



# SHAL's Annual Review

## 2015/16

*Interdependency – it's  
better together*



**in-ter-di-pen-duh-ns**

*noun* the dependence of  
two or more people or  
things on each other

## Chair's Review

My first year as SHAL's Chair has been an eventful one to say the least. The summer budget in 2015 created a tidal wave of change to which we have responded robustly. The impacts from the Chancellor's announcements were modelled within our business plan and the board is continuing to actively track possible volatility arising from the EU Referendum, the impact of construction at Hinkley Point, a new Prime Minister and Cabinet and the continuing and increasing impact of welfare reform. During the year, the Board made time to consider carefully the uncertainty, complexity and ambiguity of the current operating environment and to review SHAL's governance structures. We remain committed to our vision, purpose and values and are putting in place new governance arrangements in 2016 to ensure that we meet challenges and opportunities with agility and flexibility.



We carried out a number of stress tests, both internally and with external consultants, HQN, who fed back to us about the board's performance after a gruelling day of decision making on simulated scenarios. They highlighted the absence of group think and the fact that board members listen to each other. This has given us some comfort that the board understands the business plan and its relationship to the operating environment but we are not complacent.

Our mission remains to provide rented homes for people who are homeless and in housing need. To deliver on this mission SHAL needs to be financially stable and robust, to understand and actively manage strategic and operational risks and to take the tough decisions when we have to. The board had started a period of renewal prior to the budget announcements and what has emerged has served to double our determination to follow through on the actions we had begun.

*“high levels of satisfaction with our service to customers”*

Last year we gathered good stock data and this year we used the data to put in place our first 5 year stock investment programme and inform our first assets and liabilities register. We commissioned an independent survey of tenants which showed high levels of satisfaction with our service to customers, including our day to day repairs service, and high levels of trust from our tenants. However, it also shows that we were right to plan for our stock investment as the message from tenants was clear about this – ‘could do better.’ With our new plan in place stock investment is something we can now tackle proactively.

We also reviewed our capital funding arrangements with Cannacord in order to maximise SHAL's potential to deliver the new homes which are so desperately needed across Somerset.

*“we can have a positive impact on the lives of people who have less than most”*

It was a tough decision not to proceed with our development of 14 flats in Sydenham which we were due to start days after the Chancellor’s announcement in July 2015. But the uncertainty created for our income stream by the rent reductions, the right to buy and the announcement of a further £12 billion welfare cuts meant that a very marginal scheme was potentially unviable, even for a community housing association like SHAL. However, we were able to buy 5 cottages under s106 in Trull, Taunton Deane and these have proved to be very popular homes with our tenants making a real difference to the local community.

Another tough decision we made last year was to buy out of the Local Government Pension Scheme. With our employer contributions standing at 18.5% and a rising deficit to the scheme of £1.645m the board took the decision to consult our staff team on an alternative pension provision. You will see in the financial statements that we accounted for the impact of buyout increasing our operating surplus by 11%. This decision has allowed us to get control of our costs and to manage effectively what was a significant organisational risk.

I am grateful to our staff who have supported the difficult decisions we made and have stuck with us through a very challenging year. It is to their credit that they recognised the pressing need for the decisions we have taken even though they were personally impacted. They continue to face a great deal of change and uncertainty after many years of stability and they are doing so because they believe that we can have a positive impact on the lives of people who have less than most across Somerset.

I have also to thank SHAL’s board members who have contributed their time, networks and wisdom throughout the year without payment. They have endured more and longer board meetings this year as we grappled with the decisions we had to make. I especially remember our evening debate on the voluntary right to buy where very different views were expressed. We may not have agreed with each other but we were always able to express our disagreement constructively and with respect. I am personally grateful for their commitment to SHAL which is given so generously. This year Graham Hodges, a SHAL veteran, and Nigel Brown, who had been with us for 7 years stepped down from the board. My thanks particularly to them for their contribution over the years. We will be seeking new board members in the coming months and it is good to know that we already have a waiting list – despite the lack of pay and the surfeit of challenges!

