



**STAFFORD**  
and rural homes  
OPENING DOORS TO BETTER HOMES

# WORKING TOGETHER

Report and Consolidated  
Financial Statements

Year ended 31 March 2013

# Contents

---

|  |       |
|--|-------|
| Board Members, Executive Directors,<br>Advisors and Bankers  | 1-2   |
| Report of the Board  | 3-8   |
| Operating and Financial Review   | 9-17  |
| Statement of the Responsibilities of the Board   | 18    |
| Independent Auditor's report<br>to the Members of Stafford and Rural Homes Limited                                   | 19-20 |
| Consolidated Income and Expenditure Account and<br>Consolidated Statement of Total Recognised Surpluses and Deficits | 21    |
| Consolidated Balance Sheet   | 22    |
| Association Income and Expenditure Account and<br>Statement of Total Recognised Surpluses and Deficits               | 23    |
| Association Balance Sheet  | 24    |
| Consolidated Cash Flow Statement   | 25    |
| Notes to the Financial Statements  | 26-56 |

## Auditors, Advisors and Bankers

---

|   |  |
|---|--|
| <b>Registered Office</b>                    | The Rurals, 1 Parker Court, Staffordshire Technology Park,<br>Beaconside, Stafford, ST18 0WP                             |
| <b>Stafford and Rural<br/>Homes Limited</b> | Registered Company No: 5452678<br>Registered Charity No: 1112582<br>Registered by the Homes & Community Agency No: L4458 |
| <b>Housing Worx Limited</b>                 | Registered Company No: 7988482   |
| <b>Internal Auditors</b>                    | <b>KPMG LLP</b> , One Snowhill, Snowhill, Queensway,<br>Birmingham, B4 6GH   |
| <b>External Auditors</b>                    | <b>BDO UK LLP</b> , 5 Temple Square,<br>Temple Street, Liverpool, L2 5RH   |
| <b>Solicitors</b>                           | <b>Anthony Collins Solicitors LLP</b> ,<br>134 Edmund Street, Birmingham, B3 2ES   |
|   | <b>Weightmans Solicitors LLP</b> , India Buildings,<br>Water Street, Liverpool, L2 0GA                                   |
| <b>Bankers</b>                              | <b>Barclays Bank PLC</b> , Barclays Bank Social Housing Team,<br>PO Box 3333, 15 Colmore Row, Birmingham, B3 2WN         |

---

# Board Members and Executive Directors

## Board Members and Executive Directors at 31 March 2013

### Stafford and Rural Homes Limited

| Board of Directors   | Appointed         | Resigned    |
|--|-------------------|-------------|
| Kevin Upton (Chair)  | 06 February 2006  |             |
| Andrew Harp  | 18 August 2009    |             |
| Adam Hill  | 26 January 2012   |             |
| Jason Holder   | 06 February 2006  |             |
| Angela Loughran  | 23 May 2011       |             |
| Sue Nicholls   | 19 May 2005       |             |
| Gillian Pardesi  | 26 January 2012   |             |
| Mike Stevenson   | 05 September 2007 |             |
| Neil Tryner  | 06 February 2006  |             |
| Shirley Wheat  | 06 February 2006  |             |
| <b>Long Term Observer</b>  |                   |             |
| Hester Parsons   | 6 November 2007   |             |
| <b>Executive Directors</b>   |                   |             |
| <b>Karen Armitage</b><br>Chief Executive                                 | 1 November 2005   |             |
| <b>Deborah Emmitt</b><br>Director of Neighbourhood Services              | 2 January 2008    |             |
| <b>Grant Shipley</b><br>Director of Finance & Business Services          | 15 August 2011    |             |
| <b>David Stevenson</b><br>Director of Asset Management & Acquisitions    | 6 February 2012   | 28 May 2012 |
| <b>Christopher Poulton</b><br>Director of Asset Management & Development | 31 July 2012      |             |
| <b>Company Secretary</b>   |                   |             |
| Karen Marshall   | 3 June 2009       |             |

## Board Members at 31 March 2013

### Housing Worx Limited

| Board of Directors                     |                 |  |
|--|-----------------|--|
| Board of Directors as at 31 March 2013 |                 |  |
| Mike Stevenson                         | 24 May 2012     |  |
| Sue Nicholls                           | 24 May 2012     |  |
| Karen Armitage                         | 13 March 2012   |  |
| Grant Shipley                          | 13 March 2012   |  |
| <b>Company Secretary</b>               |                 |  |
| Karen Marshall                         | 29 January 2013 |  |

# Report of the Board

---

The Board presents its financial report and the Group's audited financial statements for the year ended 31 March 2013.

## Nature of SARH business

Stafford and Rural Homes Limited (SARH) is a Company limited by guarantee formed through a transfer of social housing properties from Stafford Borough Council (SBC) in February 2006. Housing Worx is a wholly owned trading subsidiary of Stafford and Rural Homes. The company provides housing improvement services to SARH including installation of kitchens, bathrooms, internal and external doors.

SARH delivers first class services to customers in the Borough of Stafford in partnership with Stafford Borough Council and other key partners.

## Principal activities

SARH's principal activities include:

- The provision of affordable housing and collection of rent
- Allocation of homes to customers through an approved choice-based lettings scheme
- Management, repair and maintenance of homes
- Care and support through Telecare services and supported living care plans
- Improvement of homes so they reflect the changing needs of customers and applicable local and national standards
- Customer empowerment and involvement with services delivered
- Training and learning to develop our people to ensure appropriate skills
- Acquisition and development of homes to meet customers' requirements
- 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 Homes and Communities Agency (HCA).

For the year ending 31 March 2013, SARH is required to comply with the HCA's Regulatory Framework, which sets out the following six standards:

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

The HCA reports on compliance with the Value for Money and the Governance and Financial Viability standards. The viability assessment issued in January 2013 by the HCA stated that:

- SARH meets the requirements set out in the Governance and Financial Viability standard and has the capacity to mitigate its exposures effectively.
- The governing body, supported by appropriate governance and executive arrangements, maintains satisfactory control of the organisation.

Customers are involved in assessing performance against the consumer 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)

---

## **Corporate Objectives**

SARH Board approved revised corporate objectives in 2010 following consultation with customers, staff and other stakeholders. The strategic plan was reviewed and revised in 2012.

## **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
- Revising policies and procedures
- 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 through scrutiny and review.

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

## **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 through monthly briefings with the Chief Executive and through regular team briefings.

# Report of the Board (continued)

## SARH Employees (continued)

In 2012 SARH commissioned a staff survey which was benchmarked. 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                  | 98%       |
| 2              | The Chief Executive communicates the direction of Stafford and Rural Homes well   | 96%       |
| 3              | I understand how the work I do helps Stafford and Rural Homes to achieve its aims | 96%       |
| 4              | I care about the future of Stafford and Rural Homes                               | 98%       |
| 5              | The Chief Executive is open and approachable                                      | 92%       |
| 6              | I understand my team's objectives   | 96%       |
| 7              | I have the knowledge and skills to do my job                                      | 94%       |
| 8              | I enjoy my work   | 94%       |
| 9              | My line manager trusts me to do a good job  | 92%       |
| 10             | Working here makes me want to do the best work I can                              | 92%       |

**The overall engagement rate was 91%**

In 2012/13 SARH invested over £62,000 in staff training. Approximately 20 training courses were run internally, two externally, and a suite of e-learning packages developed. A number of professional qualifications were funded by SARH. External courses/seminars are attended by staff when appropriate.

- SARH awarded 12 internal 'Aspiring to Excellence Ambassador' awards to staff and 31 runners up.
- January 2013 saw the completion of the training of 10 construction trainees; four successfully gained employment at SARH. The second group of seven trainees commenced training in March 2013. A programme providing for apprentices and university placements is in place.
- An extensive NVQ programme, including trade employees, commenced in 2012.

The quality of SARH staff is a major asset to the business and SARH remains committed to supporting trade union membership and the People Group to actively engage with staff on a regular basis.

## Equality and diversity

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

SARH has a detailed Equality and Diversity Action Plan which was reviewed 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.

# Report of the Board (continued)

---

## **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 Stafford Borough Council). Board Members and the Executive Directors as at 31 March 2013 are listed on page 2. 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 adapts to a changing economic environment 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 strategic plan is delivered by the Company's Chief Executive who is supported by a Director of Finance and Business Services, a Director of Assets and Development, 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 and or enhance services.

Board Members actively seek opportunities to network through membership of an informal partnership of five social landlords based in England – the 'Generate' group – and locally

by working in partnership with others including Stafford Borough Council, 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 can confirm that it complies fully with the requirements of the NHF Code of Governance (revised October 2012).

## **Health and Safety**

In 2013 SARH received the Royal Society for the Prevention of Accidents gold award for the fifth 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 and by housing officers.

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)

---

## **Pensions**

The Chief Executive and three other Directors are Members of the Local Government Pension Scheme (LGPS) 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 73% of SARH staff are Members. SARH is making preparations for the 2014 changes to the LGPS and the auto enrolment requirements.

## **Housing property assets**

Details of changes to fixed assets are shown in notes 13 and 14 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 31.98 days in the year ended 31 March 2013 (2012: 31.54).

## **Financial risk**

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

## **Complaints and Compliments**

SARH has a clear and 'simple' Complaints Policy available to all customers. The policy encourages complaints, compliments and comments. A total of 112 complaints were received during 2012/13 of which:

- 100 were resolved successfully at stage 1
- 8 were resolved successfully at stage 2
- 4 were resolved successfully at stage 3
- no complaints were referred to the Housing Ombudsman.

Compliments are received regularly and 75 written compliments were received during the financial year 2012/13.

## **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 which was reviewed in May 2012. The key risks that could affect the achievement of the Company objectives are shown in the table on page 14.

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
- 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



# Report of the Board (continued)

---

- 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 and an annual report from Audit Committee of its activities in the preceding financial year.

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 associated processes within, provide reasonable assurance against material misstatement of SARH's financial position.

