



**Wellingborough Homes Limited
An Exempt Charity
Financial Statements
For the Year Ended 31 March 2017
(Co-operative and Community Benefit Society)**

Basis of Preparation

Compliant with 2014 SORP for PRPs and 2015 Accounting Direction

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Chairman's Statement

As we move towards our 10th birthday in December 2017, year three of our Corporate Plan reflects on our achievements and looks forward to a period of growth, efficiency and culture change.

In December 2016 we accepted the handover of our biggest development to date, 48 new homes at Mitchell Court, and expanded into the wider Northamptonshire area in March 2017 with 22 new units in Northampton. It is an exciting time for us in terms of growth, with the Borough of Wellingborough remaining a priority area. We are delighted that all changes promised to customers when Wellingborough Homes was set up as an independent company in 2007 have been delivered.

We have seen much progress during 2016-17 and a summary of our key achievements are highlighted in the Strategic Report. However, progress does not come without us having to make some difficult decisions including recharging the cost of some services to ensure their long-term viability.

Despite all of the challenges, Wellingborough Homes has demonstrated strong financial performance. At the end of the year we made an operating surplus of £7.8m from a turnover of £21.9m, and generated an overall operating margin of 35.6% which demonstrates real resilience in the face of the significant challenges in the sector.

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.

We start 2017-18 in a strong position and with a clear plan for tomorrow so that we can become even stronger and will work successfully with our customers and communities to provide great services and high quality living environments.

I would like to thank our customers, stakeholders, Board, partners and staff who have made this possible.



Tim Davy
Chairman, Wellingborough Homes
7 September 2017

Association Information

Board Members, Executive Directors, Advisors and Bankers

Board Members:

Chairman Tim Davy

Vice Chair Yvette Morgan

Other Board Members Tony Aslam

Richard Coles

Jon Ekins

Graham Lawman

John Lewis

Tom Lloyd
(from February 2017)

Mary Reeves

Daphne Simmons

John Welch

Martin Wheatley

Executive Directors:

Chief Executive Joanne Savage

Interim Finance Director (from November 2015 to May 2016) Ian Warner

Director of Resources (from June 2016) Julie Robinson

Director of Housing and Support Services and Company Secretary Mandy Meanwell

Director of Asset and Development Denise Lewis

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

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. We were created in December 2007 as a Large Scale Voluntary Transfer (LSVT) and we own 4,581 homes in Wellingborough and Northampton as well as managing a further 108 shared ownership properties. We are the largest Registered Provider in Wellingborough and we own the most stock of any housing association in Northamptonshire. We are governed by a Board of management consisting of twelve non-executive members, six independents, two tenants and four local authority nominees. We have a mixture of remunerated and unremunerated Board members depending on status.

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

In our Corporate Plan 2016-17 update we said that we had started to build the Wellingborough Homes house. We said in 2016-17 that we wanted to add the first floor and put the roof on. Our achievements and our performance in 2016/17 demonstrate we have achieved this. The Autumn Statement in 2016 showed a real commitment from the Government to work with Housing Associations which we welcomed and that gave us an opportunity to deliver more homes and fulfil our growth ambitions. Looking forward post the 2017 General Election, we hope that housing is on the forefront of the political agenda and we feel confident that we can continue to meet any challenges and opportunities presented to us.

At Wellingborough Homes we have the ambition, expertise and financial strength to take up any challenge and expect our numbers to grow substantially by the end of this five year Corporate Plan in March 2019. Whilst the Board considers growth a key priority, it also recognises the commitment to existing customers and communities. This is reflected in the "who we are and what we do" statement which was an outcome of the Board off-site in October 2016:

"We are a locally based Housing Association in and around Northamptonshire with a commitment to:

- Develop a diverse range of new homes to meet local needs
- Work with our customers to provide great homes and value for money services
- Invest in our communities where it supports our customers and protects our business"

Of the 11 priorities identified for 2017-19, six have a direct impact on supporting and improving services for our customers. Wellingborough Homes is a financially strong, well-managed and ambitious housing association and we look forward to the challenges and opportunities that 2017-18 will bring.

Our development pipeline is 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 and stress tested our business plan. It remains an absolute priority to provide more affordable homes. However, we have found it necessary to make difficult decisions around non-core activities. Our four Strategic Objectives are outlined below:

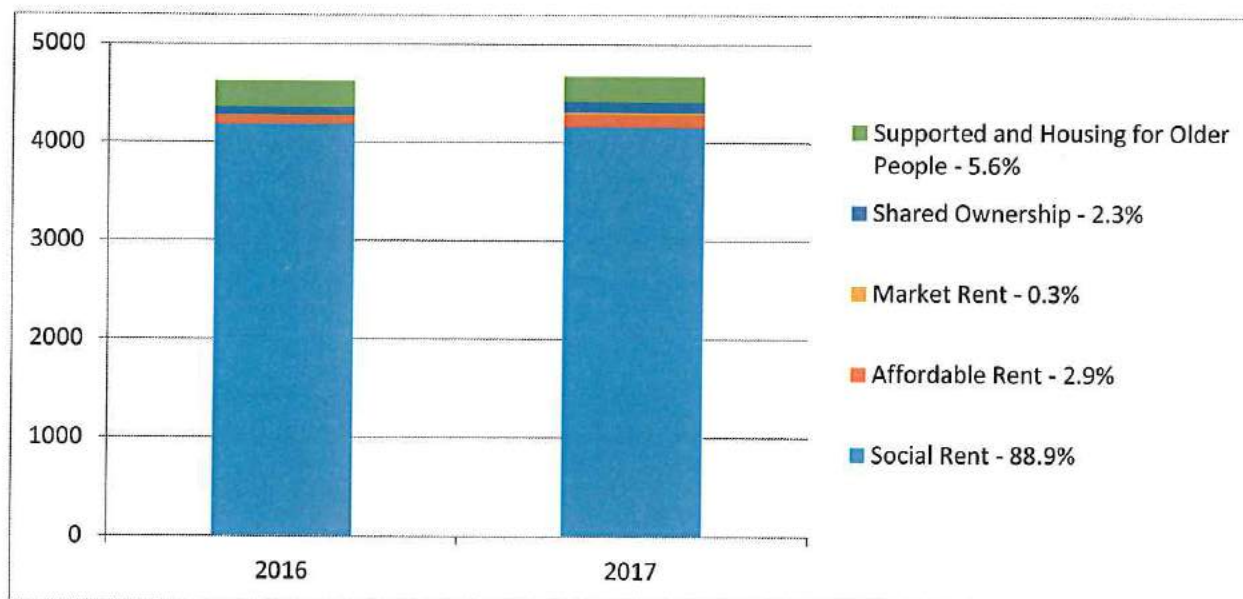
- Produce and use effective, high quality, accurate and timely data;
- Ensure investments generate optimum social and financial value;
- Reduce costs and drive efficiency;
- Ensure operational performance is maintained at a high level.

We offer a mixture of tenure type as outlined below:

- 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 of their homes and pay rent to us on the remainder) and;
- A small number of market rental options.

Our stock profile is illustrated in graph 1 below.

Graph 1: Stock Profile (number of units)



RentPlus

During the year Board approved working with RentPlus UK Ltd which offer a housing model aimed at tackling the national housing shortage by bringing additional funding from institutional investors into the Sector. This reduces the need for public subsidy and therefore creates additional capacity to deliver more homes. RentPlus UK Ltd own the properties and we would lease the homes from RentPlus and manage the properties on their behalf.

Mergers, Group Structures and Partnerships - a voluntary code for housing associations

During the year the Board established a working party to look at a range of issues connected to strategy and growth, which included reviewing the National Housing Federation Mergers, Group Structures and Partnerships voluntary code that was published in 2016. Following the recommendations of the working party the Board decided to adopt the code. The Board, however, has emphasised that whilst they have adopted the code, merger and acquisition will not be a central part of its growth strategy and that the impact on customers would be a primary consideration. The Board will reconsider its approach to the code when the Corporate Plan is next reviewed in 2018/19.

Performance in the Year

The second year of our Corporate Plan 2015-19 has driven further significant business improvements and has built on the strong foundations established in the first year. Performance against the plan has been monitored and reported to Board and other stakeholders during the year. Our key achievements are set out below:

Governance – we secured and retained our highest possible G1 V1 status with the regulator demonstrating we are well governed and financially stable

Financing – we were successful in securing £3.22m from the Homes and Communities agency to develop 100 homes for shared ownership and Rent To Buy

Restructuring – we have completed our staff restructure of all front line services and back office, ensuring we have the right people, in the right places, doing the right things, at the right times.

Developing – during 2016/17 we built 92 new homes, and have a further 450 in our development pipeline of which 311 units are committed.

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

Efficiency – we completed our discretionary and non-discretionary review of expenditure to better understand 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 implemented the Housing Association Charitable Trust (HACT) model which helps us to monitor the investment measure for social and financial return.

