Regenda Limited

Report and financial statements

Year ended 31 March 2015

Registered with
The Homes and Communities Agency
No. L4653

Registered with
Co-operative and Community Benefit Society
No. 31240R

Contents

1. Report of the Board

The Board of Regenda Limited ("the Association") presents its report, together with the audited financial statements of the Association and The Regenda Group ("the Group"), for the year ended 31 March 2015.

Group structure and principal activities

The Association is a not for profit registered provider administered by a voluntary board. The Group's and Association's principal activities are the development and management of social housing. The Group consists of the Association, the parent, and its subsidiary Redwing Living Limited (formerly known as Regenda Homes Limited), both not for profit registered providers. The Association also has two further subsidiary companies, M&Y Maintenance & Construction Limited (formerly known as M&Y Joinery and Building Maintenance Limited) ("M&Y") and Wyre Developments Limited. Redwing Living Limited (formerly known as Regenda Homes Limited) also has a subsidiary company, McDonald Property Rentals Limited.

Business review

Details of the Group's performance for the year and future plans are set out in the Operating and financial review that follows this Report of the Board.

Housing property assets

Details of changes to the Group's housing property assets are shown in note 12 to the financial statements.

Reserves

After transfer of the surplus for the year of £6.4 million (2014: £4.0m), the Group reserves amounted to £37.5 million (2014: £31.9 million).

Donations

The Group made no charitable donations (2014: £7,500) and made no political donations (2014: £nil) during the year.

Payment of creditors

The Group's policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier.

Employees

The Group is committed to developing a culture in which equality and diversity is integral to all of our activities, including the recruitment and development of staff. The Group aims to achieve an inclusive culture that respects and values differences and eliminates discrimination in all areas.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring their views are taken into account when decisions are made that are likely to affect their interests.

The Group shares information on its objectives, progress and activities through team meetings and the circulation of regular bulletins.

The Group undertakes an annual staff survey (via Sunday Times Best Companies). During the year we achieved two star status ('outstanding') and were named within the Top 100 Companies to work for (not for profit category), ranked thirteenth.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Group has prepared detailed health and safety policies and provides staff with training and education on health and safety matters.

Board members and executive directors

Board members are drawn from a wide background bringing together professional and local experience. The Board members who served during the year ended 31 March 2015 and subsequently were as follows:

J Thomson	Chair
R Burman	Deputy Chair (to 25 September 2014)
W McQuinn	
P Coffey	
P Roberts	
K Barnes	
G Gray	
M Riley	
T Hepton	
Z Ahmed	
C Wilson	
M Birkett	(from 22 October 2014)

The Association employs a team of executive directors who provide Group wide executive level management support to all Group members.

The Association's executive directors who served during the year were as follows:

M Birkett	Group Chief Executive	
S Harrison	Executive Director Operations – Customer Services	
T Heyes	Executive Director Operations – Delivery	(to 31 March 2015)
C Lynagh	Executive Director Finance	(to 31 August 2014)
T Wilson	Executive Director Business Improvement	(to 31 August 2014)

T Russell	Executive Director Resources	(from 17 November 2014)
G Kelly	Executive Director Property & M&Y Construction	(from 27 January 2015)

Executive directors hold no interest in the Association's shares or in the shares of any Group member. They act as executives within the authority delegated by the Board. Group insurance policies indemnify Board members and officers against liability when acting for the Group.

Further details of executive directors' remuneration are disclosed under note 10.

Code of Governance

The Group complies with the principle recommendations of the National Housing Federation's code of governance "Excellence in Governance – Code for Members and Good Practice Guidance" (Revised 2010) except in the following area:

- D1 (maximum 9 year term). The Group currently has three Board Members who, after September 2013, reached their nine year term. The Group decided to extend these terms for a period of up to two years. This coincided with a full recruitment exercise to ensure sufficient continuity to embed the new Board members appointed.

Resident involvement

The Group actively encourages residents' involvement in decision-making by promoting mechanisms of resident involvement. The Association has a resident Board member.

Internal controls assurance

The Board acknowledges its overall responsibility, applicable to all organisations within the Group, for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Group and the Association is ongoing and has been in place throughout the period commencing 1 April 2014 up to the date of approval of the annual report and financial statements.

Key elements of the control framework include:

- recruitment, management, and retention of board members, management and staff with the skills and competencies to ensure effective governance and management. A comprehensive appraisal system was in operation throughout the year;
- a governance framework that includes Board approved terms of reference and delegated authorities for Group Committees. These were reviewed during the course of the year;

- a risk management framework that clearly defines management responsibilities for the identification, evaluation and control of significant risks was improved during the year;
- responsibilities of the Nominations and Remuneration Committee, Risk and Audit Committee and Housing Services Committee as Committees of the Board, for dealing with all relevant issues in relation to the Association and its subsidiaries;
- robust strategic and business planning processes, with a group corporate plan, detailed financial plan, budgets and forecasts that are regularly stress tested against a range of possible scenarios;
- an annual programme of 13 internal audit reviews, undertaken by TIAA and in accordance with an approved three year programme of reviews, was carried out resulting in five rated as providing substantial assurance and seven rated as providing reasonable assurance. All internal audits are set and delivered under a risk based methodology;
- an external audit undertaken by Grant Thornton leading to an unqualified audit report;
- A viability review by the Homes and Communities Agency resulting in an unchanged viability rating of V1;
- A internal management audit of gas safety arrangements with external independent assurance provided by KPMG;
- established financial regulations including authorisation and appraisal procedures for all significant new initiatives and investment commitments;
- a comprehensive approach to treasury management including an approved annual treasury strategy, policy, and practices which are subject to specialist independent review at a Group level on an annual basis;
- regular reporting to the Group's Boards on key business objectives, financial and operating targets and outcomes including loan covenant compliance and liquidity requirements; and
- governance related policies including whistle-blowing, anti corruption and fraud policies

The Board delegates authority to review the effectiveness of the system of internal control to the Group's Risk and Audit Committee. The Board receives minutes of the Group's Risk and Audit Committee meetings.

The Group's Risk and Audit Committee has received the Executive Director of Resources' annual review of the effectiveness of the system of internal control for the Group, which includes the Association, and the annual report of the internal auditor and has reported its findings to the Association's Board.

Going concern

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of 12 months after the date on which the report and financial statements are signed. For this reason, the report has been prepared on a going concern basis.

Annual general meeting

The annual general meeting will be held on 16 September 2015 at Regenda House, Horwich, Bolton.

External auditors

A resolution to re-appoint Grant Thornton UK LLP as auditors of the Association and the Group will be proposed at the annual general meeting.