## **'Going concern'**

After consideration of SARH's 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**

PKF (UK) LLP have merged their business into BDO LLP and accordingly have signed their auditors report in the name of the merged firm. A resolution to appoint BDO LLP as auditor of the Group was passed at a Board meeting on 16 May 2013.

A resolution to reappoint BDO LLP as external auditors of SARH will be proposed at the forthcoming Annual General Meeting on 19 September 2013.

The report of the Board was approved by the Board on 31 July 2013 and signed on its behalf by:



Kevin Upton  
Chair

**Company No. 5452678**

# Operating and Financial Review

---

## **Financial performance 2012-13**

The detailed financial accounts can be found on pages 21 to 56.

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 2013 turnover was £24.6 million (2012: £23.3 million) and a consolidated operating surplus of £10.2 million was generated (2012: £8.0 million). £7.7 million was spent on improvement works to SARH properties and a further £1.2 million on acquiring additional affordable homes. At the year end there were borrowings of £33.2million (2012: £34.7 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)

---

## 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 during 2012/13 include:

- Achieved procurement savings of £900k to deliver a cost effective property investment programme
- Created a subsidiary trading company to deliver investment programme works at a reduced cost
- Installed 297 photovoltaic (PV) panels to customers' homes to provide affordable warmth for customers
- Installed PV panels to Head Office to achieve savings of £6k per annum on energy bills
- Moved to paperless governance arrangements to reduce the costs of servicing Boards
- Implemented new telecommunications arrangements saving £40k per annum
- Reduced management costs by 13%
- Worked with partners to provide joint training events and shared costs
- Made use of free venues and volunteer trainers to deliver the Community Learning Programme
- Awarded new contracts including telecare, first responder and public services contracts bringing in additional income
- Developed enhanced arrangements for early identification of vulnerable customers
- Planned the development of the Penkside area using a 'Total Place' approach, which will incorporate improvement work to customers homes and the surrounding environment. Benefits will include significant energy savings for customers. Any Right to Buy proceeds from the sale of properties in Penkside will be ring-fenced for reinvestment in that area.

These highlights demonstrate SARH commitment to deliver its objectives, improve efficiency and provide value for money services.

# Operating and Financial Review (continued)

---

## First-class service

SARH is committed to delivering first class services for customers and this continues to underpin the Company's key objectives and values.

Headline achievements for SARH customers this year include:

- Awarded the Telecare Services Association Platinum status for consistent high performance to European standards of a 24hours/ 365days call centre
- Achieved overall 'satisfaction with services' rating of 84%
- Achieved 99.04% rent collected
- All SARH's homes maintained to meet the Decent Homes Standard
- Improved the energy efficiency rating of SARH homes to 68.4 using the Standard Assessment Procedure
- 100% of all SARH homes had a gas safety check carried out during the year
- 20 training courses were provided by an internal Training Academy plus two external courses for certificated asbestos training
- Customer Board and Customer Inspectors made a significant contribution to the improvement of services through five scrutiny inspections and other work
- Achieved the Royal Society for Prevention of Accidents Gold Award for the fifth year
- Achieved Quality Assessment Framework Grade A for sheltered housing services
- Money advice provided to 432 customers by an in-house qualified Institute of Money Advice officer and colleagues
- Improved void property turnaround times from an average of 19 to 16 days
- Increased partnership working by offering the SARH telecare service across south and mid Staffordshire

## Other achievements

- Success at Stafford Borough Council Green Awards, winning three categories including the Community and Well Being category awarded to an environmentally – friendly property refurbishment, the "Eco House"
- Influencing national policy and debate on housing matters through the Chief Executive's role as a Board member of the Chartered Institute of Housing; and through work with the local MP
- Employed 10 local apprentices and provided training to help them gain a recognised qualification and employment
- Improvements to the delivery of repairs and maintenance following an internal health check of the service
- Achieved an excellent staff engagement score in the staff survey
- Received the top judgement for viability from the Homes and Communities Agency
- Met the requirements set out in the Governance and Financial Viability standard
- Partnership working with Staffordshire County Council to carry out basic health checks and increase awareness of Assistive Technology
- Shortlisted in four categories for the Tenant Participation Advisory Service Awards
- Raised £2k funds for local charities
- Completed SARH's first rural exception scheme development of eight bungalows
- Successful AGM and launch of SARH Green Offers, continuing to build on our reputation for 'show casing' the business for customers and stakeholders
- Annual Report written in consultation with customers

# Operating and Financial Review (continued)

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.

## 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<br>31.03.13 | Actual<br>31.03.12 | Actual<br>31.03.11 |
|--|--------------------|--------------------|--------------------|
| Voids - number of properties   | 17                 | 12                 | 34                 |
| Emergency repairs within target  | 100.00%            | 99.90%             | 100.00%            |
| Urgent repairs within target   | 98.77%             | 99.00%             | 98.60%             |
| Routine repairs within target  | 99.30%             | 99.61%             | 98.60%             |
| Rent collection rate   | 99.04%             | 99.24%             | 100.65%            |
| Current tenant arrears   | 1.96%              | 1.60%              | 1.17%              |
| Decent Homes percentage compliant  | 100.00%            | 100.00%            | 100.00%            |
| SAP rating (Standard Assessment Procedure)<br>measure of energy efficiency of properties | 68.40              | 66.00              | 65.38              |

| Other key statistics<br>(No of properties) | Actual<br>31.03.13 | Actual<br>31.03.12 | Actual<br>31.03.11 |
|--|--------------------|--------------------|--------------------|
| Number of central heating systems fitted   | 460                | 697                | 528                |
| External works                             | -                  | 401                | 307                |
| Loft Insulation                            | 23                 | 1707               | -                  |
| Number of bathrooms fitted                 | 167                | 25                 | 117                |
| Number of kitchens fitted                  | 254                | 52                 | 216                |
| Replacement doors                          | 50                 | 356                | 418                |
| Replacement windows                        | -                  | -                  | 16                 |
| Internal doors                             | 418                | 170                | 173                |
| Soffits and fascias                        | 132                | 155                | 43                 |
| Roofs                                      | 132                | 153                | -                  |

# Operating and Financial Review (continued)

---

## Homes and Communities Agency Value for Money Statement

Registered Providers shall have a robust approach to making decisions on the use of resources to deliver the provider's objectives, including an understanding of the trade offs and opportunity costs of its decisions.

The Corporate Plan sets out SARH objectives and with strategic direction from the Board, the Leadership Team determine how resources will be used and how the outcomes will be measured so as to achieve the agreed balance between cost and performance. The budget setting process drives value for money through effective use of cost centre and benchmarking analysis. Quarterly reports to Leadership Team from each service area set out details of performance against targets and budgets, customer satisfaction and value for money challenges and achievements. Decisions on whether a service should be delivered in house takes account of comparative costs, skills and expertise requirements and the quality expected. Cost sharing through partnering, including joint procurement and shared services is used to achieve efficiencies where possible.

Registered Providers shall understand the return on their assets, and have a strategy for optimising the future returns on assets – including rigorous appraisal of all potential options for improving value for money including the potential benefits in alternative delivery models – measured against the organisation's purpose and objectives.

An investment and development appraisal model which has been approved by Board sets out parameters for how assets will be used, for example in relation to new developments. Where investment is required in an area or scheme to maintain or improve its viability consideration is given to investment, demolition, co-provision and remodelling options. Examples of where this approach has been used include the Penkside Total Place project and the Option Appraisal for Independent Living Schemes and development of new homes.

Registered Providers shall have performance management and scrutiny functions which are effective at driving and delivering improved value for money.

Performance and costs are benchmarked using HouseMark, and market testing where HouseMark data is not available, for example, the costs associated with the workstreams delivered by Housing Worx. Benchmarking results are used by Boards and Leadership Team when setting budgets and targets and to identify areas where the focus will be on improving performance and / or reducing costs. Scrutiny of services is carried out internally, e.g. through service review and by customers, for example Customer Board scrutiny work and inspections carried out by the Customer Inspectors Team.

Registered Providers shall understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so.

At a corporate planning level a range of information is used to understand and influence the costs and outcomes for each service area. These include budget information, cost and performance information and customer satisfaction. Services which are traded externally have detailed income and expenditure budgets and monthly accounts are produced, with performance targets which demonstrate the benefit to SARH in terms of surpluses generated or costs absorbed.

# Operating and Financial Review (continued)

## Risks and uncertainties

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

Primary risks which present the greatest challenges to the company are reported on a quarterly basis to the Audit Committee together with the action taken to mitigate and manage the risks. These are submitted to Board for final scrutiny.

The major risks identified and being managed currently are:

| Key Risks  | Controls  |
|--|---|
| Government initiatives to extend the Right to Buy (RTB) increase the take up among eligible SARH customers, leading to financial losses.   | <ul style="list-style-type: none"> <li>• RTB is being closely monitored and scenario modelling carried out to show the impact of increased RTB sales on SARH finances and Business Plan.</li> <li>• The identity of applicants is checked to ensure they are eligible and are made aware of responsibilities of home ownership and costs involved, including, where applicable, service charges.</li> </ul>   |
| Implementation of welfare reform reduces customers' ability to pay rents leading to increased arrears and voids.   | <ul style="list-style-type: none"> <li>• SARH has engaged with customers who will be affected to provide them with information and advice, including time with the Money Management Adviser.</li> <li>• There has been an internal restructure to focus resources on income collection and advice for customers.</li> <li>• There is monthly monitoring and analysis of performance and quarterly modelling of the impact of the level of arrears, evictions and voids on the Business Plan.</li> </ul> |
| Department of Works and Pensions (I.T.) arrangements do not work effectively resulting in payments not being made to customers, affecting their ability to pay rent and other charges due to SARH. | <ul style="list-style-type: none"> <li>• Progress with the new arrangements, including feedback from the pilots is monitored.</li> <li>• Plans are in place to provide support to customers who experience difficulty in obtaining benefits.</li> </ul>   |
| Deteriorating local economic conditions lead to increase in unemployment and other social problems which impact on SARH financial position and operations.   | <ul style="list-style-type: none"> <li>• SARH financial plans include scenario planning for a deteriorating local economy.</li> <li>• Increased resources are being dedicated to income collection and providing support for customers, including money management advice and pre-tenancy workshops.</li> </ul>   |
| SARH proposed trading subsidiary does not comply with the new and untested HMRC regulations relating to VAT cost sharing groups.   | <ul style="list-style-type: none"> <li>• Independent tax, legal and accountancy advice is being provided and acted on.</li> <li>• Discussions held with HMRC to understand their interpretation of the new regulations.</li> </ul>  |

# Operating and Financial Review (continued)

## Financial position

The following paragraphs highlight key features of SARH's financial position at 31 March 2013.