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

Financial Performance Review

Measure	2015/16	2016/17	Direction of Travel
Operating Margin	34.1%	35.6%	↑
Cost per unit (FVA)	£3,328	£3,017	↑
Rent Arrears	3.4%	3.0%	↑
Gearing	41.8%	38.9%	↑
Interest Cover (EBITDA MRI)	303.7%	339.4%	↑
Debt Per Unit	£7,365	£7,185	↑
Ratio fixed to variable loans	5:1	5:1	↔

For year ended 31 March	2017	2016	2015	2014	2013
Summary Statement of Comprehensive Income	£'000	£'000	£'000	£'000	£'000
Total turnover (note 2)	22,445	21,907	21,973	21,467	20,196
Income from Social Housing lettings (note 3)	21,924	21,342	19,970	19,584	19,152
Operating surplus: continuing activities	7,797	7,487	7,012	4,375	7,174
Income for the year transferred to reserves	7,101	6,631	6,114	(969)	47,981
Summary Statement of Financial Performance	£'000	£'000	£'000	£'000	£'000
Intangible assets	-	-	-	-	-
Housing properties including Investment properties (notes 11a, 11b and 12)	94,265	86,884	82,695	112,636	104,829
Other Property, Plant and Equipment (note 11)	128	156	100	64	56
Total fixed assets	94,394	87,040	82,795	112,700	104,885
Net current assets	(37)	307	8,555	1,980	3,217
Total assets less current liabilities	94,356	87,347	91,350	114,680	108,102
Funded by:					
Loans (due over one year) (note 16b)	35,820	35,798	47,000	34,000	27,000
Pension (asset) (note 10)	(874)	(632)	(173)	(563)	(1,075)
Other long term liabilities (note 16)	3,983	3,855	2,828	41	6
Capital and reserves:					
Revenue reserve	55,427	48,326	41,695	34,990	49,886
Pension reserve				563	1,075
Property revaluation				45,649	31,210
Total reserves	94,356	87,347	91,350	114,680	108,102

The Board is pleased to report another year of strong financial performance. We have generated an Operating Surplus of £7.8m, representing an increase of 4.1% on the prior year. Our surplus has remained steady year on year and the improvement has been driven by cost reductions and efficiency savings. Cost optimisation remains key to addressing the continuing impact of the 1% rent reductions and Welfare Reform.

On-going surplus generation coupled with re-financing completed in 2016 leaves us well placed to achieve development targets. Long-term fixed rate facilities are in place secured against housing stock with conservative gearing of 38.9% at year end and strong covenant compliance continues to be a feature of financial performance.

Healthy cash flow performance allowed the development programme to be funded this year without undertaking a loan draw down and improved rent collection rates has reduced arrears from 3.4% to 3.0% despite welfare reform impacts which reflects robust cash collection.

The figures reported in 2013 and 2014 were prepared on the basis of UK GAAP. The transition to FRS102 in 2015 had a material impact on the valuation of social housing properties which are now shown on an historical cost basis rather than market value. There was no material impact on the Operating Surplus as a result of the change in accounting. FRS102 changes were approved by the Board, our auditors and funders. In 2017 saw a gain of £419k recorded as under FRS102 gains and losses on market revaluation of investment properties are now recognised in the Comprehensive Income Statement.

Development and Investment

Year 2 of the delivery of the Asset and Development Strategy focused on existing stock investment as well as the capacity to deliver a more ambitious development programme of 499 new homes from 2015 to 2019.

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 are also now operating in areas outside of Wellingborough having the opportunity to secure sites in Kettering, East Northants and Northampton.

We continue to work through the Quantum Consortium in delivering the HCA's 2015-18 Affordable Housing Programme and more recently received an allocation under the 2016-21 Shared Ownership and Affordable Homes Programme. We will be looking to explore how we can work together more, for example jointly procuring sites and/or development services and commissioning research on new and emerging markets.

In 2016/17 we have continued to build on our new build development programme, with a pipeline of 450 units of which 311 units are committed units secured either through existing or new strategic partnerships with developers. We will also be seeking further opportunities through Section 106, design and build, package deals and through joint ventures to acquire sites in our expanded geographical area with a view to developing a mix of homes for rent and shared ownership.

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

We will continue to work closely with Borough Council of Wellingborough in completing a feasibility study on estate regeneration and investment options for low density and/or poorly performing stock. We continue to invest in our existing stock through capital planned work programmes.

Risks and Mitigating Actions

Table 3: Strategic Risks and Actions

Strategic Risk Area	Controls and Actions
<p>Asset Health and Safety Compliance</p> <p>Risk of non-compliance with statutory requirements putting tenants' health and safety at risk. This includes gas safety, legionella, carbon monoxide, fire safety, asbestos, electrical testing etc.</p>	<ul style="list-style-type: none"> • 100% gas safety compliance achieved and substantial assurance received during internal audit carried out in September 2016. • Asset Compliance Officer appointed in January 2017. • Operational staff trained to undertake HHSRS risk assessments. • New compliance module introduced to asset management software (PIMMS) which will improve overall management of compliance.
<p>Repairs</p> <ul style="list-style-type: none"> - Poor performing Repairs Service with rising costs will lead to customer dissatisfaction and deteriorating value for money, leading to a potential breach of consumer standards and impacts on the longer-term ability to deliver the business plan 	<ul style="list-style-type: none"> • Regular and robust contract monitoring in place. • Repairs and Maintenance policy in place to manage demand of the service. • Board decision made on the future delivery of the repairs service with an in-house team to be mobilised from April 2018. • Project Manager in place to oversee mobilisation of the service. • Working closely with the outgoing contractor to allow for a smooth transition period.
<p>Welfare Reform</p> <ul style="list-style-type: none"> - 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. 	<ul style="list-style-type: none"> • Cross functional welfare reform project group is keeping under review any impact and potential risks posed by the introduction of the LHA cap from April 2019. • 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. • Response to the DCLG consultation on the future funding of supported housing. • Detailed affordability and benefit calculations now part of pre-tenancy interview.
<p>Development</p> <ul style="list-style-type: none"> - Pressure of labour and skills leading to firms increasing cost which potentially results in delays and increasing costs - Lack of expertise amongst staff group leads to poor control of development processes 	<ul style="list-style-type: none"> • Stress testing of each development offer takes account of some of the cost increases being experienced within the construction industry • Cross organisational Development Strategy Group established and embedded and working well. • Core activities at each development stage process mapped with standard proformas and templates being developed. • Review of capacity within the development team to deliver growth ambition completed and full compliment of staff within the team now in place. • Exploring options of procurement consortium to procure works and services.
<p>People</p> <ul style="list-style-type: none"> - Risk of key skills shortages in some areas of the business 	<ul style="list-style-type: none"> • E-learning platform available to cover compliance training requirements. • Corporate training plan in place for 2017/18. • 'Grow your own' option explored and apprenticeship scheme developed. • Corporate induction programme being introduced. • New recruitment platform including on-boarding launched in June 2017.

Value for Money Self-Assessment

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

<http://www.wellingboroughhomes.org/about-us/strategies-and-policies/>

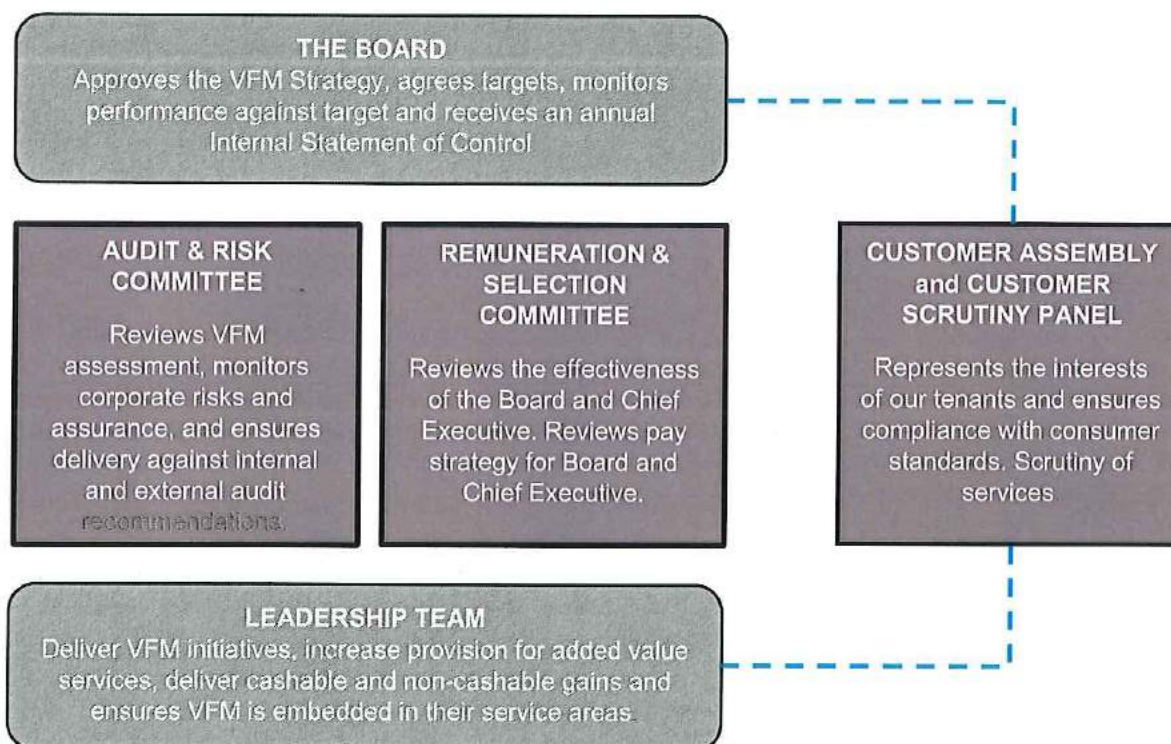
Strategy

We are committed to delivering better Value for Money (VFM) 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 aligned to our overall corporate strategic objectives:

- 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 1 below.

