



Wellingborough Homes Limited

An Exempt Charity  
Financial Statements  
For the Year Ended 31 March 2018

(Co-operative and Community Benefit Society)  
(property, plant and equipment held at cost not valuation)

Basis of preparation:  
Compliant with 2015 SORP for PRPs and 2015 Accounting Direction

## Contents

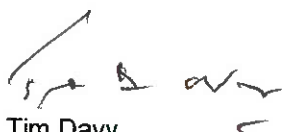
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## Chair's Statement

Looking back over 2017/18, we have had a year of many achievements; turning 10 years old, attaining our highest shared ownership sales to date and working closer with our customers to improve our services such as repairs, estates services and how we handle complaints about neighbours.

As this is my final year as Chair, I am delighted to have seen the strides that have been made and the progression into a well-managed, financially strong and ambitious organisation.

Wellingborough Homes starts 2018/19 in a strong position and with a clear plan for tomorrow to provide the best services to our customers and communities, and I look forward to seeing the organisation develop.



Tim Davy

Chairman

## Association Information

<u>Board Members:</u>		<u>Executive Directors:</u>	
Chairman:	Tim Davy	Chief Executive	Joanne Savage
Vice Chair:	Yvette Morgan	Director of Resources	Julie Robinson
Board Members:	Tony Aslam	Director of Housing and Support Services and Company Secretary	Amanda Meanwell
	Richard Coles (to 28 Sep 2017)		
	Jon Ekins	Director of Asset and Development	Denise Lewis
	Graham Lawman (to 17 Jan 2018)		
	Tom Lloyd (to 17 Jan 2018)		
	John Lewis		
	Doug Livingstone (from 28 Sep 2017)		
	Mary Reeves		
	Daphne Simmons		
	John Welch		
	Martin Wheatley		

<u>Advisors and Bankers:</u>		
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 Hamlin 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 Perry Mount 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)

Regulator for Social Housing Registration Number: L4509

# Strategic report for the year ended 31 March 2018

## Our Vision and Values

Wellingborough Homes (WH) is a Registered Provider regulated by the Regulator for Social Housing (RSH) (formerly known as the Homes and Communities Agency (HCA)) and complies with the RSH's regulatory framework. We were created in December 2007 as a Large Scale Voluntary Transfer (LSVT). We operate in Wellingborough and Northampton and we own and manage 4,585 homes for rent and manage a further 120 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 ten non-executive members, of whom there are six independents, two tenants and two local authority appointments. We have a mixture of remunerated and unremunerated Board members depending on status. We are working towards implementing all of the changes required by the Housing and Planning Act and we will have a fully skills based Board by the AGM in September 2018.

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

We are pleased to report that we have achieved or made significant progress with all of our Corporate Plan 2017-18 priorities for the year. One of our biggest achievements was establishing our in-house repairs service which was successfully launched on 3 April 2018. We also continued to develop more homes to meet local housing need and took handover of 43 social and three market rent units with a further 352 homes in the pipeline to be delivered over the next five years.

At Wellingborough Homes we have the ambition, expertise and financial strength to take up the potential challenges we may face. We expect our new stock numbers to grow and we are planning to develop an additional 1000 homes over the next 10 years on top of our existing development plans. 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 below:

"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 16 priorities identified for 2018-19, 11 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 2018-19 will bring.

Our development pipeline is set to deliver a mix of homes with around 30% for low cost ownership and 70% affordable rent with an element of market rent. The 1% reduction in rent every year until 2020 will have an impact as income will have reduced by £6.6million between 2016 and 2020. Our business plan has been robustly stress tested reflecting the fall in our income as well as our growth ambitions, as 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.

Our housing offer is detailed in table 1 below.

**Table 1**

	As at 31 Mar 2017 Units	As at 31 Mar 2017 %	As at 31 Mar 2018 Units	As at 31 Mar 2018 %
Social Rent	4,172	89.0%	4,098	87.1%
Supported Housing	262	5.5%	260	5.5%
Affordable Rent	134	2.9%	210	4.4%
Shared Ownership	108	2.3%	120	2.6%
Market Rent	14	0.3%	17	0.4%
<b>Total Stock</b>	<b>4,690</b>	<b>100.0%</b>	<b>4,705</b>	<b>100.0%</b>

### Performance in the Year

The third year of our Corporate Plan 2015-19 has driven further significant business improvements and has built on the strong foundations established in the first two years. 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 retained the highest possible G1 V1 status with the RSH, demonstrating we are well governed and financially stable.
- Financing – we were successful in securing £3.22m in 2016 from Homes England to develop 100 homes for shared ownership and Rent to Buy and have so far received £1.67m and have secured an additional £0.5m through CME for affordable rented homes.
- Staff – we continuously review our front line services and back office resources to ensure we have the right people, in the right places, doing the right things, at the right times. We have reviewed and implemented new terms and conditions to ensure we continue to provide a fair, competitive reward package.
- Developing – during 2017/18 we built 43 new affordable homes, acquired three existing homes for market rent and have a further 352 in our development pipeline.
- Customer Involvement – we have fully implemented our customer involvement framework and are working actively to develop our customers ensuring they are really shaping and scrutinising our services. During the year the Customer Assembly contributed to the setting up of the in-house repairs service and the Customer Assembly Task and Finish Group worked on proposals on how customers can be involved in governance which were approved by the Board.
- Efficiency – We are working hard to deliver further savings, generate income and improve efficiency and identified recurring cashable savings of £404k a year. We will be expanding our offer to include Rentplus which will generate additional income and reduce our unit costs. Our headline unit cost continues to show a downward trend.
- Refurbishment – we have a rolling programme of component renewals to our homes ensuring we continue to provide great homes.
- Partnership with Borough Council of Wellingborough – we continue to work with partners and are pleased with the positive outcomes from our on-going relationships with the Borough Council of Wellingborough. We have entered into a collaboration agreement with Rentplus to be their selected partner for Northamptonshire.

### Development and Investment

The Asset and Development Strategy focuses on existing stock investment as well as the capacity to deliver an ambitious development programme of 1000 new homes over the next 10 years, in addition to our existing development commitments.

Our development programme includes an indicative split of 70/30; affordable rent/low cost home ownership; 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 2016-21 Shared Ownership and Affordable Homes Programme funded by Homes England. We will be looking to explore how we can work together with other consortium members, for example by jointly procuring sites and/or development services and commissioning research on new and emerging markets.

We continue to build on our development programme; with a pipeline of 352 homes 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 Wellingborough Homes and for our customers we appraise schemes against a set of development parameters which are agreed and reviewed annually by the Board. Funding for our development strategy is delivered from our surpluses, grant and borrowing.

We will work closely with Borough Council of Wellingborough 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 works with the Board having committed to delivering a three year environmental improvement programme across our estates.

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

During 2016 the Board established a task and finish group to review the National Housing Federation Mergers, Group Structures and Partnerships voluntary code. Following the review the Board took the decision to approve adopting the code. The Board, however, has emphasised that whilst they have adopted the code, merger and acquisition will not be a central part of the current growth strategy and that the impact on customers would be a primary consideration. The new Growth Strategy will be developed in 2018/19 ready for implementation from April 2019 and year one will include a review of our approach to the Code.

#### **Financial Performance Review**

The Board is pleased to report another year of strong financial performance, summarised in Table 2 below. We have generated an Operating Surplus of £9.3m which has remained steady year on year with the improvement driven partly by continued efficiencies and savings in our operating costs but also increased sales income. Cost optimisation remains key to addressing the impact of the 1% rent reductions and Welfare Reform.

The total income for the year returns a better than budget performance on 1<sup>st</sup> tranche sales of £0.4m reflecting re-profiling of the development programme, £0.6m gains from higher Right To Buy property disposals and a £0.3m revaluation gain on the market rent property portfolio. Total operating expenditure for the year was £0.9m less than budget due to repairs and maintenance expenditure being underspent by £0.6m driven largely by not undertaking cyclical maintenance pending a value for money review and a contract under spend. The other £0.3m was achieved through a combination of savings and underspends.

Healthy cash flow performance has again allowed the development programme to be funded this year without undertaking a loan draw down. This is attributable in part to improved rent arrears which have reduced from 3.01% to 2.53% despite welfare reform impacts and general squeeze on earnings, reflecting the success of our Income Services Team.

The figures reported in 2014 below 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.

