Shropshire Towns and Rural Housing Limited

Company Limited by Guarantee

Directors' Report and Financial Statements for the year ended 31st March 2023

Company Registration Number 08289137

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COMPANY INFORMATION

Directors
Tenant Members
Valerie Jones (resigned 14th December 2022)
Yordan Tolev
Hilary Fletcher (appointed 8th September 2022. Resigned 1st January 2023)
Eleanor Rayers (appointed 7th June 2023)

Shropshire Council Members
Cllr Thomas Mark Jones (Vice Chair) (resigned 17th July 2023)
James Willocks (resigned 16th June 2023)
Dr Julia Buckley

Independent Members
Anthony Deakin (Chair)
James Wood
Stephen Robinson

Staff Member
Emma Jones

Co-opted Members (Non-voting)
Paul Hayward
Paul Weston

Senior Management Team
Sue Adams – Managing Director (left August 2022)
Steve Ogram – Director of Finance and Resources (left March 2023)
Andy Menzies – Head of Finance (left August 2023)
Angela Douglas – Head of Assets (left March 2023)
Ayyaz Ahmed – Head of Neighbourhoods
Harpreet Rayet – Managing Director (appointed December 2022)
Ros Bridges – Corporate Director (appointed March 2023)
Tracey Gray – Interim Operations Director (appointed January 2023 left May 2023)
Tom Forty – Operations Director (appointed April 2023)

Registered office
Spruce Building
Sitka Drive
Shrewsbury Business Park
Shrewsbury
SY2 6LG

Company Registration
Company Number 08289137 Registered in England and Wales

Auditors
Grant Thornton UK LLP
17th Floor
103 Colmore Row
Birmingham
B3 3AG

Actuary
Mercer Limited
No 4 St Paul's Square
Old Hall Street
Liverpool
L3 9SJ

Bankers
NatWest
8 Mardol Head
Shrewsbury
Shropshire
SY1 1HE

STRATEGIC REPORT

The purpose of this report is to explain how the Directors have performed their duty under s172 of the Companies Act 2006 to promote the success of Shropshire Towns and Rural Housing Limited (the Company and/or STAR Housing). The report gives a fair view of the development and performance of the Company's business during the 2022/23 financial year and provides an overview of the principal activities undertaken.

Principal Activities
The Company is a private company limited by guarantee wholly owned by Shropshire Council (the Council). The Company was formed as an Arm's Length Management Organisation under Section 27 of the Housing Act 1985 to undertake the management and maintenance of Shropshire Council's retained housing stock from 1st April 2013. The Company was incorporated on 12th November 2012 and began trading on 1st April 2013.

The principal activities of the Company listed below are defined in the Management Agreement between the Council and the Company. The Company receives an annual Management Fee for the provision of these services. The 10-year Management Agreement was approved for renewal at a meeting of Shropshire Council held on 12th May 2022 and the current Agreement runs for 10 years to 31st March 2033.

Service/Operational Area	Principal Activities/Responsibilities
Tenancies:	Allocations and voids Rent and other charges Leaseholder services Tenancy management Tenancy support Provision of support services Right to buy
Tenant Involvement:	Customer service and information Consultation
Properties:	Improvement works Repairs and maintenance Communal areas Servicing and testing Development of new properties, refurbished properties and estates
Neighbourhood Management:	Local area co-operation Antisocial behaviour, hate crime and domestic abuse Safeguarding vulnerable people

The Company also has responsibility to manage the Council's Housing Revenue Account and Housing Capital Programme.

From May 2018 the Company took responsibility to run a young person's hostel in Oswestry on behalf of the Council and our Management Agreement was amended to include the provision of this service. In December 2022 STAR Housing took on responsibility, in terms of tenancy support and repairs, for a General Fund property in Shrewsbury which is used to provide support to homeless applicants.

STAR Housing is working with the Council to consider how it can explore further opportunities to provide more specialist accommodation of this nature.

The Company operates from three principal locations, with customer facing area teams based in the towns of Bridgnorth and Oswestry and central management corporate services based in Shrewsbury. Following changes to working practices as a result of the coronavirus pandemic a hybrid working model is now in place.

Review of Business Results
The accounts for 2022/23 show a loss before tax for the year of £1.663m before applying approved balances. This includes IAS19 pension accounting charges of £1.133m.

Retained reserves at 31st March 2023, excluding the pension deficit, were £6.093m which relates to the usable reserve. Such reserves can be retained as a contingency against unforeseen events or spent on the furtherance of the Company's objectives.

On 31st March 2023 the pension fund was in deficit by £1.138m.

HMRC have confirmed that the activities and transactions between Shropshire Council and STAR Housing, which is a wholly owned subsidiary of Shropshire Council, do not amount to trading and as such any surpluses in respect of these activities are not taxable nor any losses relievable for corporation tax purposes. It follows that taxable profits or losses should only arise on activities carried out with external organisations. The Community Alarm Service is the only activity carried out by the Company which relates to transactions with external parties and any surplus made in this accounting period can be off-set against losses carried forward from prior years.

Review of Performance
During 2022/23 we identified 33 Management Agreement performance indicators to measure how the Company delivers its objectives. Some of these are the key performance indicators (KPIs) that were included in the original Management Agreement to measure the Company's success in meeting its principal activities and some are new indicators to assess how the Company delivers added value. Performance for the year against target for these indicators is shown below.

Indicator	Target	Tolerance	Actual
Average time in days to re-let empty properties - All Voids (includes general & major work relets)	40	+3	88
Rent loss due to empty properties (voids) as % of rent due.	1.5%	+0.2%	2.8%
Rent collected as a % of rent owed to date, including brought forward arrears.	98.5%	-1.5%	99.41%
Arrears written off as a % of total rent debit to date.	0.5%	+0.5%	0.24%
Number of tenancies terminated as % of properties managed.	7%	+2.0%	8%
% of dwellings failing to meet the Decent Homes Standard.	0.0%	+0.5%	0.4%

Indicator	Target	Tolerance	Actual
Average time in days to re-let empty properties - General Voids (excludes Major Works)	28	+2	72
Average time in days to re-let empty properties - Major Work Voids (excludes General)	55	+3	175.1
Number of properties that have a SAP rating of 35 or less.	0	+13	10
Average SAP rating for off-grid properties.	60.5	-0.5	60.1
Average SAP rating for properties on grid.	68.5	-0.5	69.0
% of properties with a valid Gas Safe certificate.	100%	-0.2%	100%
% dwellings with an electrical safety certificate less than 5 years old.	100%	-0.2%	99.2%
% dwellings with asbestos management re-inspection report less than 5 years old.	100%	-0.2%	81%
% of major adaptations for tenants completed on time.	95%	-2%	52%
Number of new homes (including acquisitions).	25	-5	12
% of tenants evicted as a result of rent arrears during the year.	0.15%	+0.1%	0.03%
% of ASB cases resolved successfully.	90.0%	-0.5%	93%
Customers registered to access services online as a % of properties managed.	14%	-5%	12%
% of respondents satisfied with the lettings process.	98%	-3%	93%
% of housing stock used as temporary housing.	1.8%	+0.2%	2.3%
% of customers satisfied with outcome of the Anti-Social Behaviour case.	75%	-5%	87%
% Complaints responded to within 10 days.	86%	-5%	90%
Satisfaction with complaint handling.	72%	-5%	66%
Satisfaction with complaint outcome.	50%	-5%	42%
% Responsive Repairs completed at first visit by DLO.	98%	-2%	98%
Appointments kept as % of appointments made.	97%	-5%	94%
% of emergency repairs completed on time (1 day).	100%	-0.1%	100%
% of urgent repairs completed on time (7 days).	98%	-0.5%	98%
% of routine repairs completed on time (28 days).	98%	-0.5%	96%

Indicator	Target	Tolerance	Actual
% of programmed repairs completed on time (6 months).	98%	-0.5%	90%
% satisfied with repairs service.	95%	-7%	73%
% of customers satisfied with recent planned maintenance service.	97%	-7%	90%

Of the 33 indicators identified, we met or exceeded the target on 9, fell within tolerance on 8 and missed 16.