Figure 1: VFM Roles and Governance



Benchmarking and Sector Scorecard Efficiency

There has been a shift towards unit cost analysis when it comes to benchmarking performance and being able to compare ourselves with our peers. As an organisation we are taking part in the national pilot to test the new sector efficiency scorecard with data currently being collated and submitted to HouseMark.

We will make the official figures available on our [website](#) once this benchmarking exercise has been completed. This will also include wider benchmarking information in regards to our individual services.

We have calculated the results for the 2016/17 sector efficiency scorecard as well as retrospectively calculated what our 2015/16 results would have been to enable us to identify our direction of travel. Furthermore we have also used 2015/16 HouseMark benchmarking results and 2015/16 Global Accounts results to establish our quartile position compared to our peer group where available as illustrated in table below:

Table 4: Year on year efficiency scorecard comparison including HouseMark and Global Accounts quartile position against our peer group

Indicator	2015/16 (as per Sector Scorecard definition)	2016/17 (as per Sector Scorecard definition)	Direction of Travel	2015/16 quartile position against HM 2015/16 benchmarking results *	2016/17 quartile position against Global Accounts 2015/16 (peer group) *
Operating margin – Overall	35.1%	35.6%	↔	2 nd	2 nd
Operating margin – Social housing lettings	34.2%	34.7%	↔		
Interest Cover – EBITDA (MRI)	303.7%	339.4%	↑	1 st	1 st
Units developed (absolute)	47	92	↑	N/A	N/A
Units developed (as a percentage of units owned)	1.00%	2.00%	↑	2 nd	N/A
Gearing	41.8%	38.9%	↔	2 nd	N/A
Percentage of respondents very or fairly satisfied that their rent provides value for money (GN & HfOP)	83%	87%	↑	2 nd	N/A
£s invested for every £ generated – in new housing supply	0.62	0.85	↑	N/A	N/A
Return on capital employed (ROCE)	9.2%	9.0%	↔	N/A	N/A
Management cost per unit	828	817	↑	N/A	2 nd
Service cost per unit	129	134	↔	N/A	1 st
Maintenance cost per unit	1143	1091	↑	N/A	3 rd
Major repairs cost per unit	992	790	↑	N/A	2 nd
Other social housing costs cost per unit	237	185	↑	N/A	3 rd
Headline social housing cost per unit	3333	3017	↑	N/A	1 st
Overheads as a percentage of adjusted turnover	8.0%	8.7%	↔	N/A	N/A
Ratio of responsive repairs to planned maintenance	1.0	1.2	N/A	N/A	N/A
Occupancy	99.45%	99.35%	↔	N/A	N/A
Rent collected from current and former tenants as percentage of the rent due (including arrears b/f)	91.12%	95.56%	↑	4 th	N/A

* Peer group consists of housing associations of similar age and stock size

While we are in the bottom quartile for rent collected from current and former tenants this is mainly due to arrears brought forward. We have actually reduced current rent arrears from 3.4% to 3% and rent collection has increased by 4% within the last year.

Our repairs and maintenance costs remain higher than the median and a decision has been made to bring the service in-house which is expected to enable us to reduce costs both in year 1 and over the longer term through expanding the activities, for example to include void properties, cyclical and/or planned maintenance.

The majority of our 2016/17 results show improvement when compared to our performance for 2015/16. For some indicators direction of travel has remained the same but most pleasingly there is no negative direction of travel.

Five out of six unit cost indicators including **Headline Social Housing Cost per unit** show a reduction and using 2015/16 global accounts data results would put us in the top quartile when benchmarking against our peer group.

On a national level we would be a median quartile performer.

We are increasing the money invested in new housing supply as we are ramping up our development programme having already developed 92 properties in 2016/17 with a further 450 in the pipeline of which 311 are committed.

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 5: VFM Actions

Corporate objectives	VFM strategy goal	What We Said We Would Do	What We Did
Produce and use effective, high quality, accurate and timely data	Understanding costs better	Carry out Budget setting for 2017-18 using zero base budgeting methodology	Completed for the 2017/18 Business Plan update and approved at February 2017 Board meeting
		100% budget lines to be graded as mandatory or discretionary spend to establish organisational spend between the two areas	This has been completed for the 2017/18 budget setting and our Business Plan update
		Undertake a market review of up to date loan funding opportunities and consider if the Barclays loan remains the best option.	Our treasury advisors carried out a review of our current Business Plan and loan facilities which was presented to Board in September. They concluded that our business plan is very strong; a shadow credit rating indicates we would achieve a high rating of Aa3/A1 and our current loan is at current market rates.
		Carry out detailed analysis of Housemark results and link to internal customer insight	New Housemark benchmarking for Q4 2016/17 has been completed. We are part of the pilot of the Sector efficiency score card and the sector scorecard data collection and submission has been completed.
Reduce cost and drive efficiency	Delivering improved service to customers and costs savings	Review our investment in FISH looking at providing financial inclusion activity at least at the current level but at reduced cost.	Our FISH funding ended 31 st March 2017. A combination of employing in-house specialist resource, up-skilling of our housing and support teams and working with existing and new partners will ensure sufficient resource to assist with supporting our customers in terms of financial inclusion
		IT Review outcomes to be assessed for overall savings and efficiency	Several areas identified for potential savings and efficiencies including telephony, hardware consolidation and application consolidation.
		Review Service Charges to move towards 100% cost recovery	Report to Board in December 2016 and implementation from April 2017 approved the recovery of service charges.
		Review the Supported Living Service to ensure financial viability	An independent service review was carried out and the findings presented to Board in December 2016. This resulted in the introduction of a new chargeable support model and changes to the staffing structure which dramatically reduced internal subsidy.
Ensure operational performance is maintained at a high level	Delivering improved service to customers and costs savings	Present 2017/18 Budget to the Board which includes overhead cost savings of 2% compared to 2016/17 Budget	Achieved £61k reduction or 6.7%. The 2017/18 budgets were presented to February Board and approved.
		Carry out an options appraisal on our current repairs service	Options appraisal carried out and the decision has been made to bring the service in-house from April 2018.
		Annual % reduction in actual operating costs of 2% (£223k) set as a target against 2016/17 budget	The 2% efficiency target was signed off by Remuneration and Selection Committee in January 2017. Actual performance was 6.6% lower or £733k. Our 2017/18 budget demonstrated a saving compared to the previous year (excluding reinvestments).
		100% of stock has had a desktop stock condition survey with 20% to have had a physical condition survey completed	This has been completed by our target date of 31 st March 2017.
Produce and use effective,	Effective use of assets	Evaluate options for varying rent type across stock	As part of HCA Affordable Rents Programme 2015-18 our social to affordable rent conversions are now complete. Other rent options are to be considered as part of our Savills' Asset and Performance Evaluation (APE) model review.
		All relets continue to be assessed to determine whether they are: 1) relet at social or affordable	Re-lets will be in accordance with the Rent Standard. In terms of active asset management, will assess NPV through developing the Savills' APE model and we will seek to embed this to ensure appropriate action is

