Shropshire Towns and Rural Housing Limited

Company Limited by Guarantee

Directors' Report and Financial Statements for the year ended 31st March 2022

Company Registration Number 08289137

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COMPANY INFORMATION

Directors

Tenant Members
Nicki Barker (Vice Chair until resignation from the Board 6th September 2021)
Ann Maltby (resigned 10th May 2021)
Valerie Jones (appointed 30th June 2021)
Susan Norris (appointed 30th June 2021. Resigned 7th January 2022)
Yordan Tolev (appointed 1st February 2022)

Shropshire Council Members
Paul Kelly (resigned 14th June 2021)
Cllr Thomas Mark Jones (Vice Chair from 21st September 2021)
Cllr Simon Harris (Chair until resignation from the Board 7th May 2021)
Cllr Chris Schofield (appointed 7th June 2021. Resigned 30th June 2021)
James Willocks (appointed 9th June 2021)
Cllr Julia Buckley (appointed 30th June 2021)

Independent Members
James Wood
Anthony Deakin (Chair from 6th July 2021)
Stephen Robinson

Staff Member
Emma Jones

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

Senior Management Team
Sue Adams – Managing Director
Steve Ogram – Director of Finance and Resources
Teresa Dagnall – Head of Finance (left August 2021)
Andy Menzies – Head of Finance (appointed October 2021)
Angela Douglas – Head of Assets
Ayyaz Ahmed – Head of Neighbourhoods (appointed May 2021)

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 the Company. The report gives a fair view of the development and performance of the Company's business during the 2021/22 financial year and provides an overview of the principal activities undertaken.

Principal Activities
Shropshire Towns and Rural Housing Limited (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 current Management Agreement runs for 10 years to 31st March 2023. At the meeting of Shropshire Council held on 12th May 2022 it was approved that the Management Agreement would be extended for period of 10 years from 1st April 2023.

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.

The Company operates from 3 principal locations, with customer facing area teams based in the towns of Bridgnorth and Oswestry and central management corporate services based in Shrewsbury. During 2020/21 the coronavirus pandemic caused some disruption to our ability to access office accommodation. In response we implemented home working where possible and implemented temporary office arrangements to enable the continuation of essential service delivery. These arrangements continued into 2021/22 but as restrictions eased during the year we were able to re-open offices to an increased number of staff on a phased basis as we moved towards implementing a hybrid working model.

Review of Business Results
The accounts for 2021/22 show an operating loss for the year of £387k. This includes IAS19 pension accounting charges of £1,024k.

Retained reserves at 31st March 2022, excluding the pension deficit, were £6,623k 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 2022 the pension fund was in deficit of £8,704k.

HMRC have confirmed that the activities and transactions between Shropshire Council and Shropshire Towns and Rural Housing Limited, 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 2021/22 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)	30	+3	55.93
Rent loss due to empty properties (voids) as % of rent due.	0.9%	+0.2%	1.98%
Rent collected as a % of rent owed to date, including brought forward arrears.	98.5%	-1.5%	99.31%
Arrears written off as a % of total rent debit to date.	0.5%	+0.5%	0.21%
Number of tenancies terminated as % of properties managed.	8.0%	+2.0%	8%
% of dwellings failing to meet the Decent Homes Standard.	0.0%	+0.5%	0.0%
Average time in days to re-let empty properties - General Voids (excludes Major Works)	24	+2	47.18

Average time in days to re-let empty properties - Major Work Voids (excludes General)	55	+3	98.25
Number of properties that have a SAP rating of 35 or less.	0	+13	15
Average SAP rating for off-grid properties.	55.5	-0.5	60.00
Average SAP rating for properties on grid.	67.5	-0.5	68.32
% 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%	98.7%
% dwellings with asbestos management re-inspection report less than 5 years old.	100%	-0.2%	88%
% of major adaptations for tenants completed on time.	95%	-2%	59%
Number of new homes including open market acquisition and s106 purchase.	25	-5	18
% of tenants evicted as a result of rent arrears during the year.	0.15%	+0.1%	0.08%
% of ASB cases resolved successfully.	90.0%	-0.5%	88%
Customers registered to access services online as a % of properties managed.	14%	-5%	10%
% of respondents satisfied with the lettings process.	98%%	-3%	96%
% of housing stock used as temporary housing.	1.8%	+0.2%	1.5%
% of customers satisfied with outcome of the Anti-Social Behaviour case.	75%	-5%	U/A
% Complaints responded to within 10 days.	86%	-5%	92%
Satisfaction with complaint handling.	72%	-5%	63%
Satisfaction with complaint outcome.	50%	-5%	47%
% Responsive Repairs completed at first visit by DLO.	98%	-2%	97%
Appointments kept as % of appointments made.	97%	-5%	95%
% of emergency repairs completed on time (1 day).	100%	-0.1%	100%
% of urgent repairs completed on time (7 days).	98%	-0.5%	92%
% of routine repairs completed on time (28 days).	98%	-0.5%	62%
% of programmed repairs completed on time (6 months).	98%	-0.5%	55%
% satisfied with repairs service.	95%	-7%	77.3%
% of customers satisfied with recent planned maintenance service.	97%	-7%	U/A