Key achievements against the performance indicators

Rent collection rate at 99.41% remains high and eviction rates remain low at 0.03%, despite the challenges around increased cost of living. Over recent years we have implemented a range of measures to improve and maintain high collection rates including increased staff resources in the Income Management Teams, promotion and increased take-up of Direct Debits for rent payments and intervention by our Financial Inclusion Team to assist and give advice to tenants who may experience difficulty in managing their personal finances. We have also set aside £250k to support with hardship in our communities. We continue to monitor performance on this critical activity and will respond to potential future pressures.

Through continuation of close working between the Planned Maintenance Team, Housing Management Teams and our Contractors to gain access to traditionally "hard to reach" properties we have maintained performance at 100% of our properties with a valid gas safe certificate.

Areas of concern against the performance indicators

A key area of concern for STAR Housing is the performance of the Maintenance Service. Like many housing providers STAR Housing has experienced delays to both voids, repairs and responsive repairs due to the availability of materials as well as increased material costs and labour challenges throughout the last 12 months. The impact of the increased number of repairs due to the Covid backlog, staff absences due to Covid and more complex repairs on the performance of the in-house maintenance team has meant it has been necessary to out-source more works to external contractors. These factors have led to increased void rent losses and turnaround times and maintenance costs. These pressures show few signs of easing and are being factored into budgets for 2023/24. These challenges have been reflected in STAR Housing's KPIs with 14 of the 15 KPIs which STAR Housing have not achieved being directly linked to the STAR Housing Maintenance offer to tenants.

To help resolve these issues STAR Housing has undertaken a number of actions. During summer 2022 we commissioned an independent review of voids management to consider the process from "keys in to keys out" and to review aspects of tenancy management to identify where potential problems can be identified and resolved at an earlier time. A copy of this HQN void report has been shared with the STAR Housing Board for consideration. The report makes a number of observations and recommendations. Following a review of the report an action plan has been developed to improve void performance. To manage the immediate pressures a Void Manager has been appointed and three contractors have been procured to help bring the voids back into use.

The In-house maintenance team is starting to show an improvement in the turn-around times of voids. A new overflow contractor will be appointed to help with any future backlog of voids. STAR Housing is also in the process of appointing a consultant to review the in-house maintenance team. This review will consider all areas of its operations and will be completed by October 2023. An action plan will be developed to deliver the recommendations. STAR Housing has recently appointed a Business Transformation IT partner to support the organisation in modernising its IT infrastructure.

An important element of the commission is to improve the IT infrastructure of the Maintenance Team, which should result in a more streamlined service. To ensure our targets remain realistic within the post Covid world and when benchmarked against our peers, STAR Housing will be commissioning an external consultancy to benchmark the performance targets. This will be used as the basis for future targets in partnership with the council.

Significant Risks and Uncertainties

During 2022/23, STAR continued to deliver strong performance in many areas despite increasing pressures and expectations the sector is experiencing. We continue to take a proactive approach to risk management and horizon scanning to ensure we remain prepared to address risks and issues that could occur. Over the past 12 months, we have responded positively to macro-level issues affecting the UK as a whole, those impacting the sector, and challenges that emerge in our areas of operation. Whilst at the time of writing, recent significant challenges around Covid-19, high inflation costs and chronic material shortages have eased slightly, they still continue to impact our business along with other key emerging issues such as:

- Long-term increases to construction and repair costs
- Cost of living and financial hardship for our tenants, and the subsequent impact on residents and the business
- Recruitment and skills shortages, including the pressure of geography across our operations
- New consumer regulation frameworks
- Asset quality and Decent Homes
- Re-tendering of tenancy support contracts (SUSTAIN) with the local authority
- Decarbonisation pressures
- Right to Buy property sales
- Building safety and property compliance

The Management Fee paid to the STAR Housing is set annually in advance and determines the financial resources available to us to deliver the requirements of the management agreement. Beyond this pre-determined fee, we do have some scope to generate additional income, but this is limited and does not give the opportunity to significantly increase the level of funding. The potential risk from this arrangement is that the Company could be exposed to additional unbudgeted costs arising from events beyond our control. In order to address this potential risk, we give high priority to budget control through monitoring of performance against budgets and regular reporting to budget holders and the Board. Our Financial Rules give the ability to re-direct our financial resources in light of changing circumstances and emerging pressures. As a further safeguard we have a minimum retained reserve equivalent to 5% of our annual turnover.

We will continue to monitor economic, social and operational pressures to make necessary interventions and adjustments where needed to ensure we remain strong, compliant and effective in the delivery of our objectives. We maintain risk registers which are reviewed in partnership with Shropshire Council to support management of emerging risks. We hold usable reserves as a contingency against the financial implications of unavoidable events.

The continuing success of the Company is dependent on the ongoing viability of the Council's Housing Revenue Account (HRA), and recent legislative changes have had a significant impact on funding of the HRA. The move to self-financing in April 2012 removed the annual uncertainties around the housing subsidy system and was a direct factor that enabled the development of a new homes building programme that has seen the completion of 140 new affordable homes and a further 25 acquisitions as at 31st March 2023. However, the ability to provide an increase in HRA stock level is being adversely affected by a number of factors:

<u>Right to Buy</u>
Changes to the Right to Buy (RTB) discounts have resulted in a significant increase in applications and RTB sales of Council homes in recent years. The number of RTB completions during 2022/23 reduced from a peak of 45 in the previous year to 27 which is more in line with the average of 31 over the years since our formation in 2013 to the pre-pandemic level in March 2020. RTB losses not only directly reduce rent income to the HRA, but the current level of sales means that stock numbers are falling faster than our ability to provide new homes.

Following difficulties in securing suitable land in recent years, our in-house development programme has recently added 12 new affordable homes in Shrewsbury to the portfolio. There are three ongoing projects that will provide 77 more homes by March 2024, and two additional proposals are currently under consideration that could add another 42 homes to the total by the end of 2025.

We are also purchasing 21 S.106 homes from Cornovii Developments Ltd, the Council's housing development company, and two more from a local builder. We are actively seeking new development land to increase our housing supply, and our Capital Strategy 2020/21 to 2024/25 has identified funding capacity within the HRA for new opportunities.

In March 2023 the Government made two announcements in relation to the funding of Council homes. The first was that a preferential borrowing rate for council housing will be available from June 2023 for a period of twelve months and the second that Councils could retain 100% of RTB receipts for a period of two years with the acquisition cap being frozen at 50% until 2025. Both schemes aim to assist Council's in increasing their new build programmes and STAR Housing will be working with the Council to take advantage of these proposals where possible.

Cost of Living and Universal Credit

Rent arrears slightly increased in the year however, we continue to see strong performance in the collection of rent. The cost-of-living crisis and ongoing roll out of Universal Credit (UC) for new working age benefit claimants or those whose circumstances change still has the potential to have a significant adverse impact on rent collection rates and the level of rent arrears.

In 2022/23 we have created capacity to increase our Financial Inclusion Team to support tenants in financial hardship and we will continue to seek intervention where difficulties are identified. We have also set aside £250k to support local food banks.

Decarbonisation and Asset Quality

Shropshire Council have set an ambitious target of achieving zero net carbon emissions from its activities by 2030. We also have a clear focus on Government targets set out to the sector around energy efficiency and net zero. We recognise that to achieve these goals, it will require action on the retained housing stock. This brings with it significant financial and operational risks and uncertainties. The sector is only just gearing up for decarbonisation and there will be pressure on national and organisational funding, materials, strategy, skills and national infrastructure to support these goals.

We continue to prioritise our preparation for decarbonisation and will be building on investment through the Social Housing Decarbonisation Fund to retrofit 26 homes to prepare ourselves for the future. Despite the challenges, we continue to ensure that all new homes in our current development programme will have air source heat pumps and we will explore other energy efficiency options and evaluate the potential benefit and affordability on future schemes. We will also review our own working practices and explore opportunities to reduce carbon emissions from the Company's activities.

Social Housing Regulatory Environment

The Government has continued to progress with the implementation of a range of activities aimed at driving up standards, accountability and housing quality across the social housing sector. This includes the continued progression of the Social Housing Regulation Bill for which the Government expects to receive Royal Assent by the end of this parliamentary session. Following Royal Assent, the Regulator of Social Housing will begin a consultation of new consumer standards, and the new approach to them over the Summer of 2023. Other initiatives include the ongoing review of the Decent Homes Standard, the publication of a new Anti-Social Behaviour Plan, the creation of a new Social Housing Quality Resident Panel, and the launch of Four Million Homes, a programme aimed at increasing residents' understanding of their rights and how to hold landlords to account.