Corporate objectives	VFM strategy goal	What We Said We Would Do	What We Did
high quality, accurate and timely data		rent or; 2) considered for alternative use or sold In February 2016 development parameters were approved by our Board. All new development projects are now measured against these criteria and annually reviewed and that all new schemes continue to meet agreed hurdle rates*. *Meeting required standard when appraised against parameters	taken on properties not producing an acceptable return on investment. The voids process has been amended to incorporate a check on the NPV of the property before any works are undertaken. If rated as amber or red this will trigger a review of options to maximise the performance of the property – this may include disposal as well as conversion to an alternative affordable tenure.
Ensure investments generate optimum social and financial value		Review all data and modelling on existing assets using Savills' APE model and decide future data management.. Target of 100% of Properties to have known NPV	100% of new developments continue to achieve the agreed corporate hurdle rates* This has been carried forward to the Asset and Development Strategy 2017/18 action plan.
Ensure investments generate optimum social and financial value		Improving procurement	Establish, develop and maintain a contracts register
Reduce cost and drive efficiency	The approved list of suppliers to be updated - including a process and criteria for inclusion/removal		New procedures for managing approved suppliers put in place in the Asset & Development Directorate. Some work has been completed to remove old suppliers and match existing suppliers to contracts.
	Review procurement of key contracts		Asset and Development have completed reviews of their largest contracts and IT is currently reviewing their key contracts. Now included in the Procurement action plan.
		Review Procurement Policy and Processes	Our new procurement plan 2017-2019 was approved by Board in February 2017. A policy will be developed in 2017/18 when the new procurement manager is in post.
Produce and use effective, high quality, accurate and timely data	Involving customers, staff, board and stakeholders	100% of new initiatives continue to be measured against methodology	The HACT model was implemented in April 2016 which has enabled us to assess all relevant projects in terms of social value. An annual impact assessment has been developed as a result. OPIs are set to assess tangible service changes as a result of involvement. In addition Customer Assembly will have final sign off of the Tenant Involvement and Empowerment Standard self-assessment. We developed parameters to determine where we will target community investment and established a target return of a ratio of 1:3 for every £ invested.
Ensure operational performance is maintained at a high level		Review of 100 % of existing work streams to be measured against methodology	We have developed a new community grants programme and this has been rolled out during 2016/17.
		Review approach to community grants, including how grants are allocated and to whom, and ensure we can measure the social impact of those grant allocations.	
		Review effectiveness of customer input into VFM	This has been done by our Customer Assembly and incorporated into Customer Assembly Terms of Reference. VFM is a key component of any scrutiny carried out during the year by the Customer Scrutiny Panel.
		Develop parameters for Social and Community Investment to determine acceptable level of return	1:3 Social Return on Investment agreed for 2016/17 and 1:6 for 2017/18.
		Ensure there is an effective method for customer involvement in monitoring Service Standards and	Our mystery shoppers monitor our service standards and feed their findings back to the Customer Assembly. New service standards are being developed which will be monitored in the same manner.

Corporate objectives	VFM strategy goal	What We Said We Would Do	What We Did
		reviewing progress against the previous year.	
Produce and use effective, high quality, accurate and timely data	Demonstrating improvements	% of current rent arrears to meet target of 3.2%	Outperformed the target set with a performance of 3.02% of current rent arrears
Ensure operational performance is maintained at a high level		Operating margin to meet target of 30.4	Achieved operating margin of 35.7

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;
- disposal 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 meet local needs.

In 2016/17 we supplemented the physical stock condition surveys with desktop reviews to accelerate the coverage of our stock condition information and met our target to complete 100% of surveys 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.

From April 2017 we will have a 20% annual rolling programme of stock condition surveys to ensure we have up to date and reliable data to inform investment decisions and planning.

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 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 (Savills' APE model) 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 and expect to have up to date NPV results by September 2017.

Performance Monitoring

Monthly and quarterly monitoring is undertaken by Leadership Team 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 5.5% lower in 2016/17 compared to the previous year. Some of the reduction is attributable to efficiency gains and some to savings, which are reported in table 6 below. Others are reductions which reflect the cyclical and demand led areas of expenditure. We continue to focus on cost optimisation in 2017/18 and further savings have already been identified. As part of our continuous evaluation of operational costs, the Performance Clinics capture across the business the key savings/efficiencies achieved in the year. We are pleased to report recurring savings of £117k that are included within the 5.5% lower operating costs. Next year's budget includes an efficiency saving of £474k. 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.

Operating cost performance will continue to be a key focus in 2017/18 under the 'Understanding costs better' strategic goal with the ambition to achieve best in class cost efficiency across all areas of the Association

Table 6: VFM actions planned for 2017/18

Understanding costs better	In-depth meetings with budget holders to review progress and forecast allowing better planning and understanding of costs.
	We are part of the sector efficiency scorecard pilot which is currently under way and we will be analysing the outcomes from the pilot and our results during the year.
	We will out perform our adjusted budgeted operating surplus.
	Introduction of "Ebis" as an automated purchase ordering software allowing for greater control over suppliers and expenditure as well as providing more efficient processes
	Carried forward from 2016/17 – link detailed analysis of Housemark results to internal customer insight
Delivering improved service to customers and costs savings	Establish an in-house repairs team and allow for a smooth transition period from the current incumbent.
	Set up a Treasury task and finish group to look at our development aspirations and opportunities together with alternative funding models to deliver them.
	Implement IT review projects that have been identified to generate savings.
Effective use of assets	Review all data and modelling on existing assets using Savills' APE model and decide future data management. Target of 100% of Properties to have known NPV. Training and further support to be provided by Savills to enable the NPV model to be updated in 2017/18.
	Review of our office accommodation needs to establish future requirements.
	Review of our independent living scheme assets.
	Reduce average re-let times to 25 days on average.
	Reduce unit cost further to £2,869 on average.
Carried forward from 2016/17 - Evaluate options for varying rent type across stock following NPV review	
Improving procurement	Enhance the organisation's procurement capability including recruitment of a Procurement Manager and automated purchase ordering and invoicing system.
	Deliver procurement training to staff.
	Develop and deliver tendering and contract management.
	New procurement policy and processes to be put in place.
	Carried forward from 2016/17 - four incomplete procurement actions
Involving customers, staff, board and stakeholders	Refocus our VFM group to closely monitor our procurement action plan and service reviews across the organisation.
	Continue to ensure VFM is a key component in customer scrutiny programmes.
Demonstrating improvements	% of current rent arrears to meet target of 2.9%.
	We will outperform our operating margin of 30.4%.

Table 7: VFM Efficiency Gains

Description	In-year saving in 2016/17 (£)	Recurring saving from 2017/18 (£)	Details
Review of Supported Living		122,880	Following the withdrawal of the Supported People grant from 2017/18 the service was reconfigured. This resulted in a reduction in staff and the introduction of a three tier charge which reduced internal subsidy for the Independent Living service from £184k to £61k
Rent arrears management	51,394	102,788	Income Recovery Team is now responsible for both current and former arrears. Targeted support is now in place for Universal Credit customers. As a result recovery rates have increased. As arrears reduce the amount set aside for writing off bad debt can be reduced. We will maintain continuous improvement in our arrears performance.
FISH		128,425	Supporting the FISH (Free and Impartial Support and Help) shop to become financially independent and therefore leading to a reduction in grant funding from Wellingborough Homes.
Maternity & Sick pay		35,000	Removal of separate budget. Services are now expected to absorb costs within existing budget through vacancy management.
Estate management repairs	22,250	22,250	Budget held by housing Management for estate improvements reduced from £32k to £10k to fund essential works only.
Printing & postage	21,710	21,710	Reduction in printing use and purchase of printed stationary. More access to documents online than in print.
Customer engagement		16,154	The number of customer STAR surveys reduced from 2 to 1 a year. Reduction of printed copies of our annual report and tenant magazine with change to digital copies only.
Legal services	15,324		We became a member of a framework agreement and now select service from a shortlist of approved suppliers and now take advantage of fixed fees. Compared to charges based on hourly rates this has saved £15k this year.
Van Leasing	3,500	14,000	The new contract started in 2016/17 with a phased change over of vehicles. The full year saving will start from 2017/18.
Review of contracts within Resources directorate	1,413	5,652	Better VFM achieved during renewal of contracts.
Employee Assistance	1,319	5,275	External support service re-tendered and expanded from counselling service to full Employee Assistance support.
Total	£116,910	£474,134	

Procurement

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 agreed the preferred option for delivering the service from 2018 and beyond which is to bring repairs in-house which will generate an anticipated saving of £356k per annum from 2019 onwards.

There were three planned improvement contracts procured via open tendering incorporating EU Procurement Directives and the UK Public Contracts Regulations 2015:

- The Flat Roof Covering Contract is delivering energy efficient insulation to flat roof dwellings and external wall insulation to ground floor extensions. This contract also delivers energy efficiency improvements, reducing fuel bills for our customers;
- The Boiler and Heating System Replacement Contract was subject to a competitive tender exercise which resulted in 5% reduced installation costs enabling 15 more boiler installations than the anticipated 300 within year one of the contract. Quality assurance inspections and performance indicators within the contract have improved programme delivery. Responsive heating system replacements were reduced resulting in a saving of £86,755 in 2016/2017; and
- The window and door replacement contract for 2016/17 was procured through the LHC Framework Agreement. Contractors are appointed onto the Framework based on a tender with the following weighting criteria; 25% essential requirements, 25% quality and 50% price tender evaluation. This ensures that both product quality and best value are guaranteed.

We will continue to use and explore additional procurement frameworks which are available to us and also procurement of bespoke framework(s) where this would be a better option in terms of meeting our corporate objectives.

Additional work is being undertaken focussing on reducing the volume of approved suppliers, reviewing existing contracts and automating our purchase ordering and invoicing processes.

