financial Statements

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## 3. Turnover, cost of sales, operating costs and operating surplus (continued)

### Particulars of turnover from non-social housing lettings

For the year ended 31 March 2012	2012	2011
	£'000	£'000
Garage rent	503	480
Shop rent	211	222
Land rent	24	35
Housing act sewerage works	4	16
Leaseholders	61	99
Other	13	10
Total	<u>816</u>	<u>862</u>

## 4. Accommodation in management and development

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

For the year ended 31 March	2012	2011
Social Housing	No.	No.
General housing (of which 1 (2011:1) not owned)	4,252	4,233
Supported housing	1,452	1,454
Leasehold scheme for the elderly	30	30
Shared ownership	6	6
Total managed	<u>5,740</u>	<u>5,723</u>

# Notes to the Financial Statements

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## 5. Operating surplus

This is arrived at after charging:

For the year ended 31 March	2012	2011
	£'000	£'000
Depreciation of housing properties	2,306	1,807
Depreciation of other tangible fixed assets	174	196
Depreciation removed on disposal of fixed assets	10	11
Impairment	5	-
Operating lease charges		
- motor vehicles	181	144
- PNC	13	-
- other	16	16
Auditors' remuneration (including VAT)		
- for audit services	18	25
- for audit certification	4	-

## 6. Surplus on sale of fixed assets – housing properties

For the year ended 31 March	2012	2011
	£'000	£'000
Disposal proceeds - right to buy	166	127
- other assets	-	2
Carrying value of fixed assets - right to buy	(57)	(48)
- other assets	-	-
Surplus on disposal	109	81



# Notes to the Financial Statements

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## 7. Interest receivable and similar income

For the year ended 31 March	2012	2011
	£'000	£'000
Other finance charges (note 11)	(96)	-
	<u>(96)</u>	<u>-</u>

## 8. Interest payable and similar charges

For the year ended 31 March	2012	2011
	£'000	£'000
Loans and bank overdrafts	1,339	1,142
Commitment fee	108	-
Loan arrangement fee	4	-
Other finance charges (note 11)	-	129
	<u>1,451</u>	<u>1,271</u>
Interest payable capitalised on housing properties under construction	(23)	(83)
	<u>1,428</u>	<u>1,188</u>
Capitalisation rate used to determine the finance costs capitalised during the period	4.36%	4.11%

# Notes to the Financial Statements

## 9. Employees

Average monthly number of employees expressed in full time equivalents:

For the year ended 31 March	2012	2011
	No.	No.
Administration	26.6	39.4
Asset management and stock investment	33.6	31.0
Housing, care and support	76.8	74.4
Direct maintenance team	45.0	44.0
<b>Total</b>	<b>182.0</b>	<b>188.8</b>

## Employee costs

For the year ended 31 March	2012	2011
	£'000	£'000
Wages and salaries	4,842	5,034
Social security costs	376	373
Other pension costs	706	630
<b>Total</b>	<b>5,924</b>	<b>6,037</b>

## 10. Board Members and Executive Directors

	2012	2011
	£'000	£'000
Emoluments (including benefits in kind)	293	287
Pension contributions	47	39
<b>Total</b>	<b>340</b>	<b>326</b>
Emoluments paid to highest paid Director disclosed above (excluding pension contributions)	111	110

None of the Board Members received emoluments. The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, was £111k (2011: £110k).

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

# Notes to the Financial Statements

## 11. Staffordshire Pension Fund (SPF)

The 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 2008 and rolled forward to 31 March 2011 by a qualified independent actuary.

The employer's contributions to the SPF by SARH for the year ended 31 March 2012 were £764k (2011: £706k) at a contribution rate of 18.5% of pensionable salaries, set until the next funding valuation at 31 March 2012.

The estimated employees' contributions for the year ending 31 March 2013 is £651,000.

### Financial assumptions

For the year ended 31 March	2012	2011
	% per annum	% per annum
Discount rate	4.8	5.5
Expected rate of return on plan assets at 31 March	5.7	6.9
Future salary increases	4.8	5.1
Future pension increases	2.5	2.8
Inflation assumption	2.5	2.8

### Breakdown of the expected return on assets by category

For the year ended 31 March	2012	2011
	% per annum	% per annum
Equities	6.2	7.5
Bonds	3.3	4.9
Property	4.4	5.5
Cash	3.5	4.6

### Mortality assumptions

Life expectancy is based on the PMA92/PFA92 tables, projected for prospective pensioners as of year of birth, medium cohort and 1% pa, minimum improvements from 2007 and for pension year of birth medium cohort and 1% pa minimum improvement from 2007.

Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.2	23.4
Future pensioners	23.3	25.6

# Notes to the Financial Statements

## 11. Staffordshire Pension Fund (SPF) (continued)

### Commutation

An allowance is included for 50% of future retirements to elect to take additional tax-free cash up to HMRC limits, for pre April 2008 service and 75% of the maximum tax free cash for post April 2008 service.

### Fair value of employer assets

For the year ended 31 March	2012	2011
	£'000	£'000
Equities	12,707	11,605
Bonds	1,955	1,637
Property	1,466	1,041
Cash	163	595
<b>Total</b>	<b>16,291</b>	<b>14,878</b>

The above asset values as at 31 March 2012 are at a bid value as required under FRS17.

The bid value of assets has been estimated by applying an adjustment of (-0.4%) to the employers mid market value asset share as at 31 March 2011.

### Reconciliation of fair value of employer assets

Year ended 31 March	2012	2011
	£'000	£'000
<b>Opening fair value of employer assets</b>	14,878	13,352
Expected return on assets	1,051	984
Contribution by members	248	273
Contributions by the employer	764	706
Actuarial (losses)/gains	(372)	(111)
Benefits paid	(278)	(326)
<b>Closing fair value of employer assets</b>	<b>16,291</b>	<b>14,878</b>

# Notes to the Financial Statements

## 11. Staffordshire Pension Fund (SPF) (continued)

### Amounts recognised in the balance sheet

For the year ended 31 March	2012	2011
	£'000	£'000
Present value of funded obligations	(19,158)	(17,011)
Fair value of plan assets	16,291	14,878
Net under funding in funded plans	(2,867)	(2,133)
<b>Net Liability</b>	<b>(2,867)</b>	<b>(2,133)</b>
Amounts in balance sheet		
<b>Liabilities</b>	<b>(2,867)</b>	<b>(2,133)</b>

### Analysis of the amount charged/(credited) to the Income and Expenditure Account:

For the year ended 31 March	2012	2011
	£'000	£'000
Current service cost	702	871
Expected return on pension scheme assets	(1,051)	(984)
Interest on pension scheme liabilities	955	1,113
Past service cost/(gain)	25	(2,150)
Losses on curtailments and settlements	22	38
<b>Total charged/(credited) to the Income and Expenditure Account</b>	<b>653</b>	<b>(1,112)</b>

£749k was charged (2011: £1,241k credited) to the operating surplus and £96k (2011: £129k payable) was recognised in interest receivable.

### Actual return on plan assets:

For the year ended 31 March	2012	2011
	£'000	£'000
Actual return on plan assets	683	1,159

# Notes to the Financial Statements

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## 11. Staffordshire Pension Fund (SPF) (continued)

### Changes in present value of defined benefit obligation:

For the year ended 31 March	2012	2011
	£'000	£'000
Opening defined benefit obligation	(17,011)	(21,495)
Current service cost	(702)	(871)
Interest cost	(955)	(1,113)
Actuarial (losses)/gains	(474)	4,303
(Losses)/gains on curtailments and past service costs	(46)	2,112
Benefits paid	278	326
Contributions by members	(248)	(273)
Closing defined benefit obligation	<u>(19,158)</u>	<u>(17,011)</u>

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

For the year ended 31 March	2012	2011
	%	%
Equities	78%	78%
Bonds	12%	11%
Property	9%	7%
Cash	1%	4%

# Notes to the Financial Statements

## 11. Staffordshire Pension Fund (SPF) (continued)

Amounts for the current and previous four periods are as follows:

For the year ended 31 March	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	(19,158)	(17,011)	(21,495)	(10,972)	(10,791)
Fair value of scheme assets	16,291	14,878	13,352	8,721	10,549
Deficit on scheme	(2,867)	(2,133)	(8,143)	(2,251)	(242)
Experience adjustments on plan liabilities	(117)	2,310	-	-	(1,860)
Experience adjustments on plan assets	(372)	(111)	3,259	(3,323)	(395)

## Amounts recognised in Statement of Total Recognised Gains and Losses (STRGL)

	2012	2011	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000
Actuarial (losses)/gains recognised in STRGL	(846)	4,192	(5,870)	(1,923)	622
<b>Cumulative actuarial (losses)/gains</b>	<b>(2,687)</b>	<b>(1,841)</b>	<b>(6,033)</b>	<b>(163)</b>	<b>1,760</b>

# Notes to the Financial Statements

## 12. Tangible fixed assets

	Freehold general housing properties	Freehold supported housing properties	Freehold housing properties total
Cost	£'000	£'000	£'000
At 1 April 2011	50,099	18,945	69,044
Reclassifications	781	(775)	6
Property acquisitions	2,135	819	2,954
Additions	4,142	1,910	6,052
Schemes completed	-	912	912
Disposals	(68)	-	(68)
At 31 March 2012	<u>57,089</u>	<u>21,811</u>	<u>78,900</u>