The Report of the Board was approved by the Board on 16 September 2015 and signed on its behalf by:

J Thomson

Chair

Regenda House
Enterprise Business Park
Northgate Close
Horwich
Bolton BL6 6PQ

2. Operating and Financial Review

Group highlights – Five year summary

	2015	2014	2013	2012	2011
Income & Expenditure Account (£000's)					
Turnover	55,843	53,253	50,539	47,929	48,171
Operating surplus	15,675	12,809	13,474	9,713	9,461
Surplus retained	6,367	3,962	5,590	950	245
Balance Sheet (£000s)					
Housing properties net of depreciation	489,965	474,057	452,118	441,811	438,613
Social housing grant and other grants	(275,175)	(271,418)	(266,723)	(265,381)	(261,461)
	214,790	202,639	185,395	176,430	177,152
Other Fixed assets	5,454	6,073	6,159	5,860	5,009
	342	492	642	254	612
Net current assets/(liabilities)	8,918	17,227	(5,377)	(3,933)	(10,456)
Total assets less current liabilities	229,504	226,431	186,819	178,611	172,317
Loans due over 1 year	188,018	191,050	155,534	152,658	142,820
Other long term liabilities	1,279	1,348	1,145	1,365	1,751
Pension liability	2,686	2,125	2,475	2,173	1,767
Designated Reserves	2,757	2,757	2,757	2,757	2,775
Restricted Reserves	1,361	1,205	973	755	680
Revenue Reserves	33,403	27,946	23,935	18,903	22,524
	229,504	226,431	186,819	178,611	172,317
Housing properties owned at year end	**No.**	**No.**	**No.**	**No.**	**No.**
Social housing	12,644	12,522	12,241	12,244	12,176
Non social housing	86	72	53	54	57
	12,730	12,594	12,294	12,298	12,233
Statistics					
Operating surplus as % turnover	28.1%	24.1%	26.7%	20.3%	19.6%
Surplus for year as % of lettings income	11.7%	7.7%	11.4%	2.0%	0.5%
Rent losses *(voids and bad debts as % of rent and service charges receivable)*	1.9%	2.3%	1.1%	1.9%	1.6%
Rent arrears *(gross arrears as a % of rent and service charges receivable)*	4.9%	6.6%	5.4%	5.4%	5.2%
Interest cover *(operating surplus minus capitalised repairs plus depreciation and sales of housing / interest payable)**	153.5%	133.2%	171.3%	133.6%	138.5%
Gearing *(total loans / gross housing fixed assets)*	39.0%	40.9%	34.5%	34.6%	33.7%

* Borrowing Group (Regenda Limited and RHL)

Mission, vision and values

Our mission is to provide a comprehensive range of multi-tenure housing products and services, to reflect the dynamic nature of the housing market, the diversity of our customers, and a rapidly changing world.

Each Group business will offer products and services tailored to specific markets – each with the Regenda hallmarks of product excellence, cost competitiveness and an unremitting focus on first class customer service.

We will diversify to strengthen our financial position and provide additional services such as employment training and support and care that meet the individual requirements of our customers and helping to enhance their quality of life.

Our values are the operating principles/philosophies that guide our internal conduct as well as our relationship with customers, partners and stakeholders. They have been developed in conjunction with all of our staff throughout the Group. They are:

1. Customer focus;
2. High performance;
3. Efficiency and value for money;
4. Teamwork;
5. Ambition and dynamism; and
6. Openness and honesty.

The Group assesses how well it reflects these values in practice by consulting with its own staff, its customers and other stakeholders enabling them to exert influence on its policies and procedures.

Activities

The Group is primarily a landlord to people unable to adequately meet their housing needs in the open market. The Group owns or manages 12,793 properties in the North West of England.

The Group provides supported and sheltered housing for residents who require not only good quality accommodation but also some degree of support or care to enable them to sustain their accommodation and improve their quality of life. Client groups that the Group works with include elderly residents, people with mental health needs, homeless people, young people, drug or alcohol users and teenage parents.

The Group is a major developer of new affordable housing and is a development partner with the Homes and Communities Agency.

The Group also undertakes community regeneration activity in partnership with various agencies across the North West.

Objectives and strategy 2015 to 2018

The Group has a new Group Corporate Plan for the period from 2015 to 2018. This sets out the Group's future strategic aims and objectives. The plan is structured around 7 key themes which we refer to as 'pillars'. These are outlined below and further detail is included within the Group Corporate Plan:

- Our brand
- Our financial performance, resources and efficiency
- Our people
- Our service and product excellence
- Our communities
- Our stock portfolio growth
- Our growth of the Group

Each pillar has a series of objectives with related actions and targets for achievement. Performance against the actions, key indicators, and targets set out in this plan will be scrutinised at various levels of management and by the Group's Boards on a quarterly and annual basis to ensure improved value for money is driven and delivered.

With the arrival of new board members during the life of the previous Corporate Plan and a new Chief Executive in March 2014, it is inevitable that a change of emphasis over certain objectives would result, whilst still remaining focussed on fulfilling our overall mission and purpose. This is not only reflected within the new Group Corporate Plan from April 2015 but also an adjustment to the achievement of objectives for 2014/15.

Review of 2014/15

During the year to 31 March 2015 the Group worked towards its four strategic aims and objectives of its previous Corporate Plan 2012-2015 outlined below:

1. A home to be proud of – to be an excellent landlord that provides a range of good quality homes that meets the needs and aspirations of our customers.
2. A lifetime of choices – to provide choices for customers at different stages of their lives in response to factors such as their age, health and family circumstance or financial situation.
3. Wellbeing and health – to work with our people, partners, communities and customers to provide products and services that will improve wellbeing and contribute to reducing health inequalities.
4. A 21st Century Business – to grow, expand and 'future proof' Regenda for the 21st century, for customers and our people, in a manner consistent with our guiding principles.

Operational performance 2014/15

The Group's executive team and Boards used a wide range of indicators to monitor achievement of the Group's objectives. An overview of the Group's performance in the year is outlined below:

Objective	Target / KPI	Performance
A Home to be proud of - To be an excellent landlord that provides a range of good quality homes that meets the needs and aspirations of our customers.	• Achieve 95% satisfaction with repair and maintenance services. • Achieve 92% satisfaction with overall landlord services. • Achieve 82% resident satisfaction with their home. • Achieve tenancy turnover of less than 8.8%. • 100% of our homes achieving the Decent Homes Standard. • Achieve an average SAP (energy) rating of 71 for our homes.	• Satisfaction level of 93% was achieved which was comparable to the previous year. • Levels have been maintained at just above 88.1%. • This is a difficult measure to achieve due to the varying factors contributing to it. However, satisfaction levels achieved were above target at 86.9%. • This measure has deteriorated during the year (10.6%) with the under-occupancy charge having an impact. • This has continued to remain at 100% during 14/15. • This measure has continued to improve and then target has now almost been achieved, with a rating of 68.7.
A lifetime of choices - To provide choices for customers at different stages of their lives in response to factors such as their age, health and family circumstance or financial	• Achieve 86% resident satisfaction with their neighbourhood as a place to live. • Achieve 77% resident satisfaction that their views are taken into account.	• This measure has been achieved with satisfaction at almost 86.9%. • This measure has not been achieved with satisfaction at 67.9%.

situation.		
Wellbeing and Health - To work with our people, partners, communities and customers to provide products and services that will improve wellbeing and contribute to reducing health inequalities.	• 100% of our homes having a valid gas safety certificate. • 100% of our homes having a fire risk assessment.	• Performance is at 99.99%, slightly below the 100% target. • Performance has consistently remained at 100%.