Key Performance Indicators

We report Key Performance Indicators (KPIs) to our Board on a quarterly basis with performance against target and year-on-year performance being examined: The Board has agreed a revised set of KPIs for 2017/18 in line with evolving business priorities and aligned to our four Corporate Strategic Objectives. Both 2016/17 results and 2017/18 targets are set out in the table below:

Table 8: 2016/17 KPI results and 2017/18 targets

Strategic Corporate Objective	Key Performance Indicator	Actual 2015/16	Actual 2016/17	Target 2016/17	Trend*	Target 2017/18	
To produce and use effective, high quality, accurate and timely data	% dwellings with a valid gas safety certificate (%)	99.93	100	100	↑	100	
	% dwellings that are non-decent (%)	0	0	0	↔	0	
	Average NPV of the (social housing) stock	New					TBC – awaiting completion of NPV review
	Board member attendance at meetings as % attendance maximum (%)	85.8	82.5	80	↔	Now monitored at operational level (OPI)	
To ensure investments generate optimum social and financial value	Number of development units completed against target (cumulative count)	n/a	92	65	n/a	92	
	Unsold shared ownership units 3 months after completion (cumulative count)	n/a	10	6	n/a	Now monitored at operational level	
	Number of sales completions achieved within target	New					14
	Number of unit started on site against target	New					150
To reduce costs and drive	Average re let time of all properties (GN and HFOP) (excl. MR) (days)	30.1	25.5	25	↑	25	

Strategic Corporate Objective	Key Performance Indicator	Actual 2015/16	Actual 2016/17	Target 2016/17	Trend*	Target 2017/18	
efficiency	Current tenant arrears as % annual net rent (%)	3.4	3.02	3.2	↑	2.9	
	Average number of sick days per employee per annum (days) - cumulative	8.5	9.99	10	↓	8	
	Debt per Unit Owned (£)	7,365	7,185	8,524	↔	8,229	
	Operating expenses (£)	New					10,984,658
	Unit cost (£)	New					2,869
	Operating Margin (as per FVA) (%)	34.2	35.7	30.4	↑	30.4	
	Interest Cover EBITDA (MRI) (as per FVA) (%)	356.26	457.85	318.4	↑	286.92	
	Asset Cover (%)	297	295.37	110	↔	Replace by new KPI	
	Loan to asset cover ratio	New					1.10
To ensure operational performance is maintained at a high level	% customers satisfied with views being taken into account (%)	75	69.5	78	↓	Changed method of report	
	% customers satisfied with WHomes overall (%)	91	89	90	↔	Changed method of report	
	% customer satisfied with repairs service (%)	96.1	95.2	90	↔	90	
	Completed first visit as % repairs completed (%)	95.7	92.4	85	↓	85	
	Emergency Repairs completed in target as % repairs complete (%)	99.3	98.5	98	↔	98	
	Repairs completed in target as % repairs complete (%)	94.2	95.4	96	↔	96	
	% of customers satisfied with complaint handling (%)	New					73.7
	% working time key IT systems are available (%)	99.4	99.1	99.5	↔	Changed method of report	

*Green upward arrows are improvements on previous year - for some KPIs a downward movement is an improvement in performance.

Key messages from the KPIs

Overall we have seen some excellent improvements in our performance with specifically our financial indicators performing well.

We have managed to reduce rent arrears from 3.4% in 2015/16 to 3% in 2016/17 which is an excellent achievement in the light of Welfare Reform implications.

Customer satisfaction with views taken into account dropped during the year and analysis showed that this is due to customers feeling they are not being kept informed enough. This will be a focus for improvement during 2017/18 and the whole organisation will undertake customer care training.

Our repairs service is generally performing well and that is something we are monitoring closely as we are going through the transition from an external contractor delivering the service to mobilising our own in-house team.

Social Value

The information below relates to year 2 of our 4 year Customer and Community Investment strategy. In addition to only investing where we can be satisfied that the majority of beneficiaries are Wellingborough Homes' customers, in terms of social value we also align to the statement agreed by the Wellingborough Homes Board in October 2016 to 'Invest in communities where it supports our customers and protects our business'.

The key objectives for investment remain as:

Building strong and resilient communities enabling customers to improve their neighbourhoods, communities and quality of life through:

- 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

The Wellingborough Homes Training Academy is managed by the Community Involvement Team and aims to support our customers achieve these objectives. Not including staffing or building costs we invest £3,000 per annum in our Training Academy.

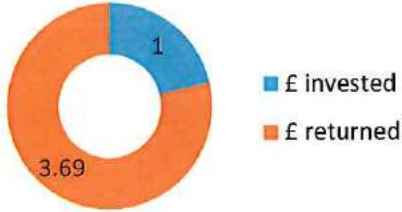
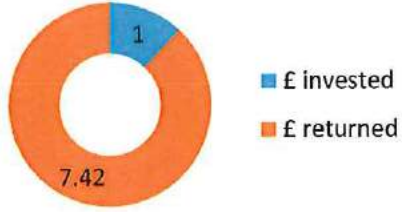
A further £13,645 has been allocated out of the £20,000 annual community grants fund. The funding has been awarded to Community Law Service for telephone benefit and debt advice, The Mallows Company who offer employment support to our customers. We will assess the impact of these projects on an annual basis.

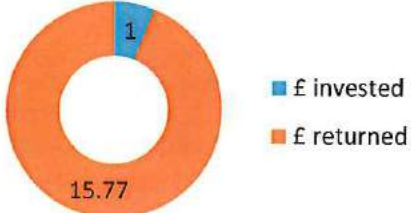
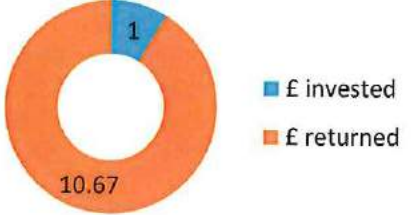
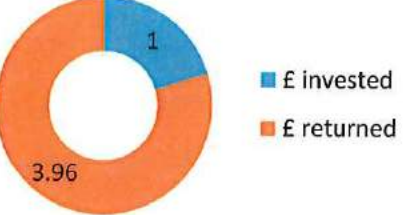
A total of 760 customers have benefited from our investment during the last year. This includes areas like:

- Employment skills, training and finding employment including accredited learning
- Digital inclusion
- Citizen Advice referrals
- Credit Union and debt and benefit advice

We have achieved 1:8.3 against our overall target of 1:3 for the Housing Association Charitable Trust (HACT) Wellbeing Valuation Model for the first year in our key investment areas. This will be set at 1:6 for the next financial year.

Table 9: HACT Wellbeing valuation model

Activity Area	Social Impact (ratio)	Overall Social Impact (£)
<p>Community Involvement Panels: This is the value calculated with customers being active in tenants groups e.g. numbers in Scrutiny, Customer Assembly, Neighbourhood services, Asset Management and Development and Wellbeing together etc.</p>		434,991
<p>Community Based Involvement: This includes Residents Associations and other Community based activity such as Neighbourhood Champions.</p>		74,288

<p>Training Academy: Social Return from interventions such as courses, training for jobs and partnerships run through DWP and ESF classed as Government Training Schemes.</p>	 <p>£ invested 1 £ returned 15.77</p> <p>358,880</p>
<p>Debt and Benefit Advice: Values are those attributed to helping improve customers financial situation also health and wellbeing attach</p>	 <p>£ invested 1 £ returned 10.67</p> <p>205,380</p>
<p>Credit Union: This is for the value of social return collated through questionnaires with individuals who opened Credit Union accounts and the improvements it made to their financial situation and wellbeing.</p>	 <p>£ invested 1 £ returned 3.96</p> <p>59,455</p>

Overall VFM summary

Value for money is being embedded in Wellingborough Homes' culture and there is a clear understanding of how delivering efficient and effective services benefits both customers and their communities. By improving our value for money performance we create capacity to deliver our ambitious development programme.

Our strong financial performance is the result of the focus we have had on improving value for money. Our operating margin has increased from 34.1% to 35.6% despite the 1% rent reduction. We have decreased operating costs by 5.7% and have created cashable gains of £473k. We have reduced rent arrears and are setting ourselves ambitious targets to continue to do so.

Our sector scorecard performance shows that compared to last year we have improved in 11 out of 18 areas and the other seven areas have remained at a similar level. There has been no decline in performance.

We, along with the rest of the social housing sector, continue to face significant challenges from the changing environment, and continuing to push for improvements in value for money helps our prospects of meeting those challenges successfully.

Report of the Board

Report of the Board

The Board of Wellingborough Homes is pleased to present its report together with the audited financial statements for the year ended 31 March 2017.

Legal status

Wellingborough Homes 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 2017, the Association had 12 Board members. The members who served during the year are listed in the table below:

Board Members

Table 9: Board Members

Name	Joined Board	Committee Membership
Tim Davy (Chair)	21 October 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	
Graham Lawman	17 July 2014	Audit & Risk
Tony Aslam	16 July 2015	Audit & Risk
Martin Wheatley	25 February 2016	Remuneration & Selection, Audit & Risk
Tom Lloyd	7 February 2017	

Ordinary members of the Board hold one fully paid £1 share that is cancelled on cessation of membership. The Borough Council of Wellingborough holds a corporate share and nomination rights for four places on the Board

Employee Policies

We recognise that the success of our business and our ability to meet our objectives and commitments to our customers and communities depends on our employees. It is the policy of Wellingborough Homes that training, career development and promotion opportunities should be available to all employees. We ensure that all employees understand their contribution towards delivery of the Corporate Plan 2015 – 19. This is reinforced by regular individual meetings between managers and their direct reports, and by our annual performance appraisal and target setting process.