### Depreciation

At 1 April 2011	(3,789)	(1,313)	(5,102)
Reclassifications	(187)	186	(1)
Depreciation	(1,613)	(672)	(2,285)
Disposals	10	-	10
Impairment	(5)	-	(5)
At 31 March 2012	<u>(5,584)</u>	<u>(1,799)</u>	<u>(7,383)</u>

### Social Housing Grant

At 1 April 2011	(4,613)	-	(4,613)
Additions	(514)	(400)	(914)
Schemes completed	(53)	(400)	(453)
At 31 March 2012	<u>(5,180)</u>	<u>(800)</u>	<u>(5,980)</u>

### Net book value

At 31 March 2012	<u>46,325</u>	<u>19,212</u>	<u>65,537</u>
At 31 March 2011	<u>41,697</u>	<u>17,632</u>	<u>59,329</u>

Additions include land £Nil (2011: £250k).

The Existing Use - Social Housing Value-(EU-SHV) as valued by Savills(L&P)Ltd of housing properties at 31 March 2012 is £85.78m.

There has been a transfer of £775k between Supported Housing Properties and General Needs Properties following a reclassification of properties; this includes a transfer to 'Other' of £6k.



# Notes to the Financial Statements

	Other	Shared ownership	Individual social housing properties under construction	Total
	£'000	£'000	£'000	£'000
	127	1,017	912	71,100
	(6)	-	-	-
	-	-	-	2,954
	12	-	172	6,236
	-	-	(912)	-
	-	(192)	-	(260)
	<u>133</u>	<u>825</u>	<u>172</u>	<u>80,030</u>

	(18)	(13)	-	(5,133)
	1	-	-	-
	(5)	(16)	-	(2,306)
	-	-	-	10
	-	-	-	(5)
	<u>(22)</u>	<u>(29)</u>	<u>-</u>	<u>(7,434)</u>

	-	-	(400)	(5,013)
	-	-	(90)	(1,004)
	-	-	400	(53)
	<u>-</u>	<u>-</u>	<u>(90)</u>	<u>(6,070)</u>

	<u>111</u>	<u>796</u>	<u>82</u>	<u>66,526</u>
	<u>109</u>	<u>1,004</u>	<u>512</u>	<u>60,954</u>

# Notes to the Financial Statements

## 12. Tangible fixed assets – housing properties (continued)

### Expenditure on works to existing properties

Year ended 31 March	2012	2011
	£'000	£'000
Amounts capitalised	6,236	13,808
Amounts charged to income and expenditure	1,734	1,616
Total	7,970	15,424

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

Year ended 31 March	2012	2011
	£'000	£'000
Freehold land and buildings	66,526	60,954
Long leasehold land and buildings	4,160	4,225
Total	70,686	65,179

## 13. Tangible fixed assets – other

	Long leasehold offices	Furniture fixtures & fittings	Computers and office equipment	Vehicles	Total
	£,000	£,000	£,000	£,000	£,000
<b>Cost</b>					
At 1 April 2011	3,969	790	841	-	5,600
Reclassifications	-	-	-	-	-
Additions	-	56	53	12	121
Disposals	-	-	-	-	-
At 31 March 2012	3,969	846	894	12	5,721
<b>Depreciation</b>					
At 1 April 2011	(294)	(342)	(739)	-	(1,375)
Reclassifications	-	-	-	-	-
Charged in year	(59)	(76)	(39)	-	(174)
At 31 March 2012	(353)	(418)	(778)	-	(1,549)
<b>Net book value</b>					
At 31 March 2012	3,616	428	116	12	4,172
At 31 March 2011	3,675	448	102	-	4,225

# Notes to the Financial Statements

## 14. Debtors

Year ended 31 March	2012	2011
	£'000	£'000
<b>Due within one year</b>		
Rent and service charges receivable	810	816
Less provision for bad and doubtful debts	(475)	(447)
	<b>335</b>	<b>369</b>
Other debtors including court costs and rechargeable works	465	321
Prepayments and accrued income	1,126	2,002
Less provision for bad and doubtful debts	(198)	(202)
	1,393	2,121
<b>Total</b>	<b>1,728</b>	<b>2,490</b>

## 15. Creditors: amounts falling due within one year

Year ended 31 March	2012	2011
	£'000	£'000
Overdraft	1,000	-
Debt (note 17)	-	1,000
Trade creditors	735	281
Social Security and Taxation	123	99
Other creditors and accruals	2,318	2,290
<b>Total</b>	<b>4,176</b>	<b>3,670</b>

