APPENDIX 1

Wellingborough Homes Limited
An Exempt Charity
Financial Statements
For the Year Ended 31 March 2016
(Co-operative and Community Benefit Society)

Basis of Preparation

Compliant with 2014 SORP for PRPs and 2015 Accounting Direction

Contents

Chairman's Statement

This has been a year of significant change and uncertainty in the housing sector. In May 2015, the new Government very quickly made a range of policy announcements which have fundamentally changed the sector landscape. Central to this was a major shift in favour of home ownership initiatives and away from funding affordable rent. We along with the rest of the sector have focused on developing strategic responses to a number of significant policy shifts, most notably the Government's plan to extend the Right to Buy, rent reductions and the impact of welfare reforms. We are fully aware that our external operating environment will continue to be volatile; changes in the global economy mean that we still operate in uncertain times. Consequently we continue to focus on improving our efficiency and effectiveness to support our growth ambitions. We are committed to making a positive contribution towards tackling the housing crisis by delivering as many new homes as we can. We finalised a new loan agreement with Barclays Bank during the year, which provides us with a further £38m of loan finance providing a total facility of £85m with which to invest in our target of 499 new homes by 2019.

Despite all of the challenges, Wellingborough Homes has demonstrated strong financial performance. At the end of the year we made an operating surplus of £7.5m from a turnover of £21.9m, and generated an operating margin of 34.2% which demonstrates real resilience in the face of the significant challenges in the sector. We will continue to remain absolutely committed to helping people access good quality homes and great services.

We are also committed to strong governance as shown by our new governance and delegations framework and the retention of our G1 V1 rating with the Homes and Communities Agency.

This has been a successful year where we have delivered on all of the actions within the first year of our Corporate Plan, had a robust financial performance throughout the year and developed 47 new homes. With a fully refreshed Executive Team we are confident that, despite the future challenges, Wellingborough Homes success and growth will continue as we deliver our plans and deliver great services and high quality living environments for our customers. It is the hard work and commitment of staff and board members that allow us to fulfil our charitable objectives and I wish to thank all for their continued hard work and support over the last year.

Tim Davy
Chairman, Wellingborough Homes ¦ September 2016

Association Information

Board Members, Executive Directors, Advisors and Bankers

Board Members:		**Executive Directors:**	
Chairman	Tim Davy	**Chief Executive**	Joanne Savage
Vice Chair	Yvette Morgan	**Finance and Performance Director (to October 2015)**	Michael Heekin
Other Board Members	Tony Aslam	**Interim Finance Director (from November 2015 to May 2016)**	Ian Warner
	Richard Coles	**Director of Resources (from June 2016)**	Julie Robinson
	Jon Ekins	**Director of Housing and Support Services**	Mandy Meanwell
	Graham Lawman	**Director of Asset and Development**	Denise Lewis
	John Lewis		
	Mary Reeves		
	Daphne Simmons		
	John Welch		
	Martin Wheatley		

See page 19 for full details of changes to Board membership throughout the year and members of Board committees.

Registered Office:
Wellingborough Homes Limited
12 Sheep Street
Wellingborough
Northants
NN8 1BL

Auditors:
Beever and Struthers
St George's House
215-219 Chester Road
Manchester
M15 4JE

Principal Solicitors:
Trowers and Hamlins
3 Bunhill Row
London
EC1Y 8YZ

Principal Funders and Bankers:
Barclays Bank PLC
Midlands Team
PO Box 3333
One Snowhill
Snowhill Queensway
Birmingham
B3 2WN

Valuers: (Social Housing)
Savills
37-39 Perrymount Road
Haywards Heath
RH16 3BN

Valuers: (Market Rent)
Martin Pendered & Co
2 Burystead Place
Wellingborough
NN8 1AH

Registered under the Co-operative and Community Benefit Societies Act 2014 (30097R)

Homes and Communities Agency Registration Number: L4509

Overview

Our Mission:

"Work successfully with our customers & communities to provide great services and high quality living environments."

Embedding Our Values:

Delivered in 15/16 & Planned in 16/17:

- **£1.3m** Operational Cost Savings Forecast for 16/17 & Zero Based Budgeting Introduced
- **£261k** Operational Savings Embedded in 15/16 Whilst Services Improved
- Effective Use of Assets: All Assets Assessed for Alternative Use at Relet
- Review of Procurement Process Progressed Further in 16/17
- Service Improvement in 15/16 With Satisfaction at 91% Against Target of 89%
- Customer & Community Investment Strategy Introduced in 15/16 to Involve Residents, Board & Stakeholders

Strategic Report

Who We Are

Wellingborough Homes (WH) is a Registered Provider regulated by the Homes and Communities Agency (HCA) and complies with the HCA's regulatory framework. The organisation was created in December 2007 as a Large Scale Voluntary Transfer (LSVT) and owns 4,638 homes in Wellingborough. It is the largest Registered Provider in Wellingborough and owns the most stock of any housing association in Northamptonshire. The organisation is governed by a Board of management consisting of twelve non-executive members, six independents, two tenants and four local authority nominees (one vacancy as at 31 March 2016). Other than the local authority nominees all other Board members are remunerated.

Mission and Values

Our mission statement is that *Wellingborough Homes will work successfully with its customers and communities to provide great services and high quality living environments.* Our values remain integral to how we work with others and they are *Respect, Trust, One Team, Efficient and Effective and Empowered.*

Corporate Plan

Our mission and values have been underpinned by our Corporate Plan 2015-2019. When we published our Corporate Plan in April 2015 we knew we were entering a period of change and uncertainty. In the period since the May 2015 general election, high levels of uncertainty have continued in the policy environment for social housing. Only when regulations have been made under the Housing and Planning Act will many important aspects of policy become clear. The impact of the European referendum and the subsequent change of Prime Minister and important ministerial positions on domestic policy is as yet hard to gauge, and we will continue to monitor developments closely. Our development pipeline is, however, being reshaped to deliver a mix of homes with 30% low cost ownership and 70% affordable rent, in line with the redirection of Homes and Communities Agency (HCA) funding. The 1% reduction in rent every year until 2020 will have an impact as our income will fall between 2016 and 2020 by £6.6million. We have refocused our spending plans and reassessed our business. It remains an absolute priority to provide more affordable homes. However, we have found it necessary to make difficult decisions around non-core activities. These and other changes resulted in an updated Corporate Plan in April 2016 with four Strategic Objectives outlined below:

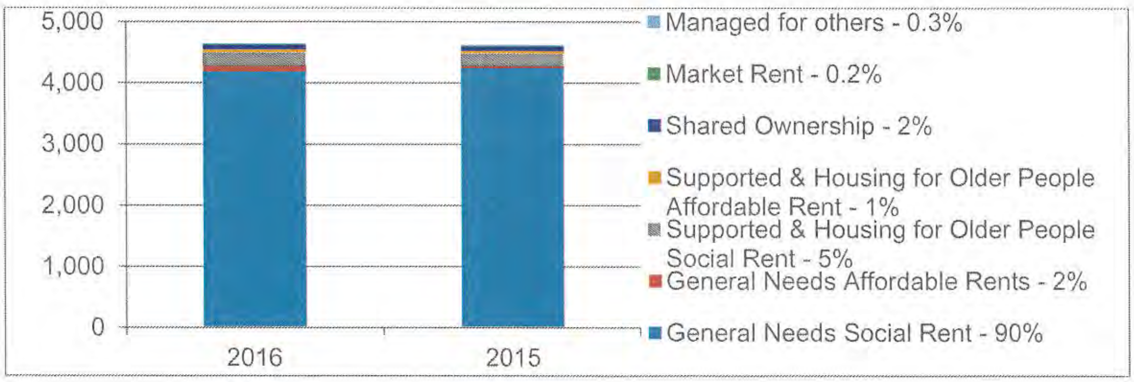
- Produce and use effective, high quality, accurate and timely data;
- Ensure investments generate optimum social and financial value;
- Reduce costs and drive efficiency;
- Ensure operational performance is maintained at a high level.

Wellingborough Homes operates four key business streams namely:

- Housing for rent, primarily for people who are unable to rent or buy at open market rates;
- Housing for older people who need additional support;
- Shared ownership properties (i.e. residents purchase a share in the equity of their homes and pay rent to us on the remainder) and;
- Selective market rental options.

Our stock profile is illustrated in graph 1 below.

Graph 1: Stock Profile



Strategic Report

Performance in the Year

The first year of our Corporate Plan 2015-19 has driven significant business improvement which has resulted in putting in place strong foundations. Performance against the plan has been monitored and reported to Board and other stakeholders during the year. We met our corporate strategic objective of delivering six strategies. Our other key achievements are set out below:

Refinancing – we secured an £85m loan facility with appropriate covenants to support our development ambitions of 499 new homes by 2020.

Restructuring – we restructured all front line services, ensuring we have the right people, in the right places, doing the right things, at the right times.

Developing – during 2015/16 we built 47 new homes, and have a further 75 in our development pipeline.

Customer Involvement – we overhauled our customer involvement structure and introduced a Scrutiny Panel, Customer Assembly and Service Panels to ensure customer input is a core element of business decisions.

Efficiency – we have a better understanding of what we need to spend to meet our legal and regulatory obligations and the money we need to spend elsewhere. We are working hard to deliver further savings, generate income and improve efficiency.

Refurbishment – we completed our major refurbishment programme in accordance with transfer commitments.

Social Value – we established an investment measure for social and financial return.