We are fully committed to equality of opportunity, and have in place modern employment policies that ensure that we are an attractive and engaging employer to individuals regardless of their gender, age, ethnicity, sexual orientation, religion or

disability status. The health, safety and wellbeing of all of our employees are of prime importance. We have in place detailed health and safety policies, and provide staff training and education on health and safety matters.

We recognise the Unison Trade Union and engage in local collective negotiations with them.

Insurance

We have retendered our insurance during the year and aligned the renewal dates to the financial year end. Insurance was maintained throughout for insurance of members and senior employees against liabilities in relation to the Association.

Going Concern

Our business activities, our current financial position and factors likely to affect our future development are set out within the Strategic Report. We have in place funding, which provide resources to finance committed reinvestment and development programmes, along with day-to-day operations. We have a long-term business plan that shows we are able to service the debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that Wellingborough Homes has the resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the 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 our 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 auditors are aware of that information.

Code of Governance

We have 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 the Borough Council of Wellingborough has the right to nominate 4 representative Board members. In 2016-17 one appointment was made directly under the terms of the transfer agreement from the local authority. An agreement was reached with the Borough Council of Wellingborough over the introduction of an appointment protocol however the changes in the Housing and Planning Act superseded this and all future board appointments post the HPA regulations being laid down will be made based on skills.

Internal Controls Assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and conduct an annual review of the effectiveness of this system.

The process for identifying, evaluating and managing the significant risks faced by the Association is on-going and has been in place throughout the period 1 April 2016 up to the date of approval of the report and financial statements. These internal controls act to provide reasonable assurance that planned corporate objectives are achieved. They also exist to give reasonable assurance that the financial and management performance information is reliable and the Association's assets are safeguarded. However, the Board recognises that no system of internal control can provide assurance against material misstatement or loss.

Key elements of the systems of the control framework include:

- Board approved terms of reference and delegated authorities for committees
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks
- Robust strategic and business planning processes, which are stress tested and include detailed financial budgets and forecasts
- Formal recruitment, retention, training and development policies for all staff
- Established authorisation and appraisal procedures for significant new initiatives and commitments
- A robust approach to treasury management which is reviewed externally each year
- Regular reporting to the appropriate committee on business objectives, targets and outcomes
- Board approved whistle blowing and fraud policies covering prevention, detection and reporting of assets
- Regular monitoring of loan covenants and requirements for any new loan facilities

A fraud register is maintained and reviewed by the Audit and Risk Committee at each of its meetings. During 2016/17, there have been no instances of fraud reported.

The Board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the Audit and Risk Committee to regularly review the effectiveness of the system of Internal Control. The Board receives Audit and Risk Committee minutes and a report from its Chair. The Committee has received the Executive Management Team's annual review of the effectiveness of the system of internal control for the Association, and the annual report of the internal auditor, and has reported its findings to the Board.

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.

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

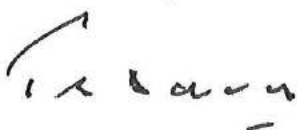
The Accounting Direction 2015 has a requirement for providers to certify that they have complied with the HCA's Governance and Financial Viability Standard within the narrative reporting. In addition to this certification, any areas of non-compliance should be disclosed and explained.

Wellingborough Homes is fully compliant with the 8 specific expectations regarding Governance and Financial Viability.

Auditors

A resolution to re-appoint Beever and Struthers as the Association's Auditors will be proposed at the Annual General Meeting on 28 September 2017.

By Order of the Board:



Tim Davy, Chair

7 September 2017



John Welch, Board Member

7 September 2017

Report of the Independent Auditors

We have audited the financial statements of Wellingborough for the year ended 31 March 2017 set out on pages 25 to 46 which comprise the Statement of Comprehensive Income and Retained Earnings, Statement of Changes in Equity, the Statement of Financial Position and Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Association's members, as a body, in accordance with Section 87(2) 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 page 21, 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

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of 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.

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:

- a satisfactory system of control over transactions has not been maintained; or
- the Association has not kept proper accounting records;
- the financial statements are not in agreement with the books of account; or
- we have not received all the information and explanations we need for our audit.

Beever and Struthers

Beever and Struthers
St George's House,
215-219 Chester Rd,
Manchester
M15 4JE

Date: 7 September 2017

Statement of Comprehensive Income

	Notes	Year ended 31 Mar 2017 £'000	Year Ended 31 Mar 2016 £'000
Turnover	2	21,895	21,312
Operating expenditure	2	(14,648)	(14,420)
Other income	2	550	595
Operating surplus		<u>7,797</u>	<u>7,487</u>
Gain on disposal of property, plant and equipment (fixed assets)	5	709	534
Interest receivable		25	34
Interest and financing costs	6	(2,086)	(1,976)
Increase in valuation of investment properties	12	419	67
Surplus before tax		<u>6,864</u>	<u>6,146</u>
Taxation		-	-
Surplus for the year after tax		<u>6,864</u>	<u>6,146</u>
Actuarial gain in respect of pension schemes	10	237	485
Total comprehensive income for the year		<u>7,101</u>	<u>6,631</u>

The financial statements on pages 25 to 46 were approved and authorised for issue by the Board on 7 September 2017 and were signed on its behalf by:

Board Member:

Board Member:

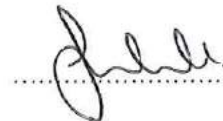
Company Secretary:



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Statement of Financial Position

	Notes	Year ended 31 Mar 2017 £'000	Year Ended 31 Mar 2016 £'000
Fixed assets			
Tangible fixed assets	11a&b	92,509	86,090
Investment properties	12	1,885	950
		<u>94,394</u>	<u>87,040</u>
Current assets			
Trade and other debtors	13	1,248	3,845
Cash and cash equivalents	14	2,807	2,571
		<u>4,055</u>	<u>6,416</u>
Less: Creditors: amounts falling due within one year	15	(4,092)	(6,109)
Net current (liabilities)/assets		<u>(37)</u>	<u>307</u>
Pension asset	10	874	632
Total assets less current liabilities		<u>95,231</u>	<u>87,979</u>
Creditors: amounts falling due after more than one year	16	(39,804)	(39,653)
Total net assets		<u>55,427</u>	<u>48,326</u>
Reserves			
Non-equity share capital		-	-
Income and expenditure reserve		55,427	48,326
Total reserves		<u>55,427</u>	<u>48,326</u>

The financial statements on pages 25 to 46 were approved and authorised for issue by the Board on 7 September 2017 and were signed on its behalf by:

Board Member:

Board Member:

Company Secretary:



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The notes on pages 29 to 46 form an integral part of these accounts.

Statement of Changes in Reserves

	Total Reserves £'000
Balance at 31 March 2015	41,695
Surplus from Statement of Comprehensive Income	6,631
Balance at 31 March 2016	<u>48,326</u>
Surplus from Statement of Comprehensive Income	7,101
Balance at 31 March 2017	<u><u>55,427</u></u>

The notes on pages 29 to 46 form an integral part of these accounts.

Statement of Cash Flows

	Notes	Year ended 31 Mar 2017 £'000	Year Ended 31 Mar 2016 £'000
Net cash generated from operating activities (see Note i)		11,205	11,199
Cash flow from investing activities			
Purchase of tangible fixed assets	11	(9,672)	(6,990)
Purchase of tangible fixed assets - Other	11	(109)	(182)
Proceeds from sale of tangible fixed assets	5	2,008	1,121
Grants received		138	900
Shared Ownership properties 1st Tranche cost of sale		(708)	(163)
Cost of sale		(14)	(15)
Payment to Borough Council of Wellingborough (RTB/SO)		(356)	(244)
Payment to Borough Council of Wellingborough (VAT Shelter)		(194)	(7)
Interest received		24	35
		(8,883)	(5,545)
Cash flow from financing activities			
Interest Paid		(2,086)	(1,976)
New secured loans		-	-
Repayment of borrowing		-	(11,202)
		(2,086)	(13,178)
Net change in cash and cash equivalents		236	(7,524)
Cash and cash equivalents at beginning of the year		2,571	10,095
Cash and cash equivalents at end of the year	14	2,807	2,571

Note i

		Year ended 31 Mar 2017 £'000	Year Ended 31 Mar 2016 £'000
Cash flow from operating activities			
Surplus for the year		8,926	8,088
Adjustments for non-cash items:			
Depreciation of tangible fixed assets	11	2,957	2,810
Decrease/(increase) in trade and other debtors	13	2,597	1,087
Decrease/(increase) in stock		109	-
(Increase) in trade and other creditors		(2,017)	(363)
Pension costs less contributions payable		22	-
Profit on sale of fixed assets		(709)	(534)
Investment Property revaluation 2015-16 - correction		83	-
Investment Property revaluation 2016-17		(419)	(67)
Right to Buy 2015-16 - correction		(14)	-
Grant amortisation	22	(51)	(37)
Pension liability adjustment		(22)	53
Adjustments for investing or financing activities:			
Proceeds from the sale of fixed assets 1 st Tranche		(965)	-
Shared ownership sales cost		708	163
Net cash generated from operating activities		11,205	11,198

The notes on pages 29 to 46 form an integral part of these accounts.