Financial performance 2014/15

We successfully increased our operating margin from 24.1% in 2013/14 to 28.1% in 2014/15. During the year we also successfully reduced rent loss from 2.3% to 1.9% and rent arrears reduced from 6.6% to 4.9%. We increased interest cover and therefore created a greater ability to service more debt to support more development of affordable homes.

Value for money

The value for money strategy

At Regenda, we believe it is essential to achieve value for money in everything we do to ensure that we get the most from our resources – both money and people. We see waste and inefficiency as a lost opportunity to do more for our customers and their communities.

We consider value for money when making decisions and choosing between competing priorities and alternative options. Whilst there is a growing importance to generating financial value, the value of what we do will not always be measured in financial terms; the quality of a service or its social or environmental impact will in some cases be a more important consideration.

Value for money aims for 2014/15

- Our main operating areas and overheads to each demonstrate good performance and low cost, when compared to similar organisations by 2016/17. This will be measured by benchmarking, with target performance in the top quartile of those we compare against.
- The Group's operating margin (operating surplus as a percentage of turnover as shown in our annual statutory accounts) to demonstrate year on year improvements.
- To continue our commitment to community investment of at least 2% turnover per annum where it demonstrates sufficient financial, social or environmental impact.
- To concentrate our business with fewer key partners and suppliers overall to maximise our buying power.

Targets and achievements for 2014/15

This self-assessment sets out how our value for money strategy supported us to achieve the targets we set ourselves in the Group Corporate Plan 2012-2015.

Target	Achievement
Invest £5 million in people and property in Limehurst and use this as a blueprint for working elsewhere.	The focus of this investment was on planned asset improvement and new build properties, with this first phase as part of a 10 year plan. Twenty three new properties were built in 2014-15 with a £2.2 million investment. The planned major works programme for the first phase was aligned to maximise local impact, with a significant boundary treatment programme and boiler replacement fuel efficiency programme investment of over £300k for 14/15. The investment approach has been recognised as effective and has informed plans elsewhere in the region. There is now also an important commitment from Keepmoat to provide significant investment at Limehurst in developing over 120 new homes for sale over the next few years.
Deliver our new 'Homes to be proud of' standards across 25% of our existing properties.	This has now been incorporated into the Group's investment strategy.
Develop our first extra care scheme.	We are due to start on site with this scheme in Fleetwood in November 2015. Scheme included land gifted from Lancashire County Council and £4.2m of funding (£2.3m from the HCA and £1.9m from the Local Authority and Lancashire County Council.
Provide new homes for 1,000 families and individuals.	The Group has developed 563 properties to date, with a further 344 due to be completed as part of the programme.

Directly improve the wellbeing and health of 1,000 Regenda residents.	Outcome of WEMWEBS data is now available for a range of projects.
Support 5% of our working age customers off welfare.	This target of 5%/210 customers in the Corporate Plan has been met and significantly exceeded. In 2014/15 alone, a total of 142 people have been successfully supported into employment and training outcomes through our intensive employment and training programme. The Limehurst case study illustrates the wider impact beyond those figures, with further people moving into part time work as well as first step work placements.
Help 200 young people into work.	Alongside our existing apprenticeship programme, we have also led a range of successful programmes and local initiatives in meeting this target. Our Community Apprentice Programme has achieved national and regional recognition. Our programme of support for work placements in our own offices has had real impact in supporting young people into direct employment. Our work at Limehurst had real impact in motivating young adults into employment and enterprise.
Support 30 new business start ups.	This has been an innovative programme involving work with a range of partners. A revised target of 10 new business start ups was agreed based on a pilot approach and 12 have been successfully established. Our enterprise fund of £50k was matched by £100k of external funding for start ups working with national and regional community finance institutions.
Develop a volunteering programme for our people and residents.	Following successful pilot programmes developing our volunteering approach in Rochdale and Oldham alongside existing work in Wyre, a volunteering plan was

	agreed in 2014. A new Volunteer Co-ordinator is in post and a group-wide programme is being implemented.
Expand our range of 24/7 housing services.	This target was reassessed during the year resulting in a deferment for the foreseeable future.
Deliver an expanded range of service access points, including web-based.	1,500 tenants registered for online access to a new web portal. We have created an office base at Cheshire Peaks and Plains.
10% of our workforce to be home workers to deliver expanded services.	This target was reassessed during the year resulting in a deferment for the foreseeable future.
Support a further 25% of our customers to get online.	The STAR survey for 2014 showed an initial 20% increase which we continued to build on through focused activity during 2014-15 to successful meet our target. Over 300 independent living tenants were provided with access and a range of digital champions and community access projects across the region were delivered over the year.
10% of our workforce to be made up of apprentices or graduate and work placements.	The workforce includes 4.3% of apprentices, graduates or work placements.
25% of our vacancies to be filled internally.	The target was reassessed to ensure we focussed on recruiting and retaining the right talent to support the group in achieving its strategic objectives.
Deliver an additional £2million of profitable third party turnover.	A £50k external contract has been secured by the group’s internal contractor (M&Y) to deliver repairs and maintenance to a facilities management company. M&Y are developing a tender tool kit to support the successful bidding for work and an opportunity register has been established to audit trail success at winning business.
Lock in £5 million that we currently spend with others.	M&Y have delivered £3m worth of planned maintenance works in period 2014/15. This work had historically been sub contracted to external contractors. This

	has generated a £145k VAT saving on labour for the Group.
Be a thought leader at the forefront of affordable housing.	We held two regional events on housing and regeneration that raised the profile of the group across the North West.
Grow the Regenda family.	We are developing this target further in the new Group Corporate Plan.

The new Group Corporate Plan

We have developed a new Group Corporate Plan, which will run from April 2015 to March 2018. This will incorporate further stretching targets to grow and develop the business.

Value for money has been made a priority in Regenda, to deliver better quality services more efficiently and realise our growth ambitions, while also managing the risks associated with welfare reform change.

The following table sets out a summary of the new Group Corporate Plan;

Pillar	Objective	Targets
Our brand	The Regenda Group is known as a great quality, forward thinking housing business which invests in creating the homes people need.	Retention of HCA G1 V1 Grading. Our stakeholders rate us above other housing associations. Target: 58.2% (+5%) by March 2016. Employees are proud to work for Regenda. Target: 6.15 (out of 7) (+2.5% increase on 2014 performance) as measured in the annual Best Companies survey. Customers say they would recommend Regenda - Net Promoter Score of +50 by 2018.
Our financial performance, resources and efficiency	To ensure that we are financially strong and demonstrably efficient in order that we are able to maximise our resources to invest in our business.	Income collection 99.0% Void loss 1.19% Interest cover >150% Operating margin 31% Overheads % of turnover 11.81%