<b>Table 2: 5-Year Summary of Financial Performance</b>					
<b>For year ended 31 March</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014*</b>
<b>Summary Statement of Comprehensive Income</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Total turnover (note 2)	25,251	24,335	21,907	21,973	21,467
Income from Social Housing lettings (note 3)	20,607	20,438	21,342	19,970	19,584
Operating surplus: continuing activities	9,309	8,536	7,487	7,012	4,375
Income for the year transferred to reserves	7,547	7,101	6,631	6,114	(969)
<b>Summary Statement of Financial Performance</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Intangible assets	-	-	-	-	-
Housing properties including Investment properties (notes 11, and 15)	99,336	93,530	86,884	82,695	112,636
Other Property, Plant and Equipment (note 11)	356	128	156	100	64
<b>Total fixed assets</b>	<b>99,692</b>	<b>93,657</b>	<b>87,040</b>	<b>82,795</b>	<b>112,700</b>
Net current assets	4,300	700	307	8,555	1,980
<b>Total assets less current liabilities</b>	<b>103,992</b>	<b>95,231</b>	<b>87,347</b>	<b>91,350</b>	<b>114,680</b>
<b>Funded by:</b>					
Loans (due over one year) (note 27)	35,843	35,820	35,798	47,000	34,000
Pension asset (note 10)	(836)	(874)	(632)	(173)	(563)
Other long term liabilities (note 17)	6,011	3,983	3,855	2,828	41
<b>Capital and reserves:</b>					
Revenue reserve	62,974	55,427	48,326	41,695	34,990
Pension reserve					563
Property revaluation					45,649
<b>Total reserves</b>	<b>103,992</b>	<b>94,356</b>	<b>87,347</b>	<b>91,350</b>	<b>114,680</b>
* In 2014 housing properties were valued on EUV-SH basis, in 2015 following the introduction of FRS102 housing properties were valued at depreciated historical cost.					

## Risk

The Governance and Viability Standard places emphasis on the Board's role to understand and balance the risks Wellingborough Homes is facing. The Board, therefore, has the responsibility to ensure effective governance and risk management is fully embedded.

During 2017 we reviewed our strategic risks and refocused our main risk areas. In May, the Audit and Risk Committee approved a new Risk and Assurance Framework to ensure we continue to understand the risks we face, how we are controlling those risks and how we continue to strengthen our financial resilience and are best placed to deliver our Corporate Plan.

A new risk and assurance map has been developed to provide robust evidencing of internal controls and mitigating actions, including adopting a three-lines-of-defence approach. The risk and assurance map specifies who is responsible for managing the risk and the processes that are in place to embed a culture of risk management.



At the September 2017 off-site meeting the Board considered the scope of the new risk areas, defined their risk appetite and what each means in practice to demonstrate that governance and risk management is aligned to our risk appetite, as shown in table 3 below. Our overall objectives and activities should therefore align to the risk appetite set by the Board.

**Table 3**

<b>Risk Area</b>	<b>Definition of Risk Area</b>	<b>Risk appetite set by Board</b>	<b>What this means</b>
Asset Health & Safety Compliance	All risk relating to cyclical maintenance, gas servicing, asbestos etc.	Minimal	Maintain H&S and compliance control measures to meet regulatory and legal obligations.
Financial and Treasury Management	Any risk concerning financial viability	Cautious	Investments only with AAA & AA counterparties. Borrowing (traditional and non-traditional) with prudent covenant headroom. Perfect Storm stress test breaks the business plan in long term (10+ years). V1/V2 viability rating. Shadow credit rating A1 or A2
Housing	Any risk relating to the management of our properties including repairs and maintenance, lettings and tenancy management.	Cautious/Open	Cautious: Continuing to provide current services which compliment areas of expertise.  Open: Continuing to provide current services as well as developing new products and services which compliment areas of expertise such as Rent Plus
New Supply	Risks relating to the increase and decrease of our properties and property types	Open	Deliver growth ambitions which include a greater number of sites that are delivered via land led deals. Consider sites where numbers to be delivered on any one site are 100 units or less.
People	Anything related to stakeholders and stakeholder management including employees and workforce planning	Open	Employ a range of experience levels, including trainees, apprentices and development roles. Make changes within the organisation to accommodate innovative approaches to business/customer needs and best practice. These potentially could lead to restructures and redundancies. Actively engage with potential partners and stakeholders to deliver a range of services linked to our corporate objectives.
Regulatory Compliance	Any risk related to meeting our regulatory and legal requirements, including our funders	Minimal	Meet all regulatory requirements - G1V1 or G1V2 (V2 as a result of risk taking so a regrade).
Supported Living	Any risk relating to our support services including independent living and IMA.	Cautious	Continue to provide current Independent Living and IMA service but allowing for minor changes
New Business Ventures	New income streams and service offers	Cautious/Open	Cautious: Explore new opportunities that offer expected rate of return based on current location and current services  Open: Explore new opportunities that offer expected rate of return taking into account expansion of location and services

The risk and assurance map is currently monitored as part of quarterly performance assurance clinics which provide a performance overview of the whole business. Outputs and resulting actions are then reported to ARC and the Board on a quarterly basis. This includes highlighting emerging risks and horizon scanning as well as any escalation from operational risk registers. During the year we have in detail reviewed the impact of Brexit, the situation at Northamptonshire County Council and the potential impact of changes to the East Midlands Rail Franchise in regards to the status of Wellingborough as a commuter town and linked development opportunities.

During the year, Board members undertook a self assessment, measuring their current skills against key risk areas with the results informing a skills gap analysis which will be used during Board recruitment in 2018-19.

During this next year we will further embed risk and assurance across the organisation; having carried out a comprehensive PESTLE analysis to ensure our risks continue to reflect the environment we operate in. We will review the Board's risk appetite and reflect on our risk areas which will be included and published in our new Risk, Assurance and Compliance Framework in 2019.

# Value for Money Statement

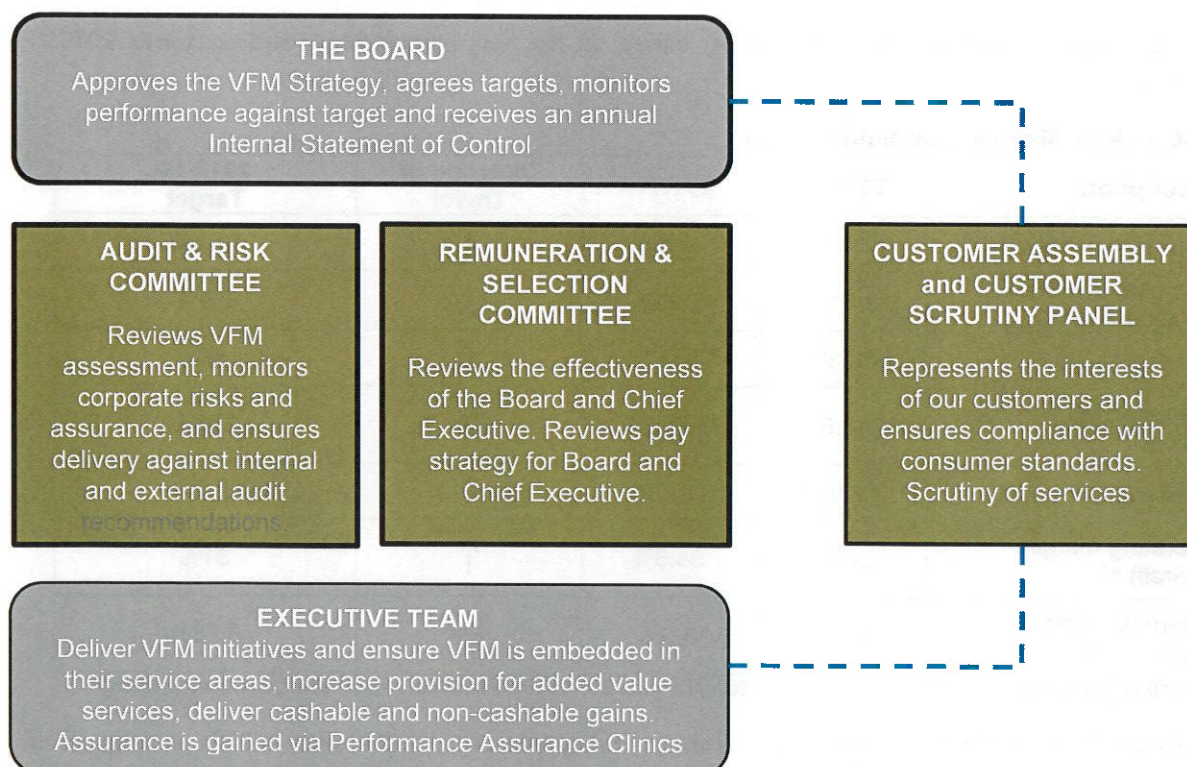
## VFM Strategy

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 Wellingborough Homes. 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 Procurement Action Plan and Performance Assurance Clinics. 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



## Value For Money Standard and Metrics

There has been a shift towards unit cost analysis when it comes to benchmarking performance and being able to compare ourselves with our peers. Last year we took part in the national Housemark pilot to test the new sector efficiency scorecard and the results can be found below in table 4. In December 2017 the RSH consulted on their new VFM standard which included seven VFM metrics identified after the sector efficiency scorecard pilot was completed. We responded to the consultation on both the standard and the metrics which were finalised and launched by the RSH in April 2018.

The consultation resulted in the seven metrics being adopted but with the methodology for the calculation of four of the seven metrics changing. We are taking part in HouseMark's VFM metrics benchmarking again this year and will make the official figures available on our [website](#) once the benchmarking exercise has been completed. This will also include wider benchmarking information in regards to our individual services.

In order to enable peer comparison we have included our benchmarking results based on the original scorecard pilot (2016-17) which can be found in Table 4 below.