Notes to the financial statements for the year ended 31 March 2017

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. 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 in the 2017/18 business plan and therefore 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 31. 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.

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 balance sheet date 31 March 2017. 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 costs 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.
- d. **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. Following the assessment of impairment no impairment losses were identified in the reporting period.

In accounting periods where a trigger has been identified, 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.

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 an amortised 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.

Tangible fixed assets and depreciation

Housing properties are stated at cost less depreciation.

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. Freehold land is not depreciated.

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 set out below. There is a capital spend de-minimis level of £1k.

	Years
Fixtures, fittings & equipment	3
IT Equipment	3
Estate capital improvements	30

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.

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 social benefit. 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.

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.

The Association participates in two multi employer defined benefit pension schemes (Local Government Pension Scheme (LGPS) and Social Housing Pension Scheme (SHPS)) and one defined contribution scheme (SHPS).

Under the LGPS the Association's share of assets and liabilities are separately identified. Amounts charged to operating surplus are costs arising from employee services rendered during the period and the cost of plan introductions, benefit changes, settlements, and curtailments. These are included as part of staff costs. The net interest cost on the net defined benefit liability is charged to revenue and included within finance costs. Remeasurement comprising actuarial gains and losses and the return on scheme assets (excluding amounts included in net interest on the net defined benefit liability) are recognised immediately in other comprehensive income.

The SHPS defined benefit scheme is accounted for as a defined contribution scheme as there is insufficient information to account for the scheme as defined benefit. There is a contractual agreement between the scheme and the association that determines how the deficit will be funded and a liability is recognised in the Statement of Financial Position and the resulting expense in surplus or deficit in the Statement of Comprehensive Income for the present value of the contributions payable that arise from the agreement to the extent that they relate to the deficit. 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 3.2% at 31 March 2015, 3.5% at 31 March 2016 and 2.6% at 31 March 2017. The unwinding of the discount is recognised as a finance cost in the Statement of Comprehensive Income in the period incurred.

The SHPS defined contribution scheme charges the surplus or deficit in the Statement of Comprehensive Income with the contributions payable in the in respect of pension costs and other post-retirement benefits during the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

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

	2017			
	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Operating surplus £'000
Social housing lettings (note 3)	21,294	-	13,612	7,682
Other social housing activities:				
First tranche low cost home ownership sales	965	(708)	-	257
Support services (including SP grant)	54	-	(328)	(274)
Social Housing Total	22,313	(708)	13,940	7,665
Activities other than social housing:				
Other	132	-	-	132
Total	22,445	(708)	(13,940)	7,797

	2016			
	£'000	£'000	£'000	£'000
Social housing lettings (note 3)	21,342	-	(13,775)	7,567
Other social housing activities				
First tranche low cost home ownership sales	232	(163)	-	69
Charges for support services	205	-	(482)	(277)
Social Housing Total	21,779	(163)	(14,257)	7,359
Activities other than social housing:				
Other	128	-	-	128
Total	21,907	(163)	(14,257)	7,487

3. Particulars of turnover and operating costs from social housing lettings

	General Housing	Supported Housing and Housing for Older People	Low Cost Home Ownership	Other	Total 2017	Total 2016
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Rent receivable net of identifiable service charge	18,752	1,174	208	421	20,555	20,611
Service charge income	124	192	5	-	321	264
Charges for support services	-	-	-	-	-	-
Shared Ownership 1st Tranche sales	-	-	-	-	-	-
Amortised government grants	51	-	-	-	51	37
VAT Shelter Income	367	-	-	-	367	430
Other Income	-	-	-	-	-	-
Total	19,294	1,366	213	421	21,294	21,342
Operating expenditure						
Management	3,027	442	317	30	3,816	3,840
Service charge costs	305	318	1	-	624	598
Support	-	-	-	-	-	-
Routine maintenance	4,415	315	-	42	4,772	4,832
Planned maintenance	308	16	-	1	325	468
Major repairs expenditure	288	33	-	2	323	412
Bad debts	258	-	-	-	258	200
Depreciation of tangible fixed assets	2,650	307	-	-	2,957	2,810
VAT shelter and Other payments	197	-	-	-	197	271
Shared Ownership cost of sales	-	-	-	-	-	-
Other Costs	231	101	-	8	340	344
Operating expenditure on Social Housing Lettings	11,679	1,532	318	83	13,612	13,775
Operating Surplus/(Deficit) on Social Housing Lettings	7,615	(166)	(105)	338	7,682	7,567
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	104	16	0	180	300	441

The allocation of costs within operating expenditure has been reviewed during the period. The figures for 2017 and 2016 are consistent and have been prepared using the same methodology.

4. Accommodation owned, managed and in development

	2017		2016	
	No. of properties Owned	Managed	No. of properties Owned	Managed
Social Housing				
Under development at end of year:				
General needs housing social rent	4	-	10	-
General needs housing affordable rent	57	-	41	-
Low-cost home ownership	31	-	24	-
Under management at end of year:				
General needs housing	4,172	-	4,177	13
General needs housing affordable rent	134	-	92	-
Supported housing	262	-	270	-
Low-cost home ownership	108	-	79	-
	<u>4,768</u>	<u>-</u>	<u>4,693</u>	<u>13</u>
Non-Social Housing				
Under management at end of year:				
Market rented	13	1	7	-
	<u>4,781</u>	<u>1</u>	<u>4,700</u>	<u>13</u>

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

	Housing Properties	Shared Ownership Staircasing	Total 2017	Total 2016
	£'000	£'000	£'000	£'000
Proceeds of sales	1,890	119	2,009	1,121
Less: Costs of sales	(237)	(14)	(251)	(240)
Surplus	<u>1,653</u>	<u>105</u>	<u>1,758</u>	881
Clawback Payable to Borough Council	(1,007)	(42)	(1,049)	(347)
Retained surplus	<u>646</u>	<u>63</u>	<u>709</u>	<u>534</u>

6. Interest and financing costs

	2017	2016
	£'000	£'000
On loans	2,169	2,010
Grant received towards financing cost	(22)	(24)
Costs associated with financing	22	24
	<u>2,169</u>	<u>2,010</u>
Less: interest capitalised on housing properties under construction	(83)	(34)
	<u>2,086</u>	<u>1,976</u>

A weighted average interest on borrowings of 5.86% (2016:3.55%) was used for calculating capitalised finance costs.

7. Surplus on ordinary activities

	2017 £'000	2016 £'000
The operating surplus is stated after charging:-		
Auditors remuneration (excluding VAT):		
Audit of the financial statements	16	15
Fees payable to the company's auditor and its associates for other services:		
FRS102 review	-	3
Operating lease rentals:		
- Vehicles	52	44
- Land and buildings	228	230
- Office equipment	14	10
Depreciation of housing properties (note 11a)	2,822	2,718
Depreciation of other fixed assets (note 11b)	135	92

8. Directors' remuneration

Directors (key management personnel) are defined as members of the Board, the Chief Executive and members of the Executive Management Team.

	2017 £'000	2016 £'000
The aggregate emoluments paid to or receivable by non-executive Directors and former non-executive directors	36	32
The aggregate emoluments paid to or receivable by executive Directors and former executive directors	472	408
The aggregate compensation paid to or receivable by Directors	0	0
The emoluments paid to the highest paid Director excluding pension contributions	145	140
Pension costs for current and past Directors	29	35
The aggregate amount of any consideration payable to or receivable by third parties for making available the services of a Director	45	115
The aggregate amount of any consideration payable to Directors for loss of office	-	-

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 Wellingborough Homes of £10,535 was paid in addition to the personal contributions of the Chief Executive.

	2017	2016
	£	£
Non-Executive Directors		
<u>Board Member</u>		
Tim Davy	8,000	8,000
Yvette Morgan	5,000	4,250
John Welch	5,000	3,875
Martin Wheatley	4,684	0
Daphne Simmons	4,000	4,000
Mary Reeves	4,000	4,000
Richard Coles	4,000	4,000
John Lewis	1,677	3,875
Tony Aslam	0	0
Jonathan Ekins	0	0
Graham Lawman	0	0
Tom Lloyd	0	0
	<u>36,361</u>	<u>32,000</u>

Board members nominated by the Borough Council of Wellingborough are not remunerated.

9. Employee information

	2017	2016
	No.	No.
The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was:		
Office staff	81	80
Supported living officers, caretakers and cleaners	14	13
	<u>95</u>	<u>93</u>
	£'000	£'000
<u>Staff costs (for the other persons)</u>		
Wages and salaries	2,698	2,765
Social Security costs	279	338
Pension costs	170	447
	<u>3,147</u>	<u>3,550</u>

Aggregate number of full time equivalent staff whose remuneration (salary, allowances and employer pension contribution) exceeded £60,000 in the period:

	2017	2016
	No.	No.
£60,001 - £70,000	1	1
£70,001 - £80,000	1	-
£80,001 - £90,000	-	1
£90,001 - £100,000	-	1
£100,001 - £110,000	-	1
£110,001 - £120,000	-	-
£120,001 - £130,000	2	-
£130,001 - £140,000	1	1
£140,001 - £150,000	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.