		Net profit 14% Gearing <60% Income cover >120% Asset cover >150%
Our people	To ensure that we have the right people resources in the right place at the right time, appropriately rewarded for their contribution and developed to meet their personal aspirations and deliver business success.	Best Companies accreditation 3 stars Best Companies Index Score - Overall 760 Best Companies Index Score - Leadership 5.54 Investors in People accreditation Gold Employee initiated turnover 8%
Our service and product excellence	To provide services and products that meet the expectations of our customers, ensuring that they are highly satisfied and enabling us to compete with the best in the market place.	**Tenant satisfaction:** - Tenant satisfaction with repairs and maintenance service to be upper quartile (90%) as measured in the Housemark benchmarking group by April 2018. - Tenant satisfaction with quality of the home to be 85%+ as measured by a service specific survey April 2018. **Energy efficiency:** - To ensure the average SAP rating for stock is 73 by 2018. - To ensure no property owned is below Band D energy efficiency rating by April 2018. **Cost reductions and VFM procurement:** - Reduce responsive repair costs (includes void reduction

		and estate management costs) by 5% by 2018. - Reduce major works costs in addition to delivering increased volumes (non responsive costs) by 5% by 2016. - Reduce the cost of cyclical maintenance by 5% by 2016 and 10% by 2018.
Our communities	To support our residents to realise their full potential and ensure that they have the best possible quality of life in healthy, safe, prosperous and sustainable communities.	- Develop shared regeneration visions for our neighbourhoods with the community and other stakeholders. - We will develop and produce a community and place based regeneration strategy for Regenda neighbourhoods with a clear model for investment by September 2015. This will include major improvement plans for two key neighbourhoods where we wish to lead on investment, one of which will be West View (Fleetwood) by September 2015 and another from potential neighbourhoods such as Birkenhead, Wallasey (Wirral) or Anfield and Everton (Liverpool) (2015/16). - Improve the resilience of individuals, families and communities. - We will provide further investment in our employment, skills and

		enterprise programmes with a target of 1500 referrals for support and 500 people into sustainable employment/training by March 2018. - We will assess the effectiveness of the current system of allocations to ensure that it is fit for purpose in the new operating environment and that we are achieving our objectives through use of CBL schemes (2015/16). - We will tackle the root causes of health inequalities, social exclusion and poverty by delivering wellbeing programmes - We will deliver a Community Apprentices programme in Merseyside from 2015 for 15 young people. - We will implement regional Poverty Pledges for our residents and will aim to have 500 tenants taking up our credit union offer by March 2016. - We will increase the range of volunteering opportunities across the region with the aim of having at least 50 Regenda volunteers recognised by March 2016. - Our target for satisfaction with neighbourhood as a place to live is 88% by March

		2018 (82% satisfaction for 2014); this would represent upper quartile performance.
Our stock portfolio growth	To provide a wide range of additional homes that meet the needs and aspirations of customers, creates sustainable neighbourhoods and ensure that we hold a balanced stock portfolio that provides for efficient management and strong asset value.	Target homes 2015/16 to 2017/18 for Regenda Limited: - Homes for affordable rent/ social rent 410 - Section 106 124 - Affordable home ownership 101 Redwing Living: - Market rent 220 - Outright sale 64 - Affordable home ownership 4
Our growth of the Group	To grow the size of our business in order to improve our overall service offer and enhance our financial strength through diversification of our income streams	- The acquisition of a minimum of three new Supported Housing providers into The Regenda Group by 2018. - Provision of at least one commissioned contract to provide health related services, such as, preventative work around hospital admissions and management of long term conditions in the home (2018). - A minimum of two wins each year from 2015/16 for commissioned support services in the public sector. - Acquisition of commercial training and apprenticeship provider by 2016/17. - Provision of at least one commissioned telecare service contract by 2016/17.

Return on assets

Regenda's most valuable asset is the property we own and manage, the vast majority of which is rented out at below market rent levels to individuals and families unable to meet their housing needs in the open market. Typically 48% of the rental income we receive each year has been spent on maintaining and improving these properties to a good standard so we can continue to rent them for the long term. We continually make decisions as to where, when and how we should invest in property maintenance.

On occasion, it is better for the Group overall to consider the divestment of a property rather than to keep and maintain it. This may be due to its condition or its location if its distance from our other properties means it is too costly to manage.

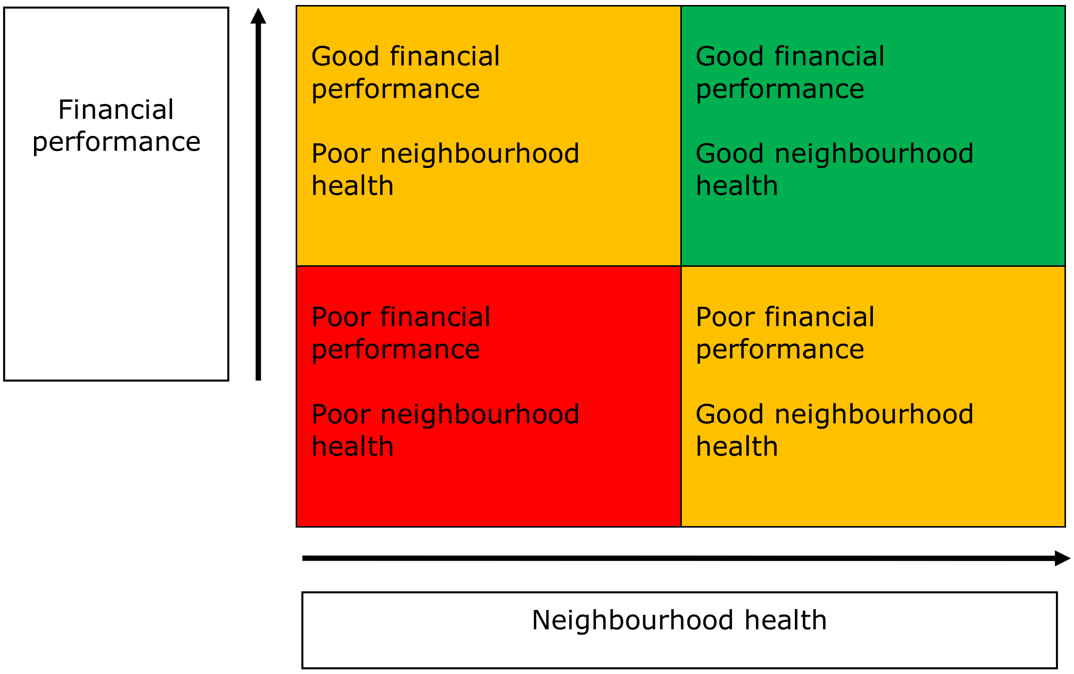
Asset Management Strategy

During 2014/15 the Group engaged Savills to assist with achieving our aim of providing a high standard of accommodation and surrounding environment for the people who live in our homes. In order to achieve this we wanted a strategic view of investment and maintenance of existing property; however, this strategy considers our homes within a wider context looking at how they meet other objectives relating to demand, sustainability and financial performance with the aim that there is a long term demand for our homes.

If the Group's stock of homes does not meet the Group's objectives then careful consideration is given in terms of the investment required versus other options for the stock such as remodelling or stock disposal. It is therefore important that the Group continues to renew its housing stock and to achieve this ongoing performance assessment of the Group's homes will be undertaken on the basis of financial contribution and demand / sustainability.