Of the 33 indicators identified, we met or exceeded the target on 11, fell within tolerance on 5 and missed 15. The remaining 2 are unavailable due to a lack of data. During 2020/21 with the agreement of the Board and the Council's Asset Assurance Board, the targets for 15 indicators were suspended as the disruption and Health and Safety restrictions imposed by Covid19 rendered them unachievable. We took the decision to re-instate these measures for 2021/22 despite the continuing disruption and the backlog that had arisen in some areas as we felt that it was important to aim towards a return to business as usual as far as possible.

Of these 15 indicators, 1 is no longer reported, we missed 8 and fell within tolerance on 3 meaning that these form the majority of measures that did not meet the target. Whilst the performance is unsatisfactory, this information severs to highlight the areas of our operation where the adverse impacts of coronavirus are still evident and will require further attention.

Key achievements against the performance indicators
Rent collection rate at 99.31% remains high despite the disruption caused by coronavirus that has not only impacted our tenants but has also resulted in our Income Management Team continuing to work from home for the majority of the year. Performance remains top quartile and significantly is higher than the level achieved in 2018/19 (99.12%) despite the introduction of Universal Credit in Shropshire from May 2018 and the adverse impact this has had on collection rates in other areas of the country. 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 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. This achievement has been particularly challenging during the year due to the ongoing difficulties caused by coronavirus.

Areas of concern against the performance indicators
Turnaround times of void properties and the subsequent rent loss are a matter of concern and performance in all 4 indicators related to this activity has fallen significantly below tolerance. During 2020/21 coronavirus safe working practices limited the number of trades' operatives who were able to work in a void property at any one time which introduced delay, and to some extent these restrictions continued into 2021/22. However a more significant reason is the condition of many homes when they are returned at the end of the tenancy. We have identified that the number of properties with hording issues, unreported repairs and a backlog of planned maintenance work is significantly higher than pre-coronavirus levels. This may be attributable to access restrictions to undertake work and tenancy audits during the pandemic and this has contributed to problems that now emerging. In November 2021 the Board approved a supplementary estimate for £150k to employ additional temporary staff to address backlog repairs and a further £453k in February 2022 to increase the in-house Responsive Repairs Team by 4 operatives for 3-years to improve response time performance. During summer of 2022 we will commission an independent review of voids management that will not only consider the process from "keys in to keys out" but will also review aspects of tenancy management to identify where potential problems can be identified and resolved at an earlier time.

Future Developments
In February 2022 the Board approved over £1.2m expenditure on one-off and time-limited schemes together with an additional £190k base budget growth on a range of initiatives commencing after April 2022 to address post pandemic recovery and investment in service and operational improvements. These include the following:

- £453k to employ additional Repairs Operatives to improve void property turnaround times and address a backlog of repairs that arose during the coronavirus lockdowns.

- £60k of additional funding to undertake a number of neighbourhood improvement and regeneration projects. The schemes have been proposed by various stakeholder groups and involve a range of projects including the provision of additional car parking, skip events and soft landscaping.

- £57k to employ an additional Financial Inclusion Officer for 2-years to provide advice and support to tenants facing financial difficulties in the face of the cost of living crisis identified in the UK economy in early 2022.

- £253k to fund a new 3-year post to identify and implement projects and works to the housing stock to improve thermal efficiency and reduce carbon emissions. The budget includes resources to undertake publicity and awareness campaigns to promote home energy efficiency for tenants in our housing stock.

- £81k base budget growth to enable a restructure of the Neighbourhoods Teams as we reshape our service delivery to drive improvement and respond to the legacy of a post covid environment.

- £50k for additional equipment and seasonal staff to improve the quality of service provided by our Grounds Maintenance Team.

- £85k for the provision of public WiFi in our independent Living Communities to support digital inclusion and enable better connectivity of new digital Community Alarms technologies in the future.

- £35k to address hoarding and clearance of void properties.

- £133k to appoint a Project Officer for 3-years to work with the Council to address temporary accommodation pressures.