## Accounting policies

Principal accounting policies, approved by SARH's Board, are set out on pages 26 to 30 of the financial statements.

## Housing properties and future investment

At 31 March 2013 SARH managed 5,752 housing properties of which 5,751 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 £72.2m. The Board appointed professional valuers to value the housing properties as at 31 March 2013 and at that date the value of the properties, on an existing use for social housing basis, was £92.11m.

## Capital structure and treasury policy

At the year end borrowings amounted to £33.2m (2012: £34.7m) with the following repayment profile:

| Maturity                   | 2013          | 2012          |
|----------------------------|---------------|---------------|
|                            | £'000         | £'000         |
| Within one year            | -             | 0             |
| Between one and two years  | -             | -             |
| Between two and five years | -             | -             |
| After five years           | 33,200        | 34,700        |
|                            | <b>32,200</b> | <b>34,700</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 2013 £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 1.50% and 4.75% and the average rate on all funds borrowed at the end of the year was 4.19%.

The key influences on the timing of borrowing are the rates of expenditure on the major investment and 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 of the Group was £10.9m (2012: £10.4m), with £8.3m (2012: £8.2m) of capital expenditure resulting in a net inflow before financing of £2.6m (2012: £2.2m). The movement of financing was due to a net loan repayment of £1.5m (2012: £3.0m).

Cash inflows and outflows during the year are shown in the consolidated cash flow statement on page 26.



# Operating and Financial Review (continued)

Despite the current economic climate, seven Right to Buy sales have been completed in the year, with a sales surplus of £102,000. Under the transfer agreement a proportion of the Right to Buy sales proceeds are paid to Stafford Borough Council. The success of SARH business plan is not dependant on Right to Buy sales.

A cash flow surplus was achieved in 2012/13. Previous years' cumulative deficits have 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 Housing Providers Update 2010'.

## Highlights, five-year summary

### Group 2013: Association 2009 to 2012

| For the year ended 31 March                  | 2013   | 2012   | 2011   | 2010   | 2009   |
|--|--------|--------|--------|--------|--------|
| Income and Expenditure Account               | £'000  | £'000  | £'000  | £'000  | £'000  |
| Total Turnover                               | 24,589 | 23,314 | 21,453 | 20,626 | 18,859 |
| Income from lettings                         | 23,649 | 22,299 | 20,495 | 19,867 | 18,146 |
| Operating Surplus                            | 10,214 | 7,959  | 8,605  | 6,667  | 3,858  |
| Surplus for the year transferred to reserves | 8,707  | 6,736  | 7,748  | 6,223  | 3,097  |

## Balance Sheet

|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| Housing properties, net of depreciation             | 78,826  | 72,596  | 65,967  | 50,402  | 34,066  |
| Social Housing Grant                                | (6,707) | (6,070) | (5,013) | (2,877) | (490)   |
| Housing properties, net of depreciation and grants  | 72,119  | 66,526  | 60,954  | 47,525  | 33,576  |
| Other fixed assets                                  | 4,264   | 4,172   | 4,225   | 4,376   | 4,633   |
| Fixed assets net of capital grants and depreciation | 76,383  | 70,698  | 65,179  | 51,901  | 38,209  |
| Net current liabilities                             | (320)   | (1,881) | (737)   | (2,573) | (2,845) |
| Total assets less current liabilities               | 76,063  | 68,817  | 64,442  | 49,328  | 35,364  |
| Loans (due over one year)                           | 33,012  | 34,504  | 36,753  | 27,569  | 19,850  |
| Net pension liability                               | 4,521   | 2,867   | 2,133   | 8,143   | 2,251   |
| Revenue reserves                                    | 38,530  | 31,446  | 25,556  | 13,616  | 13,263  |

# Operating and Financial Review (continued)

| For the year ended 31 March   | 2013  | 2012  | 2011  | 2010  | 2009  |
|---|-------|-------|-------|-------|-------|
| <b>Accommodation figures</b>  |       |       |       |       |       |
| <b>Total housing stock owned at year end (number of dwellings):</b> |       |       |       |       |       |
| Social housing  | 5,751 | 5,739 | 5,722 | 5,670 | 5,539 |
| Non-social housing  | -     | -     | -     | -     | -     |

## Statistics

|   |        |        |         |         |         |
|---|--------|--------|---------|---------|---------|
| Surplus for the year as % of turnover   | 35.4%  | 28.9%  | 36.1%   | 30.2%   | 16.4%   |
| Surplus for the year as % of income from lettings   | 36.8%  | 30.2%  | 37.8%   | 31.3%   | 17.1%   |
| Rent losses (voids and bad debts as % of rent and service charges receivable)                         | 1.18%  | 1.13%  | 0.90%   | 0.90%   | 1.40%   |
| Rent arrears as % of debit  | 1.96%  | 1.6%   | 1.17%   | 1.53%   | 1.98%   |
| Interest cover (surplus before interest payable divided by interest payable and capitalised interest) | 6.3    | 5.9    | 6.8     | 6.5     | 4.6     |
| Liquidity (current assets divided by current liabilities)   | 0.91   | 0.55   | 0.80    | 0.44    | 0.32    |
| Gearing (total loans as % of capital grants plus reserves)  | 73.44% | 91.97% | 120.23% | 167.16% | 144.30% |
| Total reserves per home owned   | £6,700 | £5,479 | £4,466  | £2,401  | £2,394  |

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

---

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

Company law and social housing legislation require the Board members to prepare financial statements for each financial year. Under that law/legislation the Board members have elected to prepare the Group and association financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the association and of the surplus or deficit of the Group and association for that period.

In preparing these financial statements, the Board members 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 (Update 2010) 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 members are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act and the Accounting Direction for Private Registered Providers of Social Housing in England from April 2012. 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 members 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 (Update 2010).

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 members. The Board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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

---

We have audited the financial statements of Stafford and Rural Homes Limited for the year ended 31 March 2013 which comprise the consolidated and association income and expenditure accounts, the consolidated and association balance sheets, the consolidated and association statement of total recognised surpluses and deficits, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and Chapter 3 of Part 16 of the Companies Act 2006. 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 association's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As explained more fully in the statement of Board member responsibilities, the Board members 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

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

---

## **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent association's affairs as at 31 March 2013 and of the Group's and parent association's surplus 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, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing in England from April 2012.

## **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 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent association, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent association financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Board member and or 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 BDO LLP, Liverpool, UK

Date: 31 July 2013

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

# Consolidated Income and Expenditure Account

## For the year ended 31 March 2013

|                                       | Note | Year ended<br>31 March 2013 | Year ended<br>31 March 2012 |
|---------------------------------------|------|-----------------------------|-----------------------------|
|                                       |      | £'000                       | £'000                       |
| <b>Turnover</b>                       | 3    | 24,589                      | 23,314                      |
| Cost of Sales                         | 3    | -                           | (193)                       |
| <b>Gross Profit</b>                   |      | <b>24,589</b>               | <b>23,121</b>               |
| Operating Cost                        | 3    | (14,375)                    | (15,162)                    |
| <b>Operating surplus:</b>             | 3, 5 | <b>10,214</b>               | <b>7,959</b>                |
| Surplus on sale of fixed assets       |      |                             |                             |
| – housing properties                  | 6    | 102                         | 109                         |
| Interest payable and similar charges  | 7, 8 | (1,609)                     | (1,332)                     |
| <b>Surplus for the financial year</b> | 19   | <b>8,707</b>                | <b>6,736</b>                |

The notes on pages 26 to 56 form an integral part of these Financial Statements. All of the activities of the company are classed as continuing.

## Consolidated Statement of Total Recognised Surpluses and Deficits

|   | Year ended<br>31 March 2013 | Year ended<br>31 March 2012 |
|---|-----------------------------|-----------------------------|
|   | £'000                       | £'000                       |
| Surplus for the financial year                      | 8,707                       | 6,736                       |
| Actuarial loss relating to pension scheme (note 11) | (1,623)                     | (846)                       |
| Total recognised surpluses relating to the year     | <b>7,084</b>                | <b>5,890</b>                |

Due to 2013 being the first year that Group accounts are prepared, the comparative figures relate to those of the Association only.

# Consolidated Balance Sheet

**As at 31 March 2013**

|  | Note | As at 31 March 2013<br>£'000 | As at 31 March 2012<br>£'000 |
|--|------|------------------------------|------------------------------|
| <b>Tangible fixed assets</b>                                     |      |                              |                              |
| Housing properties   | 13   | 72,119                       | 66,526                       |
| Other tangible fixed assets                                      | 14   | 4,264                        | 4,172                        |
|  |      | <u>76,383</u>                | <u>70,698</u>                |
| <b>Current assets</b>  |      |                              |                              |
| Stock  |      | 34                           | 33                           |
| Debtors  | 15   | 1,543                        | 1,728                        |
| Cash at bank and in hand   |      | 1,688                        | 534                          |
|  |      | <u>3,265</u>                 | <u>2,295</u>                 |
| <b>“Creditors: Amounts falling due within one year”</b>          | 16   | <u>(3,585)</u>               | <u>(4,176)</u>               |
| <b>Net current liabilities</b>                                   |      | <u>(320)</u>                 | <u>(1,881)</u>               |
| <b>Total assets less current liabilities</b>                     |      | <u><b>76,063</b></u>         | <u><b>68,817</b></u>         |
| <b>“Creditors: Amounts falling due after more than one year”</b> | 17   | 33,012                       | 34,504                       |
| Net pension liability  | 11   | 4,521                        | 2,867                        |
|  |      | <u>37,533</u>                | <u>37,371</u>                |
| <b>Capital and reserves</b>                                      |      |                              |                              |
| Revenue reserves   | 19   | 38,530                       | 31,446                       |
| <b>Total</b>   |      | <u><b>76,063</b></u>         | <u><b>68,817</b></u>         |

The notes on pages 26 to 56 form an integral part of these Financial Statements.