*Warmest wishes*

*Miriam Maddison*

Miriam Maddison  
Chair

*“Our mission remains to provide rented homes for people who are homeless and in housing need”*

## SHAL's Board

Name	Occupation	Role	Meetings attended in 15/16	Meetings in 15/16
Becky Turner	Retired	Chair of Personnel Committee elected September 2015	4	4
Graham Hodge	Retired	Member	10	10
Hilary Edwards	Retired	Member – resigned January 2016	3	9
Iain Stewart	Retired	Member	9	10
Mark Bryant	Police Officer	Member	5	7
Mark Stuart	Finance Director	Chair of Audit and Finance Committee elected July 2015	6	6
Miriam Maddison	Management Consultant	Chair	6	7
Nigel Brown	Relationship Director Barclays Bank	Chair of Business Planning Committee	6	7
Patricia Carlisle	Retired	Member	5	10
Paula Ashdown	Retail Assistant	Vice Chair	6	7
Robert Legg	Retired	Member – resigned July 2015	2	4
Robert Weatherall	Finance Director	Chair of Audit and Finance Committee – resigned July 2016	4	4
Sheila Horswell	Retired	Member	7	7

SHAL's Board leads and controls the organisation. Each board member acts in SHAL's interest and ensures that they put SHAL's interest before any personal interest.

The core purpose of the board is to set the organisational vision and strategy, direct, control and scrutinise the organisation's affairs. The board delegates to the executive team the operational management of SHAL and holds them to account for it.

*"The board delegates to the executive team and holds them to account"*

SHAL's board is voluntary and no board member receives payment. We are a diverse group of people with backgrounds in finance, human resources, business, health and social care, local government and criminal justice. The board operates according to our values and we share our different perspectives and constructively challenge the executive team.

If you are interested in joining our Board contact our CEO in the first instance on 01278 442005 or email [Angela@shal.org](mailto:Angela@shal.org)



## SHAL's Executive Team



### *From left to right*

Jo Martin, Finance and Resources Director, joined SHAL in February 2015. An ACCA qualified accountant, experienced in both housing and commercial sectors, she previously led the finance team in an international company based in Gibraltar. She is a Solutions Focus practitioner, specialising in change and building high performance teams.

Stuart Constable, Director of Operations (Property) joined SHAL in April 2014 from Crest Nicholson where he worked with the Regeneration Team from the South West to the Midlands. He has held senior property roles in housing associations across the South West, leading teams from 30 to 120 people.

Angela Gascoigne, Chief Executive, joined SHAL in January 2014. A law graduate, with over 20 years' senior experience in the housing and charitable sector across England and Wales, she has led a number of award winning service transformations and holds a number of non-executive director roles, including Chair of Llamau one of the NESTA and Observer 50 New Radical Organisations changing the world for the better.

John Shipley, Director of Operations (People) joined SHAL in January 2015. He has worked in housing and support for 25 years, including CEO of a South West homelessness charity and management consultant for the not for profit sector. His experience includes working across housing associations and charities with diverse client groups including young people, mental ill health and learning disabilities.

## Our Changing World

In 2015 the Housing Association world changed – forever. But SHAL’s purpose and values have not changed. So we will continue to build and let homes for families and individuals who are homeless and in housing need. But we know we have to change to stay the same.

Austerity means life will be tough for many of our tenants. Whilst the rents cuts will help some of them it will not make up for the cuts to benefits, especially for families headed by a single adult or for people with disabilities. The focus on grant for homeownership and the right to buy is likely to help very few of those who SHAL has traditionally provided homes for.

Within Somerset, radical change is likely - Hinkley Point, devolution, council mergers and an aging population will all impact on how SHAL delivers its purpose. We are therefore changing how we work so that we can keep providing homes for rent – and more of them.