We continue to regularly assess the emerging changes to ensure that we are prepared following our successful preparation for the introduction of Tenant Satisfaction Measures in April 2023. The Bill will bring a more rigorous consumer regulation framework, and associated inspection framework, along with an increased focus on professionalism, training, housing conditions and safety.

Future Plans

We have seen a number of recent development and changes that have continued to strengthen STAR Housing's ability to deliver the best services possible for our residents and stakeholders, and to ensure we are best prepared to respond to emerging challenges we continue to focus on future initiatives. These include:

- The extension of a new 10-year management agreement with Shropshire Council to 2033. This not only demonstrates trust in STAR Housing and what we are delivering, but also provides clarity to STAR Housing that allows us to focus on future strategies and activities.
- A new Executive Team has been appointed in recent months including a new Operations Director with responsibility for the delivery of front-line services to residents. Along with this, a new organisational restructure is underway that is designed to better align STAR Housing's people so that we are fit-for-purpose and better able to respond to the challenges described above.
- Recognising the importance of resident safety to STAR Housing and the wider sector, and to provide assurance to the new Executive Team, we are undertaking audit and improvement work with external consultants focussed on property safety and compliance.
- We are continuing to deliver our first EWI sustainability project with funding from Social Housing Decarbonisation Fund to ensure we are preparing ourselves for the long-term challenges on decarbonisation. Alongside this, we are working with external consultants through the Social Housing Accelerator Fund to review our data, processes and systems to be in a position to secure external funding opportunities that emerge.
- We are refreshing our 30-year asset investment plans in partnership with the Council, and working with external consultants to support our long-term business planning and sustainability. This is factoring in Decent Homes requirements, EPC targets and Net Zero commitments.
- We have a large number of contracts for renewal in the next 12 months which present both opportunities and risks for STAR Housing. To help mitigate the risks we have strengthened internal capacity focussed on procurement and contract management.
- The Sustain Contract for tenancy support with Shropshire Council is due for renewal in September 2023 and we are engaging with the tender process to ensure the best outcome for STAR Housing and our residents.
- A voids pilot and new ways of working are being implemented to ensure empty properties are turned around as quickly as possible to minimise void loss for STAR Housing, and support Shropshire Council to meet local housing needs.
- We continue to work with Shropshire Council to support easing of temporary accommodation pressures, by best using our housing stock.
- Recognising the importance of a high-performing maintenance service to resident satisfaction and value for money, we will be completing a full review of our in-house maintenance team to ensure that it best meets STAR Housing's needs.
- Responding to the emerging consumer framework, we will be focussing on strengthening our approach to resident engagement by building on strengths we have with resident Board members and recruiting more community residents to hold us to account.

- Underpinning the long-term success of STAR Housing will be a robust and future-proofed IT and Business Transformation approach. During 2023, we will be completing a full review of our IT landscape to ensure that we have the appropriate systems and digital infrastructure in place to meet our long-term objectives.

Retirement Benefit Obligations
The Company uses an independent actuary (Mercer Limited) to assess annually the pension scheme obligations and plan assets. On 27th February 2023 the Board approved the actuary's recommended increase in employer's contribution rate from 18% to 19.2% from 1 April 2023 following the latest triennial valuation that was undertaken during 2022/23. This rate will apply for 3 years until March 2026.

Approval
The Strategic Report was approved and authorised for issue under delegated authority by the Board at the AGM on 12th October 2023.

A Deakin
A Deakin (Dec 16, 2023 11:11 GMT)

Anthony Deakin
Chair

DIRECTORS' REPORT

Board Structure
The Board structure comprises of 10 members drawn from constituent groups of tenant representatives (3), Council appointees (3), independents (3) and 1 staff member. The makeup of the Board is such that no single group holds a majority. The Board is supported by 2 co-opted members who participate at Board and sub-Committee meetings in an advisory capacity but have no voting rights.

Working for the Company
We value our staff and recognise the need and benefit of good internal communication. To help deliver this objective we have a staff forum drawn from employees in all operational areas within the Company. The forum meets at least quarterly to discuss issues raised by staff. Members of our Senior Management Team can be invited to attend a forum to contribute or respond to specific matters as necessary. A training programme has been developed for forum members to ensure they have the skills and confidence to act as staff ambassador. In 2023 we will continue to strengthen the staff voice as the management Team welcome direct engagement on specific issues through a range of mediums.

During 2022 we reintroduced in person all staff briefings each quarter. We also participated in National Work Life balance week by arranging a range of initiatives tailored to supporting our staff's wellbeing. We have reintroduced the staff newsletter which is issued bi-monthly and focuses on celebrating staff successes and provides key business updates to staff on a range of issues. We continue to highlight and showcase the many wellbeing initiatives that are available to our staff through our connection with Shropshire Council.

We continue to promote learning and development activities. Training needs are identified in light of legislative changes, service demands and through one-to-one and performance review meetings between staff and their line manager. In addition to formal external training courses and seminars we organise internal training events where appropriate. During 2022/23 we allocated £78,185 to support vocational training schemes for our employees. Applications from our staff are considered for approval by SMT as they arise throughout the year. We encourage staff to consider secondment opportunities within the business allowing them to expand on their current skills sets. We have launched a confident manager training programme to ensure that our managers are equipped with the skills necessary to manage their teams effectively.

The Company operates a hybrid model of office and remote working and we have increased the number of designated "hot-desks" in our current office accommodation to support this approach. As we continue to formalise our approach to flexible working during 2023 we will be reviewing the provision of office accommodation at our Shrewsbury base and the effectiveness of the Hybrid Working Policy against business need. We will be involving staff in the development of our approach going forwards through the use of staff surveys and team meetings.

We provide relevant and up to date guidance and support to our staff and we maintain and review a number of HR policies and these are freely available to all our staff on our intranet.

Insurance
The Company has independent insurance for Directors' and Officers' Liability and this cover was in place throughout the 2022/23 financial year. Other insurance policies are arranged through Shropshire Council with the exception of buildings cover on the Spruce building in Shrewsbury which is arranged by the landlord.

Directors' Responsibilities Statement
The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. 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 and profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:-

i) select suitable accounting policies and then apply them consistently;

ii) make judgements and accounting estimates that are reasonable and prudent;

iii) state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements; and

iv) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Declaration of Members' Interest
All Directors have signed a declaration of Board Members' Interest and there are no matters to report.

Directors' Remuneration
At the Annual General Meeting held on 16th October 2014 it was approved that the post of Chair and Vice Chair would be eligible to receive annual remuneration payments of £2,500 and £1,500 respectively from November of that year. Payments of £2,500 were recognised in the 2022/23 financial statements in regard of this. Full payment was not made during the year as some Directors did not take payment.

Disclosure of information to Auditors
The Directors confirm that:

i) so far as each director is aware, there is no relevant audit information of which the Company's auditor are unaware; and

ii) the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor
A resolution to appoint the Company's auditor for the 2023/24 financial year will be put to the Board at the Annual General Meeting on 12th October 2023.

Approval
The Directors' Report was approved and authorised for issue under delegated authority by the Board at the AGM on 12th October 2023.

A Deakin
A Deakin (Dec 16, 2023 11:11 GMT)

Anthony Deakin
Chair

STATEMENT OF INTERNAL CONTROL

Internal Control

The governance framework comprises the systems, processes and internal controls in place to give assurance to the Board, Shropshire Council and the tenants of Shropshire Council homes that the Company is fulfilling the requirements of the Management Agreement, complying with the Articles of Association and meeting the Company's aims and objectives.

The system of internal control is intended to manage risk to a reasonable level. It cannot give absolute assurance that the objectives of the Company will be met. The key systems of internal control in operation comprise of the following:

Corporate Governance

The Board is responsible for the business of the Company subject to compliance with the provisions of the Companies Act 2006 and the Articles of Association for STAR Housing.