**Table 4 – VFM Metrics HouseMark Scorecard methodology**

Description	2016/17 Scorecard	2016/17 HouseMark Peer Group*
Reinvestment %	Not included in pilot	Not included in pilot
New supply delivered (social units) %	Not included in pilot	Not included in pilot
Gearing %	38.8%	Upper
Interest cover EBITDA MRI %	408.1%	Upper
Headline unit cost	£3,017	Upper
Operating margin (overall) %	34.7%	Upper
Return on capital employed %	9.0%	Upper

*\*Housemark peer group consists of organisations of similar stock size and stock type*

Table 5 below shows our own performance, based on the new methodology, and compares 2016/17 against 2017/18.

**Table 5 - VFM Metrics New methodology**

Description	2016/17	2017/18	Direction of Travel	2018/19 Target
Reinvestment %	11.2%	9.8%	↓	16.2%
New supply delivered (social units) %	2.01%	0.94%	↓	2.9%
Gearing %	35.3%	30.5%	↑	39%
Interest cover EBITDA MRI %	340.9%	370.5%	↑	352%
Headline unit cost *	£2,664	£2,596	↑	£2,745
Operating margin (overall) %	34.7%	38.5%	↑	31%
Return on capital employed %	8.9%	8.9%	↔	6.78%

*\*2018/19 target is based on the approved budget, 2016/17 and 2017/18 actuals reflect in-year savings and underspends.*

Reinvestment performance is lower this year due to fewer new units handed over and an underspend on the improvements programme. The development pipeline was re-profiled during the year, but the pipeline remains strong. Improvements expenditure was less than budget due to later than planned award of contracts during the year. In 2018/19 a full programme of improvements is expected to be delivered.

Our 2018/19 targets reflect our approved business plan and development pipeline. We expect the number of handovers to increase next year which will see an increase in our reinvestment and new supply performance. This will result in increased borrowing and will impact on our interest cover and gearing ratios. Our operating margin and unit cost targets reflect our budget position for the coming year and are an improvement on previous budget position, reflecting the strength of our core operating position. Although these are higher than our 2017/18 reported position this has been boosted by income from sales and disposals.

### Performance indicators year on year

The VFM standard requires that appropriate targets are in place for measuring performance in achieving value for money in delivering our strategic objectives, and that the Board regularly monitor and report their performance against these targets. Performance updates are provided to the Board on a quarterly basis with Key Performance Indicators (KPIs) linked to corporate objectives and also to provide assurance against our key risk areas as outlined above. The VFM metrics provide assurance in relation to the Treasury and Financial Management risk with other KPIs covering other risk areas and this is outlined in Table 6 below.

**Table 6**

Risk Area	Description	Actual 2016/17	Actual 2017/18	Target 2017/18	Direction of Travel
Asset Health & Safety	% dwellings with a valid gas safety certificate	100%	100%	100%	↔
	% dwellings that are non-decent	0%	0%	0%	↔
Housing	% satisfaction with complaint handling	n/a	59.63%	73.7%	NEW
	Average re let time of all properties (GN and HfOP) (excl. MR)	25.5	23.33	25	↑
	Current tenant arrears as % annual rent debit net of HB (GN and SH) (YTD)	3.02%	2.53%	2.95	↑
	% customer satisfied with repairs service	95.2%	96.63%	90%	↑
	Completed first visit as % repairs completed	92.4%	93.74%	85%	↑
	Emergency Repairs completed in target as % repairs complete	98.45%	95.93%	98%	↓
	Repairs completed in target as % repairs complete	95.4%	94.6%	96%	↓

Risk Area	Description	Actual 2016/17	Actual 2017/18	Target 2017/18	Direction of Travel
New Supply	Number of development units completed against target	92	46	49	↓
	Number of sales completions achieved within target	n/a	24	14	NEW
	Number of units started on site against target	n/a	178	150	NEW



<b>Risk Area</b>	<b>Description</b>	<b>Actual 2016/17</b>	<b>Actual 2017/18</b>	<b>Target 2017/18</b>	<b>Direction of Travel</b>
People	Average number of sick days per employee per annum	9.99	7.45	8	↑

Performance around repairs and maintenance was on track throughout the year but as anticipated dropped during Quarter 4 which coincided with the end of the outgoing provider's contract and the launch of our own in-house repairs team. There was minimal impact on our customers and the transition was managed carefully to make it as seamless as possible. We will continue to monitor performance of this service closely to ensure that our new service model embeds and delivers efficiencies and provides value for money for us and our customers.

We narrowly missed our development target by three homes in regards to new units completed or acquired though the nature of development means that handover slippages can occur through circumstances outside of our direct control, particularly where developer-led such as section 106 schemes. However, our overall development pipeline is on track to deliver 352 new homes over the next five years with new funding to be secured to enable a further 1000 homes to be delivered by 2028.

Satisfaction with complaint handling was a new KPI for 2017/18 and performance was below the level we expected for this area. We have worked with our involved customers, specifically our Customer Scrutiny Panel to identify areas for improvement around communications with our customers. Our mystery shoppers regularly contact staff and their feedback is also used to improve our services. We have changed our complaints process and introduced closer monitoring of issues and trends. Furthermore we have improved how we capture our Customer Voice and use the information to understand underlying concerns and root causes of dissatisfaction. We have made improvements to our Housing Management System, introducing workflow to enable us to capture all customer contact in order to monitor the quality of our customer service.

### **Review of VFM actions against the VFM Standard**

The new VFM standard clearly outlines expectations set out by the RSH with the code of practice amplifying the requirements. As part of our VFM framework we have an annual action plan outlining how we will be achieving value for money and how this links to our corporate priorities. Table 7 below shows how we performed against what we said we would do in 2017/18 as well as showing how we are meeting the requirements of the VFM standard.

Table 7

Strategic Objective	What we said we would do (taken from VFM actions, corporate plan and budget challenge)	What we did
<b>VFM standard:</b> Robust approach to achieving value for money, including a robust approach to decision making and a rigorous appraisal of potential options for improving performance, cost and low performance.		
Reduce costs and drive efficiency	In-depth meetings with budget holders to review progress and forecast allowing better planning and understanding of costs.	A thorough review of budgets and forecasts was completed in September 2017 which informed the first stage of the budget setting for 2018/19. Our tried and tested budget challenge sessions followed where the leadership team were presented with the draft budget and bids for one-off and consolidated increases in the base budget. Decisions were linked to our corporate priorities.
	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.	The outcome of the 2016/17 pilot and benchmarking data was published in December 2017 and informed our KPI target setting for 2018/19.
	We will out perform our adjusted budgeted operating surplus.	Our budget operating surplus (using an EBITDA MRI surplus adjusted for 1 <sup>st</sup> tranche sales and property disposals) was 35.3%. Our performance for the year was 40.1%.
	Introduction of "Ebis" as an automated purchase ordering software allowing for greater control over suppliers and expenditure as well as providing more efficient processes.	The rollout of Ebis across the business was completed in September 2017. We no longer have paper based orders and with a better understanding of our commitments it helps us improve our forecasting.
	Carried forward from 2016/17 – link detailed analysis of Housemark results to internal customer insight.	Introduced "Customer Voice" capture across the business to identify areas of concerns and cross-referenced to those service areas highlighted as high
	Establish an in-house repairs team and allow for a smooth transition period from the current incumbent.	Our in-house Wellingborough Homes Repairs service was successfully launched on 3 April 2018. The mobilisation project began in April 2017 and the new in-house team were fully operational in April 2018. In the first year this is expected to save £272k or 14.2% of the responsive repairs budget.
	Set up a Treasury task and finish group to look at our development aspirations and opportunities together with alternative funding models to deliver them.	The Task and Finish Group made recommendations to the Board off site in September 2017 to undertake refinancing to be able to deliver an additional 1000 homes over the next ten years. The new Treasury Strategy was adopted in November 2017. The re-financing is expected to be completed at the end of 2018.

<b>Strategic Objective</b>	<b>What we said we would do (taken from VFM actions, corporate plan and budget challenge)</b>	<b>What we did</b>
Reduce costs and drive efficiency	Review of our independent living scheme assets.	During the year Board debated and agreed a future vision for Independent Living which will inform the strategic direction of the service and underpin future investment decisions which will be included in the new 2019 corporate plan.
	Implement IT review projects that have been identified to generate savings.	A full review of WH infrastructure was carried out including an appraisal of options which ranged from continuing as is to replacing like with like to modernising WH's infrastructure to ensure future flexibility and scalability. Board recognised the years of under-investment within the service and agreed to the option which delivers a platform that supports the organisation's delivery of future objectives and growth ambitions but also generates a cost saving of £350k over a 10 year period compared to continuing as we are.
Ensure investments generate optimum social and financial value	Pursue growth opportunities.	A Board Task and Finish Group reviewed future development aspirations and adopted an open risk appetite including pursuing acquisition opportunities where this contributed to the growth aspirations. During the year two acquisition opportunities were pursued which met Board approved geographical and financial parameters. Both were unsuccessful, but if they had been secured would have resulted in being re-profiling uncommitted development until the pending refinancing was completed.
	Reinvest to achieve efficiency savings.	We reinvested in Mobyssoft, a rent arrears tool which assists with early identification and intervention in rent Accounts in arrears. This made more efficient use of Income Services resources and supported a more targeted approach. Rent arrears have reduced from 3.02% in 2016/17 to 2.53% in 2017/18.