In response to the pandemic we implemented home working for the majority of our office based staff in March 2020. As restrictions have eased we have embarked on a gradual return to our offices on a phased and rota basis and we will continue to roll this out to more staff during 2022. Work undertaken on this project to date indicates that we are unlikely to return to the pre-coronavirus ways of working but will instead adopt a mixed approach with staff working part remotely and part office based with individual cases being determined by reference to individual and team roles, interactions with others and the needs of the service and our staff. To facilitate this shift in practice the Board approved a budget of £35,000 to enable changes to the building and the purchase of additional equipment to support hot desk and hybrid working.

On 17th November 2020 the Government published the Social Housing White Paper: The Charter for Social Housing Residents which "sets out the actions the Government will take to ensure that residents in social housing are safe, are listened to, live in good quality homes, and have access to redress when things go wrong". The white paper presents a charter that sets out seven commitments that social housing residents should be able to expect from their landlord:

1. To be safe in your home.
2. To know how your landlord is performing.
3. To have your complaints dealt with promptly and fairly.
4. To be treated with respect, backed by a strong consumer regulator for tenants.

5. To have your voice heard by your landlord.
6. To have a good quality home and neighbourhood to live in.
7. To be supported to take your first step to ownership.

In March 2022 the Department for Levelling Up, Housing and Communities (DLUHC) published a draft of the Social Housing Regulation Bill as a step closer to brining the Government's intentions on delivering these changes into legislation. At this time no dates have been proposed as to when these measures will become law and we continue to await further developments.

In preparation for the implementation of this legislation we have re-structured our Resident Involvement Team and created a new positon of Senior Customer Relationship Officer. We continue to review our practices to ensure that we are compliant with the requirements of the Charter across all areas of our business.

Shropshire Council have set an ambitious target of achieving zero net carbon emissions from its activities by 2030. We recognise that this will require action on the retained housing stock and to help understand the current positon and identify opportunities for improvement we commissioned an independent consultant to review the stock to establish the base position and identify potential works to achieve carbon emission reductions. This information was incorporated into our Environmental Sustainment Strategy which was approved by the Board in September 2021 and will help inform future discussions with the Council with an aim to agree an action plan and a programme of capital works over the coming years. Alongside this we will consider sustainability in our new homes building programme and to help inform this we are progressing a pilot scheme to build 2 new homes to Passivhaus standard to gain a first-hand understanding the implications of this on the delivery of new affordable housing. 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.

Our current Management Agreement with Shropshire Council will end on 31st March 2023 and following a review undertaken by independent consultants in 2021, a report was presented to Shropshire Full Council on 12th May 2022 which recommended that the Management Agreement should be extended by 10 years from 1st April 2023. The current Management Agreement permits extensions by mutual agreement for periods of 5 years at a time. In light of the intention to extend by a further 10 years, the Council will seek approval of the Regulator of Social Housing to take this action. At the time of writing this approval has not been received but we have no reason to believe that it will not be given. On receipt of the approval of the Regulator the Council will be in a position to sign the new contract.

Significant Risks and Uncertainties

During 2021/22 we continued to face disruption to service delivery due to the impact of Covid19 however as restrictions were eased throughout the year we were able to make a gradual return towards pre-pandemic methods of working. However we are aware that the pandemic remains a threat and the operational environment can change rapidly. The experience we have gained over the last 2 years has given us confidence in our ability to provide services under the challenges imposed by coronavirus but we recognise that we need to remain alert and be prepared to face unforeseen events. We will maintain the flexibility to respond quickly to changing circumstances and adapt service delivery as necessary.

In early 2022 a number of factors are placing pressure on the global economy which are having significant impact in the UK. At the time of writing, current indications are that this will continue to bring disruption for at least the next twelve months and these will have implications on Company, our staff and our tenants including:

- High inflation and the impact on operational cost
- Potential supply chain shortages restricting our ability to source suitable equipment and materials
- Potential 2022/23 NJC pay award in response to the high cost of living faced by workers
- Financial hardship faced by our tenants
- Staff recruitment and retention difficulties arising from shortages in the labour market
- Increasing tender prices and ongoing viability of contractors to provide outsourced services and Planned Maintenance works.

We will continue to monitor economic and social pressures and make intervention where necessary. The Company holds usable reserves as a contingency against the financial implications of unavoidable events.

The Management Fee paid to the Company 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 the Company has 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.

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 as at 31st March 2022. 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 2021/22 rose significantly on the previous year (45 compared to 17 in 2020/21) and whilst it is likely that the impact of coronavirus contributed to a lower than average number in 2020/21, it is much higher than 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 now has schemes to provide up to 123 new homes by May 2025 together with proposals to acquire a further 27 units from the Council's housing development company Coronovii Developments Limited and s106 homes from a local builder. We continue to seek development land to enable the delivery of new housing supply and the Council's Capital Strategy 2020/21 to 2024/25 identifies funding capacity within the HRA if new opportunities can be identified.