The Board comprises of 10 members including representatives from tenants, Shropshire Council elected Members and officers, independent members and an employee of the Company. The structure of the Board is such that no single group holds a majority position. The Board is supported by 2 co-opted members who act in an advisory capacity with no voting rights.

The Board meet every two to three months in addition to the annual general meeting. The Board is supported by two sub-committees: Finance, Audit & Risk and Development. Each sub-committee comprises of up to 5 Members of the Board and meet on at least 4 occasions during the year. Sub-committees have delegated powers relevant to their specific terms of reference and report to the Board. In April 2020 the Board approved a resolution to allow Board and sub-committee meetings to take place by electronic conferencing for an initial period of 3 months in response to the coronavirus restrictions. The resolution has since been extended throughout the lockdown and remains in place at the time of this report.

During 2015/16 we established a Remuneration Panel that has responsibility for reviewing remuneration for the Directors and Board Members, the process for appraisal of Board Members and developing the process to appoint the Managing Director should that be necessary.

Review of Board Governance

Shropshire Council's Internal Audit function, in liaison with key officers of STAR Housing, has conducted a review and gap analysis of compliance with the NHF Code of Governance, the findings from which informed a management improvement plan.

The plan was approved by Board in May 2022 and the actions have been implemented throughout the 2022/23 financial year. Highlights include:

- Updates to key governance policies and the board code of conduct
- Approval of the Tenant Voice Strategy
- Development of Board Member biographies

- Review of the Tenant Satisfaction Measures
- Review of Board and Sub Committee terms of reference

A revised programme of internal audit during 2023/24 will see the current programme boosted by the addition of specialist external audits and reviews in areas such as compliance and stock condition. STAR Housing has also appointed a dedicated Governance Manager during 2023 which will further strengthen the Governance approach as the organisation moves into a new era.

Asset Assurance Board

The Asset Assurance Board was established by Shropshire Council on 1st October 2015 to oversee the activities of the Company. The Board is comprised of Council elected members including the relevant Portfolio Holder, the Assistant Director of Homes and Communities and representatives of the Council's finance, legal, and housing services. The Company is represented by the Chair of the Board, the Managing Director and the Director of Finance and Resources. The Asset Assurance Board meets on four occasions during the annual cycle and considers reports on the strategic and performance management of the Company to seek assurance that the key objectives are being delivered and align with the Council's priorities.

In addition to the Asset Assurance Board meetings, quarterly "Client" meetings between officers of the Council and senior employees of the Company are held to review performance data and discuss current and emerging issues relevant to the Company's activities.

Business Plan

As a Council owned company, our objectives are strongly aligned to the Council's Housing Strategy and its strategic priorities. Our vision, values and key areas of focus are set out in our Business Plan 2020 to 2024, which was considered and approved by the Board in February 2020. This builds on the experience and success of our first 7-years and identifies our aspirations and challenges as we move forward.

The Company's objectives reflect a balanced approach focused on driving efficiency and high performance whilst delivering quality homes and services to our tenants and the communities we work in.

The action plan attached to the business plan and other improvement activities are incorporated into the annual action plan agreed with the Council through the Asset Assurance Board. The plan is monitored quarterly by managers and by the Board. This approach is a key driver in helping to ensure we maintain continuous improvement of our services.

Our Value for Money Strategy 2020 to 2023 was approved by the Board on 22nd September 2020. This runs alongside the Business Plan and identifies how we will approach and measure the delivery of value for money in the services we provide.

Senior Management Team

Day to day management of the Company is delivered under the direction of the five member Senior Management Team (SMT). This Management Team includes suitably qualified and experienced staff with relevant specialised skills and knowledge to the key operational activities of the Company. SMT meet monthly and are responsible for operational and risk management.

Members of SMT have completed declarations of related party relationships. There are no matters to report.

Risk Assessment and Risk Management

The Company places high importance on the identification, monitoring and control of risk. Risk management is reviewed on a regular basis by the Board, the Finance, Audit and Risk sub-committee and by the Senior Management Team. The Opportunity Risk Strategy sets out the Company's approach to risk management and was formally adopted by the Board in March 2013. The Strategy is subject to ongoing review and any substantial changes would be subject to Board approval.

The Board has a fundamental role to play in overseeing the management of risk in corporate activity. They approve major decisions affecting the Company's risk exposure and monitor the management of significant risks. They also satisfy themselves that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.

The Finance, Audit and Risk Committee receives the annual review of Risk Management carried out by Internal Audit and formally reviews the Company's risk registers. Their responsibility is also to ensure that there is a robust and efficient Opportunity Risk Management process in operation across the Company.

Senior managers have responsibility to maintain risk registers for their service areas and identify risks that should be included in the Company's high level risk register. Managers also have responsibility to ensure that risks are being allocated to appropriate risk owners and are managed accordingly. During 2020 we undertook a number of risk assessments regarding safe working practices and use of buildings in light of coronavirus and these will be reviewed and updated in light of future developments, Government guidance and the level of any imposed restrictions. We also required our contractors to provide copies of their own risk assessments when working in our properties.

Audit

The activities of the Company are subject to review by external and internal auditors. The Finance, Audit and Risk Committee approve the annual audit plans and receive internal audit reports. During 2022/23 the internal audit plan included eight key service areas for review, including Financial Management, Risk Management and Housing Management. Of the eight reviews undertaken, 1 was assessed as having a "Reasonable" level of assurance and 7 were assessed as "Good". A total of 19 recommendations were made and accepted by management.

The Head of Internal Audit has completed a declaration of related party relationships. There are no matters to report.

Performance Management

The Company monitors performance against a number of indicators and formal performance reports are produced on a quarterly basis for a range of audiences including the Board, senior management, the Asset Assurance Board and our tenants. Wherever performance falls below targets managers are required to explain the cause and, if necessary, identify plans to meet the required standards. The three formal reports comprise of the following:

The Board receive quarterly reports by exception that include the Management Agreement indicators and other performance data.

The Management Agreement currently identifies 33 performance indicators that report on the main business critical activities and aspirational improvement. Performance against these indicators, together with the annual action plan progress report, details of complaints received and a capital monitoring report are provided to the Council's Asset Assurance Board to give an overview of the Company's performance.

A subset of our performance indicators most relevant to our customers are published each quarter on the Company's website.

Financial Control and Budget Management

The Company has sound financial management policies in order to ensure that proper safeguards and controls are in place to manage money and assets. At the heart of this sits the Financial Rules which set out the financial policies of the Company.

The Financial Rules provide the framework for managing the Company's financial affairs and were approved by the Board in March 2013. The rules are subject to regular review and minor amendments have been reported to the Board since that time. The rules were updated in June 2021 to reflect the change of job title for senior staff members. They apply to every Board Member, Committee and employee of the Company and anyone acting on behalf of the Company. The rules identify the financial responsibilities of the Board, its Committees, Directors and staff members.

The Financial Rules provide guidance on financial management and control, financial planning, risk management and control of resources, systems and procedures and external arrangements.

Budgetary Control and Reporting

Monthly budget monitoring reports are prepared for Company managers and regular meetings are held with budget holders to monitor income and expenditure, forecast trends and outturn projections and identify potential pressures or underspending. Where a significant budgetary variance is identified the responsible manager will meet with the finance team to identify corrective action.

The Company maintains flexibility with its financial resources and the Financial Rules permit virements between budget heads to enable the redirection of resources in light of emerging pressures or opportunities.

Financial monitoring and update reports are presented to the Board on a quarterly basis.

Service Level Agreements

Where the scale of business or other operational considerations do not justify the Company directly employing specialist staff, a number of support functions are purchased from external suppliers. During 2022/23 most of these services were provided by Shropshire Council under various Service Level Agreements (SLAs). In addition to the terms stated in these SLAs, the Company places a level of assurance on the systems of internal control in place within the Council in respect of these services. Our internal audit service is provided by the Council's Internal Audit Team and it is anticipated that any significant control weakness identified by them in services provided to the Company would be brought to our attention subject to client confidentially.

Policies and Procedures

The Company's practices and activities are defined in its policies and procedures. These documents ensure that appropriate control and guidance is available to the Board, staff and contractors when undertaking the business of the Company. Policies and procedures are subject to approval of either the Board or delegated authority to a sub-committee, SMT or nominated employee.