Partnership – we continued to work with partners and are pleased with the on-going improved relationships with the Borough Council of Wellingborough, leading to joint projects being delivered.

Financial Performance Review

The Board is pleased to report an operating surplus of £7.5m (2015: £7.0m).

Key Financial Measures

Operating Margin

34.2%

(2014/15 31.9%)

Cost Per Unit

£2,703

(2014/15 £3,601)

Arrears

3.4%

(2014/15 3.5%)

Gearing

42.6%

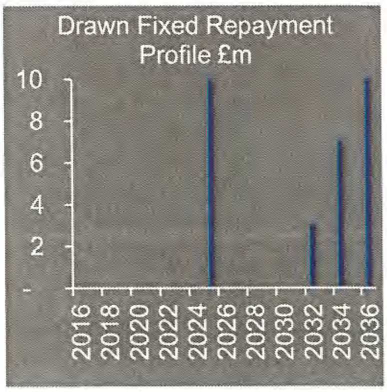
(2014/15 53.0%)

Loan Facilities:

Drawn Fixed £30m

Drawn Variable Revolving £6m

Undrawn Variable Revolving £49m



Strategic Report

WH had a strong operating surplus performance in 2015/16 of £7.5m representing an increase of 6.8% on the prior year. With revenue being steady year on year the improvement in surplus has been driven by cost reduction. Cost optimisation remains key to addressing future challenges related to 1% rent reductions.

On-going surplus generation coupled with re-financing completed in the year leaves us well placed to achieve development targets. Long-term fixed rate facilities are in place secured against housing stock with conservative gearing of 42.6% at year end and strong covenant compliance continues to be a feature of financial performance.

Healthy cashflow performance allowed £11.2m of borrowing to be repaid and improved levels of arrears at 3.4% despite welfare reform impacts which reflect robust cash collection.

The transition to FRS102 has had no material impact on the reported surplus. Details on the impact of first time FRS102 adoption are set out in note 24. A change in accounting policy regarding the valuation of housing property assets was made in the year. They are now shown on an historical costs basis rather than market value which results in the removal of the revaluation reserve and an equivalent reduction in the balance sheet value of housing property assets. These changes were approved by the Board, our auditors and funders.

Table 1: A 5-year summary of Financial Performance (*re-stated for FRS 102 and change in accounting policy)

For year ended 31 March	2016*	2015*	2014	2013	2012
Summary Statement of Comprehensive Income	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Total turnover (note 3)	21,907	21,973	21,467	20,196	19,258
Income from Social Housing lettings (note 3)	20,875	19,970	19,584	19,152	17,472
Operating surplus: continuing activities	7,487	7,012	4,375	7,174	5,275
Surplus for the year transferred to reserves	6,631	6,114	(969)	47,981	6,084
Summary Statement of Financial Performance	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Intangible assets	-	-	-	-	-
Housing properties including Investment Properties (notes 11 and 12)	86,884	82,695	112,636	104,829	54,022
Other Property, Plant and Equipment (note 11)	156	100	64	56	103
Total fixed assets	**87,040**	**82,795**	**112,700**	**104,885**	**54,125**
Net current assets	307	8,555	1,980	3,217	3,087
Total assets less current liabilities	**87,347**	**91,350**	**114,680**	**108,102**	**57,212**
Funded by:					
Loans (due over one year) (note 16)	35,798	47,000	34,000	27,000	24,000
Pension (asset) (note 10)	(632)	(173)	(563)	(1,075)	(978)
Other long term liabilities (note 16)	3,855	2,828	41	6	-
Capital and reserves:					
Revenue reserve	48,326	41,695	34,990	49,886	8,631
Pension reserve			563	1,075	978
Property revaluation	-	-	45,649	31,210	24,581
Total reserves	**87,347**	**91,350**	**114,680**	**108,102**	**57,212**

Development and Investment

In 2015/16, we reviewed and restructured the Asset and Development service to ensure we have the in-house skills and capacity required to deliver a more ambitious development programme of 499 homes over the next four years.

We have also refocused our development programme to include a higher proportion of homes for shared ownership – at least 30% – to help meet the needs of those who aspire to own their home and cannot afford to do so.

We continue to work through the Quantum Consortium (consortium of 7 HA's) in delivering the Affordable Housing Programme and share our work commitments. Also we will be looking to explore how we can start to jointly procure services such as frameworks for contractors, delivering the green agenda and commissioning research on new and emerging markets.

In 2016/17 we will continue to build our development pipeline, through existing or new strategic partnerships with developers and other Registered Providers. We will also be seeking opportunities through Section 106, design and build, package deals and through joint ventures to acquire sites in our geographical search areas with a view to developing a mix of homes, particularly smaller family-sized homes for rent and shared ownership.

We will continue to work closely with Borough Council of Wellingborough in completing a feasibility study on estate regeneration and investment options for poorly performing stock.

To ensure that any proposed new development delivers VFM for the Association and also for our current customers we appraise schemes against a set of development parameters which are agreed and reviewed annually by the Board. In 2015/16 we achieved a significant milestone having completed all the commitments to improve the stock made as part of the Transfer Agreement which included refurbishment of our supported living schemes and Diana and Sylvanus House and the flat enveloping and environmental improvement programmes.

Funding for our development strategy from our surplus, grant and borrowing is in place.

Risks and Mitigating Actions

Table 2: Strategic Risks and Actions

Strategic Risk	Controls and Actions
Welfare Reform Welfare Reform changes including the LHA cap leading to a loss of income through increased arrears and bad debt and to increased costs through the need for extra tenancy support and benefit advice services and increased income collection and tenancy failure costs etc.	• Cross functional welfare reform project group established to anticipate and manage the risks related to all aspects of welfare changes. Visits to tenants who will be affected by Universal Credit and the reduction in the Benefit Cap have been completed. • Detailed Welfare Reform Action Plan in place and being delivered. • Regular reporting to Executive Management Team (EMT) and annual report to Board to update on progress. • Welfare Reform Group to keep impact of Brexit under review. • Review of supported housing strategy.
Cost of Carry Failure to Identify new opportunities for growth leading to delays in development programme and potential additional "cost of carry".	• BCW - support received in principle for 'homes for land' model with 3 sites identified for transfer to WH. • Other development opportunities being explored and networks established with developers, land agents and other key stakeholders. Pipeline to complete 58 units in 2016/17.
Repairs Poor performing Repairs Service with rising costs leads to customer dissatisfaction and deteriorating VFM, leading to a potential breach of consumer standards. Impacts on the longer-term ability to deliver against the business plan.	• Regular and robust contract monitoring including contingency plans for contractor failure. • Revision to KPI's to inform clearer assessment of outcomes. • Strategic meetings re-established. • Implement new Repairs and Maintenance Policy. • Identify and evaluate future delivery options for repairs service • Identify works which can be included in planned works. • Actively engage with Resident Scrutiny Panel to ensure quality meets internal standards.
Skills Risk of key skills shortages in some areas of the business e.g. Property Services, Finance.	• All posts in Housing and Support Services filled. • Back office restructure commenced.
Income Risk of rent loss through slow re let time on voids. Demand for some properties lower than in previous years	• Specialist voids role now owning process. • Voids review leading to streamlined processes. • Regular allocations partnership meetings with BCW. • Any day tenancies. • Efficient use of notice periods. • Viewings in occupation and when work is in progress.
Governance Failure to comply with housing law leads to legal action and reputational damage	• Restructure of Housing Services team completed. • New structure agreed to strengthen management.
Business Continuity Lack of testing of business continuity plan leading to our inability to respond successfully to an incident or system failure	• Business Continuity plan updated, tested and reviewed. • Data recovery test planned for 2016. • Out of Hours Cover in place.

Our statement (and past publications) on how we deliver Value for Money is available on our website at

"www.wellingboroughhomes.org/about-us/publications/"

Strategy

We are committed to delivering better Value for Money for our customers. Our Corporate Plan 2015-19 sets clear objectives and key priority areas to ensure we deliver improvements to services, attain a stronger financial position and gain competitive advantage through partnership working. By making VFM one of the six strategies which support delivery of the Corporate Plan, the Board has signalled the importance of VFM to the Association. The VFM strategy for 2015-19 was approved by the Board in May 2015 and it includes six strategy-specific goals which are:

- Understanding costs better;
- Delivering improved services to customers and cost savings;
- Effective use of assets;
- Improving procurement;
- Involving customers, staff, Board and stakeholders;
- Demonstrating improvements.

To be effective, VFM is made integral to our business planning, with close links to our Performance Management Framework. It is a continual review of information, processes, customer scrutiny, customer feedback, benchmarking and our performance trend. How VFM is embedded in our governance structure is illustrated in figure 7 below.

Figure 1: VFM Roles and Governance

THE BOARD
Approves the VFM Strategy, agrees targets, monitors performance against target and receives an annual Internal Statement

AUDIT & RISK COMMITTEE
Reviews VFM assessment, monitors corporate risks and assurance, and ensures delivery against internal and external audit

REMUNERATION & SELECTION COMMITTEE
Reviews the effectiveness of the Board and Chief Executive. Reviews pay strategy for Board and Chief Executive.

CUSTOMER ASSEMBLY and CUSTOMER SCRUTINY PANEL
Represents the interests of our tenants and ensures compliance with consumer standards. Scrutiny of services.

LEADERSHIP TEAM
Deliver VFM initiatives, increase provision for added value services, deliver cashable and non-cashable gains and ensures VFM is embedded in their service areas.