Due to 2013 being the first year that Group accounts are prepared, the comparative figures relate to those of the Association only.

The Financial Statements were approved by the Board on 31 July 2013 and signed on its behalf by:

Kevin Upton  
**Chair**



Mike Stevenson  
**Chair of Audit Committee**



Karen Marshall  
**Company Secretary**



**Company No. 5452678**

# Association Income and Expenditure Account

## For the year ended 31 March 2013

|                                       | Note | Year ended<br>31 March 2013 | Year ended<br>31 March 2012 |
|---------------------------------------|------|-----------------------------|-----------------------------|
|                                       |      | £'000                       | £'000                       |
| <b>Turnover</b>                       | 3    | 24,526                      | 23,314                      |
| Cost of Sales                         | 3    | -                           | (193)                       |
| <b>Gross Profit</b>                   |      | <b>24,526</b>               | <b>23,121</b>               |
| Operating Cost                        | 3    | (14,339)                    | (15,162)                    |
| <b>Operating surplus:</b>             | 3, 5 | <b>10,187</b>               | <b>7,959</b>                |
| Surplus on sale of fixed assets       |      |                             |                             |
| – housing properties                  | 6    | 102                         | 109                         |
| Interest payable and similar charges  | 7, 8 | (1,609)                     | (1,332)                     |
| <b>Surplus for the financial year</b> | 19   | <b>8,680</b>                | <b>6,736</b>                |

The notes on pages 26 to 56 form an integral part of these Financial Statements.  
All of the activities of the company are classed as continuing.

## Association Statement of Total Recognised Surpluses and Deficits

|   | Year ended<br>31 March 2013 | Year ended<br>31 March 2012 |
|---|-----------------------------|-----------------------------|
|   | £'000                       | £'000                       |
| Surplus for the financial year                      | 8,680                       | 6,736                       |
| Actuarial loss relating to pension scheme (note 11) | (1,623)                     | (846)                       |
| Total recognised surpluses relating to the year     | <u>7,057</u>                | <u>5,890</u>                |



# Association Balance Sheet

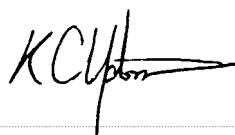
**As at 31 March 2013**

|  | Note | As at 31 March 2013<br>£'000 | As at 31 March 2012<br>£'000 |
|--|------|------------------------------|------------------------------|
| <b>Tangible fixed assets</b>                                   |      |                              |                              |
| Housing properties   | 13   | 72,237                       | 66,526                       |
| Other tangible fixed assets                                    | 14   | 4,264                        | 4,172                        |
|  |      | <u>76,501</u>                | <u>70,698</u>                |
| <b>Current assets</b>  |      |                              |                              |
| Stock  |      | 34                           | 33                           |
| Debtors  | 15   | 1,458                        | 1,728                        |
| Cash at bank and in hand                                       |      | <u>1,640</u>                 | <u>534</u>                   |
|  |      | <u>3,132</u>                 | <u>2,295</u>                 |
| <b>Creditors:</b> Amounts falling due within one year          | 16   | <u>(3,597)</u>               | <u>(4,176)</u>               |
| <b>Net current liabilities</b>                                 |      | <u>(465)</u>                 | <u>(1,881)</u>               |
| <b>Total assets less current liabilities</b>                   |      | <u><b>76,036</b></u>         | <u><b>68,817</b></u>         |
| <b>Creditors:</b> Amounts falling due after more than one year | 17   | 33,012                       | 34,504                       |
| Net pension liability  | 11   | <u>4,521</u>                 | <u>2,867</u>                 |
|  |      | <u>37,533</u>                | <u>37,371</u>                |
| <b>Capital and reserves</b>                                    |      |                              |                              |
| Revenue reserves   | 19   | 38,503                       | 31,446                       |
| <b>Total</b>   |      | <u><b>76,036</b></u>         | <u><b>68,817</b></u>         |

The notes on pages 26 to 56 form an integral part of these Financial Statements.

The Financial Statements were approved by the Board on 31 July 2013 and signed on its behalf by:

Kevin Upton  
**Chair**



Mike Stevenson  
**Chair of Audit Committee**



Karen Marshall  
**Company Secretary**



**Company No. 5452678**

# Consolidated Cash Flow Statement

## For the year ended 31 March 2013

|   | Note | Year ended<br>31 March 2013 | Year ended<br>31 March 2012 |
|---|------|-----------------------------|-----------------------------|
|   |      | £'000                       | £'000                       |
| <b>Net cash inflow from operating activities</b>                            | 23   | 13,962                      | 11,719                      |
| <b>Returns on investments and servicing of finance</b>                      |      |                             |                             |
| Interest paid and similar charges   |      | (1,601)                     | (1,332)                     |
| <b>Net cash inflow after returns on investment and servicing of finance</b> |      | 12,361                      | 10,387                      |
| <b>Capital expenditure</b>  |      |                             |                             |
| Purchase and construction of housing properties                             | 13   | (9,257)                     | (9,190)                     |
| Social Housing Grant received   | 13   | 682                         | 914                         |
| Purchase of other fixed assets  | 14   | (266)                       | (121)                       |
| Sales of housing properties   |      | 133                         | 168                         |
| Sales of other fixed assets   |      | 1                           | -                           |
| <b>Net cash outflow from capital expenditure</b>                            |      | (8,707)                     | (8,229)                     |
| <b>Net cash inflow before financing</b>                                     |      | 3,654                       | 2,158                       |
| <b>Financing</b>  |      |                             |                             |
| Loans repaid  |      | (1,500)                     | (3,000)                     |
| <b>Increase/(decrease) in cash</b>  | 24   | 2,154                       | (842)                       |

The notes on pages 26 to 56 form an integral part of these financial statements.

Due to 2013 being the first year that group accounts are prepared, the comparative figures relate to those of the Association only.

# Notes to the Financial Statements

---

## **Stafford and Rural Homes Limited 2012/13**

### **1. Legal status**

SARH is incorporated under the Companies Act 2006 as a Company limited by guarantee without share capital (registered number 5452678), and 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 Group 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 new Accounting Direction for Private Registered Providers of Social Housing 2012.

#### **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 Limited and its subsidiary Housing Worx Limited, a company limited by shares. Housing Worx is a wholly owned subsidiary of SARH (registered number 07988482).

#### **Turnover**

Turnover represents rental income receivable, service charges, 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 recognised 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 those under the Right to Buy and Right to Acquire legislation, are recognised at the point of completion.

#### **Value added tax**

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

#### **Development (Improvement) agreement**

A development agreement was entered into with Stafford Borough Council 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. VAT recovered is shared with the Council in accordance with the terms in the transfer agreement. 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.

# Notes to the Financial Statements

---

## 2. Accounting policies (continued)

### 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 relevant 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.

### Depreciation

In line with the Statement of Recommended Practice – Accounting by Registered Social Housing Providers Update 2010, SARH have adopted component accounting. Where housing properties have two or more components with substantially different useful economic lives then the components will be treated as separate assets and depreciated over their different useful economic lives.

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<br>(Based on cost of the property, excluding land, less grants received) | 50 years   |
| Office premises   | 40 years   |
| Furniture, equipment and motor vehicles   | 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   |
| Solar panels  | 25 years   |

A de-minimus level for capitalisation will be set at £1,000 for all assets.

# Notes to the Financial Statements

---

## 2. Accounting policies (continued)

### Taxation

The charge for taxation is based on surpluses arising on certain activities which are liable for tax.

### 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 Association 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 providing additional housing.

### Capitalisation of day to day repairs

The Association will not capitalise day to day repairs and maintenance unless the cost of a specific property component repair exceeds £1,000, such as kitchens, bathrooms and internal doors.

### 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.

# Notes to the Financial Statements

---

## 2. Accounting policies (continued)

### 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. Rentals paid under operating leases will be charged to the Income and Expenditure Account on a straight line basis over the term of the lease.

### Provisions

A provision is recognised when the company has a legal or constructive obligation as a result of an event occurring prior to the year end and it is probable that an outflow of economic benefit will be required to settle the obligation.

### 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.

### 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.

### Gift aid donation

Where SARH receives a charitable donation from its wholly owned subsidiary, Housing Worx Ltd, during the year, it will be accounted for as income in the Income and Expenditure Account for the year.