All policies and procedures are available to Board Members and staff on the Company's intranet. In addition, relevant policies are published on the Company's website.

Independent auditor's report to the members of Shropshire Towns and Rural Housing Limited

Opinion

We have audited the financial statements of Shropshire Towns and Rural Housing Limited (the 'company') for the year ended 31 March 2023, which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with UK-adopted international accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as the cost of living crisis, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Directors' Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Directors' Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and the sector in which it operates. We determined that the following laws and regulations were most significant: the Companies Act 2006 and International Financial Reporting Standards (IFRSs).
- We understood how the company is complying with these legal and regulatory frameworks by making inquiries of management and those charged with governance. We enquired of management and those charged with governance whether there were any instances of non-compliance with laws and regulations, or whether they had any knowledge of actual or

suspected fraud. We corroborated the results of our enquiries through our review of board minutes, and through our legal and professional expenses review.

- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur and the risk of material override of controls. Audit procedures performed by the engagement team included:
  - Identifying and assessing the design effectiveness of certain controls management has in place to prevent and detect fraud
  - Challenging assumptions and judgments made by management in its significant accounting policies
  - Identifying and testing journal entries
  - Identifying and testing related party transactions
  - Inspecting the board minutes
  - Assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - Understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation
  - Knowledge of the industry in which the company operates, and
  - Understanding of the legal and regulatory requirements specific to the entity including the provisions of the applicable legislation.
- The team communications in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in revenue recognition and management override of controls.
- We did not identify any matters relating to non-compliance with laws and regulation and fraud.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - The company's operations, including the nature of its revenue sources, to understand the classes of transactions, accounts balances, expected financial statement disclosures and business risks that may result in risks of material misstatement, and
  - The company's control environment, including
    - Management's knowledge of relevant laws and regulations and how the company is complying with those laws and regulations

- The adequacy of procedures for authorisation of transactions and review of management accounts, and
- Procedures to ensure that possible breaches of laws and regulations are appropriately resolved.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Jim McLarnon ACA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
18 December 2023

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2023

	Notes	2022/23 £000	2021/22 £000
Revenue	2	9,021	8,600
Other income	2	14,298	6,040
Total revenue	**2**	**23,319**	**14,640**
Employee benefits expenses	17	(7,010)	(6,116)
Depreciation & amortisation expenses	5 & 6	(49)	(24)
Other expenses	3	(17,729)	(8,693)
Total expenses		**(24,788)**	**(14,833)**
Operating Loss		**(1,469)**	**(193)**
Finance costs	10	(266)	(204)
Finance income	21	72	10
Loss before tax		**(1,663)**	**(387)**
Taxation	11	0	0
Loss for the year		**(1,663)**	**(387)**
Other Comprehensive Income			
Remeasurement of pension assets and liabilities	19	8,699	1,309
Total Comprehensive Profit for the year		**7,036**	**922**

The notes on pages 29 - 48 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
as at 31 March 2023

Company registration number 08289137

	Notes	2023 £000	2022 £000
Assets			
Non-Current			
Property, plant and equipment	5	64	0
Finance lease receivables	6	24	73
Non-current assets		88	73
Current			
Inventories		42	38
Trade and other receivables	7	2,680	1,877
Cash and cash equivalent	8	6,310	6,682
Current assets		9,032	8,597
Total assets		**9,120**	**8,670**
Equity and liabilities			
Equity	13	(4,955)	2,081
Total equity		(4,955)	2,081
Liabilities			
Non-current			
Pension liability	19	(1,138)	(8,704)
Lease liabilities	22	0	(24)
Non-current liabilities		(1,138)	(8,728)
Current			
Trade and other payables	9	(2,953)	(1,944)
Employee benefits accrual	18	(74)	(79)
Current liabilities		(3,027)	(2,023)
Total liabilities		(4,165)	(10,751)
Total equity and liabilities		**(9,120)**	**(8,670)**

The notes on pages 29 - 48 form part of these financial statements.

Authorised for issue under delegated authority by the Board at its meeting on 12 October 2023.

A Deakin
A Deakin (Dec 16, 2023 11:11 GMT)

Anthony Deakin
Chair

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2023

		2022/23			2021/22		
		Other Components of Equity	Retained Earnings	Total Equity	Other Components of Equity	Retained Earnings	Total Equity
	Notes	£000	£000	£000	£000	£000	£000
Balance at 1 April		**(3,845)**	**1,764**	**(2,081)**	**(5,154)**	**2,151**	**(3,003)**
Profit/(loss) for the year			(1,663)	(1,663)		(387)	(387)
<u>Other Comprehensive income</u>							
Remeasurement of pension assets and liabilities	19	8,699		8,699	1,309		1,309
Total Comprehensive Expenditure for the year				**7,036**			**922**
Balance at 31 March		**4,854**	**101**	**4,955**	**(3,845)**	**1,764**	**(2,081)**

The notes on pages 29 - 48 form part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 March 2023

	Notes	2022/23 £000	2021/22 £000
Cash flows from operating activities			
Loss before tax		(1,663)	(387)
Adjustments (non-cash items)	12	1,183	1,049
Net changes in working capital	12	222	552
Cash generated from operations		**(258)**	**1,214**
Cash flows from financing activities			
Repayment of leasing liabilities	22	(49)	(24)
Interest paid	22	(1)	(1)
Cash used in financing activities		**(50)**	**(25)**
Cash flows from investing activities			
Purchase of property, plant & equipment	5	(64)	0
Right of use asset	6	0	0
Cash used in investing activities		**(64)**	**0**
Net change in cash or cash equivalents		(372)	1,189
Cash and cash equivalents at the beginning of the year	8	6,682	5,493
Cash and cash equivalents at the end of the year	8	**6,310**	**6,682**

The notes on pages 29 - 48 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Accounting Policies

1.1 Basis of Accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost basis.

1.2 Revenue and Other Income Recognition

Revenue is recognised when the amount and associated costs can be measured reliably net of VAT and as and when performance obligations are satisfied

Revenue is measured at the fair value of consideration received or receivable for services provided by the Company and defined as the Service Fee in the Management Agreement.

Other income relates to grant funding, interest received, other income generating activities and the Works Fee defined in the Management Agreement and is recognised in the accounts on the same basis as revenue.

1.3 Expenditure

Expenditure is recognised in the accounts upon receipt of goods or services when the associated costs can be measured reliably net of VAT.

1.4 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

HMRC have confirmed that the activities and transactions between Shropshire Council and STAR Housing, which is a wholly owned subsidiary of Shropshire Council, do not amount to trading and as such any surpluses in respect of these activities are not taxable nor any losses relievable for corporation tax purposes. Taxable profits or losses should only arise on activities carried out with external parties.

1.5 Property, Plant and Equipment

Assets are recognised at acquisition cost (subject to a de-minimus level of £10,000) less subsequent depreciation and impairment losses.

Assets are depreciated over their expected useful lives on a straight-line basis to write down the cost less the estimated residual value of the asset.

Gains or losses arising on the disposal of assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within Other Income or Other Expenses.

1.6 Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires. Any gains and losses that arise on de-recognition of an asset are credited/debited to the Comprehensive Income and Expenditure Account.

1.7 Inventories

Inventories are stated at cost and relate to van stocks for the responsive repairs service.

1.8 Trade and Other Receivables

All trade and other receivables are made on the basis of normal credit terms and do not bear interest. The carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable.

1.9 Cash and cash equivalents

Cash and cash equivalents comprise cash at the bank and in hand, and other short-term deposits held by the Company with maturities less than 3 months.

1.10 Trade and other payables

Trade payables are recognised at fair value.

1.11 Employee Benefits

Employee benefits such as wages, salaries, paid annual leave and sick leave are considered as an expense in the year in which the employee renders the service to the Company.

An accrual is made for the cost of holiday entitlement earned by employees but not taken before the year end, and which may be carried forward into the next financial year. These are included in current liabilities under "employee benefits accrual". An accrual is measured at the undiscounted amount that the company expects to pay as a result of the unused entitlement. Accruals are not made for costs in respect of outstanding car mileage claims.

Termination benefits are amounts payable as a result of a decision by the Company to terminate an employee's contract of employment before the normal retirement date. These costs are required to be recognised immediately in the provision of service.