Strategic Objective	What we said we would do (taken from VFM actions, corporate plan and budget challenge)	What we did
<b>VFM standard:</b> Regular and appropriate consideration by the Board of potential value for money gains, including full consideration of costs and benefits of alternative commercial, organisational and delivery structures.		
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.	We have updated our asset management information and will be publishing our pilot statement in 2018.
	Review of our office accommodation needs to establish future requirements.	We reviewed several options and the Board decided that we should remain in our existing office for up to a further three years after our current lease expires in May 2019 while a longer term solution is identified in or around the town centre. As we move towards new agile ways of working we have been able to accommodate a growing workforce within our existing accommodation without increasing space. We will also be looking to reduce costs through finding an alternative town centre presence for customers which will enable savings of around £55k per annum.
	Budget approval 2017/18.	We spend more on providing services than we collect in service charge income. Board approved a move towards full cost recovery of service charges which reflected customers' ability to pay and was fair and equitable to all customers. The phased increases for existing customers from 1 April 2017 did not exceed the 1% rent reduction. New customers pay the full service charge. As a result the under recovery has reduced from £303k to £121k a year and will reduce further next year.
	Review structures to ensure they are fit for purpose.	Splitting the housing team into Neighbourhoods and Income Services Teams in 2015 created a more focused income recovery approach. As processes are streamlined and embedded this is resulting in a steady downward trend. Arrears performance has improved from 3.4% in 2015/16 to 2.53% in 2017/18. Furthermore we have also seen improvements in our voids performance with turnaround times reducing from 31.1 days in 2015/16 to 23.3 days in 2017/18.
		A new in-house home ownership team was created in 2017 to increase capacity and enhance performance in delivery of the sales and marketing functions to support planned growth. The new structure has been achieved through a combination of efficiency savings, increase in budget and bringing some previous externally provided support in-house.

Strategic Objective	What we said we would do (taken from VFM actions, corporate plan and budget challenge)	What we did
<b>VFM standard:</b> Consideration of value for money across their whole business and where they invest in non-social housing activity, they should consider whether this generates returns commensurate to the risk involved and justification where this is not the case		
Reduce costs and drive efficiency	Budget approval 2017/18.	FISH (Free, Impartial, Support & Help) was a partnership hub providing Financial Inclusion and other well-being services to customers and the wider community. Between 2012 and 2017 £1m was spent contributing mainly to the lease costs of the building from which other providers operated from. Only 50% of people accessing the service were WH customers and after considering all options Board agreed this was not a cost effective model to support our customers and decided not to continue to support. Our in-house provision was able to provide a more targeted offer to our customers through our Debt and Benefit Advisor and Community Involvement Team.
Ensure investments generate optimum social and financial value	Pursue growth opportunities.	We are Rentplus' preferred partner for Northamptonshire. RentPlus is a new form of affordable housing tenure aimed at aspiring home owners who cannot afford to buy their own home. In 2017 agreements were signed for two sites providing a total of 60 units for rent capped at the LHA rate. WH act effectively as the managing agents and retain a proportion of the rents, this generates a surplus, drives efficiency and reduces overall unit costs.
Ensure investments generate optimum social and financial value	Expand market rent offer.	Following a small scale pilot in 2016 Board approved a business case for an expanded market rent portfolio up to 100 homes by 2021. Whilst this potentially increases our exposure to risk as a new business initiative it is relatively modest in scale and ambition. It seeks to offer a different tenure type and an exemplar of best practice standards for landlords operating in the private sector.

## VFM Actions for 2018/19

We have identified clear actions for 2018/19 to ensure we continue to deliver value for money and these can be found in table 8 below. Operating costs were 6.3% lower than the previous year, which included a mix of savings and efficiencies but also underspends due to the cyclical nature of demand led activities. The actions proposed below will ensure we remain a financially strong and viable organisation so that we can continue to grow and provide a diverse range of new homes to meet the needs of local people and to provide great living environments to our customers.

**Table 8**

VFM Standard	Corporate Priority	Our plans for 2018/19
Robust approach to achieving value for money	Reduce costs and drive efficiency	Fully establish the new in-house repairs service and identify further efficiency savings from the second year of the in-house team.
	Ensure investments generate optimum social and financial value	Assess the potential options and financial viability for redevelopment, remodelling and/or improvement of our independent living schemes to better meet the needs of customers in line with the future vision approved by the Board in 2017/18.
		Building on learning from experience of a stock acquisition bid and set up a contingency project team to prepare for next opportunity.
		Refinance our current loans to meet our growth ambitions of 1,000 homes over next ten years, by continuing to develop homes to meet local needs or look to acquire stock from other housing associations in our area.
	Ensure operational performance is maintained at a high level	Have a fully skills-based Board by our September 2018 AGM.
Regular and appropriate consideration by the board of potential value for money gains	Reduce costs and drive efficiency	Review service charge recovery and make recommendation for charging structure from 1 April 2019.
		Review our rent setting policy, balancing affordability while maximising capacity for growth.
	Ensure investments generate optimum social and financial value	Improve the environments on our estates through refurbishing and/or demolishing garages and providing more car parking, and consider estate regeneration opportunities.
Consideration of value for money across their whole business	Ensure investments generate optimum social and financial value	Pursue new RentPlus opportunities to expand our portfolio of properties and tenure types, to increase revenue income and reduce unit costs.
		Continue market rent expansion of the portfolio through new development and open market purchases to generate non-social housing income, drive efficiencies and reduce our unit costs.

Appropriate targets in place for measuring performance in achieving value for money in delivering strategic objectives	Produce and use effective, high quality, accurate and timely data	Develop the success of the Performance and Assurance Clinics, to make this a more effective forum for the Leadership Team to review performance and demonstrate we are achieving value for money objectives to provide assurance to Board
	Reduce costs and drive efficiency	Continue to review and improve our procurement processes and outcomes.

### Cashable saving and efficiency gains

During the year we achieved the following cashable savings (table 9 below), contributing to our surplus realised in each year which will be reinvested towards achieving our corporate objectives.

**Table 9**

Description	In-Year Saving in 2017/18	Recurring saving from 2018/19	Details
IT licences, support and hardware		£56,323	Licences and support charges were reviewed with some being terminated and other renegotiated. Printers and mobile contracts were retendered. All savings have been reinvested in IT infrastructure review.
Framework contracts	£51,433		We are a member of a procurement consortium and have generated saving we would not have achieved by procuring the contracts ourselves.
External Decorations Programme	£150,000		We did not undertake an external decoration programme this year as we are planning to undertake a review of the programme and how/what should be delivered in the future.
In-House Repairs Service		£272,000	Bringing the repairs service in-house is expected to achieve a saving of circa £280k in the first year. We have made cautious estimates of the cost of the service and we expect to make further savings from Year 2 onwards once the service is embedded and we have data to help us drive cost savings and/or efficiencies.
Re-procurement		£24,199	We re-procured our gas and electricity and telephony contracts.
Electrical Testing	£60,480	£51,865	We negotiated a reduced rate for electrical testing, as a result have been able to increase cyclical testing and make an on-going saving.
<b>Total</b>	<b>£261,913</b>	<b>£404,387</b>	

## 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 2018.

### 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

As at 31 March 2018 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 2018, the Association had ten 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 (left 28 September 2017)	Remuneration & Selection
John Welch	24 January 2013	Audit & Risk
John Lewis	22 May 2014	
Graham Lawman	17 July 2014 (left 17 January 2018)	Audit & Risk
Tony Aslam	16 July 2015	Audit & Risk
Jon Ekins	16 July 2015	Remuneration & Selection
Martin Wheatley	25 February 2016	Remuneration & Selection, Audit & Risk
Tom Lloyd	7 February 2017 (left 17 January 2018)	
Doug Livingstone	28 September 2017	Audit & Risk



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 retendered our insurance in November 2016 and aligned the first renewal to the financial year end 31 March 2018. Insurance was maintained throughout the period including cover for 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 provides 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. During the financial year 2017-18, the Rules in force enabled the Borough Council of Wellingborough to appoint four directors who were not subject to skills-based selection. These directors were, however, subject to the same appraisal and skills development processes as the rest of the Board. Ahead of The Regulation of Social Housing (Influence of Local Authorities) (England) Regulations 2017 coming into force, the Association negotiated a reduction in the number of appointees from four to two. New Rules, approved by the Board on 22 February 2018, and adopted by shareholder resolution on 17 May 2018, provide for the appointment of all directors based on skills. Following recruitment during summer 2018, by the time of the Annual General Meeting on 27 September 2018, all directors will have been appointed thus. The composition of the Board will then be in full compliance with the Code.

## **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 2017 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 absolute 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 Board and 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 2017/18, there have been three instances of fraud reported using a corporate credit card. The Association suffered no financial loss.

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.

## **Public Benefit Entity**

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

## **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.

The Association is fully compliant with the eight specific expectations regarding Governance and Financial Viability.