### Cash flow

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

# Notes to the Financial Statements

---

## 2. Accounting policies (continued)

### 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.

In respect of housing and garage rental debtors provision is made on the following basis:

(a) Current tenants – at varying percentages depending on the size of the debt

| Band        | %  |
|-------------|----|
| 4 wks       | 0  |
| 5 – 13 wks  | 10 |
| 14 – 26 wks | 25 |
| 27 – 39 wks | 50 |
| 40 – 52 wks | 75 |
| > 52 wks    | 95 |

(b) Former tenants – at 100% of the debt

In respect of other debtors (shops, telecare, leaseholders, rechargeable repairs and miscellaneous) provision is made at varying percentages based on the size of the debt.

| Band            | %  |
|-----------------|----|
| <= £100         | 0  |
| > £100 <= £250  | 10 |
| > £250 <= £500  | 25 |
| > £500 <= £750  | 50 |
| > £750 <= £1000 | 75 |
| > £1000         | 95 |

### 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.

### 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 Group 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

### Group

#### For the year ended 31 March 2013

|  | Turnover      | Cost of sales | Operating costs | Operating surplus |
|--|---------------|---------------|-----------------|-------------------|
|  | £'000         | £'000         | £'000           | £'000             |
| <b>Social housing lettings</b>                 |               |               |                 |                   |
| General needs                                  | 16,994        | -             | 10,661          | 6,333             |
| Supported housing and housing for older people | 6,625         | -             | 3,144           | 3,481             |
| Shared ownership                               | 30            | -             | 17              | 13                |
|  | <u>23,649</u> | <u>-</u>      | <u>13,822</u>   | <u>9,827</u>      |
| First tranche shared ownership sales           | -             | -             | -               | -                 |
| <b>Non-social housing activities</b>           |               |               |                 |                   |
| Garages, shops, land etc                       | 839           | -             | 97              | 742               |
| Non-social housing activities                  | 101           | -             | 456             | (355)             |
|  | <u>24,589</u> | <u>-</u>      | <u>14,375</u>   | <u>10,214</u>     |

#### 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)             |
|  | <u>23,314</u> | <u>193</u>    | <u>15,162</u>   | <u>7,959</u>      |



# Notes to the Financial Statements

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

### Association

#### For the year ended 31 March 2013

|  | Turnover             | Cost of sales   | Operating costs      | Operating surplus    |
|--|----------------------|-----------------|----------------------|----------------------|
|  | £'000                | £'000           | £'000                | £'000                |
| <b>Social housing lettings</b>                 |                      |                 |                      |                      |
| General needs                                  | 16,994               | -               | 10,661               | 6,333                |
| Supported housing and housing for older people | 6,625                | -               | 3,144                | 3,481                |
| Shared ownership                               | 30                   | -               | 17                   | 13                   |
|  | <u>23,649</u>        | <u>-</u>        | <u>13,822</u>        | <u>9,827</u>         |
| First tranche shared ownership sales           | -                    | -               | -                    | -                    |
| <b>Non-social housing activities</b>           |                      |                 |                      |                      |
| Garages, shops, land etc                       | 877                  | -               | 97                   | 780                  |
| Non-social housing activities                  | -                    | -               | 420                  | (420)                |
| <b>Total</b>                                   | <b><u>24,526</u></b> | <b><u>-</u></b> | <b><u>14,339</u></b> | <b><u>10,187</u></b> |

#### 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> |

# Notes to the Financial Statements

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

### Group and Association (2013), Association (2012)

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

|   | Year ended            |  |                  |              | 31 March 2012 |
|---|-----------------------|--|------------------|--------------|---------------|
|   | 31 March 2013         |  |                  |              | 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 | 16,557                | 4,965  | 19               | 21,541       | 20,185        |
| Service charges receivable                          | 306                   | 928  | 11               | 1,245        | 1,142         |
| Charges for support services                        | -                     | 548  | -                | 548          | 696           |
| <b>Net rental income</b>                            | 16,863                | 6,441  | 30               | 23,334       | 22,023        |
| Other   | 131                   | 184  | -                | 315          | 276           |
| <b>Turnover from social housing lettings</b>        | 16,994                | 6,625  | 30               | 23,649       | 22,299        |
| <b>Expenditure on social housing lettings</b>       |                       |  |                  |              |               |
| Management  | (4,061)               | (886)  | -                | (4,947)      | (5,392)       |
| Services  | (101)                 | (393)  | (2)              | (496)        | (541)         |
| Routine maintenance                                 | (3,493)               | (943)  | -                | (4,436)      | (4,516)       |
| Planned maintenance                                 | (1,067)               | -  | -                | (1,067)      | (1,734)       |
| Bad debts   | (107)                 | (14)   | -                | (121)        | (72)          |
| Depreciation of housing properties                  | (1,832)               | (908)  | (15)             | (2,755)      | (2,333)       |
| <b>Operating costs on social housing lettings</b>   | (10,661)              | (3,144)                                      | (17)             | (13,822)     | (14,588)      |
| <b>Operating surplus on social housing lettings</b> | <b>6,333</b>          | <b>3,481</b>                                 | <b>13</b>        | <b>9,827</b> | <b>7,711</b>  |
| <b>Void losses</b>                                  | 78                    | 70   | -                | 148          | 171           |

# Notes to the Financial Statements

---

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

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

#### Group

| For the year ended 31      | 2013       | 2012       |
|----------------------------|------------|------------|
|                            | £'000      | £'000      |
| Garage rent                | 529        | 503        |
| Shop rent                  | 226        | 211        |
| Land rent                  | 32         | 24         |
| Housing act sewerage works | 3          | 4          |
| Leaseholders               | 43         | 61         |
| Other                      | 6          | 13         |
| Total                      | <u>839</u> | <u>816</u> |

#### Association

| For the year ended 31      | 2013       | 2012       |
|----------------------------|------------|------------|
|                            | £'000      | £'000      |
| Garage rent                | 529        | 503        |
| Shop rent                  | 226        | 211        |
| Land rent                  | 32         | 24         |
| Housing act sewerage works | 3          | 4          |
| Leaseholders               | 43         | 61         |
| Feed in tariff             | 38         | -          |
| Other                      | 6          | 13         |
| Total                      | <u>877</u> | <u>816</u> |

# Notes to the Financial Statements

## 4. Accommodation in management and development

### Group and Association (2013), Association (2012)

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

| For the year ended 31 March                                  | 2013       | 2012       |
|--|------------|------------|
| <b>Social Housing</b>  | <b>No.</b> | <b>No.</b> |
| General housing<br>(of which 1 (2011:1) not owned)           |            |            |
| Social Rent  | 4,227      | 4,214      |
| Affordable Rent  | 45         | 38         |
| Supported housing - social rent                              | 1,443      | 1,452      |
| Leasehold scheme for the elderly                             | 30         | 30         |
| Shared ownership   | 7          | 6          |
|  | 5,752      | 5,740      |
| Total managed  | 5,752      | 5,740      |
| Affordable rent properties under construction as at 31 March | 17         | 5          |

## 5. Operating surplus

### Group

This is arrived at after charging:

| For the year ended 31 March                      | 2013  | 2012  |
|--|-------|-------|
|  | £'000 | £'000 |
| Depreciation of housing properties               | 2,748 | 2,306 |
| Depreciation of other tangible fixed assets      | 174   | 174   |
| Depreciation removed on disposal of fixed assets | 21    | 10    |
| Impairment                                       | -     | 5     |
| Operating lease charges                          |       |       |
| - motor vehicles                                 | 148   | 181   |
| - piper network control                          | 21    | 13    |
| - other  | 29    | 16    |
| Auditors' remuneration (including VAT)           |       |       |
| - for audit services                             | 25    | 18    |
| - for audit certification                        | 3     | 4     |
|  | 3,076 | 2,736 |

# Notes to the Financial Statements

## 5. Operating surplus

### Association

This is arrived at after charging:

| For the year ended 31 March                      | 2013  | 2012  |
|--|-------|-------|
|  | £'000 | £'000 |
| Depreciation of housing properties               | 2,748 | 2,306 |
| Depreciation of other tangible fixed assets      | 174   | 174   |
| Depreciation removed on disposal of fixed assets | 21    | 10    |
| Impairment                                       | -     | 5     |
| Operating lease charges                          |       |       |
| - motor vehicles                                 | 148   | 181   |
| - piper network control                          | 21    | 13    |
| - other  | 29    | 16    |
| Auditors' remuneration (including VAT)           |       |       |
| - for audit services                             | 21    | 18    |
| - for audit certification                        | 3     | 4     |

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

### Group and Association (2013), Association (2012)

| For the year ended 31 March                   | 2013  | 2012  |
|---|-------|-------|
|   | £'000 | £'000 |
| Disposal proceeds - right to buy              | 133   | 166   |
| - other assets                                | 1     | -     |
| Carrying value of fixed assets - right to buy | (32)  | (57)  |
| - other assets                                | -     | -     |
| Surplus on disposal                           | 102   | 109   |

## 7. Interest receivable and similar income

### Group and Association (2013), Association (2012)

| For the year ended 31 March     | 2013  | 2012  |
|---------------------------------|-------|-------|
|                                 | £'000 | £'000 |
| Other finance charges (note 11) | (11)  | (96)  |
|                                 | (11)  | (96)  |

# Notes to the Financial Statements

## 8. Interest payable and similar charges

### Group and Association (2013), Association (2012)

| For the year ended 31 March   | 2013         | 2012         |
|---|--------------|--------------|
|   | £'000        | £'000        |
| Loans and bank overdrafts   | 1,416        | 1,339        |
| Commitment fee  | 215          | 108          |
| Loan arrangement fee  | 8            | 4            |
|   | <u>1,639</u> | <u>1,451</u> |
| Interest payable capitalised on housing properties under construction                 | (19)         | (23)         |
|   | <u>1,620</u> | <u>1,428</u> |
| Capitalisation rate used to determine the finance costs capitalised during the period | 4.17%        | 4.36%        |

## 9. Employees

### Group

Average monthly number of employees expressed in full time equivalents:

| For the year ended 31 March           | 2013         | 2012         |
|---------------------------------------|--------------|--------------|
|                                       | No.          | No.          |
| Administration                        | 33.6         | 26.6         |
| Asset management and stock investment | 28.6         | 33.6         |
| Housing, care and support             | 70.0         | 76.8         |
| Direct maintenance team               | 47.0         | 45.0         |
| Total                                 | <u>179.2</u> | <u>182.0</u> |

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

### Employee costs

| For the year ended 31 March | 2013         | 2012         |
|-----------------------------|--------------|--------------|
|                             | £'000        | £'000        |
| Wages and salaries          | 4,565        | 4,842        |
| Social security costs       | 367          | 376          |
| Other pension costs         | 647          | 706          |
| Total                       | <u>5,579</u> | <u>5,924</u> |