1.12 Intangible Assets

Intangible assets such as Computer Software are capitalised at the cost of acquisition and amortised on a straight-line basis over the estimated useful economic life of three years.

1.13 Leases

The Company has a number of low value leases in respect of photocopying equipment.

On transition to IFRS16 on 1st April 2019, leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases for low-value assets the Company has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term. Payments made under these agreements are charged under other expenses in the Statement of Comprehensive Income.

The Company adopted the new accounting standard IFRS16 – Leases in 2019/20 which replaced IAS17 – Leases. The adoption of this new standard resulted in the Company recognising a right-of-use asset and related lease liability on our Statement of Financial Position in respect of our head office, Spruce Building.

The right-of-use asset has been measured at cost and depreciated on a straight-line basis from the lease commencement date to the end of the lease term. The Company has measured the lease liability at the present value of the lease payments unpaid at that date, discounted using the Company's incremental borrowing rate of 2%.

On the Statement of Financial Position, right of use assets have been included under non-current assets and short-term lease liabilities have been included in trade and other payables and long-term lease liabilities under non-current liabilities.

1.14 Estimation uncertainty

The Company operates a defined benefit pension scheme for its employees and the future obligations and asset returns are based on a number of estimates and assumptions.

In recognising these assets and liabilities, advice has been taken from specialist consultants in projecting benefits forward into the future and then adjusting them to current day values – the "financial assumptions" and estimating the probability of payments needing to be made – the "demographic assumptions".

The assumptions used in the calculations were;

Financial assumptions

- Liability duration – as the fund is defined as a "mature fund" the duration of 20 years has been used
- Discount rate – spot rates for future years are derived from a curve fitted to the yields on bonds having an AA rating from at least one of Moody's and S&P Global Ratings
- Price Inflation – assumption has been derived from expected future CPI increases
- Long term salary growth – based on long-term "real" salary inflation above CPI consistent with the last actuarial valuation undertaken in 2022
- Increase in benefits – based on expected future CPI increases

Demographic assumptions

- Mortality rates – base rates and future improvements are based on the latest Continuous Mortality Investigation (CMI) improvements model (2021 CMI for England & Wales)
- Early retirement rates
- Ill health retirements rates
- Ill health retirement mortality rates
- Withdrawal rates
- Rate of exchange of pension for cash
- Proportion married or civil partnerships & age of partner

The demographic assumptions above are viewed by the actuary as being consistent with the best estimate requirements of relevant accounting standards.

As at 31st March 2023 the Actuary's valuation of the fund's benefit obligation is £17.525m (31st March 2022 £24.355m) and plan assets is £16.387m (31st March 2022 £15.651m) giving a deficit of £1.138m (31st March 2022 £8.704m).

We review the useful economic life of equipment and intangible assets and will base depreciation and amortisation charges on these assumptions.

1.15 Pensions

The Company operates a defined benefit scheme and the accounts are prepared in accordance with the requirements of IAS 19. This requires the net pension liability or asset to be disclosed on the Statement of Financial Position. The figures have been prepared using the projected unit actuarial cost method.

The pension's liability has been determined using assumptions stated in note 19 to these financial statements and scheme sensitivity calculations are also include in the note.

1.16 Going concern

The financial statements have been prepared on a going concern basis. Forecast profile of income and expenditure for 2023/24 and a three year budget presented to the Board at the meeting on the 27th February 2023 indicate that cash flows will be sufficient to meet all obligations as they become due.

The 10-year Management Agreement was approved for renewal at a meeting of Shropshire Council held on 12th May 2022 and the current Agreement runs for 10 years to 31st March 2033.

The payment of the Management Fee is made quarterly in advance and front loaded with 28% paid in quarter one and three further instalments of 24%. This payment profile helps ensure adequate cash flow is maintained throughout the year. Payment of the Works Fee can be made on an immediate basis if necessary for cash flow purposes.

1.17 Key Judgements

The Company has responsibility to project manage the planned repairs and new building programmes for Council Homes. Where financial or operational benefits can be identified, contracts are issued in the name of STAR Housing and the Company recharges the Council full reimbursement of these costs under a Works Fee.

We have reviewed the amendments to IFRS15-Revenue from Contracts with Customers and we consider that the Company continues to be the principal in this arrangement.

1.18 Government Grants

Grants income is recognised on receipt when the amount can be measured reliably. The Company ensures that it meets any conditions associated with the grant funding.

2. Revenue

Income is derived wholly from within the United Kingdom from the Company's principal activity of housing management.

	2022/23 £000	2021/22 £000
Management Fee paid by Shropshire Council	9,021	8,600
Other income		
Community Alarms	101	106
Intensive Housing Management Charge	229	208
Misc. income & recharges to SC Capital & Revenue	13,640	5,397
Grant income	328	329
	14,298	6,040
Total revenue	**23,319**	**14,640**

All grant income is in relation to Supporting People which is received from Shropshire Council via the Sustain Consortium.

3. Other Expenses

Other expenses comprise of:

	2022/23 £000	2021/22 £000
Management and Neighbourhoods	(1,336)	(1,119)
Repairs and Maintenance	(16,115)	(7,346)
Community Support Services	(278)	(228)
Total other expenses	**(17,729)**	**(8,693)**

4. Auditor's Remuneration

The operating profit is reported after Auditor's costs as follows:

	2022/23 £000	2021/22 £000
Auditor's Remuneration – Statutory Audit	(34)	(28)

5. Property, Plant and Equipment

The Company's property, plant and equipment comprised of machinery for the maintenance of grounds and cutting grass and telephone systems purchased in respect of our offices in Oswestry and Shrewsbury. The telephone systems have now been fully depreciated. All other items of equipment, fittings and furniture were deemed to be immaterial.

	2022/23 £000	2021/22 £000
Cost (brought forward) at 1 April	26	26
Additions	64	0
Total cost	**90**	**26**

Depreciation	2022/23 £000	2021/22 £000
Accumulated depreciation 1 April	(26)	(26)
Charge for the year	-	-
Total depreciation	**(26)**	**(26)**

	31 March 2023 £000	31 March 2022 £000
Carrying amount at 31 March	**64**	**0**

6. Right of use assets

The Company's right-of-use asset on the balance sheet comprises of the Lease Agreement for our Head Office (Spruce Building). This is a 5-year lease starting in 2018. The lease standard (IFRS16) states that all leases which are not of low value and with a duration of more than 12 months should be capitalised, depreciated over the life if the lease and a corresponding asset and liability disclosed in the Statement of Financial Position.

	2022/23 £000	2021/22 £000
Cost (brought forward) at 1 April	240	240
Additions	0	0
Total cost	**240**	**240**

Depreciation	2022/23 £000	2021/22 £000
Accumulated depreciation 1st April	(167)	(143)
Charge in the year	(49)	(24)
Total depreciation	**(216)**	**(167)**

	31 March 2023 £000	31 March 2022 £000
Carrying amount at 31 March	**24**	**73**

7. Trade and Other Receivables

	31 March 2023 £000	31 March 2022 £000
Sundry Debtors	80	78
Amounts due from Shropshire Council	2,564	1,658
Payments in Advance	36	141
Total trade and other receivables	**2,680**	**1,877**

8. Cash and Cash Equivalents

(Note figures quoted in pounds not thousands)

	31 March 2023 £	31 March 2022 £
Bank current account	6,310,322	6,681,573
Petty cash	250	250
Total cash and cash equivalents	**6,310,572**	**6,681,823**

9. Trade and Other Payables

	31 March 2023 £000	31 March 2022 £000
Trade payables	(2,136)	(994)
Amount owed to Shropshire Council	(305)	(269)
Other Creditors (HMRC VAT)	(310)	(407)
Tax and Social Security	(121)	(110)
Other Creditor – LGPS Pension	(81)	(164)
Total trade and other payables	**(2,953)**	**(1,944)**

10. Finance Cost

	2022/23 £000	2021/22 £000
Interest on pension liabilities	(686)	(488)
Interest on pension plan assets	453	306
Pension administration expenses	(32)	(21)
Interest on leases	(1)	(1)
Total finance cost	**(266)**	**(204)**

11. Taxation

HMRC have confirmed that the activities and transactions between Shropshire Council and STAR Housing, which is a wholly owned subsidiary of Shropshire Council, do not amount to trading and as such any surpluses in respect of these activities are not taxable nor any losses relievable for corporation tax purposes. It follows that taxable profits or losses should only arise on activities carried out with external organisations.