Following this initial work, the Group chose to use the Savills' Asset Performance Evaluation (APE) model in order to evaluate the performance of all general needs, independent living and supported housing stock. The model has been fully populated and will be refreshed annually. Internal staff have been trained to use and update the model. The model assesses properties at an individual level and collectively based on groupings within the existing neighbourhood health index. The model identifies the Net Present Value (NPV) of the stock and the Neighbourhood health of the stock. These indicators enable a holistic view of the performance of the stock and will assist with our decision making going forward for option appraisal, enabling the Group to focus on key areas of the business. The Group's investment strategy has been developed using this key data and will form part of the annual budgeting process. Having a full investment works programme will greatly assist in long term financial planning, allowing the Group to ensure that resources are allocated effectively.

This enables our properties to be assessed using the grid matrix:



Our aim is to have as many properties as possible in the top right (green) quadrant of good financial performance and good neighbourhood health in the long term. However, we have a commitment to some communities with long term challenges which will impact on the potential to improve their neighbourhood health.

Progress- All general needs, and all our Independent Living stock (housing for older people, supported housing), all schemes with flats, dispersed stock (ie in local authority areas where we have less than 100 properties); and our properties at Limehurst Village in Oldham have been included in the APE model, a total of 11,310 properties.

Option appraisal - To make the best of our available resources, we initially focused on those properties or schemes in the bottom left (red) quadrant. Each of these has now had a detailed option appraisal carried out, which considers the net present value of the scheme or property over the next 30 years under a range of circumstances. The APE model will assist greatly with this decision making The options appraised are:

- Leaving the scheme or property as it is without any significant ongoing investment;
- Full refurbishment;
- Improvements to make sure it will continue to rent for the long term; and
- Selling.

A comparison of the net present value of each option drives the decision as to which, if any, intervention is appropriate.

Independent Living - Following the review of our Independent Living schemes it was clear that the standard of many of them was having a significant impact on whether older people wished to live in them. As a result, a revised property standard has been developed in line with our 'Home to be proud of' strategy. This new standard is over and above the standards previously in place and is focussed on ensuring these homes will remain popular in the long term.

Investment - We have invested £0.6 million on our Reay Court Scheme to bring it up to our new standard. This is expected to improve its financial performance and net present value, as tenancy turnover will reduce and repair costs will be lower. Tenancy turnover improvements, lower arrears and improved resident satisfaction will also drive improved neighbourhood health.

New opportunities - One of the Independent Living schemes appraised consisted of bedsits which, in our view, are not suitable for our residents in the long term. Financially, it is also a significant drain on the business and the negative net present value of the scheme over 30 years was in excess of £1 million. Although the site could be sold for other purposes, it is in a key strategic neighbourhood to which we have a significant commitment. Older persons' provision in the locality is far below the level needed and Regenda, the community and the local council are keen to make use of the site for this purpose.

This will require significant investment over and above the £1 million per annum commitment to Independent Living already made. The proposal is for the existing building to be demolished and a far larger modern facility built in its place. This will be our first extra care scheme in line with our strategy of supporting 'A lifetime of choice'. The total cost of this will be £8.5 million of which £4.2 million funding support has been secured from the Homes and Communities Agency and Lancashire County Council. The project is currently out to tender and it is anticipated that work on this project will begin around November 2015.

The new scheme will perform far better financially than the present one although the net present value will remain negative at around £100k. We aim not to develop schemes that will deliver a negative net present value, but in strategically important cases such as the one described, we believe investment is appropriate to secure the commitment of funding partners.

Individual properties

We also consider individual properties using the same option appraisal if:

- There are identifiable issues with performance eg it remains empty for long periods or residents leave in quick succession;
- The property is part of our dispersed stock; or
- Void repair costs are expected to exceed £8,000.

Costs - comparison with benchmarks and previous performance Operating margin.

A measure of efficiency is the Group's operating margin compared to the sector average (as reported by the Homes & Communities Agency in their annual Global Accounts).

Since 2010/11 the Group has demonstrated a track record of improving its operating margin from 19.6% in the year to 31 March 2011, to 28.1% in the year to 31 March 2015. Other than for 2013/14, for which there was a slight dip due to reduced property sales, the impact of welfare reform, increased investment in property maintenance and increased community regeneration activity. When compared to the sector as a whole, the Group has outperformed the sector average in 2012/13 (26.7% compared to 25.9% across the sector) and whilst 2013/14 saw underperformance (24.1% compared to 26.5% across the sector) we expect 2014/15 result of 28.1% to outperform the sector average also. The group is responding to a new agenda including higher expectations around efficiency and delivery of affordable housing by setting new Group Corporate Plan targets that include a Group operating margin of 30% for 2015/16 and a development programme of 815 over the next three years.

Benchmarking It is not just the sector average that the Group compares its performance to. The Group is a member of Housemark, which brings housing organisations together to benchmark costs and performance across similar organisations. We compare ourselves to a standard grouping selected by Housemark of large traditional housing associations across the North of England and the Midlands.

A summary of the performance of our key service areas compared to this grouping is shown below for 2014/15. Details of those included within this peer group are available on our website. The chart shows our relative cost and quality performance for nine key service areas.

The final report for 2014/15 should be available in November 2015 when all Registered Providers have made their submissions.

We have some work to do to reach our aspiration of top quartile performance for cost and quality across these key areas. However, the results show the success of a number of ongoing initiatives. A more detailed analysis of our costs is shown below.

Efficiency Summary for the Regenda Group (The)						
Business activity	**Cost KPI**	**Cost KPI**		**Benchmark 2014/15**		
		Regenda Group (2014/2015)	Regenda Group (2013/2014)	Upper quartile	Median	Lower quartile
Overheads	Overheads cost as % adjusted turnover	12.08%	12.13%	11.3%	12.9%	15.8%

Responsive repairs and void works	Total cost per property £	713	787	706	810	872
Rent arrears and collection	Total cost per property £	157	140	126	156	189
Anti-social behaviour	Total cost per property £	63	60	44	64	82
Major works and cyclical maintenance	Total cost per property £	1,255	1,236	847	1,215	1479
Lettings	Total cost per property £	76	62	69	92	102
Tenancy management	Total cost per property £	162	182	99	127	159
Resident involvement	Total cost per property £	103	110	69	86	105
Estate services	Total cost per property £	117	150	116	173	244

Overheads are not specifically shown on the earlier dashboard as they are spread across the eight service areas shown. We recognised some time ago that our overhead costs were too high. These include the costs of our offices and IT systems, as well as staff in back-office teams such as finance and HR. Targeted cost reduction programmes have improved our performance so that our cost levels are now well below average and have fallen from 12.13% of turnover in 2013/14 to 12.08% in 2014/15. This places the Group in the second quartile in relation to our peer group. The aim is to become within the upper quartile over the life of the corporate plan.

Costs of **responsive repairs and void works** have reduced from the prior year and are now in the second quartile cost category, only a fraction behind from the upper quartile target for the Group of £706. This has been achieved despite a change in policy during the year to create a higher void standard.

However, the average number of responsive repairs per property has remained fairly constant over the last two years and this is now being targeted to improve value for money as explained above.