# Notes to the Financial Statements

## 9. Employees (continued)

### Association

Average monthly number of employees expressed in full time equivalents:

| For the year ended 31 March           | 2013  | 2012  |
|---------------------------------------|-------|-------|
|                                       | No.   | No.   |
| Administration                        | 30.6  | 26.6  |
| Asset management and stock investment | 28.6  | 33.6  |
| Housing, care and support             | 70.0  | 76.8  |
| Direct maintenance team               | 47.0  | 45.0  |
| Total                                 | 175.2 | 182.0 |

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

### Employee costs

| For the year ended 31 March | 2013  | 2012  |
|-----------------------------|-------|-------|
|                             | £'000 | £'000 |
| Wages and salaries          | 4,520 | 4,842 |
| Social security costs       | 363   | 376   |
| Other pension costs         | 647   | 706   |
| Total                       | 5,530 | 5,924 |

### Group and Association (2013), Association (2012)

#### Salary Bandings for employees earning over £60,000:

| For the year ended 31 March | 2013  | 2012  |
|-----------------------------|-------|-------|
|                             | £'000 | £'000 |
| £60,000 to £70,000          | 6.0   | 5.0   |
| £70,001 to £80,000          | -     | -     |
| £80,001 to £90,000          | 2.0   | 2.0   |
| £90,001 to £100,000         | -     | -     |
| £100,001 to £110,000        | 1.0   | 1.0   |
| £110,001 to £120,000        | 1.0   | 1.0   |
| Total                       | 10.0  | 9.0   |

# Notes to the Financial Statements

## 10. Board Members and Executive Directors

| For the year ended 31 March  | 2013       | 2012       |
|--|------------|------------|
|  | £'000      | £'000      |
| Emoluments (including benefits in kind)  | 305        | 293        |
| Pension contributions  | 46         | 47         |
| <b>Total</b>   | <b>351</b> | <b>340</b> |
| Emoluments paid to highest paid Director disclosed above (excluding pension contributions) | 111        | 111        |

None of the Board Members received emoluments. The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £111k (2012: £111k).

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.

## 11. Staffordshire Pension Fund (SPF)

### Group and Association (2013), Association (2012)

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 2010 and rolled forward to 31 March 2013 by a qualified independent actuary.

The employer's contributions to the SPF by SARH for the year ended 31 March 2013 were £705k (2012: £764k) at a contribution rate of 18.5% of pensionable salaries, set until the next funding valuation at 31 March 2013.

The estimated employers' contribution for the year ending 31 March 2014 is £636,000.

### Financial assumptions

| For the year ended 31 March                        | 2013        | 2012        |
|--|-------------|-------------|
|  | % per annum | % per annum |
| Discount rate                                      | 4.5         | 4.8         |
| Expected rate of return on plan assets at 31 March | 5.3         | 5.7         |
| Future salary increases                            | 5.1         | 4.8         |
| Future pension increases                           | 2.8         | 2.5         |
| Inflation assumption                               | 2.8         | 2.5         |



# Notes to the Financial Statements

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

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

| For the year ended 31 March | 2013        | 2012        |
|-----------------------------|-------------|-------------|
|                             | % per annum | % per annum |
| Equities                    | 5.7         | 6.2         |
| Bonds                       | 3.6         | 3.3         |
| Property                    | 3.9         | 4.4         |
| Cash                        | 3.0         | 3.5         |

### Mortality assumptions

Life expectancy is based on the PMA92/PFA92 mortality 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    |

### 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 | 2013          | 2012          |
|-----------------------------|---------------|---------------|
|                             | £'000         | £'000         |
| Equities                    | 15,317        | 12,707        |
| Bonds                       | 2,327         | 1,955         |
| Property                    | 1,551         | 1,466         |
| Cash                        | 194           | 163           |
| <b>Total</b>                | <b>19,389</b> | <b>16,291</b> |

The above asset values as at 31 March 2013 are at a bid value as required under FRS17.

The bid value of assets has been estimated by applying an adjustment of (-0.46%) to the employers mid market values as at 31 March 2013.

# Notes to the Financial Statements

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

### Reconciliation of fair value of employer assets

| Year ended 31 March                          | 2013          | 2012          |
|--|---------------|---------------|
|  | £'000         | £'000         |
| <b>Opening fair value of employer assets</b> | 16,291        | 14,878        |
| Expected return on assets                    | 946           | 1,051         |
| Contribution by members                      | 234           | 248           |
| Contributions by the employer                | 705           | 764           |
| Actuarial (losses)/gains                     | 1,538         | (372)         |
| Benefits paid                                | (325)         | (278)         |
| <b>Closing fair value of employer assets</b> | <b>19,389</b> | <b>16,291</b> |

### Amounts recognised in the balance sheet

| For the year ended 31 March         | 2013           | 2012           |
|-------------------------------------|----------------|----------------|
|                                     | £'000          | £'000          |
| Present value of funded obligations | (23,910)       | (19,158)       |
| Fair value of plan assets           | 19,389         | 16,291         |
| Net under funding in funded plans   | (4,521)        | (2,867)        |
| <b>Net Liability</b>                | <b>(4,521)</b> | <b>(2,867)</b> |
| Amounts in balance sheet            |                |                |
| <b>Liabilities</b>                  | <b>(4,521)</b> | <b>(2,867)</b> |

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

| For the year ended 31 March   | 2013       | 2012       |
|---|------------|------------|
|   | £'000      | £'000      |
| Current service cost  | 694        | 702        |
| Expected return on pension scheme assets                              | (946)      | (1,051)    |
| Interest on pension scheme liabilities                                | 935        | 955        |
| Past service cost/(gain)  | -          | 25         |
| Losses on curtailments and settlements                                | 53         | 22         |
| <b>Total charged/(credited) to the Income and Expenditure Account</b> | <b>736</b> | <b>653</b> |

£747k was charged (2012: £749k) to the operating surplus and £11k (2012: £96k) was recognised in interest receivable.

# Notes to the Financial Statements

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

### Actual return on plan assets:

| For the year ended 31 March  | 2013  | 2012  |
|------------------------------|-------|-------|
|                              | £'000 | £'000 |
| Actual return on plan assets | 2,488 | 683   |

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

| For the year ended 31 March                              | 2013     | 2012     |
|--|----------|----------|
|  | £'000    | £'000    |
| Opening defined benefit obligation                       | (19,158) | (17,011) |
| Current service cost                                     | (694)    | (702)    |
| Interest cost  | (935)    | (955)    |
| Actuarial (losses)/gains                                 | (3,161)  | (474)    |
| (Losses)/gains on curtailments<br>and past service costs | (53)     | (46)     |
| Benefits paid  | 325      | 278      |
| Contributions by members                                 | (234)    | (248)    |
| Closing defined benefit obligation                       | (23,910) | (19,158) |

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

| For the year ended 31 March | 2013 | 2012 |
|-----------------------------|------|------|
|                             | %    | %    |
| Equities                    | 79%  | 78%  |
| Bonds                       | 12%  | 12%  |
| Property                    | 8%   | 9%   |
| Cash                        | 1%   | 1%   |

# 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                 | 2013     | 2012     | 2011     | 2010     | 2009     |
|---|----------|----------|----------|----------|----------|
|   | £'000    | £'000    | £'000    | £'000    | £'000    |
| Present value of defined benefit obligation | (23,910) | (19,158) | (17,011) | (21,495) | (10,972) |
| Fair value of scheme assets                 | 19,389   | 16,291   | 14,878   | 13,352   | 8,721    |
| Deficit on scheme                           | (4,521)  | (2,867)  | (2,133)  | (8,143)  | (2,251)  |
| Experience adjustments on plan liabilities  | 15       | (117)    | 2,310    | -        | -        |
| Experience adjustments on plan assets       | 1,538    | (372)    | (111)    | 3,259    | (3,323)  |

Amounts for the current and previous four periods as follows:

|   | 2013    | 2012    | 2011    | 2010    | 2009    |
|---|---------|---------|---------|---------|---------|
|   | £'000   | £'000   | £'000   | £'000   | £'000   |
| Actuarial (losses)/gains recognised in Statement of Total Recognised Surpluses and Deficits | (1,623) | (846)   | 4,192   | (5,870) | (1,923) |
| Cumulative actuarial (losses)/gains   | (4,310) | (2,687) | (1,841) | (6,033) | (163)   |

# Notes to the Financial Statements

## 12. Tax on surplus on ordinary activities

### For the year ended 31 March

|   | Group   |         | Association |         |
|---|---------|---------|-------------|---------|
|   | 2013    | 2012    | 2013        | 2012    |
|   | £'000   | £'000   | £'000       | £'000   |
| <b>Current tax</b>  |         |         |             |         |
| UK corporation tax on surplus for the year                | -       | -       | -           | -       |
| Adjustments in respect of prior years                     | -       | -       | -           | -       |
| <b>Deferred tax</b>                                       |         |         |             |         |
| Net origination and reversal of timing differences        | -       | -       | -           | -       |
| <b>Current tax reconcilliation</b>                        |         |         |             |         |
| Surplus on ordinary activities before tax                 | 8,707   | 6,736   | 8,680       | 6,736   |
| Theoretical tax at UK corporation tax rate 24% (2012:26%) | 2,090   | 1,751   | 2,083       | 1,751   |
| - surplus attributable to charitable activities           | (2,090) | (1,751) | (2,083)     | (1,751) |
| Current tax charge  | -       | -       | -           | -       |

# Notes to the Financial Statements

## 13. Tangible Fixed Assets – housing properties (continued)

### Group

|                       | Freehold general housing properties | Freehold supported housing properties | Freehold housing properties total |
|-----------------------|-------------------------------------|---------------------------------------|-----------------------------------|
| Cost                  | £'000                               | £'000                                 | £'000                             |
| At 1 April 2012       | 57,089                              | 21,811                                | 78,900                            |
| Reclassifications     | 121                                 | (21)                                  | 100                               |
| Property acquisitions | 1,227                               |                                       | 1,227                             |
| Additions             | 4,541                               | 1,883                                 | 6,424                             |
| Schemes completed     | 152                                 | 19                                    | 171                               |
| Disposals             | (53)                                | -                                     | (53)                              |
| At 31 March 2013      | <u>63,077</u>                       | <u>23,692</u>                         | <u>86,769</u>                     |

### Depreciation

|                   |                |                |                 |
|-------------------|----------------|----------------|-----------------|
| At 1 April 2012   | (5,584)        | (1,799)        | (7,383)         |
| Reclassifications | (11)           | 11             | -               |
| Depreciation      | (1,836)        | (893)          | (2,729)         |
| Disposals         | 21             | -              | 21              |
| At 31 March 2013  | <u>(7,410)</u> | <u>(2,681)</u> | <u>(10,091)</u> |

### Social Housing Grant

|                   |                |              |                |
|-------------------|----------------|--------------|----------------|
| At 1 April 2012   | (5,180)        | (800)        | (5,980)        |
| Additions         | (289)          | -            | (289)          |
| Schemes completed | (90)           | -            | (90)           |
| At 31 March 2013  | <u>(5,559)</u> | <u>(800)</u> | <u>(6,359)</u> |

### Net book value

|                  |               |               |               |
|------------------|---------------|---------------|---------------|
| At 31 March 2013 | <u>50,108</u> | <u>20,211</u> | <u>70,319</u> |
| At 31 March 2012 | <u>46,325</u> | <u>19,212</u> | <u>65,537</u> |

Additions include land £Nil (2012: £Nil).