The Community Alarms Service is the only activity carried out by the Company which relates to transactions with external parties. Any surplus made in this accounting period for corporation tax purposes will be off-set against losses carried forward from prior years.

12. Cash Flow adjustments and changes in working capital

Adjustments (non-cash items)	2022/23 £000	2021/22 £000
Depreciation & amortisation	49	24
Current service pension costs	868	697
Past service pension costs	0	0
Curtailment pension costs	0	124
Pension administration expenses	32	21
Net pension interest costs	233	182
Lease interest costs	1	1
Total adjustments	**1,183**	**1,049**

Net changes in working capital	2022/23 £000	2021/22 £000
Change in trade and other receivables	(803)	433
Change in trade and other payables	1,009	128
Change in employee benefits accrual	(5)	(5)
Movement in Stock (Increase)	(4)	(5)
Change in lease payables	25	1
Net changes in working capital	**222**	**552**

13. Equity/Reserves

	31 March 2023 £000	31 March 2022 £000
1 April	2,081	3,003
Equity 1 April	**2,081**	**3,003**
Loss for the year	1,663	387
Remeasurement of pension assets & liabilities	(8,699)	(1,309)
Total Comprehensive Loss for the year	**(7,036)**	**(922)**
Total equity 31 March	**(4,955)**	**2,081**

Analysis of Reserves

	31 March 2023 £000	31 March 2022 £000
Profit (usable)	(6,093)	(6,623)
Pension deficit (Note 19)	1,138	8,704
31 March	**(4,955)**	**2,081**

Usable reserves are funds held which are available for reinvestment in the furtherance of the Company objectives. The pension deficit relates to the Company's retirement benefit obligations and is as calculated by the Actuary (see note 19).

14. Related Party Transactions

STAR Housing is an Arms-Length Management Company wholly owned by Shropshire Council. The Company was established with no share capital and is limited by guarantee.

In the event that the Company is wound up, Shropshire Council undertakes to contribute such amounts as may be required for the payment of the debts and liabilities of the Company. After the satisfaction of all debts and liabilities, the remaining assets will be transferred to the Council's Housing Revenue Account.

The Council has delegated the responsibility for overseeing the management and maintenance of its Housing stock to STAR Housing in accordance with a Management Agreement with effect from 1st April 2013.

Details of the status of the company and the composition of the Board of Directors are given on page 2.

During the year the Company charged the Council £23,026k (£14,381k in 2021/22). This included £9,021k (£8,600k in 2020/21) for the annual Management Fee and a further £12,898k (£4,936k in 2021/22) in respect of the Works Fee for planned works paid for by the Company on behalf of the Council. The Works Fee represents full recovery of direct expenditure incurred by the Company in payments to contractors undertaking works on the Council's planned repairs and new build programmes. At 31st March 2023 the Company had no contractual commitments.

During the year the Council charged the Company £763k (£736k in 2020/21) for goods and services including support services (SLA's), accommodation costs, IT equipment and telephony recharges.

The net balance owed to the Company by the Council at the end of the year is £2,259k (£1,389k in 2021/22). The balance is payable on normal commercial terms and does not bear any interest and the Company makes no bad debt provision in respect of this amount.

Transactions with key management personnel

Key management of the Company comprise of the Senior Management Team identified on page 2. Key management personnel remuneration includes the following expenses:

	2022/23 £000	2021/22 £000
Wages and salaries	367	346
Social security cost	42	42
Pension cost	54	61
Total	**463**	**449**

Directors' remuneration

The Directors of the Company are identified on page 2. From November 2014 the posts of Chair and Vice Chair were eligible for remuneration. Expenses during the reporting year are:

	2022/23 £000	2021/22 £000
Wages and salaries	2	2
Total	**2**	**2**

15. Ultimate Parent Undertaking

The company is a wholly owned subsidiary of Shropshire Council whose registered office is Shirehall, Abbey Foregate, Shrewsbury SY2 6ND and the accounts have been consolidated into the Council's financial statements.

16. Contingent Liabilities

The company has no contingent assets or contingent liabilities.

17. Employee Remuneration

Expenses recognised for employee benefits are analysed as follows:

	2022/23 £000	2021/22 £000
Wages and salaries	4,994	4,229
Social security cost	431	352
Pension cost	1,585	1,535
Total	**7,010**	**6,116**

The average number of employees for the year was 142 which equated to an average number of full time equivalents of 135.

Analysis of the average number of employees by operational area is as follows:

	2022/23 Employees	2021/22 Employees
Management and Neighbourhoods	46	44
Repairs and Maintenance	78	73
Community Support Services	18	18
Total	**142**	**135**

18. Employee Related Benefits

The current liabilities recognised for employee remuneration in the Statement of Financial Position consists of the following:

	31 March 2023 £000	31 March 2022 £000
Employee related benefit accruals	(74)	(79)

The accrual relates to untaken holiday entitlement as at 31 March 2023.

19. Retirement Benefit Obligations

The Company is a member of the Local Government Pension Scheme (LGPS) administered by Shropshire Council. This is a funded defined benefit scheme which provides index linked retirement benefits to employees who choose to join.

The scheme was opened on 1st April 2013 when employees of the Company transferred from Shropshire Council under Transfer of Undertakings (Protection of Employment) (TUPE). At the time of admission the Company scheme was fully funded under the actuarial valuation assumptions made. The figures presented in these financial statements are reported under the requirements of IAS19, which are prepared on a different basis to the actuarial valuation.

As at 31st March 2023 the Actuary's valuation of the fund's benefit obligation is £17.525m (31st March 2022 £24.355m) and plan assets is £16.387m (31st March 2022 £15.651m) giving a deficit of £1.138m (31st March 2022 £8.704m), which is an improvement of £7.566m during the year.

In addition to staff that joined the Company in April 2013 under TUPE transfer from Shropshire Council, the scheme is currently open to new employees. Employees and the Company pay contributions to the fund. A comprehensive actuarial valuation is undertaken every three years and the latest review was undertaken on 31st March 2022 by the actuary Mercer Limited. This resulted in the employer's rate increasing from 18.0% which had applied since April 2020, to 19.2% from April 2024. Employees contribute variable rates which increase on banded salary ranges. At 31st March 2023 the scheme had 137 active members.

The decision of the Supreme Court on 27th June 2019 to deny the Government's request to appeal the McCloud judgement resulted in a potential increase in the pension liability for Local Government Pension Schemes. The McCloud judgment ruled that the transitional protections given to older members when the Public Service Pension Schemes were amended constituted unlawful age discrimination against those members who did not receive this protection.

The Government has accepted that remedies relating to the McCloud judgment are needed in relation to all public service pension schemes, and a consultation was published in July 2020 including a proposed remedy for the LGPS.

The key feature of the proposed remedy was to extend the final salary scheme underpin to a wider group of members for service up to 31 March 2022. This applies to all members who were active on or before 31 March 2012 and either remain active or left service after 1 April 2014 (including to those members who no longer has a benefit entitlement from the Fund).

The figures stated in our Actuary's valuation include an allowance for McCloud that is substantially in line with the above. There are some minor areas where their approach differs (principally in respect of members who left service after 1 April 2014), but other than in exceptional circumstances they would expect the impact of these minor proposed changes to be nil. Even where there would be minimal impact, an accurate assessment would be extremely difficult (if not impossible) due to lack of availability of data. It is therefore our view that no further adjustments are required in relation to McCloud.