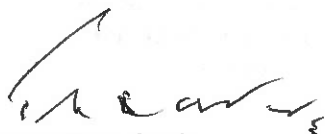
## **Auditors**

A resolution to re-appoint Beever and Struthers as the association's auditors will be proposed at the Annual General Meeting on 27 September 2018.

## 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.

**By Order of the Board:**



**Tim Davy, Chair**

**6 September 2018**



**Yvette Morgan, Vice Chair**

**6 September 2018**



## **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.

# **Independent Auditor's Report to the Members of Wellingborough Homes Limited**

## **Opinion**

We have audited the financial statements of Wellingborough Homes Limited "the society" for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies Note 1. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the society's affairs as at 31 March 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Cooperative and Community Benefit Societies Act 2014.

## **Basis for opinion**

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

## **Conclusions relating to going concern**

We have nothing to report to you in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the society's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Other information**

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

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

We have nothing to report in this regard.

#### **Opinions on other matters prescribed by the Cooperative and Community Benefit Societies Act 2014**

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

- the information given in the Board's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters in relation to which Cooperative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

#### **Responsibilities of the Board**

As explained more fully in the Statement of Board's Responsibilities set out on page 24, the Board are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's web-site at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Use of our report

This report is made solely to the society's members, as a body, in accordance with section 87(2) of the Cooperative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the society'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 society and the society's members as a body for our audit work, for this report, or for the opinions we have formed.

*Beever and Struthers*

Beever and Struthers, Statutory Auditor

St George's House

215/219 Chester Road

Manchester

M15 4JE

Date: 6 September 2018

## Wellingborough Homes Limited - Statement of Comprehensive Income

	Notes	Year Ended 31 Mar 2018 £'000	Year Ended 31 Mar 2017 £'000
Turnover	2	22,959	22,445
Operating expenditure and Cost of Sales	2	(14,801)	(14,648)
Gain on disposal of fixed assets	5	1,151	709
<b>Operating surplus</b>		<b>9,309</b>	<b>8,506</b>
Interest receivable	6	5	3
Interest and financing costs	6	(2,089)	(2,064)
Increase/decrease in valuation of investment properties	12	229	419
<b>Surplus before tax</b>	7	<b>7,454</b>	<b>6,864</b>
Taxation		0	0
<b>Surplus for the year after tax</b>		<b>7,454</b>	<b>6,864</b>
<b>Other comprehensive income</b>			
Actuarial gain in respect of pension schemes	10	93	237
<b>Total comprehensive income for the year</b>		<b>7,547</b>	<b>7,101</b>

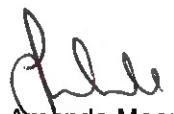
The financial statements on pages 29 to 60 were approved and authorised for issue by the Board on 6 September 2018 and were signed on its behalf by:



Tim Davy  
Chair



Yvette Morgan  
Vice Chair



Amanda Meanwell  
Company Secretary

## Wellingborough Homes Limited - Statement of Financial Position

	Notes	As at 31 Mar 2018 £'000	As at 31 Mar 2017 £'000
<b>Fixed Assets</b>			
Tangible fixed assets	11	97,092	91,772
Investment Properties	12	2,600	1,885
		<b>99,692</b>	<b>93,657</b>
<b>Current Assets</b>			
Stock	13	969	737
Trade and Other debtors	14	1,223	1,248
Cash & Cash equivalents	15	5,531	2,807
		<b>7,723</b>	<b>4,792</b>
<b>Less Creditors: amounts falling due in one year</b>	16	<b>(3,423)</b>	<b>(4,092)</b>
<b>Net Current assets/(liabilities)</b>		<b>4,300</b>	<b>700</b>
Pension Asset	10	836	874
<b>Total assets less current liabilities</b>		<b>104,828</b>	<b>95,231</b>
<b>Creditors: amounts falling due after more than one year</b>	17	<b>(41,854)</b>	<b>(39,804)</b>
<b>Total net assets</b>		<b>62,974</b>	<b>55,427</b>
<b>Reserves</b>			
Income and expenditure reserve		<b>62,974</b>	<b>55,427</b>
Non-equity share capital		<b>0</b>	<b>0</b>
<b>Total Reserves</b>		<b>62,974</b>	<b>55,427</b>

The financial statements on pages 29 to 60 were approved and authorised for issue by the Board on 6 September 2018 and were signed on its behalf by:



Tim Davy  
Chair



Yvette Morgan  
Vice Chair



Amanda Meanwell  
Company Secretary

The notes on pages 34 to 60 form an integral part of these accounts.

## Wellingborough Homes Limited - Statement of Changes in Reserves

	Income and Expenditure Reserve £'000
<b>Balance as at 1 April 2016</b>	<b>48,326</b>
Surplus/(deficit) for the year after tax	<b>6,864</b>
Other comprehensive income for the year	<b>237</b>
<b>Balance as at 31 March 2017</b>	<b>55,427</b>
Surplus/(deficit) for the year after tax	<b>7,454</b>
Other comprehensive income for the year	<b>93</b>
<b>Balance as at 31 March 2018</b>	<b>62,974</b>

The notes on pages 34 to 60 form an integral part of these accounts.

## Wellingborough Homes Limited - Consolidated Statement of Cash flows

		Restated*	
	Notes	Year ended 31-Mar-18 £'000	Year ended 31-Mar-17 £'000
<b>Net cash generated from Operating Activities</b>	note i	8,698	8,970
<b>Cash flow from investing activities:</b>			
Purchase of tangible fixed assets	11/12	(8,674)	(9,673)
Purchase of tangible fixed assets-Other	11	(488)	(109)
Proceeds from sale of tangible fixed assets-RTB/RTA	5	2,292	2,009
Proceeds from Shared Ownership 1st Tranche sales	2	1,318	965
Proceeds from receipt of grants	18	1,667	138
		<u>(3,885)</u>	<u>(6,670)</u>
<b>Cash flow from financing activities:</b>			
Interest paid	6	(2,089)	(2,064)
<b>Net change in cash and cash equivalents</b>		<u>2,724</u>	<u>236</u>
<b>Cash and cash equivalents at beginning of the year</b>		2,807	2,571
<b>Cash and cash equivalents at end of the year</b>	15	<u><b>5,531</b></u>	<u><b>2,807</b></u>

*\* 2016/17 figures have been restated to follow cash flow best practice and guidance. This is a presentational change and there has been no adjustment to balances.*

The notes on pages 34 to 60 form an integral part of these accounts.



# Consolidated statement of cash flow continued

## Note i

	Notes	Year ended 31-Mar-18 £'000	Year ended 31-Mar-17 £'000
<b>Cashflow from Operating activities</b>			
Surplus for the year	SOCI	9,309	8,506
<b>Adjustment for non-cash items:</b>			
Depreciation of Tangible fixed assets	11	3,182	2,957
Decrease/(increase) in stock	13	(232)	(263)
Decrease in Trade and other debtors	14	25	2,597
Decrease in trade and other creditors	16	(669)	(2,018)
Pension costs less contributions payable	10	152	12
Carrying amount of tangible fixed assets disposals	11	218	0
<b>Adjustments for investing or financing activities:</b>			
Gain on disposal of tangible fixed asset	5	(1,151)	(709)
Shared ownership sales costs	2	0	0
Government grants utilised in the year	18	(51)	(51)
Interest payable	6	(2,089)	(2,064)
Interest received	6	4	3
<b>Net cash generated from operating activities</b>		<b>8,698</b>	<b>8,970</b>

The notes on pages 34 to 60 form an integral part of these accounts.

# Wellingborough Homes - Notes to the financial statements for the year ended 31 March 2018

## Legal Status

Wellingborough Homes Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator for Social Housing 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 2018/19 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 36. 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 Association 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 2018. 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 Homes England, 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.

#### **Support income and costs**

Support services income is accounted for as support services 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, this is referred to as a sinking fund.

#### **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:

<b>Component</b>	<b>Years</b>
Adaptations	10
Bathroom	30
Boilers	5
Communal Equipment	5
Electrical Wiring	50
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.

Component	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 Homes England. 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. Following the Housing and Planning Act 2016, disposals made after 1 April 2017 no longer have to be accounted for through the DPF. There will be a winding down period until 2020 to use any funds currently remaining in the DPF.

#### **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 3.5% at 31 March 2016, 2.6% at 31 March 2017 and 2.7% at 31 March 2018. 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.

### **Financial Instruments**

Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

- Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.
- Commitments to receive or make a loan to another entity which meet the conditions in para 11.8(c) of FRS 102 are measured at cost less impairment.
- Investments in non-convertible preference shares and non-puttable ordinary shares or preference shares are measured at:
  - Fair value with changes in fair value recognised in profit or loss if the shares are publicly traded or their value can otherwise be measured reliably, and
  - At cost less impairment for all other such investments.

Financial assets and financial liabilities at fair value are classified using the following fair value hierarchy:

- a) The best evidence of fair value is a quoted price in an active market.
- b) When quoted prices are unavailable, the price of a recent transaction for an identical asset, adjusted to reflect any circumstances specific to the sale, such as a distress sale, if appropriate.
- c) (Where there is no active market or recent transactions then a valuation technique is used to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

### **Impairment of Financial Assets**

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss immediately.