The Existing Use - Social Housing Value - (EU-SHV) of housing properties as valued by Savills (L&P) Ltd at 31 March 2013 is £92.1m

# Notes to the Financial Statements

|  | Other       | Shared ownership | Individual social housing properties under construction | Total           |
|--|-------------|------------------|---|-----------------|
|  | £'000       | £'000            | £'000   | £'000           |
|  | 133         | 825<br>(100)     | 172   | 80,030<br>-     |
|  | 17          |                  | 1,343<br>(171)  | 1,227<br>7,784  |
|  | (1)         | -                | -   | -               |
|  | <u>149</u>  | <u>725</u>       | <u>1,344</u>  | <u>88,987</u>   |
|  | (22)        | (29)             | -   | (7,434)         |
|  | (5)         | (14)             | -   | -               |
|  | -           | -                | -   | (2,748)         |
|  | -           | -                | -   | 21              |
|  | <u>(27)</u> | <u>(43)</u>      | <u>-</u>  | <u>(10,161)</u> |
|  | -           | -                | (90)  | (6,070)         |
|  | -           | -                | (348)   | (637)           |
|  | -           | -                | 90  | -               |
|  | <u>-</u>    | <u>-</u>         | <u>(348)</u>  | <u>(6,707)</u>  |
|  | <u>122</u>  | <u>682</u>       | <u>996</u>  | <u>72,119</u>   |
|  | <u>111</u>  | <u>796</u>       | <u>82</u>   | <u>66,526</u>   |

# Notes to the Financial Statements

## 13. Tangible Fixed Assets – housing properties (continued)

### Association

|                       | Freehold general housing properties | Freehold supported housing properties | Freehold housing properties total |
|-----------------------|-------------------------------------|---------------------------------------|-----------------------------------|
| Cost                  | £'000                               | £'000                                 | £'000                             |
| At 1 April 2012       | 57,089                              | 21,811                                | 78,900                            |
| Reclassifications     | 121                                 | (21)                                  | 100                               |
| Property acquisitions | 1,227                               |                                       | 1,227                             |
| Additions             | 4,619                               | 1,923                                 | 6,542                             |
| Schemes completed     | 152                                 | 19                                    | 171                               |
| Disposals             | (53)                                | -                                     | (53)                              |
| At 31 March 2013      | <u>63,155</u>                       | <u>23,732</u>                         | <u>86,887</u>                     |

### Depreciation

|                   |                |                |                 |
|-------------------|----------------|----------------|-----------------|
| At 1 April 2012   | (5,584)        | (1,799)        | (7,383)         |
| Reclassifications | (11)           | 11             | -               |
| Depreciation      | (1,836)        | (893)          | (2,729)         |
| Disposals         | 21             | -              | 21              |
| At 31 March 2013  | <u>(7,410)</u> | <u>(2,681)</u> | <u>(10,091)</u> |

### Social Housing Grant

|                   |                |              |                |
|-------------------|----------------|--------------|----------------|
| At 1 April 2012   | (5,180)        | (800)        | (5,980)        |
| Additions         | (289)          | -            | (289)          |
| Schemes completed | (90)           | -            | (90)           |
| At 31 March 2013  | <u>(5,559)</u> | <u>(800)</u> | <u>(6,359)</u> |

### Net book value

|                  |               |               |               |
|------------------|---------------|---------------|---------------|
| At 31 March 2013 | <u>50,186</u> | <u>20,251</u> | <u>70,437</u> |
| At 31 March 2012 | <u>46,325</u> | <u>19,212</u> | <u>65,537</u> |

Additions include land £Nil (2012: £Nil).

The Existing Use - Social Housing Value - (EU-SHV) of housing properties as valued by Savills (L&P) Ltd at 31 March 2013 is £92.1m



# Notes to the Financial Statements

|  | Other      | Shared ownership | Individual social housing properties under construction | Total          |
|--|------------|------------------|---|----------------|
|  | £'000      | £'000            | £'000   | £'000          |
|  | 133        | 825<br>(100)     | 172   | 80,030<br>-    |
|  | 17         |                  | 1,343<br>(171)  | 1,227<br>7,902 |
|  | (1)        | -                | -   | -              |
|  | <u>149</u> | <u>725</u>       | <u>1,344</u>  | <u>89,105</u>  |

|  |             |             |          |                 |
|--|-------------|-------------|----------|-----------------|
|  | (22)        | (29)        | -        | (7,434)         |
|  |             |             | -        | -               |
|  | (5)         | (14)        | -        | (2,748)         |
|  | -           | -           | -        | 21              |
|  | <u>(27)</u> | <u>(43)</u> | <u>-</u> | <u>(10,161)</u> |

|  |          |          |              |                |
|--|----------|----------|--------------|----------------|
|  | -        | -        | (90)         | (6,070)        |
|  | -        | -        | (348)        | (637)          |
|  | -        | -        | 90           | -              |
|  | <u>-</u> | <u>-</u> | <u>(348)</u> | <u>(6,707)</u> |

|  |            |            |            |               |
|--|------------|------------|------------|---------------|
|  | <u>122</u> | <u>682</u> | <u>996</u> | <u>72,237</u> |
|  | <u>111</u> | <u>796</u> | <u>82</u>  | <u>66,526</u> |

# Notes to the Financial Statements

---

## 13. Tangible Fixed Assets – housing properties (continued)

### Expenditure on works to existing properties

#### Group

| For the year ended 31 March               | 2013  | 2012  |
|---|-------|-------|
|   | £'000 | £'000 |
| Amounts capitalised                       | 7,784 | 6,236 |
| Amounts charged to income and expenditure | 1,067 | 1,734 |
| Total                                     | 8,851 | 7,970 |

#### Association

| For the year ended 31 March               | 2013  | 2012  |
|---|-------|-------|
|   | £'000 | £'000 |
| Amounts capitalised                       | 7,902 | 6,236 |
| Amounts charged to income and expenditure | 1,067 | 1,734 |
| Total                                     | 8,969 | 7,970 |

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

#### Group

| For the year ended 31 March       | 2013   | 2012   |
|-----------------------------------|--------|--------|
|                                   | £'000  | £'000  |
| Freehold land and buildings       | 72,119 | 66,526 |
| Long leasehold land and buildings | 4,255  | 4,160  |
| Total                             | 76,374 | 70,686 |

#### Association

| For the year ended 31 March       | 2013   | 2012   |
|-----------------------------------|--------|--------|
|                                   | £'000  | £'000  |
| Freehold land and buildings       | 72,237 | 66,526 |
| Long leasehold land and buildings | 4,255  | 4,160  |
| Total                             | 76,492 | 70,686 |

# Notes to the Financial Statements

## 14. Tangible Fixed Assets – other Group and Association (2013), Association (2012)

|                       | Long leasehold offices | Furniture fixtures & fittings | Computers and office equipment | Vehicles | Total   |
|-----------------------|------------------------|-------------------------------|--------------------------------|----------|---------|
|                       | £,000                  | £,000                         | £,000                          | £,000    | £,000   |
| <b>Cost</b>           |                        |                               |                                |          |         |
| At 1 April 2012       | 3,969                  | 846                           | 894                            | 12       | 5,721   |
| Reclassifications     | -                      | -                             | -                              | -        | -       |
| Additions             | -                      | 242                           | 24                             | -        | 266     |
| Disposals             | -                      | -                             | -                              | -        | -       |
| At 31 March 2013      | 3,969                  | 1,088                         | 918                            | 12       | 5,987   |
| <b>Depreciation</b>   |                        |                               |                                |          |         |
| At 1 April 2012       | (353)                  | (418)                         | (778)                          | -        | (1,549) |
| Reclassifications     | -                      | -                             | -                              | -        | -       |
| Charged in year       | (46)                   | (88)                          | (37)                           | (3)      | (174)   |
| At 31 March 2013      | (399)                  | (506)                         | (815)                          | (3)      | (1,723) |
| <b>Net book value</b> |                        |                               |                                |          |         |
| At 31 March 2013      | 3,570                  | 582                           | 103                            | 9        | 4,264   |
| At 31 March 2012      | 3,616                  | 428                           | 116                            | 12       | 4,172   |