## 16. Creditors: amounts falling due after more than one year

Year ended 31 March	2012	2011
	£'000	£'000
Disposal proceeds	-	53
Debt payable after more than one year (note 17)	34,700	36,700
Loan issue costs	(196)	-
<b>Total</b>	<b>34,504</b>	<b>36,753</b>

# Notes to the Financial Statements

## 17. Debt analysis

For the year ended 31 March	2012	2011 Restated
	£'000	£'000
<b>Due within one year</b>		
Bank loans	-	1,000
<b>Due after more than one year</b>		
Bank loans	34,700	36,700
Within one to two years	-	-
Within two to five years	-	-
After five years	34,700	36,700
<b>Total</b>	<b>34,700</b>	<b>36,700</b>

Following a re-analysis of the loan the previous year loan analysis has moved to being reclassified as 'After 5 years'.

The bank loans are secured by fixed charge over the housing properties of the Company. The rates of interest range between 0.75% and 4.75%.

## 18. Reserves

	Revenue reserve
	£'000
At 1 April 2011	25,556
Actuarial gains relating to pension scheme	(846)
Surplus for the year	6,736
At 31 March 2012	31,446

# Notes to the Financial Statements

## 19. Financial commitments

### Development agreement

Year ended 31 March	2012	2011
	£'000	£'000
<b>Due within one year</b>		
Value of Stafford Borough Council's obligation to carry out refurbishment works	56,272	63,334
Value of SARH's obligation to undertake refurbishment works on behalf of Stafford Borough Council	(56,272)	(63,334)
	<u>-</u>	<u>-</u>

### Capital expenditure commitments were as follows:

Year ended 31 March	2012	2011
	£'000	£'000
Expenditure contracted for but not provided in the accounts	<u>689</u>	<u>2,411</u>

### Operating leases

The payments which SARH is committed to make in the next year under operating leases are as follows:

Year ended 31 March	2012	2011
	£'000	£'000
(i) Vans expiring		
- Within one year	-	24
- One to five years	149	124
(ii) PNC Equipment		
- One to five years	21	-
(ii) Office equipment and computers expiring		
- Within one year	10	-
- One to five years	-	16
<b>Total</b>	<b><u>180</u></b>	<b><u>164</u></b>

# Notes to the Financial Statements

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## 20. Contingent liabilities

SARH had no contingent liabilities at 31 March 2012 (2011: £nil).

## 21. Reconciliation of operating surplus to net cash inflow from operating activities

Year ended 31 March	2012	2011
	£'000	£'000
<b>Operating surplus</b>	7,959	8,605
Depreciation of tangible fixed assets	2,485	2,003
Loss on disposal of fixed assets	10	11
Pensions operating charge	727	(1,241)
Pension contributions paid	(764)	(706)
	<b>10,417</b>	<b>8,672</b>
<b>Working capital movements</b>		
Debtors	762	(639)
Stock	34	(6)
Creditors	506	(1,951)
	<b>11,719</b>	<b>6,076</b>

## 22. Reconciliation of net cash flow to movement in net debt

Year ended 31 March	2012	2011
	£'000	£'000
Increase/ (decrease) in cash	(842)	229
Cash inflow from increase in debt	2,804	(10,175)
	<b>1,962</b>	<b>(9,946)</b>
<b>Total changes in net debt for the period</b>		
Net debt at 1 April	(37,324)	(27,378)
	<b>(35,362)</b>	<b>(37,324)</b>

# Notes to the Financial Statements

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## 23. Analysis of net debt

For the year ended 31 March	1 April 2011	Cash Flow	31 March 2012
	£'000	£'000	£'000
Cash at bank and in hand	376	158	534
Bank Overdraft	-	(1,000)	(1,000)
<b>Changes in cash</b>	<b>376</b>	<b>(842)</b>	<b>(466)</b>
Loans	(37,700)	3,196	(34,504)
<b>Changes in net debt</b>	<b>(37,324)</b>	<b>(2,354)</b>	<b>(34,970)</b>

## 24. Related parties

Two Board Members of Stafford and Rural Homes Limited are tenant Members. Their tenancy is on normal commercial terms, and they cannot use their position to their advantage. There are no other related party transactions.

## Contact us

Phone us on: **0800 111 4554**  
Visit our website: **[www.sarh.co.uk](http://www.sarh.co.uk)**

Stafford and Rural Homes  
The Rurals  
1 Parker Court  
Staffordshire Technology Park  
Beaconside  
Stafford  
ST18 0WP

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