The following financial instruments are assessed individually for impairment:

- a) All equity instruments regardless of significance; and
- b) Other financial assets that are individually significant.

Other financial instruments are assessed for impairment either individually or grouped on the basis of similar credit risk characteristics.



An impairment loss is measured as follows on the following instruments measured at cost or amortised cost:

- a) For an instrument measured at amortised cost, the impairment loss is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.
- b) For an instrument measured at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that the entity would receive for the asset if it were to be sold at the reporting date.

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal cannot result in a carrying amount (net of any allowance account) which exceeds what the carrying amount would have been had the impairment not previously been recognised. The amount of the reversal is recognised in profit or loss immediately.

## 2 Particulars of Turnover , cost of sales, operating expenditure and operating surplus

	2018			
	Turnover	Cost of Sales	Operating Expenditure	Operating Surplus
	£'000	£'000	£'000	£'000
<b>Social Housing lettings (note 3a)</b>	20,606	-	(13,362)	7,244
<b>Other social housing activities</b>				
First Tranche low cost home ownership sales	1,318	(812)	-	506
Charges for support services	161	-	(283)	(122)
<b>Other</b>				
VAT shelter Income	340	-	(175)	165
<b>Activities other than social housing</b>				
Lettings (note 3b)	534	-	(169)	365
Gain on disposal of fixed assets (note 5)				1,151
<b>Operating Surplus</b>	<b>22,959</b>	<b>(812)</b>	<b>(13,989)</b>	<b>9,309</b>

	2017			
	Turnover	Cost of Sales	Operating Expenditure	Operating Surplus
	£'000	£'000	£'000	£'000
<b>Social Housing lettings (note 3a)</b>	20,438	-	(13,322)	7,116
<b>Other social housing activities</b>				
First Tranche low cost home ownership sales	965	(708)	-	257
Charges for support services	54	-	(328)	(274)
<b>Other</b>				
VAT shelter Income	367	-	(197)	170
<b>Activities other than social housing</b>				
Lettings (note 3b)	489	-	(93)	396
Other	132	-	-	132
Gain on disposal of fixed assets (note 5)				709
<b>Operating Surplus</b>	<b>22,445</b>	<b>(708)</b>	<b>(13,940)</b>	<b>8,506</b>

**3a. Particulars of turnover and operating expenditure from social housing lettings**

	General Housing	Supported Housing And Housing For Older People	Low Cost Home Owner ship	Other	Total 2018	Total 2017
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>						
Rent receivable net of identifiable service charges and net of voids	18,720	1,168	287	-	20,175	20,066
Service charge Income	127	242	11	-	380	321
Amortised government grants	51	-	-	-	51	51
<b>Total Turnover from Social Housing Lettings</b>	<b>18,898</b>	<b>1,410</b>	<b>298</b>	<b>-</b>	<b>20,606</b>	<b>20,438</b>
<b>Operating expenditure</b>						
Management	3,406	224	217	-	3,847	3,782
Service charge costs	225	275	3	-	503	624
Routine Maintenance	4,352	281	-	-	4,633	4,724
Planned Maintenance	641	20	-	-	661	324
Major Repairs expenditure	-	-	-	604	603	321
Bad Debt	195	-	-	-	195	258
Dep'n of Hsg Properties	2,646	274	-	-	2,920	2,957
Other Costs	-	-	-	-	-	332
<b>Total Operating Expenditure on Social Housing Lettings</b>	<b>11,465</b>	<b>1,074</b>	<b>219</b>	<b>604</b>	<b>13,362</b>	<b>13,322</b>
<b>Operating Surplus/(deficit) on Social Housing Lettings</b>	<b>7,432</b>	<b>337</b>	<b>79</b>	<b>(604)</b>	<b>7,244</b>	<b>7,116</b>
<b>Void Losses</b>	<b>82</b>	<b>11</b>	<b>3</b>	<b>-</b>	<b>96</b>	<b>120</b>

**3b. Turnover from activities other than social housing**

	2018 £'000	2017 £'000
<b>Lettings</b>		
Market Rent	102	68
Garages	432	421
<b>Other</b>	<b>534</b>	<b>489</b>

#### 4. Accommodation owned, managed and in development

	2018		2017	
	No. of properties Owned	Managed	No. of properties Owned	Managed
<b>Social Housing</b>				
<u>Under development at end of year:</u>				
General needs housing social rent	0	0	4	0
General needs housing affordable rent	94	0	57	0
Supported housing	0	0	31	0
Housing for older people	0	0	0	0
Low-cost home ownership	53	0	0	0
	<b>147</b>	<b>0</b>	<b>92</b>	<b>0</b>
<u>Under management at end of year:</u>				
General needs housing social rent	4,098	0	4,172	0
General needs housing affordable rent	210	0	134	0
Supported housing	260	0	262	0
Housing for older people	0	0	0	0
Low-cost home ownership	120	0	108	0
	<b>4,688</b>	<b>0</b>	<b>4,676</b>	<b>0</b>
<b>Non-Social Housing</b>				
<u>Under management at end of year:</u>				
Market rented	16	1	13	1
	<b>16</b>	<b>1</b>	<b>13</b>	<b>1</b>
<b>Total</b>	<b>4,851</b>	<b>1</b>	<b>4,781</b>	<b>1</b>

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

	Right To Buy & Right to Acquire £'000	Shared Ownership Stair- casing Sales £'000	Total 2018 £'000	Total 2017 £'000
Proceeds of sales	2,292	0	2,292	2,009
Less: Costs of sales	(219)	0	(219)	(251)
Less: Clawback payable BCW	(922)	0	(922)	(1,049)
	<b>1,151</b>	<b>0</b>	<b>1,151</b>	<b>709</b>

## 6. Net Interest

	2018 £'000	2017 £'000
<b>Interest receivable and similar income</b>		
<b>On financial assets measured at amortised cost:</b>		
Interest receivable from current accounts	5	3
	<u>5</u>	<u>3</u>
	2018 £'000	2017 £'000
<b>Interest payable and financing costs</b>		
<b>On financial liabilities repayable in more than five years:</b>		
On loans repayable within five years	-	-
On loans wholly or partly repayable in more than five years	2,158	2,164
Grant received towards costs	(22)	(22)
Costs associated with financing	22	22
	<u>2,158</u>	<u>2,164</u>
<b>On defined benefit pension scheme</b>		
Expected return on plan assets	(194)	(231)
Interest on scheme liabilities	173	209
Unwinding of SHPS pension liability discount	2	5
<b>On financial liabilities measured at fair value</b>		
Fair value loss on derivative financial instruments	-	-
Less: Interest capitalised on housing properties under construction	(50)	(83)
	<u>2,089</u>	<u>2,064</u>

## 7. Surplus/(deficit) on ordinary activities

	2018 £'000	2017 £'000
The operating surplus is stated after charging:-		
Auditors' remuneration (excluding VAT):		
Audit of financial statements	16	16
Operating lease rentals:		
- Vehicles	45	52
- Land and Buildings	220	228
- Office equipment	8	14
Depreciation of housing properties	2,922	2,822
Depreciation of other fixed assets	260	135

## 8. Key management personnel remuneration

Remuneration for the year ended 31 March 2018:

### Members of the Executive Management Team

Name Position	2018 Basic Salary £'000	2018 Benefit in Kind £'000	2018 E'er Pen £'000	2018 E'er NIC £'000	2018 Total £'000	2017 Total £'000
<b>Jo Savage</b> Chief Executive	143	1	11	18	173	176
<b>Julie Robinson</b> Director of Resources	118	2	9	15	143	117
<b>Mandy Meanwell</b> Director of Housing and Support Services	113	1	8	14	137	136
<b>Denise Lewis</b> Director of Assets and Development	108	0	10	14	131	136
	<b>481</b>	<b>4</b>	<b>38</b>	<b>62</b>	<b>585</b>	565
<b>Ian Warner</b> Interim Director of Finance	-	-	-	-	-	45
	<b>481</b>	<b>4</b>	<b>38</b>	<b>62</b>	<b>585</b>	610

Jo Savage is the Chief Executive and was the highest paid executive in the period to 31 March 2018. She is a member of the SHPS defined benefit scheme, the details of which are reported in note 10.

### Members of the Board

Name	2018 Salary £'000	2018 Benefits in Kind £'000	2018 E'er Pen £'000	2018 E'er NIC £'000	2018 Total £'000	2017 Total £'000
Tim Davy - Chair	8	-	-	-	8	8
Yvette Morgan – Vice Chair	5	-	-	-	5	5
John Welch - Audit and Risk	5	-	-	-	5	5
Martin Wheatley – Remuneration & Selection	5	-	-	-	5	5
Daphne Simmons	4	-	-	-	4	4
Mary Reeves	4	-	-	-	4	4
Richard Coles ( <i>left 28 Sep 17</i> )	1	-	-	-	1	4
John Lewis	-	-	-	-	0	2
Tony Aslam	-	-	-	-	0	0
Jonathan Ekins	-	-	-	-	0	0
Graham Lawman ( <i>left 17 Jan 18</i> )	-	-	-	-	0	0
Tom Lloyd ( <i>left 17 Jan 2018</i> )	-	-	-	-	0	0
Doug Livingstone ( <i>start 28 Sep 18</i> )	1	-	-	-	1	0
	<b>34</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>34</b>	36

**8. Key management personnel remuneration (continued)**

Expenses paid during the year to Board Members totalled £7,661 (2017: £8,360).