The VFM Strategy supports our mission and links closely to our overall Corporate Strategic Objectives as shown below:

Table 3: Corporate Strategic Objectives and VFM Goals

Corporate Strategic Objectives	VFM Strategy Specific Goals
Produce and use effective, high quality, accurate and timely data.	• Understanding costs better. • Involving customers, staff, Board and stakeholders. • Effective use of assets. • Demonstrating improvements.
Ensure investments generate optimum social and financial value.	• Effective use of assets. • Improved procurement.
Reduce costs and drive efficiency.	• Delivering improved services to customers and cost savings. • Improved procurement.
Ensure operational performance is maintained at a high level.	• Involving customers, staff, Board and stakeholders. • Demonstrating improvements. • Delivery improved services to customers and cost savings.

VFM Actions in 2015/16

The table below summarises the progress we have made against the objectives in respect of each VFM strategy goal that we set out in last year's self assessment.

Table 4: VFM Actions

VFM strategy goal	What We Said We Would Do	What We Did
Understanding costs better	Carry out budget setting for 2016/17 using zero base budgeting methodology.	All budget lines were justified from first principle. Operating costs are budgeted to be £1.3m lower in 2016/17 than the budget for 2015/16.
	All budget lines to be graded as mandatory or discretionary spend to establish organisational spend between the two areas.	This exercise was completed following the budget setting for 2016/17 and will be used to inform budget decisions for 2017/18.
Delivering improved service to customers and costs savings	Present budget to the Board which includes overhead cost savings of 3%.	Overall operating costs are budgeted to be 10% lower in 2016/17 than budgeted for 2015/16.
	Produce register of cashable savings.	The cashable savings register has been completed and has been used to inform the VFM self assessment.
Effective use of assets	100% of new investments achieve the agreed corporate hurdle rates.	The practical implementation of this objective has demonstrated that this is not the required measure. New development parameters have been approved by the Board and relevant KPI's introduced for 2016/17.
	All relets will be assessed to determine whether they are re-let at social or affordable rent, considered for alternative use or sold.	This is now in place and has been applied to 80+ relets since October 2015.
Improving procurement	Review procurement process.	This is underway and will be progressed further in 2016/17.
	Review procurement of key contracts.	
Involving customers, staff, board and stakeholders	100% of new initiatives measured against Housing Association Charitable Trust (HACT) methodology.	The HACT methodology has been actively promoted and will be used on all new projects and initiatives in 2016/17.
	Ensure there is an effective method for customer involvement in monitoring service standards.	Our new Customer and Community Investment Strategy details how we will engage with our customers to improve our service and performance, incorporating use of the Resident Scrutiny Panel's feedback.
Demonstrating improvements	STAR survey feedback on customer satisfaction on our services.	Overall satisfaction was 91% against a target of 89%.
	100% of existing work streams to be measured against HACT methodology.	Introduced during 2015/16, all community investment projects are now being measured against the HACT methodology.

Maximising Return on Assets

We regularly review options available for making best use of existing stock, including evaluation of the following options:

- maintaining existing stock to at least the Homes Standard;
- improvements to homes and estates, including regeneration opportunities;
- conversion to other tenures;
- disposing of stock.

A number of factors are taken into consideration in reaching decisions about our assets, including:

- costs of ensuring stock continues to meet the Homes Standard;
- level and type of demand;
- on-going repairs and maintenance costs, including voids;
- the implications of any sales, for example on levels of security, and whether proceeds could help fund replacement of same or higher number of homes;
- whether redevelopment would be the optimum solution to better meet local needs.

From April 2015 we have introduced an in-house 20% annual rolling programme of stock condition surveys to provide up to date and reliable data to inform investment decisions and planning.

During 2015/16 we have supplemented the physical stock condition surveys with desktop reviews to accelerate the coverage of our stock condition information with a target to complete 100% by March 2017. This will ensure that stock condition data is based on local intelligence and current knowledge of individual properties, including details of investment made in our homes since they were transferred from the Borough Council of Wellingborough in December 2007.

Whilst stock condition data is important, as it enables efficient planning for and meeting investment needs of our properties, components will generally only be renewed when they have reached the end of their working life. This approach does often lead to uneven investment needs year on year but in the longer term this is considered to deliver better VFM

In line with the new regulatory requirement introduced in April 2015 we have developed an Asset and Liabilities Register to help us better understand our housing assets and security position and ensure we have swift access to this information in decision making and risk management. This also ensures we understand how we could use these assets to ensure stability should an unexpected crisis arise. We continue to maintain and enhance our Asset and Liabilities Register to ensure it is thorough and up to date and can inform effective decision-making and risk management.

We use an asset modelling tool to help us understand how each individual asset and asset group performs in terms of financial and social return on investment as and when they become void and/or when carrying out an options appraisal in respect of a particular group of assets.

We know from the work we did in carrying out an asset modelling exercise as part of a review of our assets in 2014 that there were no asset groups which had a negative NPV at that time. We are in the process of reviewing model assumptions for the recent economic and political changes that have taken place.

Performance Monitoring

Monthly and quarterly monitoring is undertaken by EMT and Board respectively. Operating costs, improved procurement, benchmarking and performance KPI's are key areas of monitoring to ensure objectives can be achieved.

Operating Costs

Operating costs were reduced by 3.6% in 2015/16 through reduced major repair costs and efficiency gains (see below). We will continue to focus cost optimisation in 2016/17 and further savings have already been identified. As part of our continuous evaluation of operational costs, the VFM Working Group capture across the business the key savings/efficiencies achieved in the year. We were pleased to report a total cashable gain of £261k included within the 3.6% reduction which are ongoing savings. We have continued to work hard this year to ensure we deliver more gains. All cashable gains identified contribute to the surpluses realised in the financial year which are used to further our corporate objectives.

Table 5: VFM Efficiency Gains

Description	Annual recurring savings from 2015/16(£)	New annual recurring savings & additional income in 2016/17 (£)	Details
Void decorating works	70,000		No longer decorating a room in each void for the incoming tenant.
Service charges on relets	50,456		Additional service charge income on relets.
Tree surgery	50,000		Service brought in-house.
Reduced printing and re-tender PR, design & marketing contract	43,350		Annual report available online rather than printed. Well Informed reduced from 4 to 2 editions per year, design work performed in-house and consolidating external PR, design and marketing activities to one supplier.
Community involvement activities	18,153		More focused events, training for residents provided by in-house resource, more communication with residents using email.
Resident call system	17,387		Consortium procurement framework.
Various	11,198		Includes electronic payments, recruitment and uniform cost savings.
Additional income		108,253	Changes in garage rent policy enable additional rent to be realised from 2016/17.
Restructure across all of housing & support services		63,103	Savings based on comparison between old and new structure based on 2015/16 salaries.
Maintenance works		30,000	Currently some maintenance works are outsourced and these services will be brought in house in 2016/17.
Legal Services		20,000	Housing Association Legal Alliance (HALA) savings.
Total	**260,544**	**221,356**	

Operating cost performance will continue to be a key focus in 2016/17 under the 'Understanding costs better' strategic goal with the ambition to achieve best in class cost efficiency across all areas of the Association.

Procurement

We will be reviewing our approach to procurement of planned works and new development in 2016/17 with a view to delivering works to the required quality standards as cost effectively as possible. This will include exploring how we can make better use of existing frameworks which are available to us and also procurement of a bespoke framework(s) where this would be a better option in terms of meeting our corporate objectives.

The contract for responsive repairs was awarded following an EU compliant procurement process to an external service provider in 2013 for an initial term of 5 years. In 2016/17 we will be completing an options appraisal to identify the preferred option for delivering the service from 2018 and beyond. A key consideration will be the ability to deliver better VFM alongside sustainment of current levels of performance in terms of service quality and customer satisfaction.

Benchmarking

Housemark provide benchmarking measures across a wide range of categories covering both costs and performance comparisons in the Registered Provider of social housing sector.

Performance measures are based on a range of operational metrics e.g. number of repairs, average time to complete, tenant satisfaction for responsive repairs performance etc. Cost per property is used for the cost measure.

In two categories (Responsive Repairs and Major Works) WH has better than median cost and performance metrics (green quadrant). There was 1 category (Estate Services) with both below median cost and performance (red quadrant). The remaining 4 categories were in the amber quadrant (good performance/high cost). Estate Services performance score is related to the number of tenants satisfied with their neighbourhood. The WH score of 82% is comfortably above the lower quartile of 75% but slightly below the median of 88%.

When aggregated total costs are lower than the median benchmark (£2,703 versus £2,887).This is set to continue in 2016/17 with budgeted costs of £2,718.

A summary of WH's position in 8 categories compared to its peer group median are set out in the graph and table below.

Table 6: Costs per Unit and Performance Scores versus Housemark Benchmark

		Performance Score		Cost per Property	
Ref	Category	WH	Median	WH	Median
1	Responsive Repairs & Voids Works	56	49	£808	£868
2	Rent Arrears & Collection	51	53	£169	£149
3	Anti-Social Behaviour	no data*	52	£27	£62
4	Major Works & Cyclical Maintenance	77	60	£1,164	£1,396
5	Lettings	62	52	£85	£79
6	Tenancy Management	74	45	£151	£99
7	Resident Involvement	53	53	£111	£71
8	Estate Services	11	49	£188	£163
Total				£2,703	£2,887

* Data set for 'satisfaction with case handling and outcome' too small for meaningful comparison.