Cost of Living and Universal Credit
The cost of living crisis and ongoing roll out of Universal Credit (UC) for new working age benefit claimants or those whose circumstances change 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. However there remains concern that the number of claimants and level of arrears could raise in the coming months. We will continue to monitor the position and implement further actions if necessary.

Retirement Benefit Obligations
The Company uses an independent actuary to assess the pension scheme obligations and plan assets. On 26th February 2020 the Board approved the actuary's recommended increase in employer's contribution rate from 14.6% to 18% from 1 April 2020 following the latest triennial valuation that was undertaken during 2019/20. This rate will apply for 3 years until March 2023.

Approval
The Strategic Report was approved and authorised for issue under delegated authority by the Board on 12th July 2022.

T. Deakin

Tony 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 meet 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.

Coronavirus restrictions prevented some of our traditional methods of staff engagement during 2021 and we were unable for hold our regular staff briefings or our annual staff away day. However team meetings and 1-2-1's continued virtually using Microsoft teams. Throughout the pandemic the Managing Director has circulated a regular Staff Update by email to all staff to help maintain internal communication and provide information on current Company issues and latest coronavirus guidance. In 2020 we replaced our annual staff satisfaction survey with a survey focusing on our response to the pandemic from the staff perspective. In 2021 we reverted back to our more traditional survey but added a section specifically on issues around home working to pick up evidence of the benefits and potential problems. Overall the survey indicated a positive response from our staff.

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 2021/22 we allocated £15,870 to support vocational training schemes for our employees. Applications from our staff are considered for approval by SMT as they arise throughout the year.

The Company has always been open to consider and adopt flexible and new methods of working and utilise technology to enable this to happen where mutual benefits to both the employee and service delivery can be identified. Our willingness to work flexibly combined with our previous investment in our ICT infrastructure enabled us to quickly respond to the restrictions imposed in the first lockdown as the majority of our office based staff switched to remote working virtually overnight on 17th March 2020. As lockdown restrictions eased over recent months we have taken steps towards adopting a hybrid model of office and remote working and we are increasing the number of designated "hot-desks" in our office accommodation to support this approach. In 2022 we will issue our Hybrid Working Policy which will formalise our approach to flexible working as we emerge from the pandemic and adopt new ways of working.

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.

Our commitment to involve our staff in all aspects of our operations is reflected in the Company's Articles of Association which states that one of our Board Members will be selected from our employees.

Insurance
The Company has independent insurance for Directors' and Officers' Liability and this cover was in place throughout the 2021/22 financial year. Other insurance policies are arranged through Shropshire Council with the exception of buildings cover on the Shrewsbury Office which is arranged by the landlord.

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

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

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 Financial Reporting Standards (IFRS) as adopted by the European Union. 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 estimates that are reasonable and prudent;

iii) state whether applicable international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

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 £2,237 were recognised

in the 2021/22 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 who were in office on the date of signing this report confirm that:

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

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 2022/23 financial year will be put to the Board at the Annual General Meeting on 11th October 2022.

Approval
The Directors' Report was approved and authorised for issue under delegated authority by the Board on 12th July 2022.

T. Deakin

Tony 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 Shropshire Towns and Rural Housing Limited.

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

The Company formally adopted the National Housing Federation (NHF) Code of Governance on 24th November 2016. In late summer 2020 we commissioned Board Development Agency (BDA) to undertake an independent review of Board Governance and their findings were presented to the Board in May 2021.

The review focused on 4 key areas, Governance Arrangements, Compliance with our Code of Conduct, accountability to stakeholders and how well the Board meets the standards set out in the NHF Code of Governance 2020. The review was undertaken in the context of the Social Housing White Paper, the NHF Code of Governance 2020 and the Housing Ombudsman's new Complaint Handling Guide published in July 2020.

Overall the review concluded positive findings on our Governance arrangements however it also highlighted a number of challenges where the Board may wish to seek assurance on a range of topics. We have developed an action plan to consider and respond to these matters and the Board approved this in May 2021.

We are not a member of the NHF and as such, are not required to follow the Code of Governance 2020, however the Board have agreed that we adopt the revised Code for 2021/22. Internal Audit in liaison with key officers of Shropshire Towns and Rural Housing Limited, have conducted a review and gap analysis of compliance with the NHF Code of Governance, the findings from which have informed a management improvement plan. Overall compliance with the Code when evaluating mission and values; strategy and delivery; board effectiveness; controls and assurances can be reported as embedded and integrated within the Company and any improvements will build upon this position.