Board members nominated by the Borough Council of Wellingborough are not remunerated.  
John Lewis has elected not to receive remuneration.

There have been no payments to current or past Executive and Non-Executive Directors for loss of office (2017: £nil)

**9. Employee information**

The average number of persons employed during the year (excluding Executive and Non-Executive Directors) expressed in full time equivalents (37 hours per week) was:

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
Office staff	<b>79</b>	81
Wardens, caretakers and cleaners	<b>16</b>	14
	<b>95</b>	95
	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs:		
Wages and salaries	<b>2,616</b>	2,698
Social security costs	<b>263</b>	279
Other pension costs	<b>157</b>	170
	<b>3,035</b>	3,147

Aggregate number of full time equivalent staff (excluding Executive and Non-Executive Directors) whose remuneration (including, salary, bonuses, allowances, employer NIC pension contributions and compensation for loss of office) exceeded £60,000 in the period:

	<b>2018</b>	<b>2017</b>
	<b>No.</b>	<b>No.</b>
£60,000 - £70,000	0	1
£70,000 - £80,000	3	1
£80,000 - £90,000	3	0



## 10. Pension obligations

Wellingborough Homes 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. In addition the Association also participates in the SHPS defined contribution scheme.

### Social Housing Pension Scheme

The Association participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the Association to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the Association is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

#### Deficit contributions

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##### Tier 1

From 1 April 2016 to 30 September 2020:  
£40.6m per annum  
(payable monthly and increasing by 4.7% each year on 1st April)

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##### Tier 2

From 1 April 2016 to 30 September 2023:  
£28.6m per annum  
(payable monthly and increasing by 4.7% each year on 1st April)

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##### Tier 3

From 1 April 2016 to 30 September 2026:  
£32.7m per annum  
(payable monthly and increasing by 3.0% each year on 1st April)

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##### Tier 4

From 1 April 2016 to 30 September 2026:  
£31.7m per annum  
(payable monthly and increasing by 3.0% each year on 1st April)

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Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

# 10. Pension obligations (continued)

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement, the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

## SHPS deficit payment agreement

The Association has a contractual obligation under an agreement to pay additional deficit payments to SHPS of £235k over the next 10 years with £23k per annum for the next year.

In calculating the net present value of 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.

	At 31 Mar 2018 £'000	At 31 Mar 2017 £'000	At 31 Mar 2016 £'000
Present value of provision	203	226	235

	At 31 Mar 2018 £'000	At 31 Mar 2017 £'000	At 31 Mar 2016 £'000
Reconciliation of opening and closing provisions:			
At the start of the year	226	235	110
Interest for the year	2	5	2
Deficit contributions paid/released to expenditure in year	(22)	(22)	(9)
Remeasurement/additional liabilities in the year	(3)	8	(2)
Remeasurement/amendment to contributions schedule	0	0	134
At the end of the year	203	226	235

Due less than 1 year	22	22
Due more than 1 year	181	204

The following schedule details the deficit contributions agreed between the Association and the scheme at each year end period:

	At 31 Mar 2018 £'000	At 31 Mar 2017 £'000	At 31 Mar 2016 £'000
Deficit Contributions Table			
Year 1	23	22	22
Year 2	24	23	22
Year 3	24	24	23
Year 4	25	24	24
Year 5	26	25	24
Year 6	27	26	25
Year 7	27	27	26
Year 8	28	27	27
Year 9	15	28	27
Year 10	-	15	28
Year 11	-	-	15

## 10. Pension obligations (continued)

### Local Government Pension Scheme

The LGPS is a funded defined-benefit scheme, with the assets held in a separate funds administered by Northamptonshire County Council. The total contributions made for the year ended 31 March 2018 were £154k of which employer's contributions totalled £11k and employees' contributions totalled £24k.

The agreed contribution rates for future years for employees range from 5.5% to 8.5% depending on salary. Following the tri-annual valuation employer contributions for 2018/19 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 to 31 March 2018 by a qualified independent actuary.

	At 31 Mar 2018	At 31 Mar 2017
	%	%
Rate of increase in salaries	2.7	2.7
Rate of Increase for pensions in payment/inflation	2.4	2.4
Discount rate for scheme liabilities	2.7	2.6
Inflation assumption (CPI)	2.4	2.4
Commutation of pensions to lump sums	50/75	50/75

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

	At 31 Mar 2018	At 31 Mar 2017
	Years	Years
<i>Retiring today</i>		
Males	22.1	22.1
Females	24.2	24.2
<i>Retiring in 20 years</i>		
Males	23.9	23.9
Females	26.1	26.1

### Analysis of the amount charged to operating expenditure in the Statement of Comprehensive Income

	At 31 Mar 2018	At 31 Mar 2017
	£'000	£'000
Employer service cost (net of employee contributions)	(154)	(112)
Past service cost	(9)	0
<b>Total Operating Charge</b>	<b>(163)</b>	<b>(112)</b>

# 10. Pension obligations (continued)

## Analysis of pension finance income / (costs)

Expected return on pension scheme assets	194	231
Interest on pension liabilities	(173)	(209)
<b>Amounts (charged)/credited to financing costs</b>	<b>21</b>	<b>22</b>

## Amount of gains and losses recognised in the Statement of Comprehensive Income

Actuarial gains / (losses) on pension scheme asset	(37)	695
Actuarial gains / (losses) on scheme liabilities	130	(458)
<b>Actuarial gain/(loss) recognised</b>	<b>93</b>	<b>237</b>

## Movement in surplus / (deficit) during year

	At 31 Mar 2018 £'000	At 31 Mar 2017 £'000
Surplus / (deficit) in scheme at 1 April	874	632

## Movement in year:

Employer service cost (net of employee contributions)	(154)	(112)
Employer contributions	11	95
Past service cost	(9)	0
Net interest / return on assets	21	22
Remeasurements	93	237
<b>(Deficit) / Surplus in scheme at 31 March</b>	<b>836</b>	<b>874</b>

## Asset and Liability Reconciliation

	At 31 Mar 2018 £'000	At 31 Mar 2017 £'000
<b>Reconciliation of liabilities:</b>		
<b>Liabilities at start of period</b>	<b>6,638</b>	<b>5,982</b>
Service cost	154	112
Interest cost	173	209
Employee contributions	24	26
Benefits paid	(149)	(149)
Past Service cost	9	0
Actuarial (gain)/ loss	(130)	458
<b>Liabilities at end of period</b>	<b>6,719</b>	<b>6,638</b>

**10. Pension obligations (continued)**

**Reconciliation of assets:**

<b>Assets at start of period</b>	<b>7,512</b>	6,614
Return on plan assets	<b>(37)</b>	695
Remeasurement	<b>194</b>	231
Employer contribution	<b>11</b>	95
Employee contribution	<b>24</b>	26
Benefits paid	<b>(149)</b>	(149)
<b>Assets at end of period</b>	<b>7,555</b>	7512
<b>Actual return on plan scheme assets</b>	<b>836</b>	874

# 11. Tangible fixed assets

	Housing Properties						
	Social Housing Properties for Letting Completed £'000	Social Housing Properties for letting under Construction £'000	Low cost home ownership properties Completed (LCHO) £'000	Low cost home ownership properties under Construction £'000	Estates £'000	Estates WIP £'000	Total Housing Properties £'000
<b>Cost</b>							
At start of the year	97,441	4,558	5,333	890	184	23	108,429
Additions to properties acquired	867	3,027	367	2,262	-	-	6,523
Works to existing properties	1,607	-	-	-	36	22	1,665
Interest capitalised	50	-	-	-	-	-	50
Schemes completed	2,030	(2,030)	678	(678)	23	(23)	0
Transfer from Social to LCHO		(567)	567				0
Transfer from LCHO to Social		212		(212)			0
Disposals	(322)	-	-	-	-	-	(322)
At end of year	101,673	5,200	6,945	2,262	243	22	116,345
							1,404
							117,749
<b>Depreciation and impairment</b>							
At start of the year	(16,777)	-	-	-	(7)	-	(16,784)
Charge for the year	(2,911)	-	-	-	(11)	-	(2,922)
Disposals	97	-	-	-	-	-	97
At end of year	(19,591)	-	-	-	(18)	-	(19,609)
							(1,048)
							(20,657)
<b>Net Book Value at 31 March 2018</b>	<b>82,082</b>	<b>5,200</b>	<b>6,945</b>	<b>2,262</b>	<b>225</b>	<b>22</b>	<b>96,736</b>
							356
							97,092
<b>Net Book Value at 31 March 2017</b>	<b>80,664</b>	<b>4,558</b>	<b>5,333</b>	<b>890</b>	<b>177</b>	<b>23</b>	<b>91,645</b>
							128
							91,772

**11. Tangible fixed assets (continued)**

	2018	2017
	£'000	£'000
<b>Housing Properties comprises:</b>		
Freehold land and Buildings	96,672	91,578
Long leasehold land and buildings	64	67
	<b>96,736</b>	<b>91,645</b>

Cost of properties include £67k (2017:£278k) for direct administrative costs capitalised during the year

	2018	2017
	£'000	£'000
<u>Works to existing properties in the year:</u>		
Improvement works capitalised	1,607	1,928

The weighted average interest on borrowings of 5.75% (2017: 5.86%) was used for calculating capitalised interest costs of £50k (2017: £83k).