Figure 8: Housemark Cost and Performance

We have also benchmarked our headline social housing costs per unit against HCA produced figures which drew upon 11 years data for all providers in England with more than 1,000 homes.

WH total social housing cost per unit for 2015/16 fell within the lower quartile when compared to the sector level data for 2014/15. Our business plan budget for 2016/17 delivers total social housing costs per unit falling by 2.4%.

The Housemark and HCA benchmarking analysis use different methodologies resulting in different unit cost calculations. The HCA methodology results in a total cost of providing social housing of £3,007 per unit. This is £543 below the sector median. The executive recognise that there is scope for further efficiencies reflected in a budgeted £2,936 total cost per unit in 2016/17.

KPI's

We report Key Performance Indicators (KPIs) to our Board on a quarterly basis with performance against target and year-on year performance being examined and these are shown in the table below:

Table 7: 2015/16 KPI's

Strategic Corporate Objective	Key Performance Indicator	Actual 2015/16	Target 2015/16	Actual 2014/15	Trend*
To produce and use effective, high quality, accurate and timely data	% households where tenant profile information held on 4 or more characteristics	78.6	75.0	N/A	N/A
	% stock condition surveys carried out annually as a percentage of stock	42.3	20.0	N/A	N/A
	% properties where NPV value is known	98.1	100.0	N/A	N/A
	% new initiatives measured against social value methodology	100	100.0	N/A	N/A
	% customers satisfied with views being taken into account	75.0	70.0	70.0	↑
To ensure investments generate optimum social and financial value	% of budget lines to be graded as mandatory or discretionary	100	100.0	N/A	N/A
To reduce costs and drive efficiency	% total income collected as a % of total income due	99.8	99.5	N/A	N/A
	Average number of sick days per employee per annum	8.5	9.0	12.3	↓
	% working time key IT systems are available	99.4	99.5	N/A	N/A
To ensure operational performance is maintained at a high level	Former tenant arrears as a percentage of the annual rent debit	1.2	1.0	1.5	↓
	Current tenant arrears as % annual rent debit	3.4	3.5	3.5	↓
	Percentage of rent lost through dwellings being vacant	0.5	1.0	0.9	↓
	Average re let time of all properties (days)	30.1	28.0	38.5	↓
	% dwellings with a valid gas safety certificate	99.9	100.0	99.95	↓
	Repair appointments kept as % appointments made	98.7	95.0	95.2	↑
	% customers satisfied with Wellingborough Homes overall	91.0	89.0	87.0	↑
	Repairs completed in target as % repairs complete	94.2	96.0	92.9	↑
	Completed first visit as % repairs completed	95.7	85.0	90.6	↑

*Green arrows are improvements on previous year - for some KPI's a downward trend is an improvement in performance.

Key messages from the KPIs

% properties where NPV value is known
We completed an asset modelling exercise in August 2014. Since then stock changes have resulted in less than 100% of properties having a known NPV. We plan to repeat the asset modelling exercise in 2016/17 and update this in-house on a regular cycle thereafter.

Former tenant arrears as a percentage of the annual rent debit
We introduced a new specialist role as part of the re-structure in Neighbourhood Services, which was in place from late 2015, at the same time a lot of our focus has been on current arrears and Welfare Reform. We also found that our tracing and write off processes were not as efficient as they could be. We have subsequently introduced Experian Citizen View to improve tracing and have amended our Financial Regulations to improve the efficiency of write offs.

Completed first visit as % repairs completed
Performance in this area is good and our challenge is to sustain this throughout the remaining period of the current repairs contract.

KPI's for 2016/17
The Board has agreed a revised set of KPI's for 2016/17 in line with evolving business priorities and aligned to our four Corporate Strategic Objectives as set out in the table below:

Table 8: 2016/17 KPI's

Strategic Corporate Objective	Key Performance Indicator	Actual 2015/16	Target 2016-17
To ensure investments generate optimum social and financial value	% properties where NPV value is known	98.1	100.0 (annual target)
	% customers satisfied with views being taken into account	75.0	78.0
	Percentage of development units completed against target	New for 2016/17	100.0
	Unsold shared ownership units 3 months after completion	New for 2016/17	0
To reduce costs and drive efficiency	Average number of sick days per employee per annum	8.5	10.0
	% working time key IT systems are available	99.4	99.5
	Board member attendance at meetings as % attendance maximum	New for 2016/17	80.0
	Debt per Unit Owned	New for 2016/17	£8,524
	Operating Margin % (as per FVA)	New for 2016/17	30.4%
	Interest Cover EBITDA (MRI) (as per FVA)	New for 2016/17	422.9
	Asset Cover	New for 2016/17	1.1
To ensure operational performance is maintained at a high level	Current tenant arrears as % annual rent debit	3.4	3.2
	Average re let time of all properties (days)	30.1	25
	% dwellings with a valid gas safety certificate	99.9	100.0
	% customers satisfied with Wellingborough Homes overall	91.0	90.0
	Repairs completed in target as % repairs complete	94.2	96.0
	Completed first visit as % repairs completed	95.7	85.0
	Percentage of dwellings that are non-decent	New for 2016/17	0.0
	Percentage of complaints resolved at first contact	New for 2016/17	90.0
	Emergency repairs completed in target as % repairs complete	New for 2016/17	98.0
	% customer satisfied with repairs service	New for 2016/17	90.0

Social Value

In terms of community investment our new Customer and Community Investment Strategy identified two key principles:

We will only invest in new community social investment activity where we can be satisfied that the majority of beneficiaries are WH's customers.

We will be clear about the expected outcomes of all community investment activity and ensure it aligns with our mission.

As part of this we developed specific objectives for community investment as follows:

- building strong and resilient communities enabling customers to improve their neighbourhoods, communities and quality of life;
- investing in enabling customers to access financial inclusion services that seek to improve financial security;
- investing in employment, skills and training to enable customers to access employment opportunities;
- investing in Digital Inclusion to enable customers to become confident in the use of IT and can support themselves to create employment and other opportunities.

We invest to support our customers and increase their household income thereby enabling our tenants to better sustain their tenancies. We currently fund FISH (Free Impartial Support & Help), have an in-house Debt & Benefits advisor, and work with the Citizens' Advice Bureau and Northamptonshire Credit Union. With our partners in 2015-16 we assisted 1,432 WH customers with benefits and debt advice totalling £4.9m (plus 620 non-WH customers with £3.9m of benefits and debt advice).

During 2015/16, we recruited an in-house Debt & Benefit Advisor to support the development of in-house knowledge and skills, and ensure we maximise contact with our customers directly and best manage communication and activity around Welfare Reform.

We have also developed partnerships with Citizens' Advice Bureau (CAB) and Northamptonshire Credit Union. We are currently providing £16k funding to the credit union over two financial years (2015/16 and 2016/17) to enable them to provide a member of staff for 2 days per week working directly with our customers and staff. The aim of this service is to encourage and sign up our customers to use the Credit Union enabling them to access banking, loan, savings and other financial products.

We currently run a 'Training Academy' working with a number of partners who provide training funded via various sources. The Academy provides a wide range of training courses for customers. This includes:

- IT Skills;
- making the most of your money;
- food hygiene;
- customer Service;
- job searching skills.

We are reviewing the Academy to ensure we achieve improved VFM and target our resources and our partners funding on our customers.

In 2015/16 we piloted the Housing Association Charitable Trust (HACT) Wellbeing Valuation Model which measures social investment in financial terms. This model has now been adopted and all new social and community investment activity will be measured using this model to ensure that we are achieving the best return on that investment. The agreed parameters are for every £1 we spend there must be a minimum £3 social investment return. We are looking to increase this return on an annual basis.

Report of the Board

Legal status

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a registered provider of social housing.

Principal Activities

Details of the Association's principal activities, its performance during the year and factors likely to affect its future housing development are contained within the Strategic Report, which precedes this report.

Board and Committee Structure

The Rules of the Association allow for the appointment of Board members as follows:

- Two tenant members
- Four council members
- Six ordinary members

As at 31 March 2016, the Association had 11 Board members with one vacancy. The members who served from 1 April 2015 are listed in the table below:

Board Members

Table 9: Board Members

Name	Joined Board	Committee Membership	Left Board
Eileen Higgins	28 February 2007	Audit & Risk	21 May 2015
George Blackwell	25 January 2008		21 May 2015
Tim Davy (Chair)	6 November 2009	Audit & Risk (non-voting), Remuneration & Selection	
Yvette Morgan (Vice Chair)	19 February 2010	Audit & Risk	
Mary Reeves	19 May 2011	Remuneration & Selection	
Daphne Simmons	19 May 2011	Audit & Risk	
Richard Coles	15 September 2011	Remuneration & Selection	
John Welch	24 January 2013	Audit & Risk	
Jon Ekins	16 July 2015	Remuneration & Selection	
John Lewis	22 May 2014	Remuneration & Selection left May 2016	
Graham Lawman	11 September 2014	Audit & Risk	
Tony Aslam	16 July 2015	Audit & Risk	
Robert Gough	11 September 2014		8 May 2015
Jennie Bone	16 July 2015		10 September 2015
Martin Wheatley	25 February 2016	Remuneration & Selection, Audit & Risk	

Ordinary members of the Board hold one fully paid £1 share that is cancelled on cessation of membership. Tenant Board members may maintain their shareholding after they leave the Board. The Borough Council of Wellingborough holds a corporate share and nomination rights for four places on the Board. One share was issued from 1 April 2015 to 31 March 2016.