The next steps are to develop an integrated action plan for the Board covering all the key activities required including those recommended actions highlighted in the review and gap analysis. This is due to be presented at the Board in May 2022. A number of activities and reports to complete these actions are planned for 2022/23.

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 2021/22 the internal audit plan included six key service areas for review, including Financial Management, Risk Management and Housing Management. Of the six reviews undertaken, 1 was assessed as having a "Reasonable" level of assurance and 5 were assessed as "Good". A total of 18 recommendations were made and accepted by management. In addition Internal Audit also provided consultancy advice on our adoption of the NHF Code of Governance. Whist no assurance level was attached to this work the review confirmed overall compliance. On the basis of the work undertaken during the year the Head of Internal Audit was able to deliver a positive year-end opinion on the Company's internal control environment for 2021/22.

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 2021/22 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 2022, which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, 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 international accounting standards in conformity with the requirements of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to International Financial Reporting Standards (IFRSs) as issued by the IASB

As explained in Note 1 to the financial statements, the company in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the financial statements give a true and fair view of the financial position of the company as at 31 March 2022 and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as issued by the IASB.

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 Brexit and Covid-19, 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.

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.

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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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 for the financial statements

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.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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, International Financial Reporting Standards (IFRSs), and current UK corporation tax legislation
- 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 through manipulation of corporate partnership, conferencing, events, statutory and other income.
- 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.

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

William Devitt
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
6th December 2022

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 March 2022

	Notes	2021/22 £000	2020/21 £000
Revenue	2	8,600	8,506
Other income	2	6,040	4,265
Total revenue		**14,640**	**12,771**
Employee benefits expenses	17	(6,116)	(5,508)
Depreciation & amortisation expenses	5 & 6	(24)	(52)
Other expenses	3	(8,693)	(6,628)
Total expenses		**(14,833)**	**(12,188)**
Operating Profit/(loss)		**(193)**	**583**
Finance costs	10	(204)	(179)
Finance income	21	10	32
Profit/(loss) before tax		**(387)**	**436**
Taxation	11	0	0
Profit/(loss) for the year		**(387)**	**436**
Other Comprehensive Income			
Remeasurement of pension assets and liabilities	19	1,309	(1,514)
Total Comprehensive Profit/(loss) for the year		**922**	**(1,078)**

The notes on pages 27 - 45 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
as at 31 March 2022

Company registration number 08289137

	Notes	2022 £000	2021 £000
Assets			
Non-Current			
Property, plant and equipment	5	0	0
Finance lease receivables	6	73	97
Non-current assets		73	97
Current			
Inventories		38	33
Trade and other receivables	7	1,877	2,310
Cash and cash equivalent	8	6,682	5,493
Current assets		8,597	7,836
Total assets		**8,670**	**7,933**
Equity and liabilities			
Equity	13	2,081	3,003
Total equity		2,081	3,003
Liabilities			
Non-current			
Pension liability	19	(8,704)	(8,989)
Lease liabilities	22	(24)	(47)
Non-current liabilities		(8,728)	(9,036)
Current			
Trade and other payables	9	(1,944)	(1,816)
Employee benefits accrual	18	(79)	(84)
Current liabilities		(2,023)	(1,900)
Total liabilities		(10,751)	(10,936)
Total equity and liabilities		**(8,670)**	**(7,933)**

The notes on pages 27 - 45 form part of these financial statements.

Authorised for issue under delegated authority by the Board at its meeting on 12th July 2022.

T. Deakin

Tony Deakin
Chair

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2022

		2021/22			2020/21		
		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		**(5,154)**	**2,151**	**(3,003)**	**(3,640)**	**1,715**	**(1,925)**
Profit/(loss) for the year		-	(387)	(387)		436	436
Other Comprehensive income							
Remeasurement of pension assets and liabilities	19	1,309		1,309	(1,514)		(1,514)
Total Comprehensive Expenditure for the year				**922**			**(1,078)**
Balance at 31 March		**(3,845)**	**1,764**	**(2,081)**	**(5,154)**	**2,151**	**(3,003)**

The notes on pages 27 - 45 form part of these financial statements

STATEMENT OF CASH FLOWS
for the year ended 31 March 2022

	Notes	2021/22 £000	2020/21 £000
Cash flows from operating activities			
Profit/(loss) before tax		(387)	436
Adjustments (non-cash items)	12	1,049	727
Net changes in working capital	12	552	(789)
Cash generated from operations		**1,214**	**374**
Cash flows from financing activities			
Repayment of leasing liabilities	22	(24)	(47)
Interest paid	22	(1)	(3)
Cash used in financing activities		**(25)**	**(50)**
Cash flows from investing activities			
Purchase of property, plant & equipment	5	0	0
Right of use asset	6	0	0
Cash used in investing activities		**0**	**0**
Net change in cash or cash equivalents		1,189	324
Cash and cash equivalents at the beginning of the year	8	5,493	5,169
Cash and cash equivalents at the end of the year	8	**6,682**	**5,493**

The notes on pages 27 - 45 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.