**12. Investment properties held for letting**

	2018	2017
	£'000	£'000
At start of year	1,885	950
Additions	486	500
Transfer from Housing Fixed Assets	-	16
Gain from adjustment in fair value	229	419
	<b>2,600</b>	<b>1,885</b>

Investment properties were valued at 31 March 2018 by Martin Pendered & Co, professional qualified external valuers. The valuation of properties was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuations Standards.

**13. Stock**

	2018	2017
	£'000	£'000
Shared Ownership properties:		
Completed	193	243
Work in Progress	776	494
	<b>969</b>	<b>737</b>



**14. Trade and other debtors**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Rent Arrears	<b>1,521</b>	1,750
<i>Less: provision for bad debt</i>	<b>(959)</b>	(1,109)
	<b>562</b>	641
Other debtors	<b>26</b>	27
Prepayment and accrued income	<b>635</b>	580
	<b>1,223</b>	<b>1,248</b>

Debtors are all due within one year.

**15. Cash and cash equivalents**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Money Market Investment	<b>11</b>	11
Cash at Bank	<b>5,520</b>	2,796
	<b>5,531</b>	<b>2,807</b>

In the above are balances totalling £269k (2017: £195k) which are held in a sinking fund for tenants for service chargeable replacement costs.

**16. Creditors: amounts falling due within one year.**

	<b>2018</b>	<b>2017</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	<b>19</b>	132
Rents and service charges paid in advance	<b>535</b>	442
Taxation and social security payable	<b>137</b>	144
Accruals and deferred income	<b>1,736</b>	2,228
SHPS pension agreement plan (Note 10)	<b>22</b>	22
Deferred Capital Grant (Note 18)	<b>51</b>	51
Other Creditors	<b>923</b>	1,073
	<b>3,423</b>	<b>4,092</b>

Other Creditors' relates to the Right To Buy clawback payment due to the Borough Council of Wellingborough due under terms of the transfer agreement.

**17. Creditors: amounts falling due after more than one year**

	2018	2017
	£'000	£'000
Bank and other loans (note 27)	35,843	35,821
Deferred Capital Grant (Note 18)	5,200	3,584
SHPS pension agreement plan (Note 10)	181	204
Disposal proceeds fund (Note 19)	361	0
Sinking fund	269	195
	<b>41,854</b>	<b>39,804</b>

Loans are secured by housing properties, see note 27.

**18. Deferred capital grant**

	2018	2017
	£'000	£'000
At the start of the year	3,635	2,648
<u>Grants received during the year:</u>		
Housing properties	1,667	1,038
<u>Grants recycled during the year:</u>	0	0
Amortised Grant	(51)	(51)
At the end of the year	<b>5,251</b>	<b>3,635</b>
Due within one year	51	51
Due in more than one year	5,200	3,584
	<b>5,251</b>	<b>3,635</b>

**19. Disposal proceeds fund**

	2018	2017
	£'000	£'000
At the start of year	0	0
<u>Inputs to disposal proceeds fund:</u>		
Proceeds from Right To Acquire (2016/17)	361	0
Use/allocation of funds	0	0
Repayment of funds to Homes England	0	0
At the end of the year	<b>361</b>	<b>0</b>

**19. Disposal proceeds fund (continued)**

Due within one year	0	0
Due in more than one year	361	0
	<u>361</u>	<u>0</u>

There are no amounts of 3 years and older where repayment may be required.

**20. Provision for liabilities and charges**

In line with accounting policies a review has been undertaken of potential liabilities and charges. There are no disclosures to report.

**21. Non-equity share capital**

	2018	2017
	£	£
Allotted Issued and Fully Paid:		
At the start of the year	10	12
Issued during the year	-	
Reduced in the year	(1)	(2)
At the end of the year	<u>9</u>	<u>10</u>

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

**22. Capital commitments**

**Tangible fixed assets/intangible fixed assets**

	2018	2017
	£'000	£'000
Capital expenditure that has been contracted for but not been provided for in the financial statements	24,411	0
Capital expenditure that has been authorised by the Board but has not yet been contracted for	2,837	23,781
	<u>27,248</u>	<u>23,781</u>

The Association expects these commitments to be financed with:

Social Housing Grant	2,566	0
Proceeds from the sale of properties	5,357	0
Committed loan facilities	19,325	23,781
	<u>27,248</u>	<u>23,781</u>

## 22. Capital commitments (continued)

The above figures include the full cost of shared ownership properties contracted for.

There are no performance conditions attached to the above commitments.

## 23. Other commitments

The Association had no other commitments as at 31 March 2017 that have not been disclosed elsewhere in these accounts.

## 24. Operating leases

	2018	2017
	£'000	£'000
<u>Land and Buildings</u>		
In one year or less	219	228
In one year or more but less than two years	0	211
In two years or more and less than five years	0	0
In five years or more	0	0
<u>Others</u>		
In one year or less	53	47
In one year or more but less than two years	76	0
In two years or more and less than five years	5	0
In five years or more	0	0
	<u>353</u>	<u>486</u>

## 25. Contingent liabilities

The Association had no contingent liabilities as at 31 March 2018.

## 26. Related parties

The Association entered into the following related party transactions in the year ended 31 March 2018:

- The Board has two tenant members who hold a tenancy agreement on normal terms and transactions are undertaken at an arm's length basis. Total rent charged to the Tenant Board members was £8,577 (2017: £8,664). There are no arrears on their tenancy at the reported period end (2017: £nil).

## 27. Financial Instruments and risk management

The Association has one borrowing facility with Barclays Bank plc for £85 million. The Board review and update the Treasury Strategy annually and in November 2017 approved re-financing expected to be completed during 2018/19. The Association's viability rating from the regulator is the highest possible rating of V1.

	2018 £'000	2017 £'000
<b>Loans not repayable by Instalments:</b>		
Within one year	6,000	6,000
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	30,000	30,000
Less loan issue cost	(157)	(179)
<b>Total loans</b>	<b>35,843</b>	<b>35,821</b>

The bank loan is secured by specific charges on the Association's individual housing properties.

The loan profile of the Association at 31 March 2018 is as follows:

Tranche	Total £'000	Variable rate	Fixed rate	Maturity date
Tranche B	7,000		6.49%	01.09.2034
Tranche B	10,000		6.00%	01.09.2034
Tranche B	3,000		6.44%	10.12.2032
Tranche C	4,000	2.16%		17.07.2025
Tranche C	2,000	2.16%		17.07.2025
Tranche A	10,000		4.34%	30.09.2036
<b>Total drawn</b>	<b>36,000</b>			
Undrawn	<b>49,000</b>			
<b>Total facility</b>	<b>85,000</b>			

At 31 March 2018 the Association had committed borrowing facilities of £85m of which £49m was undrawn.

Refinancing risk is managed via treasury policy ensuring that there is a minimum 12months projected funding requirement in place.

The Association's weighted average cost of capital at 31 March 2018 is 5.03% (2017: 4.93%).

## 27. Financial Instruments and risk management (continued)

### Interest rate risk

The Association manages volatility of cash flows and interest payments in relation to interest rate risk via limiting its exposure to variable interest rate risk. Interest rate risk policy managed by Finance and approved by the Board states that variable rate borrowings shall not exceed more than 50% of total outstanding borrowings.

### Currency risk

The association only trades in sterling and holds sterling balances so it is not exposed to any currency risks.

### Credit Risk

Credit risk is the risk that a counterparty to a financial instrument fails to discharge an obligation to the Association. Credit risk policy is part of the treasury policy which is approved by the Board.

### Covenant Compliance

Covenant compliance is monitored by finance on a monthly basis and reported to Board and the lender quarterly. There were no breaches identified in the year. The following covenants are monitored:

	<u>Limit</u>
<u>Interest Cover</u>	
EBITDA MRI to total interest expense	1.1:1
<u>Debt Owed per unit</u>	
Average net debt per unit owned	£27,500
<u>Asset Cover</u>	
EUV-SH value of charged units	110%

### Financial assets and liabilities at fair value

Financial assets that are measured at amortised cost. This includes the total of debtors, trade receivables and other receivables and cash and is reported in note 14.

Financial liabilities that are measured at amortised cost. This includes bank loans, trade creditors, other creditors and rent in advance. This is reported in note 16 and 17.

## 28. Post Balance Sheet events

In April the Association subscribed to a share issue by MORHomes, a Real Estate Investment Trust (REIT) of which there are over 40 sponsoring members. Each member has contributed £20k towards set-up costs during 2017/18 which has been converted into shares. The REIT will raise a bond issue in the region of £1bn. The association is not committed to drawing on funding from the REIT.