SHPS deficit payment agreement

The Association has a contractual obligation under an agreement to pay additional deficit payments to SHPS of £226k over the next 10 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.

	2017 £'000	2016 £'000
At start of the year	235	110
Additional liabilities in the year	8	132
Interest for the year	5	2
Released to expenditure in the year	(22)	(9)
	<u>226</u>	<u>235</u>

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 2017 were £112k, of which employer's contributions totalled £95k and employees' contributions totalled £26k. The agreed contribution rates for future years for employees range from 5.5% to 6.8% depending on salary. Following the tri-annual valuation employer contributions for the next 3 years have been agreed at nil%.

Principal Actuarial Assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2013 updated to 31 March 2017 by a qualified independent actuary.

	At 31 March 2017	At 31 March 2016
	%	%
Rate of increase in salaries	2.7%	4.2%
Rate of increase for pensions in payment / inflation	2.4%	2.2%
Discount rate for scheme liabilities	2.6%	3.5%
Inflation assumption (CPI)	2.4%	2.2%

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 2017	At 31 March 2016
	Years	Years
<i>Retiring today</i>		
Males	22.1	22.3
Females	24.2	24.3
<i>Retiring in 20 years</i>		
Males	23.9	24.0
Females	26.1	26.6

Analysis of the amount charged to operating costs in the Statement of Comprehensive Income

	At 31 March 2017 £'000	At 31 March 2016 £'000
Employer service cost (net of employee contributions)	112	145
Past service cost	-	2
Total operating charge	112	147

Analysis of pension finance income / (costs)

Expected return on pension scheme assets	231	211
Interest on pension liabilities	(209)	(206)

Amounts charged/credited to financing costs

	22	5
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Amount of gains and losses recognised in the Statement of Comprehensive Income

Actuarial (losses)/gains on pension scheme assets	695	(160)
Actuarial gains on scheme liabilities	(458)	645
Actuarial gain/(losses) recognised	237	485

	At 31 March 2017 £'000	At 31 March 2016 £'000
Movement in surplus during year		
Surplus in scheme at 1 April	632	173
Movement in year:		
Employer service cost (net of employee contributions)	(112)	(145)
Employer contributions	95	116
Past service cost	-	(2)
Net interest/return on assets	22	5
Remeasurements	237	485
Surplus in scheme at 31 March	874	632

Asset and Liability Reconciliation

	At 31 March 2017 £'000	At 31 March 2016 £'000
Reconciliation of liabilities		
Liabilities at start of period	5,982	6,446
Service cost	112	145
Interest cost	209	206
Employee contributions	26	29
Benefits paid	(149)	(201)
Past Service cost	-	2
Actuarial(gain)/ loss	458	(645)
Liabilities at the end of the period	6,638	5,982

Reconciliation of assets

Assets at start of period	6,614	6,619
Return on plan assets	695	(160)
Remeasurements	231	211
Employer contributions	95	116
Employee contributions	26	29
Benefits paid	(149)	(201)
Assets at end of period	7,512	6,614
Net Assets as at 31 March	874	632

11a. Tangible fixed assets

----- Housing Properties -----

	Social housing properties for letting completed	Social housing Properties for letting under construction	Low cost home ownership properties completed	Low cost home ownership properties under construction	Estates	Total housing Properties	Furniture and office equipment	Total fixed assets excluding investment property
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost								
At start of the year	90,948	3,528	3,897	1,131	-	99,504	808	100,312
Additions	1,074	4,769	516	679	207	7,245	109	7,354
Works to existing properties	1,928	-	-	-	-	1,928	-	1,928
Interest capitalised	83	-	-	-	-	83	-	83
Schemes completed	3,739	(3,739)	920	(920)	-	0	-	0
Disposals	(315)	-	-	-	-	(315)	(1)	(316)
Transfer (to)/from Investment	(16)	-	-	-	-	(16)	-	(16)
At end of the year	97,441	4,558	5,333	890	207	108,429	916	109,345
Depreciation and impairment								
At start of the year	(14,042)	-	-	-	-	(14,042)	(653)	(14,695)
Charge for the year	(2,815)	-	-	-	(7)	(2,822)	(135)	(2,957)
Disposals	80	-	-	-	-	80	-	80
At end of the year	(16,777)	-	-	-	(7)	(16,784)	(788)	(17,572)
Net book value as at 31 March 2017	80,664	4,558	5,333	890	200	91,645	128	91,773
Net book value as at 31 March 2016	76,907	3,528	3,897	1,131	-	85,462	155	85,617

Housing Properties comprises:	2017	2016
	£'000	£'000
Freehold land and buildings	91,578	85,393
Long leasehold land and buildings	67	69
	<u>91,645</u>	<u>85,462</u>

Cost of properties includes £278k (2016: £112k) for direct administrative costs capitalised during the year

<u>Works to existing properties in the year</u>	2017	2016
	£'000	£'000
Improvement work capitalised	1,928	1,437
Components capitalised	-	2,753
Aggregate amount of interest & finance costs included in cost of housing properties	83	34
Amounts charged to expenditure	-	-

11b. Stock & Properties held for sale

	2017	2016
	£'000	£'000
<u>Shared Ownership properties</u>		
Completed	243	473
Work in Progress	493	-
	<u>736</u>	<u>473</u>

12. Investment properties held for letting

	2017	2016
	£'000	£'000
At start of year	950	800
Additions	500	83
Disposal	-	-
Transfers to completed properties	16	-
Gain from adjustment in value	419	67
At end of year	<u>1,885</u>	<u>950</u>

Investment properties were valued at 31 March 2017 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

	2017 £'000	2016 £'000
Rent arrears	1,048	1,151
Less: provision for bad debts	(407)	(490)
	<u>641</u>	<u>661</u>
Prepayment and accrued income	607	598
Other debtors	-	2,586
	<u>1,248</u>	<u>3,845</u>

Debtors are all due within one year

'Other Debtors' is the obligations relating to capital expenditure improvements that the Association is obliged to carry out under the conditions of the stock transfer agreement which were planned to be completed by the end of 2016/17. This has been completed except for difficult to access properties.

14. Cash and cash equivalents

	2017 £'000	2016 £'000
Money market investments	11	11
Cash at bank	2,796	2,560
	<u>2,807</u>	<u>2,571</u>

In the above are balances totalling £195k (2016: £131k) which are held in trust for shared ownership leaseholders.

15. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	132	68
Rents and service charges paid in advance	442	375
Other taxation, social security and pension payable	144	149
Accruals and deferred income	2,228	2,537
Pension deficit payment agreement	22	22
Deferred Capital Grant (Note 17)	51	37
Stock transfer creditor (works due under LSVT agreement)	-	2,586
Other creditors	1,073	335
	<u>4,092</u>	<u>6,109</u>

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

	2017 £'000	2016 £'000
Loans (note 16b)	35,821	35,798
Deferred capital grant	3,584	3,511
Pension deficit payment agreement	204	213
Sinking fund	195	131
	<u>39,804</u>	<u>39,653</u>

16(b) Debt analysis

	2017 £'000	2016 £'000
Loans not repayable by instalments:		
Within one year	-	-
In one year or more but less than two years	-	-
In two years or more and less than five years	-	-
In five years or more	36,000	36,000
Less: loan issue costs	(179)	(202)
Total loans	35,821	35,798

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 2017 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 2017 the Association has the following borrowing facilities:					£'000
Undrawn committed facilities					<u>49,000</u>

17. Non-equity share capital

	2017 £	2016 £
Allotted Issued and Fully Paid		
At the start of the year	12	11
Issued during the year	-	1
Reduction in shareholding	2	-
At the end of the year	<u>10</u>	<u>12</u>

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. All shares are fully paid. At the AGM in September 2016 2 shares were forfeited and cancelled.

18. Capital commitments

	2017 £'000	2016 £'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	23,781	9,326
	<u>23,781</u>	<u>9,326</u>

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

19. Other commitments

The Association had no other commitments at 31 March 2017 other than as noted in Note 18 and 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:-

	2017 £'000	2016 £'000
Land and buildings:		
Leases expiring in:		
In one year or more but less than two years	228	230
In two years or more and less than five years	421	852
In five years or more	-	-
Others:		
Leases expiring in:		
In one year or more but less than two years	47	58
In two years or more and less than five years	-	-
In five years or more	-	-
	<u>696</u>	<u>1,140</u>

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 2017.

22. Deferred capital grant

	£'000	£'000
At start of year	2,648	2,685
Grant received in year	1,038	-
Release to Income in the year	(51)	(37)
At the end of the year	<u>3,635</u>	<u>2,648</u>

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 £8,664 (2016: £8,606). There are no arrears on their tenancies at the reporting period end (2016: £nil).