This year was a busy one and the first full year together for our new Executive Team. We:

- Bought 5 new homes
- Became the Local Trusted Organisation for Villages Together, the Big Local Project in Woolavington and Puriton
- Established our first asset and liabilities register
- Reviewed our loan arrangements to increase our capacity to build new homes
- Reviewed our pension arrangements to manage the uncapped risk
- Developed our first 5 year stock investment programme
- Surveyed our tenants to get feedback on their priorities
- Reviewed our governance arrangements
- Reviewed cost drivers and focused on vacant property management and arrears
- Introduced BRIXX as our business planning tool
- Invested in ICT to introduce mobile working in the repairs team and improve our website
- Took an active part in the Homes for Britain campaign, South West Benchmarking Group and the NHF Smaller Housing Association Committee
- Led the joint project group with Homes In Somerset and Sedgemoor District Council to develop a community biomass heating system at Woolavington, an off gas rural community



*“We are therefore changing how we work”*

## Financial Return on Assets

31 March 2014	31 March 2015	31 March 2016	
670	694	699	Number of homes
31.7	31.7	31.7	Number of homes per FTE employees
£38.43	£39.90	£40.13	Total assets £m
£3.044	£3.262	£3.429	Total income from assets £m
£1.913	£2.557	£2.300	Operating costs £m
37%	22%	33%	Operating surplus %
£85,556	£98,222	£130,206	Cost per new home £
38%	37%	39%	Gearing
£0.59	£0.65	£0.91	Repayment of Loans £m
£1.8	-	£2.5	Drawdown of Loans £m
2.94%	1.77%	2.81%	Financial Return on Assets %

SHAL started as a trickle transfer organisation in 1994, receiving 400 homes as they became vacant from Sedgemoor District Council. Since then we have built or bought 300 new homes. The financial return on these assets is generated from rental income, less the costs of managing and maintaining them. We also charge loans against the value of our homes in order to raise capital finance with which we build or buy new homes for rent. The rental income of our property portfolio is used to repay the loans. The surplus we generate is invested in new homes and used to maintain our existing properties.

Last year we aimed for a 10% decrease in operating costs. We achieved 10%.

### Development

SHAL is keen to develop new homes for rent. Under the Homes and Communities Agency Affordable Homes Programme 2015-2018 we bid for 45 tranches of grant. The first 14 homes were due to start in summer 2015. However, following the announcements made by the Chancellor in his summer budget statement in 2015 we realised that we would need to reassess the financial assumptions on the development. This led to us pulling out of the development of 14 flats in Sydenham, Bridgwater, and an area of considerable deprivation. The value of the new homes would have been less than 100% of

*“The surplus we generate is invested in new homes and used to maintain our existing properties”*

build and land cost. The new restraints on cash flow imposed by the Right to Buy, welfare cuts and 1% rent decrease for 4 years meant that the risk attached to this scheme rose uncomfortably.

We purchased 5 new homes for rent under s106 at Trull in Taunton Deane, Somerset which gave us a more positive net present value over the life of our 30 year business plan and therefore created long term value for the business and the community.

During 2015 we have sought to understand and redefine the development project appraisal parameters which SHAL's business model can sustain. This work will continue into 2016 in order to develop a development strategy which will deliver our social purpose within the new operating environment.



## *Pension Review*

SHAL's Local Government Pension Scheme (LGPS) was identified as an uncapped liability and therefore a significant business risk in 2014/15. The pension deficit had increased by £388k from 2013/14 to £1.645 million in 2014/15 with employer contributions at 18.5% representing £115k in 2014/15 with every likelihood that they would increase in years to come, creating uncertainty for the business and impacting negatively on the financial return on our assets.

*“SHAL's pension was identified as a significant business risk”*

The Board established a Pension Review Committee which met throughout 2015/16. With our advisors, Smith and Williamson, we considered a number of options taking account of:

- The 1% rent reduction over 4 years and the potential impact of the Right to Buy
- The difference between the actuarial valuations of closing or exiting the scheme
- The risk that closing the scheme to new members would not realise financial benefits
- The increased likelihood of high actuarial valuations in future
- The trigger of the deficit payment when the last active member left
- The affordability of buying out of the LGPS
- Only 9% of private sector employees are in a defined benefit pension scheme

In March 2016 the Board accepted the Committee's recommendation to buy out of the scheme entirely and consultations with staff began and will conclude in 2016.

## Social Return on Assets

House prices in Somerset are beyond many families' means and private rents are rising and it is likely they will continue to do so.