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 Shropshire Towns and Rural Housing Limited, 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 the 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 liabilities we take advice from specialist consultants.

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.

1.16 Going concern

The financial statements have been prepared on a going concern basis. Forecast profile of income and expenditure for 2022/23 and a three year budget presented to the Board at the meeting on the 22nd February 2022 indicate that cash flows will be sufficient to meet all obligations as they become due. At the time of writing this report we have no reason to believe that the financial consequences of responding to coronavirus will have a significant impact on our projected cash flows, however we will continue to monitor developments and revise our forecast in light of any changing circumstances. 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. The Management Agreement runs for 10 years to 31 March 2023 with the option to extend in 5-year periods thereafter. Payment of the Works Fee can be made on an immediate basis if necessary for cash flow purposes.

Our current Management Agreement with Shropshire Council will end on 31st March 2023 and following a review undertaken by independent consultants in 2021, a report was presented to Shropshire Full Council on 12th May 2022 which recommended that the Management Agreement should be extended by 10 years from 1st April 2023 and this was duly approved. The current Agreement permits extensions by mutual agreement for periods of 5 years at a time, and in light of the intention to extend by a further 10 years, the Council will seek approval of the Regulator of Social Housing to take this action. At the time of writing this approval has not been received but we have no reason to believe that it will not be given and on receipt of the approval of the Regulator the Council will be in a position to sign the new contract. On this basis we believe that there is no material uncertainty and the Company remains a going concern.

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 Shropshire Towns and Rural Housing Ltd 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.

	2021/22 £000	2020/21 £000
Management Fee paid by Shropshire Council	8,600	8,506
Other income		
Community Alarms	106	105
Intensive Housing Management Charge	208	212
Misc. income & recharges to SC Capital & Revenue	5,397	3,619
Grant income	329	329
	6,040	4,265
Total revenue	**14,640**	**12,771**

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:

	2021/22 £000	2020/21 £000
Management and Neighbourhoods	(1,119)	(1,134)
Repairs and Maintenance	(7,346)	(5,286)
Community Support Services	(228)	(208)
Total other expenses	**(8,693)**	**(6,628)**

4. Auditor's Remuneration

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

	2021/22 £000	2020/21 £000
Auditor's Remuneration – Statutory Audit	(28)	(19)

5. Property, Plant and Equipment

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

	2021/22 £000	2020/21 £000
Cost (brought forward) at 1 April	26	26
Additions	0	0
Total cost	**26**	**26**

Depreciation	2021/22 £000	2020/21 £000
Accumulated depreciation 1 April	(26)	(21)
Charge for the year	-	(5)
Total depreciation	**(26)**	**(26)**

	31 March 2022 £000	31 March 2021 £000
Carrying amount at 31 March	**0**	**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 new 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.

	2021/22 £000	2020/21 £000
Cost (brought forward) at 1 April	240	240
Additions	0	0
Total cost	**240**	**240**

Depreciation	2021/22 £000	2020/21 £000
Accumulated depreciation 1st April	(143)	(96)
Charge in the year	(24)	(47)
Total depreciation	**(167)**	**(143)**

	31 March 2022 £000	31 March 2021 £000
Carrying amount at 31 March	**73**	**97**

7. Trade and Other Receivables

	31 March 2022 £000	31 March 2021 £000
Sundry Debtors	78	215
Amounts due from Shropshire Council	1,658	2,053
Payments in Advance	141	42
Total trade and other receivables	**1,877**	**2,310**

8. Cash and Cash Equivalents

(Note figures quoted in pounds not thousands)

	31 March 2022 £	31 March 2021 £
Bank current account	6,681,573	5,492,660
Petty cash	250	250
Total cash and cash equivalents	**6,681,823**	**5,492,910**

9. Trade and Other Payables

	31 March 2022 £000	31 March 2021 £000
Trade payables	(994)	(1,041)
Amount owed to Shropshire Council	(269)	(247)
Other Creditors (HMRC VAT)	(407)	(375)
Tax and Social Security	(110)	(82)
Other Creditor – LGPS Pension	(164)	(71)
Total trade and other payables	**(1,944)**	**(1,816)**