## 15. Debtors

| For the year ended 31 March                                      | Group        |              | Association  |              |
|--|--------------|--------------|--------------|--------------|
|  | 2013         | 2012         | 2013         | 2012         |
|  | £'000        | £'000        | £'000        | £'000        |
| <b>Due within one year</b>                                       |              |              |              |              |
| Rent and service charges receivable                              | 973          | 810          | 973          | 810          |
| Less provision for bad and doubtful debts                        | (553)        | (475)        | (553)        | (475)        |
|  | <b>420</b>   | <b>335</b>   | <b>420</b>   | <b>335</b>   |
| Other trade debtors including court costs and rechargeable works | 408          | 465          | 323          | 465          |
| Prepayments, accrued income and other debtors                    | 929          | 1,126        | 929          | 1,126        |
| Less provision for bad and doubtful debts                        | (214)        | (198)        | (214)        | (198)        |
|  | 1,123        | 1,393        | 1,038        | 1,393        |
| <b>Total</b>   | <b>1,543</b> | <b>1,728</b> | <b>1,458</b> | <b>1,728</b> |

# Notes to the Financial Statements

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

| For the year ended 31 March  | Group        |              | Association  |              |
|------------------------------|--------------|--------------|--------------|--------------|
|                              | 2013         | 2012         | 2013         | 2012         |
|                              | £'000        | £'000        | £'000        | £'000        |
| Debt                         | -            | 1,000        | -            | 1,000        |
| Trade creditors              | 305          | 735          | 294          | 735          |
| Social Security and Taxation | 119          | 123          | 112          | 123          |
| Intercompany creditors       | -            | -            | 122          | -            |
| Other creditors and accruals | 3,161        | 2,318        | 3,069        | 2,318        |
| <b>Total</b>                 | <b>3,585</b> | <b>4,176</b> | <b>3,597</b> | <b>4,176</b> |

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

| For the year ended 31 March                     | Group         |               | Association   |               |
|---|---------------|---------------|---------------|---------------|
|   | 2013          | 2012          | 2013          | 2012          |
|   | £'000         | £'000         | £'000         | £'000         |
| Debt payable after more than one year (note 18) | 33,200        | 34,700        | 33,200        | 34,700        |
| Loan issue costs                                | (188)         | (196)         | (188)         | (196)         |
| <b>Total</b>                                    | <b>33,012</b> | <b>34,504</b> | <b>33,012</b> | <b>34,504</b> |

## 18. Debt analysis

| For the year ended 31 March         | Group         |               | Association   |               |
|-------------------------------------|---------------|---------------|---------------|---------------|
|                                     | 2013          | 2012          | 2013          | 2012          |
|                                     | £'000         | £'000         | £'000         | £'000         |
| <b>Due within one year</b>          |               |               |               |               |
| Bank loans                          | -             | -             | -             | -             |
| <b>Due after more than one year</b> |               |               |               |               |
| Bank loans                          | 33,200        | 34,700        | 33,200        | 34,700        |
| Within one to two years             | -             | -             | -             | -             |
| Within two to five years            | -             | -             | -             | -             |
| After five years                    | 33,200        | 34,700        | 33,200        | 34,700        |
| <b>Total</b>                        | <b>33,200</b> | <b>34,700</b> | <b>33,200</b> | <b>34,700</b> |

The bank loans are secured by fixed charge over the housing properties of the Company. The rates of interest range between 1.50% and 4.75%.

The bank loans are repayable in bullet payments on dates after more than five years from 31 March 2013.

# Notes to the Financial Statements

## 19. Reserves

### Group

|  | Revenue<br>reserve |
|--|--------------------|
|  | £'000              |
| At 1 April 2012                            | 31,446             |
| Actuarial gains relating to pension scheme | (1,623)            |
| Surplus for the year                       | 8,707              |
| At 31 March 2013                           | <u>38,530</u>      |

### Association

|  | Revenue<br>reserve |
|--|--------------------|
|  | £'000              |
| At 1 April 2012                            | 31,446             |
| Actuarial gains relating to pension scheme | (1,623)            |
| Surplus for the year                       | 8,680              |
| At 31 March 2013                           | <u>38,503</u>      |

## 20. Financial commitments

### Group and Association

#### Development agreement

| For the year ended 31 March   | 2013     | 2012     |
|---|----------|----------|
|   | £'000    | £'000    |
| Value of Stafford Borough Council's obligation to carry out refurbishment works                   | 51,490   | 56,272   |
| Value of SARH's obligation to undertake refurbishment works on behalf of Stafford Borough Council | (51,490) | (56,272) |
|   | <u>-</u> | <u>-</u> |

# Notes to the Financial Statements

---

## 20. Financial commitments (continued)

### Capital expenditure commitments were as follows:

| For the year ended 31 March                                 | 2013  | 2012  |
|---|-------|-------|
|   | £'000 | £'000 |
| Expenditure contracted for but not provided in the accounts | 6,221 | 689   |

## 21. Operating leases

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

| For the year ended 31 March                  | 2013       | 2012       |
|--|------------|------------|
|  | £'000      | £'000      |
| (i) Vans expiring                            |            |            |
| - Within one year                            | -          | -          |
| - One to five years                          | 145        | 149        |
| (ii) PNC Equipment                           |            |            |
| - One to five years                          | 21         | 21         |
| (ii) Office equipment and computers expiring |            |            |
| - Within one year                            | -          | 10         |
| - One to five years                          | 27         | -          |
| <b>Total</b>                                 | <b>193</b> | <b>180</b> |

## 22. Contingent liabilities

The SARH Group had no contingent liabilities at 31 March 2013 (2012: £nil).

# Notes to the Financial Statements

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

### Group and Association

| For the year ended 31 March                      | 2013          | 2012          |
|--|---------------|---------------|
|  | £'000         | £'000         |
| <b>Operating surplus</b>                         | 10,214        | 7,959         |
| Depreciation of tangible fixed assets            | 2,922         | 2,485         |
| Loss on disposal of fixed assets                 | -             | 10            |
| Pensions operating charge                        | 694           | 727           |
| Pension contributions paid                       | (705)         | (764)         |
|  | <b>13,125</b> | <b>10,417</b> |
| <b>Working capital movements</b>                 |               |               |
| Debtors  | 185           | 762           |
| Stock  | (1)           | 34            |
| Creditors  | 653           | 506           |
| <b>Net cash inflow from operating activities</b> | <b>13,962</b> | <b>11,719</b> |

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

### Group and Association

| For the year ended 31 March                         | 2013            | 2012            |
|---|-----------------|-----------------|
|   | £'000           | £'000           |
| Increase/ (decrease) in cash                        | 2,154           | (842)           |
| Cash inflow from decrease in debt                   | 1,500           | 3,196           |
| <b>Change in net debt resulting from cash flows</b> | <b>3,654</b>    | <b>2,354</b>    |
| <b>Other non - cash changes</b>                     | (8)             | -               |
| <b>Total changes in net debt for the period</b>     |                 |                 |
| Net debt at 1 April                                 | (34,970)        | (37,324)        |
| <b>Net debt at 31 March</b>                         | <b>(31,324)</b> | <b>(34,970)</b> |

# Notes to the Financial Statements

## 25. Analysis of net debt

### Group and Association

| For the year ended 31 March | 01 April 2012   | Cash Flow    | Non Cash   | 31 March 2013   |
|-----------------------------|-----------------|--------------|------------|-----------------|
|                             | £'000           | £'000        | £'000      | £'000           |
| Cash at bank and in hand    | 534             | 1,154        | -          | 1,688           |
| Bank Overdraft              | (1,000)         | 1,000        | -          | -               |
| <b>Changes in cash</b>      | <b>(466)</b>    | <b>2,154</b> | <b>-</b>   | <b>1,688</b>    |
| Loans                       | (34,504)        | 1,500        | (8)        | (33,012)        |
| <b>Changes in net debt</b>  | <b>(34,970)</b> | <b>3,654</b> | <b>(8)</b> | <b>(31,324)</b> |

## 26. Related parties

Two Board Members of Stafford and Rural Homes Limited are tenant Members. Their tenancies are on normal commercial terms, and they cannot use their position to their advantage. All transactions during the year with the related local authority were made at arm's length and on normal commercial terms. There are no other related party transactions.

## 27. Subsidiary Undertakings

| Organisation | Status                            | Country of Registration | Principal Activity           |
|--------------|-----------------------------------|-------------------------|------------------------------|
| Housing Worx | Private Company Limited by Shares | England                 | Housing improvement services |

All subsidiaries fall under the control of Stafford and Rural Homes Limited. 100% of the ordinary shares of Housing Worx Limited are owned by Stafford and Rural Homes Limited.



# Notes to the Financial Statements

## 28. Intra Group Transactions

The Group has a subsidiary, Housing Worx Limited, which carries out housing improvement services, and the balance payable to them at 31 March 2013 is £121,544. The transactions made during the year consist of housing improvement works performed by Housing Worx Limited for Stafford and Rural Homes Limited. Recharges of management costs from Stafford and Rural Homes Limited were made to Housing Worx Limited.

### Intra Group Transactions

| Payable to Stafford and Rural Homes Limited by | Management fees | Other charges |
|--|-----------------|---------------|
|  | 2013            | 2013          |
|  | £'000           | £'000         |
| Housing Worx Limited                           | 34              | -             |
|  | <u>34</u>       | <u>-</u>      |

### Intra Group Management Fees

Intra group management fees are receivable by Stafford and Rural Homes Limited from Housing Worx Limited 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        | By reference to     |
|-------------------|---------------------|
| Finance           | Headcount           |
| Human Resources   | Headcount           |
| Facilities        | Floor space         |
| Executive         | Staff time          |
| Business Systems  | Number of computers |
| Health and Safety | Headcount           |

SARH also receives charges from its subsidiaries and the basis and quantum of these charges are set out below.

| Payable by Stafford and Rural Homes Limited to | Housing improvement |
|--|---------------------|
|  | works               |
|  | <b>2013</b>         |
|  | <b>£'000</b>        |
| Housing Worx Limited                           | 1,141               |
|  | <u>1,141</u>        |

### Intra Group housing improvement works

Intra group charges are payable by Stafford and Rural Homes Limited to Housing Worx Limited to cover the costs of housing improvement works performed on their behalf.

# Notes

---

# Notes

---

## Contact Us

0800 111 4554  
[www.sarh.co.uk](http://www.sarh.co.uk)  
[housing@sarh.co.uk](mailto:housing@sarh.co.uk)

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