	Sedgemoor	West Somerset
Average house price 2014	£195,760	£235,063
Average Private Rent 2013/14	£607	£613
Mean annual Earnings 2014	£23,135	£19,068
Ratio of house price to incomes	8.5	12.3
Second homes	504	996
% Housing Benefit Claimants in employment Feb 2015	22.7%	23.8%
Unemployment Rate December 2014	5.6%	5%

Most of our homes are for families and our tenants are relatively young when compared to many other landlords. 50% of our tenants do not claim any welfare benefits at all and most of those who do are in work. An increasing proportion of our tenants tell us that they are facing real financial challenges.

In 2015 we asked people what SHAL should prioritise. They said:

- Invest in our homes
- Help tenants manage their money
- Build new homes
- Support tenants who need help
- Tackle antisocial behaviour

*“An increasing proportion of our tenants tell us that they are facing real financial challenges”*

It was clear that our tenants' priorities were in line with the priorities set by the Board for asset management and development but we also started to explore how we can work differently with tenants to enable them to sustain their tenancies or to move to accommodation which gives them the support they need.



Upper quartile		Upper median quartile		Lower median quartile		Lower quartile	
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## Tenant satisfaction

Performance Indicator	SHAL 13/14	SHAL 14/15	SHAL 15/16	PEER GROUP QUARTILE 2015/16	SPBM QUARTILE 2015/16	HOUSEMARK QUARTILE 2015/16
Overall services	91%	91%	93%			
Quality of home	81%	81%	76%			
Quality of neighbourhood	85%	85%	84%			
Satisfaction that listens to and acts on views	75%	75%	76%			
Operating costs as % of Turnover	62%	74%	67%			n/a

We made improvements in customer service since 2013/14 and focussed on property investment in 2015. This will continue in 2016. 88% of tenants said we kept them informed (a drop from 91% in 2012 but above the sector median of 79%).

*“We will digitalise services in 2016”*

We need to improve how we show that we listen to people and in response to tenants’ demand, we will digitalise services in 2016 to enable tenants 24/7 access to rent accounts and repairs with the aim of reducing service delivery costs and improving satisfaction in the medium term. We know that 92% of tenants trust us – and we intend to repay that trust.

## Repairs and maintenance

Performance Indicator	SHAL 13/14	SHAL 14/15	SHAL 15/16	PEER GROUP QUARTILE 2015/16	SPBM QUARTILE 2015/16	HOUSEMARK QUARTILE 2015/16
Average number of calendar days taken to complete repairs	9.7	9.45	6			
Cost per home responsive repairs and void works	£635	£803	£738			
% very or fairly satisfied with repairs and maintenance	-	-	87%			

## Improvements and cyclical maintenance

Gas safety certificates - % homes with valid certificate	100%	100%	99.2%*	-	-	-
Cost per home direct major works and cyclical maintenance	£79	£120	£161			

Last year we spent £414,411 on responsive repairs. This year we spent £382,063 and improved the time taken to carry out repairs by 33%. This represents an 8% decrease, exceeding our 3% target.

We set up an investment plan and tendered for merchants and contractors as well as using the data to inform the 30 year financial plan.

*“We improved the time taken to carry out repairs by 33%”*



We put in place a framework of local contractors who compete for ‘mini-tenders’ on stock investment lots. We will use this for the first time in 2016/17. We have also started to assess the net present value (npv) of each of our homes using financial data with regards to valuation, income streams and expenditure profiles based on real costs of maintaining and managing the property.

We will develop this approach in 2016 so that we can generate data with which to inform our decisions about property investment or disposal in future.

## Voids and relets

Performance Indicator	SHAL 13/14	SHAL 14/15	SHAL 15/16	PEER GROUP QUARTILE 2015/16	SPBM QUARTILE 2015/16	HOUSEMARK QUARTILE 2015/16
Average relet time in days (standard relets)	7**	27*	38*			
Rent loss due to empty properties as a % of rent due	0.34%	1.2%	0.6%			
Void works spend per property	£2.59	£3.98	£3.69			n/a

\* Major repairs have been included in this figure but are not included in the benchmark figures against which we are comparing ourselves

\*\* There were no major repairs in 2013/2014

In 2014 void turnaround time was low but the standard achieved was poor. SHAL has embarked on a major turnaround project to ensure we improve the standard of re-lets for tenants to give them a good start in their tenancy, particularly as many are on a low income and have been homeless. In 2014 we spent £143,450 on our vacant properties. This year we spent £134,243. We aimed for a 5% decrease in our expenditure. We achieved a 6.5% decrease.