Report of the Board

During the year the Association reviewed the framework for governance and delegation. The new framework will ensure that roles and responsibilities, decision making powers and delegated authority are clear. The new framework facilitates compliance with regulatory standards and the NHF Code of Governance. Under the new framework the Audit Committee has been renamed Audit & Risk Committee which reflects the delegation from Board of the detailed scrutiny and evaluation of risk.

In addition a new Remuneration & Selection Committee has been established to cover Board and executive pay as well as terms and conditions, Board recruitment, skills, development and performance.

The Policy Committee has been discontinued. The reviewed scheme of delegation now sets out a process for delineation of policy at levels which can be approved either by the Board, by the Executive Management Team collectively or by a director individually.

Employee Policies

The Association recognises that its staff are key to working successfully with customers and communities to provide great services and high quality living environments.

The Association has established learning and development programmes for all staff to ensure that employees can develop to their full potential and deliver our key objectives.

The Association has a health and safety policy the delivery of which is overseen by the Executive Management Team, which is supported by a health and safety staff group.

The Association recognises the Unison Trade Union and engages in local collective negotiations with them.

The Association is committed to equality and diversity and to ensuring that no employee, tenant or user of our services, receives less favourable treatment on the grounds of gender, race, age, disability, gender identity, religion or belief, and sexual orientation.

Insurance

The Association has maintained throughout the year insurance of members and senior employees against liabilities in relation to the Association.

Going Concern

It is the opinion of the Board that the Association has a reasonable expectation of having adequate resources to continue in operational existence for the foreseeable future. Accordingly, it continues to adopt the going concern basis in preparing the Association's financial statements.

Disclosure of Information of Auditors

The Board Members who held office at the date of approval of this Board report, confirm that so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware; and each Board member has taken all the steps that ought to have been taken as a Board member to make themselves aware of any relevant audit information, and to establish that the Association's auditors are aware of that information.

Code of Governance

The Association has adopted the National Housing Federation Code of Governance 2015 Promoting Board Excellence for Housing Associations. There was full compliance with the code except with regard to being fully able to decide on best board composition and appoint new members objectively on merit. This is due to the rule that BCW has the right to nominate 4 representative Board members. Discussions have been on going with BCW to resolve the matter and it has been agreed that an appointment protocol will be trialled. The trial will take place on the appointment of the next councillor board member and after the full implications of the Housing and Planning Act relating to Local Authority control are known.

Statement on Internal Control

The Board has responsibility for ensuring that a system of internal control is maintained and reviewed.

Scope of Assurance

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risks. The system of controls has been designed to manage risk and to provide reasonable assurance that the key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Association's assets and interests.

Roles and Responsibilities

The Board has established a hierarchy of responsibility which has been reviewed during the year. The new governance and delegation framework will ensure that roles and responsibilities, decision making powers and delegated authority are clear. The Board has overall responsibility for the system of internal control and management of risk, including the effectiveness of internal control. The examination of internal control has been delegated to the Audit & Risk Committee. The Association's managers are responsible for implementing the policies on risk and control. They are responsible for the design, operation and monitoring of these controls and risk management. All employees have some responsibility for internal control, in that all are accountable for achieving objectives and should also understand the risk implications of the activities they perform.

Key Elements of Internal Control

The Board, working with the Executive Management Team, has established a framework of controls. The key elements of these are:

- Internal Audit – Mazars carried out reviews within the year resulting in an overall assessment that Wellingborough Homes has "an adequate, effective and reliable framework of internal controls".
- Audit & Risk Committee - oversees all work by the internal and external auditors and receives regular reports. The work of the Committee is reported to the Board on a regular basis.
- Risk Management – the Strategic Risk Register is reviewed quarterly by the EMT, Audit & Risk Committee and Board with risks assessed using a matrix of likelihood and impact on the Association.
- Strategies and policies – six key strategies in the Corporate Plan and a range of policies to monitor and emphasise the need for strong internal control.
- Asset and liability register is in place and being worked through to ensure it holds robust and relevant information in compliance with Regulatory requirements.
- Fraud and whistle-blowing – fraud register is maintained to record all instances of fraud.
- Reports to the Board are made regularly providing information on financial and operational performance
- Recruitment and development of staff is designed to ensure staff have the necessary experience and qualifications.
- Business planning processes, with detailed financial budgets and forecasts which are stress tested and formally approved by the Board.
- Corporate plan which has been approved by the Board setting out key targets.
- HCA regulation – the Association maintained its V1 and G1 ratings which are the highest possible grading for both Governance and Financial Viability.
- Performance Management Framework ensures Board is aware of progress and any remedial actions needed to keep key objectives on track. The Board have agreed a comprehensive set of KPIs which are linked to the Corporate Plan.
- Probity policy is in place together with all the reporting arrangements and a scheme of approvals relating to probity.
- External audit – carried out by independent auditors Beever and Struthers.

Statement of the Board's Responsibilities in Respect of the Accounts

The Co-operative and Community Benefit Societies Act 2014 and registered social housing legislation require the Board to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the association and of the Income and Expenditure for the period of account.

In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

Report of the Board

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Society Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It has general responsibility for taking reasonable steps to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

Public Benefit Entity

As a public benefit entity, Wellingborough Homes Limited has applied the public benefit entity 'PBE' prefixed paragraphs of FRS102.

Statement of Compliance

The Board confirms that this Strategic Report has been prepared in accordance with the principles set out in Para 4.7 of the 2014 SORP for Registered Social Housing Providers.

Compliance with Governance and Financial Viability Standard

The Accounting Direction 2015 has introduced a new requirement for providers to certify that they have complied with the HCA's Governance and Financial Viability Standard within the narrative reporting. In addition to this certification, any areas of non-compliance should be disclosed and explained.

Wellingborough Homes is fully compliant with the 8 specific expectations regarding Governance and Financial Viability. However one is recognised as 'compliant with improvement work to further enhance compliance' – this will be achieved with more detail being added to the basic assets and liabilities register.

Auditors

A resolution to re-appoint Beever and Struthers as the Association's Auditors will be proposed at the Annual General Meeting on 29 September 2016.

By Order of the Board:

Signed: [illegible] **Date:** 1 September 2016

Report of the Independent Auditors

We have audited the financial statements of Wellingborough Limited for the year ended 31 March 2016 on pages 25 to 48. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Board and the Auditor

As explained more fully in the Statement of Board's Responsibilities set out on pages 21-22, the Board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the Association's affairs as at 31 March 2016 and of the Association's surplus for the year then ended; and
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

In our opinion the information given in the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements;

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 require us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- The parent company 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.

Beever and Struthers

Statutory Auditor: Beever and Struthers **Date :** 12.9.2016

Address: St Georges House,
215 Chester Rd,
Manchester
M15 4JE

Statement of Comprehensive Income

	Notes	Year ended 31 Mar 2016 £'000	Restated Year Ended 31 Mar 2015 £'000
Turnover	2	21,312	20,357
Operating expenditure	2	(14,420)	(14,961)
Other income	2	595	1,616
		7,487	7,012
Operating surplus			
Gain on disposal of property, plant and equipment (fixed assets)	5	534	589
Interest receivable		34	128
Interest and financing costs	6	(1,976)	(1,275)
Increase in valuation of investment properties		67	25
Surplus before tax		6,146	6,479
Taxation		-	-
Surplus for the year after tax		6,146	6,479
Actuarial gain/(loss) in respect of pension schemes	10	485	(365)
Total comprehensive income for the year		6,631	6,114

The financial statements on pages 25 to 48 were approved and authorised for issue by the Board on 12th Sep '16 and were signed on its behalf by:

Board Member: **Board Member:** **Secretary:**

ME Reeves

Statement of Financial Position

	Notes	Year ended 31 Mar 2016	Year ended 31 Mar 2016 £'000	Restated Year Ended 31 Mar 2015	Restated Year Ended 31 Mar 2015 £'000
Fixed assets					
Tangible fixed assets	11		86,090		81,995
Investment properties	12		950		800
			87,040		82,795
Current assets					
Trade and other debtors	13	3,845		4,932	
Cash and cash equivalents	14	2,571		10,095	
		6,416		15,027	
Less: Creditors: amounts falling due within one year	15	(6,109)		(3,886)	
Net current assets			307		11,141
Pension asset			632		173
Total assets less current liabilities			87,979		94,109
Creditors: amounts falling due after more than one year	16		(39,653)		(52,414)
Total net assets			48,326		41,695
Reserves					
Non-equity share capital			-		-
Income and expenditure reserve			48,326		41,695
Total reserves			48,326		41,695

The financial statements on pages 25 to 48 were approved and authorised for issue by the Board on 12th Sep '16 and were signed on its behalf by:

Board Member: **Board Member:** **Secretary:**

M E Reeves.

The notes on pages 28 to 48 form an integral part of these accounts.

Statement of Changes in Reserves

	Total Reserves £'000
Balance as at 1 April 2014 as previously stated	81,202
Change in accounting policy (note 24)	(45,649)
FRS102 changes	96
Pension adjustment	(68)
Surplus from Statement of Comprehensive Income	6,114
Balance at 31 March 2015	41,695
Surplus from Statement of Comprehensive Income	6,631
Balance at 31 March 2016	48,326

The notes on pages 28 to 48 form an integral part of these accounts.