Movements in the present value of the defined benefit obligation are as follows:

	2022/23 £000	2021/22 £000
Opening balance at 1 April	24,355	23,534
Current service cost	1,585	1,416
Past service cost	0	0
Interest cost on pension liabilities	686	488
Contributions by scheme participants	259	237
Re-measurements (liabilities):		
Experience (gain)/loss	2,678	55
(Gain)/loss on financial assumptions	(11,793)	(482)
(Gain)/loss on demographic assumptions	(295)	(158)
Curtailment	0	124
Benefits/transfers paid	50	(859)
Closing balance at 31 March	**17,525**	**24,355**

For determination of the pension obligation the following actuarial assumptions have been used:

Inflationary assumptions	2022/23 End of Period %	2022/23 Start of Period %
Rate of inflation (CPI)	2.7	3.3
Rate of increase in salaries	3.95	4.55
Rate of increase in pensions	2.8	3.4
Discount Rate	4.8	2.8

Mortality assumptions:	2022/23 End of Period years	2022/23 Start of Period years
Life expectancy for current pensioners aged 65:		
Men	22.2	22.9
Women	24.5	25.1
Life expectancy for future pensioners aged 65 in 20 years' time:		
Men	23.5	24.1
Women	26.3	26.7

The weighted average duration of the defined benefit obligation for LGPS Scheme Members is 20 years.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all other assumptions remain constant. The estimations in the sensitivity analyses have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity analysis of the scheme as at 31 March 2023 is as follows:

	Central	Sensitivity 1 +0.1% p.a. Discount rate	Sensitivity 2 + 0.1% p.a. Inflation rate	Sensitivity 3 + 0.1% p.a. Pay growth	Sensitivity 4 1 year increase in life expectancy	Sensitivity 5 +/-1% change in 2021/22 investment returns	
	£000	£000	£000	£000	£000	£000	
						+1%	-1%
Liabilities	17,525	15,931	18,401	17,690	17,855	17,525	17,525
Assets	(16,387)	(16,387)	(16,387)	(16,387)	(16,387)	(16,556)	(16,218)
Deficit/(Surplus)	1,138	(456)	2,014	1,303	1,468	969	1,307
Projected service cost for next year	741	641	798	741	759	741	741
Projected net interest cost for next year	37	(43)	79	45	53	29	46

Movements in the fair value of plan assets are as follows:

	2022/23 £000	2021/22 £000
Opening balance at 1 April	15,651	14,545
Interest on plan assets	453	306
Re-measurements (assets)	(711)	724
Administration expenses	(32)	(21)
Employer contributions	717	719
Contributions by members	259	237
Settlements	0	0
Benefits/transfers paid	50	(859)
Closing balance at 31 March	**16,387**	**15,651**

Analysis of the plan assets is as follows:

Asset allocation	31 March 2023 £000	31 March 2022 £000
Equities:		
UK quoted	0	757
Global quoted	8,393	7,162
Bonds:		
Overseas – Global fixed income	998	1,025
Overseas – Global dynamic	1,101	991
Other class 2 – absolute return bonds	972	948
Property Funds	544	584
Alternatives:		
Private Equity	1,460	1,307
Infrastructure	1,050	535
Hedge Funds	1,078	966
BMO – LDI manager	0	542
Property Debt	229	327
Insurance Linked Securities	249	224
Private Debt	236	20
Cash accounts	77	263
Total	**16,387**	**15,651**

Amounts included in the Statement of Financial Position in respect of the defined benefit scheme are as follows:

	31 March 2023 £000	31 March 2022 £000
Fair value of plan assets	16,387	15,651
Present value of funded obligation	(17,525)	(24,355)
Deficit in scheme	**(1,138)**	**(8,704)**

Amount reported in the Statement of Financial Position:

Non-Current Liabilities	31 March 2023 £000	31 March 2022 £000
Pension liability	(1,138)	(8,704)
Total	**(1,138)**	**(8,704)**

Amounts reported in the Statement of Changes in Equity in respect of the defined benefit scheme are as follows:

	2022/23 £000	2021/22 £000
Re-measurement (liabilities):		
Experience Gain/(loss)	(2,678)	(55)
Gain/(loss) on financial assumptions	11,793	482
Gain/(loss) on demographic assumptions	295	158
Re-measurement (assets) gain/(loss)	(711)	724
Actuarial gain/(loss) recognised in the Statement of Changes in Equity	**8,699**	**1,309**

Amounts recognised in the Statement of Comprehensive Income in respect of the defined benefit scheme are as follows:

	2022/23 £000	2021/22 £000
Current service cost	(1,585)	(1,416)
Past service cost	0	0
Interest cost on pension liabilities	(686)	(488)
Interest on plan assets	453	306
Administration expenses	(32)	(21)
Curtailment	0	124
Total charged to the Statement of Comprehensive Income	**(1,850)**	**(1,743)**

Current service costs and past service costs are recognised in Employee Benefit Expenses. Interest cost and administration expenses are recognised in Finance Costs.

Re-measurements are recognised in the Statement of Comprehensive Income as follows:

	2022/23 £000	2021/22 £000
Re-measurement (liabilities):		
Experience Gain/(loss)	(2,678)	(55)
Gain/(loss) on financial assumptions	11,793	482
Gain/(loss) on demographic assumptions	295	158
Re-measurement (assets) gain/(loss)	(711)	724
Net actuarial gain/(loss) recognised in the Statement of Comprehensive Income	**8,699**	**1,309**

The Actuary's estimated employer's contribution for the year ended 31st March 2024 is £642k.

20. Financial Instruments

Assets

The table below analyses the Company's financial assets held for managing liquidity risk which are considered to be readily saleable or are expected to generate cash inflows to meet cash outflows on financial liabilities. The financial assets disclosed all fall within the amortised cost category.

	Current 31 March 2023 £000	Long Term 31 March 2023 £000	Current 31 March 2022 £000	Long Term 31 March 2022 £000
Trade and other receivables	2,645	0	1,736	0
Cash and cash equivalents	6,310	0	6,682	0
Total	**8,955**	**0**	**8,418**	**0**

Liabilities

The table below analyses the Company's Current and Long-Term financial liabilities on a contractual gross undiscounted cash flow basis at the reporting date up to the contractual maturity date. Financial liabilities are all measured on an amortised cost basis.

	Current 31 March 2023 £000	Long Term 31 March 2023 £000	Current 31 March 2022 £000	Long Term 31 March 2022 £000
Trade and other payables	(2,442)	0	(1,263)	0
Employee benefits	(74)	0	(79)	0
Total	**(2,516)**	**0**	**(1,342)**	**0**

Cash Flow

The Company's primary source of revenue is Shropshire Council either through the Management Fee (£9,021k 2022/23), the Housing Service Support Service Grant (£328k 2022/23) or the Works Fee (£12,898k 2022/23). The Management Fee is fixed annually and paid quarterly in advance. The Works Fee is paid as the expenditure is incurred and the Grant is paid in monthly instalments. The timing of these cash inflows ensures the Company can meet its financial obligations.

Credit and Liquidity Risk

The Company ensures that all liabilities are met as they fall due. As stated above the nature of cash inflows gives a safeguard that the Company is exposed to low credit and liquidity risk.

The Company is exposed to liquidity and credit risk principally in the event that the Council were to experience cash flow difficulties. However, based on the Council's own high credit rating this is assessed to be a very unlikely scenario of low risk.

Interest Rate Risk

The Company has no borrowing and no long-term investments. Short term deposits are limited to cash held at the bank and interest received from these short-term investments (£72k 2022/23) is not critical to the Company's revenue. We therefore consider that the Company is not exposed to interest rate risk.

21. Finance Income

	2022/23 £000	2021/22 £000
Interest income from cash and cash equivalents	72	10
Total	**72**	**10**

22. Lease liabilities

The Company has a five-year lease for its Head Office building in Shrewsbury. The future minimum lease payments for this right-of-use asset are as follows:

	Within 1 year £000	2 to 5 years £000	Total £000
Lease payments	24	0	24
Finance charges	1	0	1

Expenditure on right-of-use leases in the year totalled £50k. Interest of £1k was included in finance costs in the Statement of Comprehensive Income. Repayment of the principal balance of £49k was charged as a reduction in lease liabilities to the Statement of Financial Position.

Lease payments not recognised as a liability

The Company has elected not to recognise a lease liability for short term leases (leases of a term of less than 12 months) or for leases for low value assets. Payment made under such leases are expensed on a straight-line basis and the amount expended in 2022/23 was £7k. As at 31st March 2023 the Company was committed to short term leases and the total commitment at that date was £6k per annum.

23. Post Reporting Date Events

No adjusting or significant non-adjusting events have occurred between the reporting date and the date of authorisation.

Shropshire
Towns and Rural Housing

Financial Statement

Final Audit Report 2023-12-16

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