This has been a steep learning curve for us. We recognise this is an area where we need to improve and have set up a dedicated voids team to ensure that this area of work is carried out as efficiently as possible. We will continue to focus on this area in 2016 and will aim for an improvement, in timescale, cost and quality.

“to ensure we improve the standard of re-lets for tenants to give them a good start in their tenancy”

## Rent collection and arrears

Performance Indicator	SHAL 13/14	SHAL 14/15	SHAL 15/16	PEER GROUP QUARTILE 2015/16	SPBM QUARTILE 2015/16	HOUSEMARK QUARTILE 2015/16
Rent collected as % of rent due	101%	98%	102%			
Rent arrears of current tenants as % of rent due	2.77%	3.7%	3.18%			
Cost per property of housing management	£179	£200	£254			
Satisfaction % very or fairly satisfied that rent provides VfM	87.8%	87.8%	83%			

We have made some improvements in rent collection and debt management in the last year. However, we did not deliver the 1% decrease in arrears that we aimed for. However, we will continue to find ways to improve in 2016 in order to ensure that we meet the challenges which will be presented to our tenants by Universal Credit, the reduction of Council Tax Benefit, the freeze on housing and welfare benefits and the changes to tax credits and child benefit.

We are looking at partnerships with other organisations, such as our local Citizens Advice Bureau, in order to prevent debt and we want to extend the information and services we provide to cover all aspects of living on a tight budget.

*“we will continue to find ways to improve in 2016 in order to ensure that we meet the challenges”*



## *Our priorities for 2016*

1. Implement Governance changes
2. Put new loans in place
3. See through changes to pensions and terms and conditions following staff consultation
4. Deliver year 1 of the stock investment programme
5. Develop our integrated asset management strategy to improve value for money
6. Improve value for money on vacant property management
7. Bring the whole staff team under one roof
8. Develop 45 new homes by 2018
9. Introduce a digital portal for tenants
10. Analyse demand from tenants in order to prioritise services for financial resilience