Statement of Cash Flows

	Notes	Year ended 31 Mar 2016 £'000	Restated Year Ended 31 Mar 2015 £'000
Net cash generated from operating activities (see Note i)		9,258	7,416
Cash flow from investing activities			
Purchase of tangible fixed assets	11	(6,990)	(16,045)
Purchase of tangible fixed assets - Other	11	(182)	(22)
Proceeds from sale of tangible fixed assets	5	1,121	1,444
Grants received		900	623
Shared Ownership properties 1st Tranche cost of sale		(163)	(170)
Cost of sale		(15)	(15)
Payment to the Borough Council of Wellingborough (RTB)		(244)	(306)
Payment to the Borough Council of Wellingborough (Shared Ownership)		(7)	(45)
		(5,580)	(14,536)
Cash flow from financing activities			
New secured loans		-	13,000
Repayment of borrowing		(11,202)	-
		(11,202)	13,000
Net change in cash and cash equivalents		(7,524)	5,880
Cash and cash equivalents at beginning of the year		10,095	4,215
Cash and cash equivalents at end of the year	14	2,571	10,095

Note i

	Notes	Year ended 31 Mar 2016 £'000	Restated Year Ended 31 Mar 2015 £'000
Cash flow from operating activities			
Surplus for the year		6,146	6,479
Adjustments for non-cash items:			
Depreciation of tangible fixed assets	11	2,810	2,482
Decrease/(increase) in trade and other debtors	13	1,087	(75)
(Increase) in trade and other creditors		(363)	(949)
Profit on sale of fixed assets		(534)	(588)
Increase in valuation of investment properties		(67)	(25)
Grant amortisation	22	(37)	(37)
Pension adjustments		53	(41)
Adjustments for investing or financing activities:			
Shared ownership sales cost		163	170
Net cash generated from operating activities		9,258	7,416

The notes on pages 28 to 48 form an integral part of these accounts.

Notes to the financial statements for the year ended 31 March 2016

Legal Status

Wellingborough Homes Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a Private Registered Provider of Social Housing. The registered office is 12 Sheep Street, Wellingborough, Northants, NN8 1BL.

1. Principal Accounting Policies

Basis of Accounting

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The accounts are prepared on the historical cost basis of accounting and are presented in sterling £.

The Association's financial statements have been prepared in compliance with FRS102 as it applies for the first time to the financial statements of the Association for the year ended 31 March 2016.

The Association transitioned from previous UK GAAP to FRS102 as at 1 April 2014. An explanation of how the transition to FRS102 has affected the reported financial position and performance, as well as the exemptions taken on transition, is given in note 24.

The Association has applied the Public Benefit entity sections of FRS102.

Going concern

The Association's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. Government's announcements in July 2015 impacting on the future income of the Association have led to a reassessment of the Association's business plan as well as an assessment of imminent or likely future breach in borrowing covenants. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

a. **Development expenditure.** The Association capitalises development expenditure in accordance with the accounting policy described on page 32. Initial capitalisation of costs is based on management's judgement that the development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

b. **Categorisation of housing properties.** The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals. The Association has determined that market rented properties are investment properties.

c. **Impairment.** The Group has identified a cash generating unit for impairment assessment purposes at a property scheme level.

1. **Principal Accounting Policies (continued)**

Other key sources of estimation and assumptions:

a. **Tangible fixed assets.** Other than investment properties, tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

b. **Revaluation of investment properties.** The Association carries its investment properties at fair value, with changes in fair value being recognised in profit and loss. The Association engaged independent valuation specialists to determine fair value at the transition date, 31 March 2015 and 31 March 2016. The valuer used a valuation technique based on comparable property sale prices and rental levels in the market. The key assumptions used to determine the fair value of investment property are further explained in note 12.

c. **Pension and other post-employment benefits.** The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 10.

Impairment of non-financial assets. Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

During the year the government announced a change in rent policy which resulted in a material impact on the net income expected to be collected in the future for housing properties and the Association has assessed that this represents a trigger for impairment review.

Following a trigger for impairment, the Association performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from sales transactions in an arm's length transaction on similar cash generating units (properties) or observable market prices less incremental costs for disposing of the properties. The value in use calculation is based on either a depreciated replacement cost or a discounted cash flow model. The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to the Association as the existing property. The cash flows are derived from the business plan for the next 30 years and do not include restructuring activities that the Association is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

Following the assessment of impairment no impairment losses were identified in the reporting period.

1. Principal Accounting Policies (continued)

Turnover and revenue recognition

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and the Homes and Communities Agency, income from the sale of shared ownership and other income and are recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion. Supporting People income is recognised under the contractual arrangements.

Support income and costs including Supporting People income and costs

Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in the Turnover as per note 2. The related support costs are matched against this income in the same note. Support charges included in the rent are included in the Statement of Comprehensive Income from social housing lettings note 3 and matched against the relevant costs.

Service charges

Service charge income and costs are recognised on an accruals basis. The Association's variable service charges are on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

Loan interest costs

Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

Loan finance issue costs

These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

Loan classification

Under FRS102 loans are classified as either 'basic' or 'other' depending upon their characteristics. 'Other' loans generally feature more complex hedging arrangements and are recorded on a fair value basis whereas 'basic' loans are treated on a cost basis. It is common for loan agreements to include a provision setting out amounts to be paid by the borrower to the lender as compensation should the borrower repay the loan early and current market interest rates are lower than the fixed rate specified in the agreement. FRS 102 explicitly states that such provisions do not prevent the loans being classified as basic. The Association's fixed rate loans are a slight variant on this with provisions requiring the borrower to pay the lender or the lender to pay the borrower, depending on whether current market interest rates are below or above the agreed fixed rate The Association views these loans as 'basic' as resulting measurement of the liability, based on cost, provides more relevant information, by better reflecting the intentions of the contracting parties in entering into the agreement and their expectations of future actions.

Value Added Tax

The Association charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by the Association and not recoverable.

1. **Principal Accounting Policies (continued)**

Tangible fixed assets and depreciation

Housing properties are now stated at cost rather than at valuation as the Association believes that this results in financial statements providing more relevant information about housing properties. Note 24 shows the impact of this change.

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs and interest charges incurred during the development period.

Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Land and other assets donated by local authorities and other government sources are added to cost at the fair value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between fair value and consideration paid is treated as a non-monetary government grant and recognised on the statement of financial position as deferred income within liabilities. Where the donation is from a non-public source, the value of the donation is included as income.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The association depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

UELs for identified components are as follows:

	Years
Adaptations	10
Bathroom	30
Boilers	15
Communal Equipment	5
Electrical Wiring	30
Enveloping	50
Heating - Systems	30
Kitchens	20
Lifts	25
Property	75
Roofs	60
Windows and Doors	20

The association depreciates housing properties held on long term leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected economic useful lives which are as follows:

	Years
IT Equipment	3
Other equipment	5

1. Principal Accounting Policies (continued)

Low cost home ownership properties

The costs of low cost home ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets.

Capitalisation of interest and administration costs

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into their intended use.

Stock transfer obligations

The Association received the transfer of 4,548 properties from the Borough Council of Wellingborough on 10 December 2007. As part of the transfer, the Council has made a commitment to the Association to have the properties refurbished and modernised and brought into a good state of repair. Immediately prior to transfer, the Council contracted with the Association to carry out the refurbishment works on its behalf. The Council's obligation to carry out the works is in effect matched by the Association's obligations to bring the properties into a good state of repair. The assets and liabilities have been recognised separately.

Leasing and hire purchase

Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their economic useful lives.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit and loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Other leases are treated as operating leases and payments are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

Reverse premiums and similar incentives received on leases to enter into operating lease agreements are released to Statement of Comprehensive Income over the term of the lease.

Investment property

Investment property includes commercial and other properties not held for the social benefit of the Association. Investment property is measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value at the reporting date. Fair value is determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of Comprehensive Income.

Current asset investments

Current asset investments include cash and cash equivalents invested for periods of more than 24 hours. They are recognised initially at cost and subsequently at fair value at the reporting date. Any change in valuation between reporting dates is recognised in the Statement of Comprehensive Income.

1. **Principal Accounting Policies (continued)**

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Non-government grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as Turnover.

Social Housing Grant (SHG) and other government grants

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. SHG received for items of cost written off in the Statement of Comprehensive Income Account is included as part of Turnover.

When Social Housing Grant in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

SHG must be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes and Communities Agency. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

Recycling of Capital Grant

Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the acquisition of new properties, where recycled grant is known to be repayable it is shown as a creditor within one year.

Disposal Proceeds Fund (DPF)

Receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal are credited to the DPF, this creditor is carried forward until it is used to fund the acquisition of new social housing.

Retirement benefits

The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

The disclosures in the accounts follow the requirements of Section 28 of FRS 102 in relation to multi-employer funded schemes in which the Association has a participating interest.

Contributions payable under an agreement with Social Housing Pension Scheme to fund past deficits are recognised as a liability in the Association's financial statements calculated by the repayments known, discounted to the net present value at the year ended using a market rate discount factor of 4.3% at 31 March 2014, 3.2% at 31 March 2015 and 3.5% at 31 March 2016. The unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive Income in the period incurred.