10. Finance Cost

	2021/22 £000	2020/21 £000
Interest on pension liabilities	(488)	(440)
Interest on pension plan assets	306	285
Pension administration expenses	(21)	(21)
Interest on leases	(1)	(3)
Total finance cost	**(204)**	**(179)**

11. Taxation

HMRC have confirmed that the activities and transactions between Shropshire Council and Shropshire Towns & Rural Housing Limited, 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)	2021/22 £000	2020/21 £000
Depreciation & amortisation	24	52
Current service pension costs	697	496
Past service pension costs	0	0
Curtailment pension costs	124	0
Pension administration expenses	21	21
Net pension interest costs	182	155
Lease interest costs	1	3
Total adjustments	**1,049**	**727**

Net changes in working capital	2021/22 £000	2020/21 £000
Change in trade and other receivables	433	(774)
Change in trade and other payables	128	(38)
Change in employee benefits accrual	(5)	26
Movement in Stock (Increase)	(5)	(2)
Change in lease payables	1	(1)
Net changes in working capital	**552**	**(789)**

13. Equity/Reserves

	31 March 2022 £000	31 March 2021 £000
1 April	3,003	1,925
Equity 1 April	**3,003**	**1,925**
(Profit)/loss for the year	387	(436)
Remeasurement of pension assets & liabilities	(1,309)	1,514
Total Comprehensive (Profit)/loss for the year	**(922)**	**1,078**
Total equity 31 March	**2,081**	**3,003**

Analysis of Reserves	31 March 2021	31 March 2020
	£000	£000
Profit (usable)	(6,623)	(5,986)
Pension deficit (Note 19)	8,704	8,989
31 March	**2,081**	**3,003**

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

Shropshire Towns and Rural Housing Limited 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 Shropshire Towns and Rural Housing Limited 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 £14,381k (£12,751k in 2020/21). This included £8,600k (£8,506k in 2020/21) for the annual Management Fee and a further £4,936k (£3,421k in 2020/21) 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 2022 the Company had no contractual commitments.

During the year the Council charged the Company £736k (£799k 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 £1,389k (£1,806k in 2020/21). 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:

	2021/22 £000	2020/21 £000
Wages and salaries	346	339
Social security cost	42	41
Pension cost	61	61
Total	**449**	**441**

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:

	2021/22 £000	2020/21 £000
Wages and salaries	2	2
Total	**2**	**2**

15. Ultimate Parent Undertaking

The company is a wholly owned subsidiary of Shropshire Council 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:

	2021/22 £000	2020/21 £000
Wages and salaries	4,229	3,998
Social security cost	352	348
Pension cost	1,535	1,162
Total	**6,116**	**5,508**

The average number of employees for the year was 135 which equated to an average number of full time equivalents of 128.

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

	2021/22 Employees	2020/21 Employees
Management and Neighbourhoods	44	43
Repairs and Maintenance	73	75
Community Support Services	18	18
Total	**135**	**136**

18. Employee Related Benefits

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

	31 March 2022 £000	31 March 2021 £000
Employee related benefit accruals	(79)	(84)

The accrual relates to untaken holiday entitlement as at 31 March 2022.

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 2022 the Actuary's valuation of the fund's benefit obligation is £24.355m (31st March 2021 £23.534m) and plan assets is £15.651m (31st March 2021 £14.545m) giving a deficit of £8.704m (31st March 2021 £8.989m), which is an improvement of £285k 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 2019 by the actuary Mercer Limited. This resulted in the employer's rate increasing from 14.6% which had applied since April 2017, to 18.0% from April 2020. Employees contribute variable rates which increase on banded salary ranges. At 31st March 2022 the scheme had 127 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:

	2021/22 £000	2020/21 £000
Opening balance at 1 April	23,534	18,340
Current service cost	1,416	1,139
Past service cost	0	0
Interest cost on pension liabilities	488	440
Contributions by scheme participants	237	235
Re-measurements (liabilities):		
Experience (gain)/loss	55	(302)
(Gain)/loss on financial assumptions	(482)	3,873
(Gain)/loss on demographic assumptions	(158)	0
Curtailment	124	0
Benefits/transfers paid	(859)	(191)
Closing balance at 31 March	**24,355**	**23,534**

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

Inflationary assumptions	2021/22 End of Period %	2021/22 Start of Period %
Rate of inflation (CPI)	3.3	2.7
Rate of increase in salaries	4.55	3.95
Rate of increase in pensions	3.4	2.8
Discount Rate	2.8	2.1