Rent arrears and collection costs have increased to £157 per property in 14/15, compared to £140 in 2013/14. However, this is an area that we have invested in significantly during 2014/15 to respond to the continuing impact of the under occupancy charge. Quality measures have risen as the percentage of rent collected has risen from 98.5% to 99.0% and current and former tenant arrears have decreased from 4.3% to 4.1%. We are also seeing greater levels of rental payments in advance for the initial periods of the tenancy. This is clearly a key area for the business and we continue to monitor the impact of our investment and how this compares with peers.

The cost of responding to **anti social behaviour** has continued to reduce from the high levels seen in prior years. There has also been a restructure of the team in April 2015 which created further efficiencies in the ways of working and will show further cost savings in 2015/16.

The cost per property of **major works** has increased from £1,236 in the prior year to £1,255 per property in 2014/15. This is slightly above the median figure of £1,215 with the figure of £847 upper quartile figure. This is as a result of positive investment decisions outlined earlier to deliver the 'Homes to be proud of' strategy. We have planned for investment levels to remain high in this area in coming years and this will be reflected in our benchmarked cost performance. However, this investment is necessary to improve residents' satisfaction with their homes. The cost of providing the **lettings** service has continued to fall, following action taken in prior years to address this. Actual costs per property were £76, just slightly above the upper quartile target of £69. The resource dedicated to this service has been challenged by the impact of welfare reform, particularly as our approach to downsizing has driven tenancy turnover and hence the number of new lettings. Despite this average re-let times decreased year on year from 30 days to 28 as a result. Our community regeneration approach is increasing the popularity of key estates, which should continue to have a positive impact on re-let times over time.

Tenancy management costs have continued to reduce year on year, despite a median cost increase in the comparative group. Whilst this service is costly in comparison to other housing management functions this is partly attributable to the Regenda Group service delivery model, incorporating centralised shared services with localised face to face neighbourhood management. Performance is improving through a general downward trend in turnover and we aim to improve neighbourhood satisfaction through improved placeshaping activity as part of our asset based community development programmes in key neighbourhoods.

Costs of **resident involvement** have reduced the 2013/14 level of £110 per property to £103 per property in 2014/15. Our last STAR survey showed a significant drop in resident satisfaction that their views are taken into account from 77.7% to 68.0%, which is a key measure of the quality of this service.

We are currently undertaking a comprehensive review of this service to ensure it remains fit for purpose for the future.

Estate services almost showed top quartile performance for both cost and quality in 2014/15, as shown in the dashboard above. Cost levels have reduced year on year from £150 to around £117 per property; and residents' satisfaction with their neighbourhood has increased from 81% to 87%.

Social impact of investment

We have included a key example here to illustrate our approach to creating successful communities and strong assets that underpin the effectiveness of our business.

Limehurst Village. The objective was to focus investment in this key neighbourhood over a shorter period than would otherwise be the case. This was intended to attract investment and support from key stakeholders and as a result to lift the aspirations of the community. Regenda has committed to invest £5 million over three years on a range of fronts including building new homes, improving the energy efficiency of properties, community cohesion and initiatives to improve the wellbeing of residents, including support into employment and self-employment, volunteering, digital skills and youth engagement. The development at Acacia Road has been completed and properties have started to be let from April 2015. The investment in Limehurst includes a programme to install 400 boilers over the three year period, and also to provide further fencing around the estate.

Limehurst is seen as a model to implement across the rest of the Group, sowing the success of the project and its methods. We are rolling out this approach to other neighbourhoods, and a next phase of work has been identified for the West View area of Fleetwood.

Social purpose. Many organisations like Regenda have a social imperative to improve their tenants' and residents' wellbeing, life chances and opportunities. The 2012 Social Value Act and the HCA regulatory framework further endorse this approach. Interest in social impact measurement has been growing in social housing as the sector becomes increasingly conscious of the importance both of demonstrating the difference it makes, and of placing a value on that impact. The alternative methodology of wellbeing valuation is one of the fastest growing areas of social impact in the UK and is now being used by a wide range of central government departments. The values attributed to a range of social inventions are consistent with HM Treasury Green Book Guidelines. The Group has made a strong emphasis on providing opportunities for employment, including apprenticeships.

Using these values the Housing Action Community Trust (HACT) wellbeing evaluation toolkit was developed specifically for the social housing sector and it is the HACT Value Calculator that we have used in the table shown below to attribute a value to the volunteering activity at Limehurst.

The details here are linked to a wide range of volunteer activity, including at Limehurst, such as new work clubs and credit union collection points, new recruitment to estate based groups and activities including the Community Hall and Limehurst Lions (Rugby Club healthy living projects) and the new community action forums.

The benefit to the community is significant; these details link to the value for the volunteer participants in terms of the wellbeing methodology. There are other outcomes linked to volunteer training, including accredited sports training and also food hygiene certification, relevant to community project activity, which are additional outcomes for those involved.

The table below shows the range of outputs that have been created as a result of the work on social value in this case study, with significant impact on improving the success and attractiveness of this neighbourhood to existing and prospective tenants and residents.

Output framework [linked to original plan]	Cumulative total 2014 / 15	Cumulative total – Years 1 & 2	Outputs: total project targets 2013 – 16
Full time / substantive posts	51	**72**	**3**
Apprenticeships	10	**19**	**8**
Part time jobs	28	**71**	**59**
Placements and work experience	11	**53**	**49**
New business and self employment	5	**11**	**16**
New volunteering places	13	**55**	**74**
Training places	72	**191**	**229**
Accreditation	47	**101**	**109**
Additional Partnership activity	21	**44**	**10**

We will continue to work with HACT to measure the social value outcomes from other aspects for the project. The HACT wellbeing valuation for moving from unemployment to jobs is set at £8,700 per person. Therefore, as an example and in terms of the 51 full time posts identified above, this would equate to a total of £443,700.

Business improvements - In addition to social value, the project has generated demonstrable improvements in our business activities. This has been driven by, amongst other things:

- A reduction in tenancy turnover to 10.6% in the year against a target of 11% is a positive result. This has been achieved despite the continuing impact of welfare reform.
- A reduction in rent arrears from 5.1% last financial year to 4.1% in 14/15 is a testament to the hard work of the income generation team in ensuring that rents were collected. This has been achieved despite the continued effects of the welfare bill, including welfare reform. The reduced arrears levels of those moving into employment have been an important part of this improvement.

These outcomes are promising for an initial phase of community asset development and the project will continue to develop social value in the next phase of activity.

In a recent survey, resident satisfaction in the area has improved overall and particularly in relation to residents' view of the value for money of their rent. These satisfaction levels are now higher than for the rest of our neighbourhoods, whereas previously they were far lower. Tenancy turnover in Limehurst has now consistently fallen each year and was 8.4% in 2014, with a much higher level of bids from prospective tenants for properties at Limehurst.

Gains

2014/15 Efficiencies - Our commitment to value for money is long-standing and we make efficiency gains year-on-year. During 2014/15, we generated efficiencies in the region of £2.3m, or 4.3% of turnover. Of this £1.4m is cashable: that is, real money that can be deployed elsewhere within the business. The other £0.9m is classed as non cashable, which relates to social or environmental value added or improvements in productivity either by changes in processes or systems. This means we are able to provide more services using existing resources.