2. Turnover, cost of sales, operating expenditure and operating surplus

	2016			
	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Operating surplus £'000
Social housing lettings (note 3)	**20,875**	**-**	**13,504**	**7,371**
Other social housing activities				
First tranche low cost home ownership sales	232	163	-	69
Charges for support services	205	-	482	(277)
Social Housing Total	21,312	163	13,986	7,163
Other:				
VAT Shelter Income	430	-	271	159
Amortised government grants	37	-	-	37
Activities other than social housing				
Other	128	-	-	128
Other Total	595	-	271	324
Total	**21,907**	**163**	**14,257**	**7,487**

	2015 (Restated)			
	£'000	£'000	£'000	£'000
Social housing lettings (note 3)	**19,970**	**-**	**13,437**	**6,533**
Other social housing activities				
First tranche low cost home ownership sales	218	170	-	48
Charges for support services	169	-	441	(272)
Social Housing Total	20,357	170	13,878	6,309
Other:				
VAT Shelter Income	1,483	-	913	570
Amortised government grants	37	-	-	37
Activities other than social housing				
Other	96	-	-	96
Other Total	1,616	-	913	703
Total	**21,973**	**170**	**14,791**	**7,012**

3. Turnover and operating expenditure

	General Housing	Supported Housing and Housing for Older People	Low Cost Home Ownership	Other	Total 2016	Restated Total 2015
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Rent receivable net of identifiable service charge	18,822	1,226	183	380	**20,611**	19,779
Service charge income	103	157	4	-	**264**	191
Charges for support services	-	205	-	-	**205**	169
Shared Ownership 1st Tranche sales	-	-	232	-	**232**	218
Amortised government grants	37	-	-	-	**37**	37
VAT Shelter Income	-	1	-	429	**430**	1,483
Other Income	61	67	-	-	**128**	96
Total	19,023	1,656	419	809	21,907	21,973
Operating expenditure						
Management	3,217	500	88	35	**3,840**	3,666
Service charge costs	299	297	2	-	**598**	526
Support	-	482	-	-	**482**	441
Routine maintenance	4,491	294	-	47	**4,832**	4,947
Planned maintenance	443	23	-	2	**468**	408
Major repairs expenditure	349	59	-	4	**412**	1,012
Bad debts	186	14	-	-	**200**	202
Depreciation of housing properties	2,515	295	-	-	**2,810**	2,482
VAT shelter and Other payments	4	41	-	226	**271**	913
Shared Ownership cost of sales	-	-	163	-	**163**	170
Other Costs	251	87	-	6	**344**	194
Operating expenditure on Social Housing Lettings	11,755	2,092	253	320	14,420	14,961
Operating Surplus/(Deficit) on Social Housing Lettings	**7,268**	**(436)**	**166**	**489**	**7,487**	**7,012**
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	174	13	6	248	441	456

The allocation of costs within operating expenditure has been reviewed during the period. The figures for 2015 have been restated to be consistent with the methodology used in 2016.

4. Accommodation owned, managed and in development

	2016 No. of properties Owned	2016 No. of properties Managed	2015 No. of properties Owned	2015 No. of properties Managed
Social Housing				
Under development at end of year:				
General needs housing social rent	10	-	62	-
General needs housing affordable rent	41	-	63	-
Low-cost home ownership	24	-	11	-
Under management at end of year:				
General needs housing	4,177	13	4,241	18
General needs housing affordable rent	92	-	31	-
Supported housing	270	-	248	-
Low-cost home ownership	79	-	72	-
	4,693	13	4,728	18
Non-Social Housing				
Under management at end of year:				
Market rented	7	-	6	-
	4,700	13	4,734	18

5. Gain on disposal of property, plant and equipment (fixed assets)

	Housing Properties £'000	Shared Ownership Staircasing £'000	Total 2016 £'000	Total 2015 £'000
Proceeds of sales	986	135	1,121	1,444
Less: Costs of sales	(225)	(15)	(240)	(268)
Surplus	761	121	881	1,176
Clawback Payable to Borough Council	(355)	8	(347)	(587)
	406	128	534	589

6. Interest and financing costs

	2016 £'000	2015 £'000
On loans	2,010	1,275
Grant received towards financing cost	(24)	(24)
Costs associated with financing	24	24
	2,010	1,275
Less: interest capitalised on housing properties under construction	(34)	-
	1,976	1,275

A weighted average interest on borrowings of 3.55% (2015: n/a) was used for calculating capitalised finance costs.

7. Surplus on ordinary activities

	2016 £'000	2015 £'000
The operating surplus is stated after charging:-		
Auditors remuneration (excluding VAT):		
Audit of the financial statements	**15**	15
Fees payable to the company's auditor and its associates for other services:		
FRS102 review	**3**	-
Operating lease rentals:		
- Vehicles	**44**	44
- Land and buildings	**230**	195
- Office equipment	**10**	10
Depreciation of housing properties	**2,718**	2,439
Depreciation of other fixed assets	**92**	43

8. Directors' remuneration

	2016 £'000	2015 £'000
The aggregate emoluments paid to or receivable by non-executive Directors and former non-executive directors	32	31
The aggregate emoluments paid to or receivable by executive Directors and former executive directors	408	471
The emoluments paid to the highest paid Director excluding pension contributions	140	113
The aggregate amount of Directors' or past Directors' pensions, excluding amounts payable under a properly funded pension scheme	-	-
The aggregate amount of any consideration payable to or receivable by third parties for making available the services of a Director	115	-
The aggregate amount of any consideration payable to Directors for loss of office	-	37

The Chief Executive is an ordinary member of the pension scheme. The pension scheme is a final salary scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by the Association of £12k (2015: £5k) was paid in addition to the personal contributions of the Chief Executive.

Directors (key management personnel) are defined as members of the Board, the Chief Executive and any other person who is a member of the Executive Management Team. Average Board Member attendance for the year was 87%.

9. Employee information

	2016 No.	2015 No.
The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was:		
Office staff	80	82
Supported living officers, caretakers and cleaners	13	18
	93	**100**

	£'000	£'000
Staff costs (for the other persons)		
Wages and salaries	2,765	3,060
Social Security costs	338	226
Other pension costs	447	324
	3,550	**3,610**

Aggregate number of full time equivalent staff whose remuneration exceeded £60,000 in the period:		
£60,001 - £70,000	1	1
£70,001 - £80,000	-	1
£80,001 - £90,000	1	1
£90,001 - £100,000	1	2
£100,001 - £110,000	1	-
£110,001 - £140,000	1	-

10. Pension obligations

The Association participates in two schemes, the Social Housing Pension Scheme (SHPS), and the Northamptonshire County Council Pension Fund (LGPS). Both schemes are multi-employer defined benefit schemes. The Schemes are funded and were contracted out of the state scheme until 6 April 2016.

Social Housing Pension Scheme and Pensions Trust Growth Plan

SHPS deficit payment agreement

The Association has a contractual obligation under an agreement to pay additional deficit payments to SHPS of £235k over the next 11 years with £22k per annum for the next 2 years.

In calculating the net present value of the liability included within provisions the association has used a discount rate based on a market rate AA corporate bond for the same period as the contractual obligations.

	2016 £'000	2015 £'000
At start of the year	110	109
Additional liabilities in the year	132	7
Interest for the year	2	3
Released to expenditure in the year	(9)	(9)
	235	110

During the year ended 31 March 2016 the association received notification of changes to the additional deficit payment to SHPS, this resulted in an additional liability of £125k at 31 March 2016.

10. Pension obligations (continued)

Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in separate funds administered by Northamptonshire County Council. The total contributions made for the year ended 31 March 2016 were £145k, of which employer's contributions totalled £116k and employees' contributions totalled £29k. The agreed contribution rates for future years are 24.2% for employers and range from 5.5% to 6.8% for employees, depending on salary.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 March 2016 by a qualified independent actuary.

	At 31 March 2016	At 31 March 2015
	%	%
Rate of increase in salaries	4.2%	4.3%
Rate of increase for pensions in payment / inflation	2.2%	2.4%
Discount rate for scheme liabilities	3.5%	3.2%
Inflation assumption (CPI)	2.2%	2.4%
Expected return on net assets	3.5%	3.2%

The current mortality assumptions include sufficient allowance for future improvements in mortality rates. The assumed life expectations on retirement age 65 are:

	At 31 March 2016	At 31 March 2015
	Years	Years
Retiring today		
Males	22.3	22.3
Females	24.3	24.3
Retiring in 20 years		
Males	24.0	24.0
Females	26.6	26.6

Analysis of the amount charged to operating costs in the Statement of Comprehensive Income	At 31 March 2016	At 31 March 2015
	£'000	£'000
Employer service cost (net of employee contributions)	145	161
Past service cost	2	-
Total operating charge	147	161
Analysis of pension finance income / (costs)		
Expected return on pension scheme assets	211	252
Interest on pension liabilities	(206)	(228)
Amounts charged/credited to financing costs	5	224
Amount of gains and losses recognised in the Statement of Comprehensive Income		
Actuarial (losses)/gains on pension scheme assets	(160)	485
Actuarial gains on scheme liabilities	645	(850)
Actuarial gain/(losses) recognised	485	(365)

Local Government Pension Scheme (continued)

Movement in surplus during year	**At 31 March 2016 £'000**	**At 31 March 2015 £'000**
Surplus in scheme at 1 April	173	563
Movement in year:		
Employer service cost (net of employee contributions)	(145)	(161)
Employer contributions	116	112
Past service cost	(2)	-
Net interest/return on assets	5	24
Remeasurements	485	(365)
Surplus in scheme at 31 March	**632**	**173**