Mortality assumptions:	2021/22 End of Period years	2021/22 Start of Period years
Life expectancy for current pensioners aged 65:		
Men	22.9	23.0
Women	25.1	25.1
Life expectancy for future pensioners aged 65 in 20 years' time:		
Men	24.1	24.3
Women	26.7	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 2022 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	24,355	23,880	24,839	24,430	25,042	24,355	24,355
Assets	(15,651)	(15,651)	(15,651)	(15,651)	(15,651)	(15,808)	(15,494)
Deficit/(Surplus)	8,704	8,229	9,188	8,779	9,391	8,547	8,861
Projected service cost for next year	1,347	1,315	1,381	1,347	1,391	1,347	1,347
Projected net interest cost for next year	235	229	248	237	254	230	239

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

	2021/22 £000	2020/21 £000
Opening balance at 1 April	14,545	11,537
Interest on plan assets	306	285
Re-measurements (assets)	724	2,057
Administration expenses	(21)	(21)
Employer contributions	719	643
Contributions by members	237	235
Settlements	0	0
Benefits/transfers paid	(859)	(191)
Closing balance at 31 March	**15,651**	**14,545**

Analysis of the plan assets is as follows:

Asset allocation	31 March 2022 £000	31 March 2021 £000
Equities:		
UK quoted	757	654
Global quoted	7,162	6,525
Bonds:		
Overseas – Global fixed income	1,025	1,040
Overseas – Global dynamic	991	997
Other class 2 – absolute return bonds	948	969
Property Funds	584	556
Alternatives:		
Private Equity	1,307	1,267
Infrastructure	535	456
Hedge Funds	966	912
BMO – LDI manager	542	499
Property Debt	327	399
Insurance Linked Securities	224	228
Private Debt	20	0
Cash accounts	263	43
Total	**15,651**	**14,545**

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

	31 March 2022 £000	31 March 2021 £000
Fair value of plan assets	15,651	14,545
Present value of funded obligation	(24,355)	(23,534)
Deficit in scheme	**(8,704)**	**(8,989)**

Amount reported in the Statement of Financial Position:

Non-Current Liabilities	31 March 2022 £000	31 March 2021 £000
Pension liability	(8,704)	(8,989)
Total	**(8,704)**	**(8,989)**

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

	2021/22 £000	2020/21 £000
Re-measurement (liabilities):		
Experience Gain/(loss)	(55)	302
Gain/(loss) on financial assumptions	482	(3,873)
Gain/(loss) on demographic assumptions	158	0
Re-measurement (assets) gain/(loss)	724	2,057
Actuarial gain/(loss) recognised in the Statement of Changes in Equity	**1,309**	**(1,514)**

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

	2021/22 £000	2020/21 £000
Current service cost	(1,416)	(1,139)
Past service cost	0	0
Interest cost on pension liabilities	(488)	(440)
Interest on plan assets	306	285
Administration expenses	(21)	(21)
Curtailment	(124)	0
Total charged to the Statement of Comprehensive Income	**(1,743)**	**(1,315)**

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:

	2021/22 £000	2020/21 £000
Re-measurement (liabilities):		
Experience Gain/(loss)	(55)	302
Gain/(loss) on financial assumptions	482	(3,873)
Gain/(loss) on demographic assumptions	158	0
Re-measurement (assets) gain/(loss)	724	2,057
Net actuarial gain/(loss) recognised in the Statement of Comprehensive Income	**1,309**	**(1,514)**

The Actuary's estimated employer's contribution for the year ended 31st March 2023 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 2022 £000	Long Term 31 March 2022 £000	Current 31 March 2021 £000	Long Term 31 March 2021 £000
Trade and other receivables	1,736	0	2,268	0
Cash and cash equivalents	6,682	0	5,492	0
Total	**8,418**	**0**	**7,760**	**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 2022 £000	Long Term 31 March 2022 £000	Current 31 March 2021 £000	Long Term 31 March 2021 £000
Trade and other payables	(1,263)	0	(1,288)	0
Employee benefits	(79)	0	(84)	0
Total	**(1,342)**	**0**	**(1,372)**	**0**

Cash Flow

The Company's primary source of revenue is Shropshire Council either through the Management Fee (£8,600k 2021/22), the Housing Service Support Service Grant (£329k 2021/22) or the Works Fee (£5,145k 2021/22). 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 (£10k 2021/22) is not critical to the Company's revenue. We therefore consider that the Company is not exposed to interest rate risk.

21. Finance Income

	2021/22 £000	2020/21 £000
Interest income from cash and cash equivalents	10	32
Total	**10**	**32**

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	49	24	73
Finance charges	1	1	2

Expenditure on right-of-use leases in the year totalled £25k. Interest of £1k was included in finance costs in the Statement of Comprehensive Income. Repayment of the principal balance of £24k 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 2021/22 was £6k. As at 31st March 2022 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