Cashable savings - In relation to cashable savings, we have:

- Undertaken window replacement, central heating and bathroom installations as part of the planned maintenance programme using internal contractor saving VAT on labour;
- Remodelled independent living schemes;
- Restructured teams to reduce staff numbers;
- Undertaken asbestos work internally with up-skilled staff;
- Implemented the customer portal;
- Renegotiated insurance provision on more favourable terms;
- Retendered fleet provision;
- Renegotiated ICT contracts;
- Taken procurement opportunities to include saving over £400,000 on existing telephony contracts over a three year period; and
- Made staffing reductions to back-office functions totalling approximately £100,000.

2015/16 Efficiency targets - For 2015/16 we have targets of £1m additional cashable and £0.5m non cashable savings. In January 2015 we commissioned an independent procurement review to support management in identifying savings across all major expenditure areas. A steering group has been set up and project plans have been developed with senior managers accountable for delivery within their service areas:

For the cashable efficiencies proposed during 2015/16, we plan to reduce:

- development costs;
- landline and mobile telephony and data charges through re-procurement;
- ICT applications support and maintenance costs;
- costs in asbestos and legionella management, and lift maintenance;
- cleaning costs and grounds maintenance and landscaping costs;

- fire, security and door entry;
- office premises costs;
- legal, financial and professional services costs; and
- materials, plant, and merchants costs.

Value for money conclusion

We believe it is essential to consider value for money in everything we do to ensure that we get the most from our resources, be they money or people. Waste and inefficiency is a lost opportunity to do more for our customers and their communities.

We have continued to make considerable progress in delivering cost savings and value for money in 2014/15 and have deliverable actions plans and targets to continue this in 2015/16. The Group is continuing to work with Valueworks to undertake a full procurement review and therefore generate further savings.

Risks and uncertainties

Strategic risks are those that present the greatest threats to the Group. Directly linked to the Group's corporate objectives and performance management framework, the Group's strategic risks are considered and reviewed at least annually by the Risk and Audit Committee as part of the corporate planning process. The risks are recorded and assessed in terms of their likelihood and impact.

Risk reports are provided to the Risk and Audit Committee on a quarterly basis and include assessments of changes in key risk areas and action taken to manage them.

The Group's strategic risks are considered on the following pages.

Key risk area	Comment
Financial	• The impact of welfare reform is a significant risk to the Group and the sector. Whilst dedicated resources have been increased to support both our tenants and the business, this is an area that will continue to be monitored very closely. • Due to the pressure on our lenders' own profitability the Group's favourable borrowing terms continue to be under increased scrutiny. We have always and will continue to ensure compliance with covenants and other borrowing conditions to ensure our terms are maintained. • The impact of reduced grant funding for future developments has been factored into financial plans and all proposed projects are subject to appropriate scrutiny.

Governance	• Recent changes along with the continuous review of the Group's governance arrangements have ensured that it is ready to respond to the challenges and changes presented. • Our selective use of expert third party advisors and commitment to training staff ensure that the Group is further supported when regulatory and legislative changes occur.
Economic	• The Group took sensible and timely steps to cut its cost base in response to the "credit crunch", whilst continuing to focus on performance. There will be a continued focus on value for money in future years. • The risk of increasing pension liabilities are continually considered and professional actuarial advice is taken as necessary, including active monitoring of scheme deficits where separately identified for the Group.
Political	• There have been a number of significant changes affecting the sector in recent times including various legislative changes. The Group's governance arrangements and planning process will continue to allow us to respond flexibly and quickly as required to recent and future legislative changes. • Rent reduction – The Chancellors budget statement in July announced a number of changes to the welfare system. The biggest of these changes is the effect of the 1% rent reduction from 2017 to 2020. The Group have modelled the effects of the loss of income and have produced revised plans which demonstrate continued compliance with funding covenants.
Business Development	• Diversification is seen as a means to support the core activities of the Group. However, such opportunities will be assessed taking into consideration key factors such as skills and knowledge alongside effective planning and management control.
Supply chain	• In these challenging economic times the Group continues to focus on the importance of close working relationships with its supply chain to ensure that the risk of disruption is minimised. This continues to be emphasised by the work carried out by its subsidiary M&Y, with all of the Group's responsive repairs and gas services now being delivered in-house. Plans are in place to extend their activity to include more of the Group's planned maintenance programme. • The Group has a Business Continuity Plan that supports a response to a range of potential external issues that may affect the business.

Financial position

The Group's income and expenditure account and balance sheet are shown on pages 37 and 39 respectively. The following paragraphs highlight key features of the Group's financial position at 31 March 2015.

Accounting policies

The Group's principal accounting policies are set out on pages 41 to 45 of the financial statements.

The policies that are most critical to the financial results relate to accounting for housing properties and include: component accounting; capitalisation of interest and development administration costs; deduction of capital grant from the cost of assets; housing property depreciation; and treatment of shared ownership properties.

Housing properties

At 31 March 2015, the Group owned and managed 12,793 housing properties (2014: 12,594). The properties were carried in the balance sheet at cost (after depreciation and capital grant) of £215 million (2014: £203 million). Investment in housing properties during the year was funded through a mixture of social housing grant, loan finance and working capital.

Pension costs

The Group participates in two pension schemes; a defined contribution scheme within the Social Housing Pension Scheme and a defined benefit scheme within the Lancashire County Council Pension Fund. Details of the Group's contribution to and performance of these schemes is detailed in note 9 to the financial statements.

Capital structure and treasury policy

Details of the Group's borrowings and the related maturity profile are shown in note 20 to the financial statements. The Group borrows, principally from banks and building societies, at both fixed and floating rates of interest. However, during the year the Group took out a Private Placement worth £55m over 30 to 40 years. The Group's target is to keep at least 70% of its borrowings at fixed rates of interest. At the year-end, 80.4% (2014: 80.4%) of the Group's borrowings were at fixed rates.

The fixed rates of interest range from 4.99% to 10.63%, although the vast majority of amounts borrowed are at the lower end of this range. In the current market long term fixed rates are around 5%, which means that the Group is paying relatively competitive rates of interest.

The Group's lending agreements require compliance with a number of financial and non-financial covenants. The Group's position is monitored on an on-going basis and reported to the Board each quarter. Recent reports confirmed that the group was in compliance with its loan covenants at the balance sheet date. The impact on changes in legislation, including rent reduction over the next five years have been modelled and the Board expects to remain compliant in the foreseeable future.

The Group borrows and lends only in sterling and so is not exposed to currency risk.

Future developments

A key influence on the timing of borrowings is the rate at which development and sales activity takes place. The Board has approved plans to spend £14.3m during the next financial year on development growth activity. A further £7.3m is approved for completion of the programme thereafter. This will be partly funded through sales income and social housing grant, with the balance through the Group's existing cash balances and loan facilities. Loan facilities of £10m are available under existing arrangements in addition to the Group's investment and cash balances.

Statement of compliance

In preparing this operating and financial review, the Board has followed the principles set out in the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers Update 2010.

3. Statement of the responsibilities of the Board

The Board is responsible for preparing the report and financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 requires the board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Co-operative and Community Benefits Societies Act 2014 the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the association and group for that period.