Asset and Liability Reconciliation	**At 31 March 2016 £'000**	**At 31 March 2015 £'000**
Reconciliation of liabilities		
Liabilities at start of period	6,446	5,263
Service cost	145	161
Interest cost	206	228
Employee contributions	29	39
Benefits paid	(201)	(95)
Past Service cost	2	-
Actuarial(gain)/ loss	**(645)**	**850**
	5,982	**6,446**
Reconciliation of assets		
Assets at start of period	6,619	5,826
Return on plan assets	(160)	485
Remeasurements	211	252
Employer contributions	116	112
Employee contributions	29	39
Benefits paid	(201)	(95)
Assets at end of period	**6,614**	6,619

11. Tangible fixed assets

	Housing Properties						
	Social housing properties for letting completed £'000	Social housing Properties for letting under construction £'000	Low cost home ownership properties completed £'000	Low cost home ownership properties under construction £'000	Total housing properties £'000	Furniture and office equipment £'000	Total fixed assets excluding investment property £'000
Cost							
At start of the year	82,067	7,764	3,494	-	**93,325**	626	**93,951**
Additions to properties acquired	-	-	403	-	**403**	182	**585**
Works to existing properties	3,185	3,007	-	361	**6,553**	-	**6,553**
Interest capitalised	-	34	-	-	**34**	-	**34**
Schemes completed	6,036	(6,036)	-	-	**-**	-	**-**
Disposals	(340)	-	-	-	**(340)**	-	**(340)**
At end of the year	90,948	4,769	3,897	361	99,975	808	**100,783**
Depreciation and impairment							
At start of the year	(11,454)	-	-	-	**(11,454)**	(526)	**(11,980)**
Charge for the year	(2,684)	-	-	-	**(2,684)**	(126)	**(2,810)**
Disposals	97	-	-	-	**97**	-	**97**
At end of the year	(14,041)	-	-	-	**(14041)**	(652)	**(14,693)**
Net book value at the end of the year	**76,907**	**4,769**	**3,897**	361	**85,934**	**156**	**86,090**
Net book value Restated 14/15	70,637	7,764	3,494	-	81,895	100	**81,995**

	2016 £'000	2015 £'000
Housing Properties comprises:		
Freehold land and buildings	85,934	81,895
Long leasehold land and buildings	-	-
	85,934	**81,895**

	2016 £'000	2015 £'000
Cost of properties includes £112k (2015: £155k) for direct administrative costs capitalised during the year		
Works to existing properties in the year:		
Improvement work capitalised	1,437	5,754
Components capitalised	2,753	73
Amounts charged to expenditure	34	-
The aggregate amount of interest and finance costs included in the cost of housing properties	-	-

12. Investment properties held for letting

	2016	2015
	£'000	£'000
At start of year	800	760
Additions	83	27
Disposal	-	(4)
Transfers to completed properties	-	3
Gain from adjustment in value	67	14
At end of year	950	800

The properties would have been shown on the Statement of Financial Position as follows, if they had not been revalued:

	2016	2015
Cost of properties	751	678
Depreciation charge	(34)	(21)
	717	657

Investment properties were valued at 31 March 2016 by Martin Pendered & Co professional qualified external valuers. The valuation of properties was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards. In valuing the properties the valuer reviewed the sale price of recent transactions of similar properties, the current market rent for similar properties and undertook external and some internal inspections of the investment properties.

13. Trade and other debtors

	2016	2015
	£'000	£'000
Rent arrears	1,151	1,143
Less: provision for bad debts	(490)	(441)
	661	702
Prepayment and accrued income	598	837
Other debtors – stock transfer obligations	2,586	3,393
Debtors are all due within one year*	3,845	4,932

*In 2015 £2,586k of the £3,393k was due in more than one year.

Stock transfer obligations relate to capital expenditure improvements that the Association is obliged to carry out under the conditions of the stock transfer which are planned to be completed by the end of 2016/17.

14. Cash and cash equivalents

	2016 £'000	2015 £'000
Money market investments	11	4,003
Cash at bank	2,560	6,092
	2,571	10,095

In the above are balances totalling £122k (2015: £41k) which are held in trust for shared ownership leaseholders.

15. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	68	18
Rents and service charges paid in advance	375	290
Other taxation, social security and pension payable	149	99
Accruals and deferred income	2,537	2,037
Pension deficit payment agreement	22	9
Deferred Capital Grant (Note 17)	37	37
Stock transfer creditor (works due under LSVT agreement)	2,586	807
Other creditors	335	589
	6,109	3,886

16(a). Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Loans (note 16b)	35,798	47,000
Deferred capital grant	3,511	2,648
Pension deficit payment agreement	213	101
Sinking fund	131	79
Stock transfer creditor	-	2,586
	39,653	52,414

16 (b). Debt analysis

	2016 £'000	2015 £'000
Loans not repayable by instalments:		
Within one year	6,000	-
In one year or more but less than two years	-	5,000
In two years or more and less than five years	-	42,000
In five years or more	30,000	-
Less: loan issue costs	(202)	-
Total loans	35,798	47,000

Bank loans are secured by specific charges on the Association's individual housing properties. The fixed rate loans have varying rates of interest and are due to be repaid at maturity in 2025, 2032, 2034 and 2036. Variable rate loans are rolled over quarterly.

The loans profile of the Association at 31 March 2016 was:

	Total £'000	Variable Rate £'000	Fixed rate £'000	Weighted Average rate %	Weighted average term (fixed) Years
Non-instalments loans	36,000	6,000	30,000	4.93%	16

At 31 March 2016 the Association has the following borrowing facilities:	£'000
Undrawn committed facilities	49,000

17. Non-equity share capital

	2016 £	2015 £
Allotted Issued and Fully Paid		
At the start of the year	11	10
Issued during the year	0	1
At the end of the year	11	11

The par value of each share is £1. The shares do not have a right to any dividend or distribution in a winding-up, and are not redeemable. Each share has full voting rights. All shares are fully paid.

18. Capital commitments

	2016 £'000	2015 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	-	-
Capital expenditure that has been authorised by the Board but has not yet been contracted for	9,326	14,312
	9,326	**14,312**

The Association expects these commitments to be financed with committed loan facilities.

19. Other commitments

The Association had no other commitments at 31 March 2016 other than as noted in Note 20.

20. Operating leases

The Association holds properties and office equipment under non-cancellable operating leases. At the end of the year the Association had commitments of future minimum lease payments as follows:-

	2016 £'000	2015 £'000
Land and buildings:		
In one year or more but less than two years	**230**	233
In two years or more and less than five years	**852**	853
In five years or more	-	-
Others:		
In one year or more but less than two years	**58**	54
In two years or more and less than five years	-	-
In five years or more	-	-
	1,140	1,140

The lease agreements do not include any contingent rent or restrictions. Other operating leases for motor vehicles include purchase options. Leases for land and buildings include renewal periods after 5 years throughout the lease.

21. Contingent liability

The Association had no contingent liabilities at 31 March.

22. Grant and financial assistance

	£'000	£'000
The total accumulated government grant and financial assistance received or receivable at 31 March:	**2,799**	2,799
Held as deferred capital grant	**2,648**	2,661
Recognised as income in statement of Comprehensive Income	**37**	37

23. Related parties

The following are related parties:

The Board has tenant members who hold tenancy agreements on normal terms and cannot use their position to their advantage. Rent charged to the Tenant Board members was £8,606 (2015: £8,412). There are no arrears on their tenancies at the reporting period end (2015: £Nil).

24. First time adoption of FRS 102 and change in accounting policy

	Note	Reserves as at transition date 1 Apr 2014 £'000	Surplus/(deficit) Year ended 31 Mar 2015 £'000	Reserves as at 31 Mar 2015 £'000
As previously stated		81,202	5,117	86,319
Change in accounting policy				
Re-statement at cost of housing properties	a	(45,649)	-	
As restated for change in accounting policy		35,553	5,117	
Other Adjustments				
Unrealised deficit on revaluation		-	870	
Pension reserve adjustment		(68)	68	
Transitional adjustments				
Increase in amortisation of grants relating to housing properties	b	77	37	
Inclusion of SHPS pension deficit payment liability	c	(106)	(3)	
Fair value adjustment for investment properties	d	125	25	
As restated in accordance with FRS102		35,581	6,114	41,695

24. First time adoption of FRS 102 (continued)

Change in accounting policy

a. The Board has elected to record housing properties at cost. The effect is to decrease the carrying amount of fixed assets by £46,649k and reduce the revaluation reserve by the same amount. The change has no effect on the surplus for the year ended 31 March 2016.

Explanation of changes to previously reported profit and equity:

b. FRS102 requires that government capital grant previously deducted from the carrying cost of housing properties is treated as a deferred capital grant creditor and released to the statement of comprehensive income over the useful life of the associated assets. The effect compared to current UK GAAP is an increase in income recognised on transition of £77k, and £37k increase in surplus for the year ended 31 March 2015.

c. FRS102 requires that a liability is recognised for the contributions that arise from an agreement to fund a deficit in a multi-employer pension scheme. The effect is that a liability for the SHPS payment plan has been recognised at the present value of the contributions payable using the discount rate specified in note 11. This has resulted in a decrease in reserves of £109k at transition and a decrease in the surplus in the year ended 31 March 2015 of £1k.

d. FRS102 requires that changes in the fair value of investment properties are recognised in profit or loss for the period. Under previous UK GAAP these changes were recognised outside of profit or loss and presented separately in a revaluation reserve. This change has increased reported profit for the year ended 31 March 2015 by £25k but has not affected the measurement of investment property on the balance sheet.