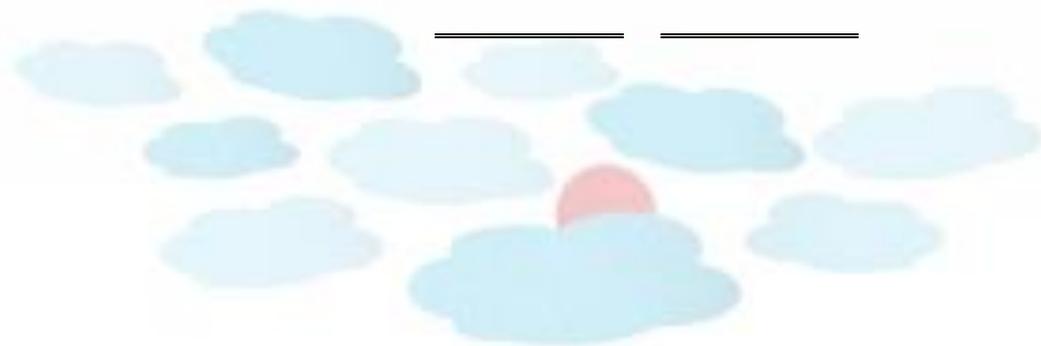
## Statement of Financial Position

	<b>2016</b>	<b>2015</b>
	<b>£</b>	<b>£</b>
<b>FIXED ASSETS</b>		
Housing properties	39,998,545	39,715,094
Other fixed assets	134,063	181,642
	<hr/>	<hr/>
	40,132,608	39,896,736
	<hr/>	<hr/>
<b>CURRENT ASSETS</b>		
Debtors	189,784	183,535
Cash at bank and in hand	2,881,733	1,310,935
	<hr/>	<hr/>
	3,071,517	1,494,470
<b>CREDITORS</b>		
Amounts falling due within one year	(1,581,610)	(1,697,808)
	<hr/>	<hr/>
<b>NET CURRENT ASSETS/ (LIABILITIES)</b>	1,489,907	(203,338)
	<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	41,622,515	39,693,398
	<hr/>	<hr/>
<b>CREDITORS</b>		
Amounts falling due after more than one year	16,784,809	15,369,784
	<hr/>	<hr/>
<b>PENSION LIABILITY</b>	2,312,000	1,645,000
	<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	39	36
Income and expenditure reserve	13,668,595	13,711,225
Revaluation reserve	8,857,072	8,967,353
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	22,525,706	22,678,614
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	41,622,515	39,693,398
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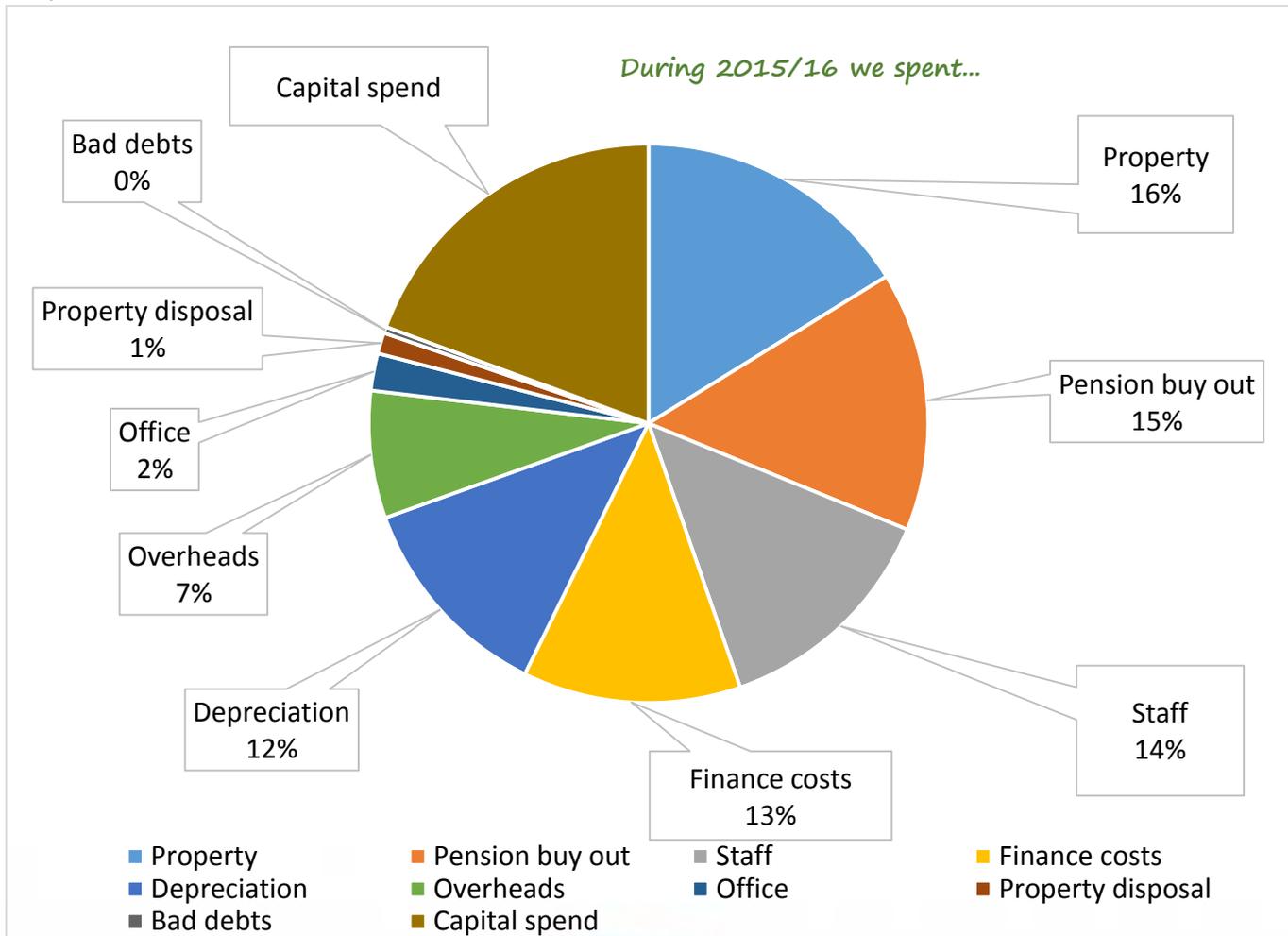


## Statement of Comprehensive Income

	2016 £	2015 £
<b>TURNOVER</b>	3,428,566	3,261,855
Less operating costs	<u>(2,300,310)</u>	<u>(2,557,485)</u>
<b>OPERATING SURPLUS</b>	1,128,256	704,370
(Loss) / Profit on sale of Housing properties and other fixed assets	(53,787)	61,813
Interest receivable and similar income	14,062	9,345
Interest payable and similar charges	(591,324)	(661,958)
Other finance charges	-	(26,000)
Pension cessation charge	(667,000)	-
Movement in fair value of financial instruments	16,882	(102,702)
	<hr/>	
<b>DEFICIT ON ORDINARY ACTIVITIES BEFORE AND AFTER TAXATION</b>	(152,911)	(15,132)
Actuarial (loss) in respect of pension schemes	-	(274,000)
	<hr/>	
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>	<u>(152,911)</u>	<u>(289,132)</u>



## Expenditure



£

**Income** 3,428,566

**Costs**

Property	719,215
Pension buy out	667,000
Staff	598,794
Finance costs	560,381
Depreciation	542,849
Overheads	327,405
Office	95,548
Property disposal	53,787
Bad debts	16,499

**Surplus** (152,911)

**Capital spend** 861,267

**AUDITORS**

Nexia Smith & Williamson

**BANKERS**

National Westminster Bank Plc

**SOLICITORS**

Ashfords

TLT

**FUNDERS**

Lloyds Banking Gro

Co-operative Bank

**VALUERS**

Jones Lang Lasall

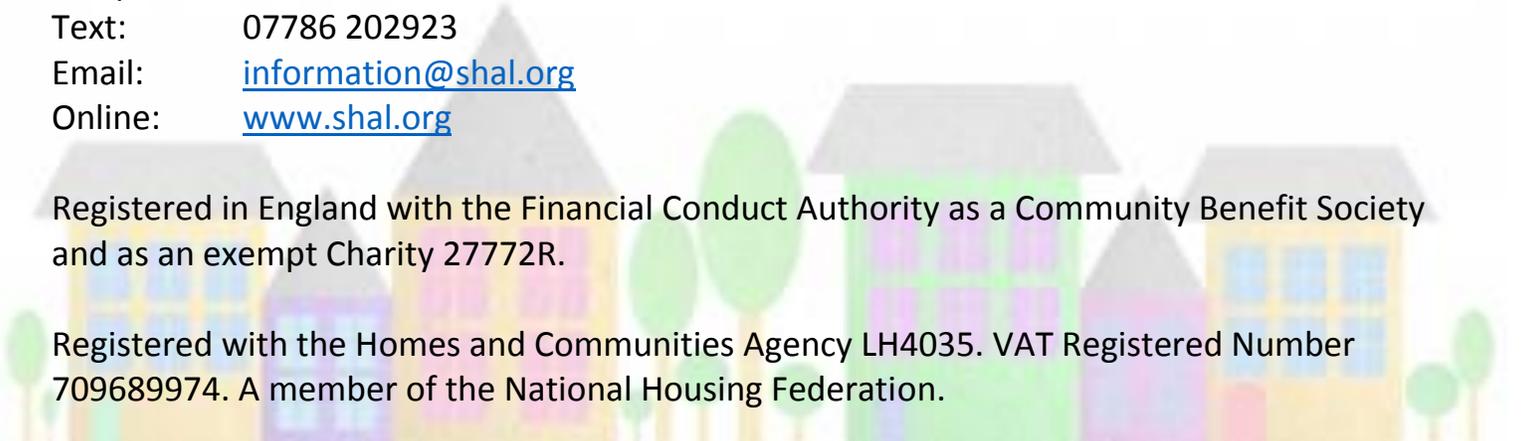


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