In preparing these financial statements the Board is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards and the Statement of Recommended Practice: Accounting by Registered Housing Providers Update 2010 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 Group and the Association and enable it to ensure that 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 2012. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Board members is aware:

- there is no relevant audit information of which the Group's auditors are unaware: and
- the Board members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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

4. Independent Auditors' Report to the Board members of Regenda Limited

We have audited the financial statements of Regenda Limited for the year ended 31 March 2015 which comprise the consolidated and Association income and expenditure accounts, the statement of total recognised surpluses and deficits, the reconciliation of movements in Group's and Association's funds, the consolidated and Association balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the society's members, as a body, in accordance with regulations made under Sections 87 and 98(7) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state 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.

Respective responsibilities of the board and the auditor

As explained more fully in the Statement of Responsibilities of the Board set out on page 34, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2015 and of the Group's and Association's income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
16 September 2015

5. Consolidated and association income and expenditure accounts

Year ended 31 March 2015

		Group		Association	
		2015	2014	2015	2014
	notes	£000	£000	£000	£000
Turnover : continuing activities	3	55,843	53,253	49,768	46,982
Operating costs	3	(40,168)	(40,444)	(37,618)	(36,800)
Operating surplus : continuing activities	3	15,675	12,809	12,150	10,182
Surplus on sale of housing properties	6	441	181	166	81
Interest receivable	7	200	147	303	197
Interest payable and similar charges	8	(9,254)	(8,605)	(8,507)	(7,859)
Other finance income / (costs)	9	13	(28)	13	(28)
Surplus for the year before taxation		7,075	4,504	4,125	2,573
Gift Aid receivable		-	-	200	250
Surplus on ordinary activities before taxation	5	7,075	4,504	4,325	2,823
Tax on surplus on ordinary activities	11	(708)	(542)	-	(9)
Surplus for the year	24	6,367	3,962	4,325	2,814

The consolidated and association's results relate wholly to continuing activities.
The accompanying notes form part of these financial statements.
The financial statements were approved by the Board on 16 September 2015.

J Thomson
Chair

Board member

J. Vincent
Secretary

6. Statement of total recognised surpluses and deficits
Year ended 31 March 2015

	Group		Association	
	2015	2014	2015	2014
	£000	£000	£000	£000
Surplus for the year	6,367	3,962	4,325	2,814
Actuarial (loss) / gain relating to pension scheme	(754)	281	(754)	281
Total recognised surpluses for the year	5,613	4,243	3,571	3,095

7. Reconciliation of movements in Group's and Association's funds
Year ended 31 March 2015

	Group		Association	
	2015	2014	2015	2014
	£000	£000	£000	£000
Opening funds	31,908	27,665	21,115	18,020
Total recognised surpluses for the year	5,613	4,243	3,571	3,095
Closing total funds	37,521	31,908	24,686	21,115

8. Consolidated and Association's balance sheets
Year ended 31 March 2015

		Group		Association	
		2015	2014	2015	2014
	notes	£000	£000	£000	£000
Tangible fixed assets					
Social and non-social housing properties	12	489,965	474,057	411,735	398,174
Social housing grant	12	(275,175)	(271,418)	(228,215)	(224,629)
	12	214,790	202,639	183,520	173,545
Other tangible fixed assets	13	5,454	6,073	4,610	5,166
Goodwill	14	342	492	-	-
Investments in subsidiaries	14	-	-	1,134	1,134
		220,586	209,204	189,264	179,845
Current assets					
Properties for sale	15	1,654	855	97	-
Debtors	16	3,928	3,266	11,129	9,303
Investments	17	16,251	26,638	14,569	24,554
Cash at bank and in hand		3,668	1,735	1,374	566
		25,501	32,494	27,169	34,423
Creditors :amounts falling due					
within one year	18	(16,583)	(15,267)	(13,005)	(11,910)
Net current assets		8,918	17,227	14,164	22,513
Total assets less current liabilities		229,504	226,431	203,428	202,358
Creditors :amounts falling due					
after more than one year	18	188,988	192,104	176,056	179,118
Provision for liabilities	19	309	294	-	-
Net pension liability	9	2,686	2,125	2,686	2,125
		191,983	194,523	178,742	181,243
Capital and reserves					
Non-equity share capital	23	-	-	-	-
Designated reserves	24	2,757	2,757	2,757	2,757
Restricted reserve	24	1,361	1,205	1,361	1,205
Revenue reserve	24	33,403	27,946	20,568	17,153
Group's / Association's funds	24	37,521	31,908	24,686	21,115
		229,504	226,431	203,428	202,358

The notes on pages 40 to 72 form part of these financial statements

The financial statements were approved by the Board on 16 September 2015 and signed on its behalf by:

J Thomson Chair	Board member	J. Vincent Secretary

9. Consolidated cash flow statement

Year ended 31 March 2015

	notes	2015 £000	2014 £000
Net cash inflow from operating activities	26	22,268	17,706
Returns on investments and servicing of finance			
Interest received		200	147
Interest paid		(9,172)	(8,541)
Net cash outflow from returns on investments and servicing of finance		(8,972)	(8,394)
Taxation			
Corporation tax paid		(786)	(599)
Capital expenditure			
Acquisition and construction of properties		(23,564)	(26,791)
Sales of housing properties		1,787	511
Social housing grants received		4,161	5,165
Purchase of other tangible fixed assets		(416)	(845)
Net cash outflow from capital expenditure and financial investment		(18,032)	(21,960)
Management of liquid resources			
Cash withdrawn from / (invested in) money market deposit accounts		10,387	(25,172)
Net cash inflow/(outflow) before financing		4,865	(38,419)
Financing			
Housing loans received		-	69,004
Transaction costs		-	(1,009)
Housing loans repaid		(2,932)	(30,083)
Financing		(2,932)	37,912
Increase / (Decrease) in cash	27	1,933	(507)

10. Notes to the financial statements

1. Legal status

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 (no. 31240R) and is registered with the Homes and Communities Agency as a registered provider.

2. Accounting policies

Basis of accounting

The financial statements of the Group and the Association are prepared in accordance with UK Generally Accepted Accounting Principles, (UK GAAP) and the Statement of Recommended Practice: 'Accounting by Registered Social Housing Providers Update 2010', and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012.

The Group's business activities, financial position and the risks and uncertainties that are likely to impact on future performance are set out within the operating and financial review. The Group has in place debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has short, medium and long-term business plans which show that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue operating for foreseeable future, being as a minimum, a period of 12 months after the date on which the report and financial statements are signed. The financial statements have been prepared on a Going Concern basis.

Basis of consolidation

The Group accounts consolidate the accounts of the Association and all its subsidiaries at 31 March 2015.

Goodwill

The goodwill arising upon the acquisition of M&Y Maintenance & Construction Limited (formerly M&Y Joinery and Building Maintenance Limited) on 31 December 2009 has been capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life which is considered to be three years. The goodwill arising upon the acquisition of McDonald Property Rentals Limited on 30 November 2012 has been capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its useful economic life which is considered to be five years.

Turnover

Turnover comprises rental income receivable in the year, income from property sales, income from property lettings services, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Income from property lettings services is recognised at the point a tenancy agreement has been signed and the property is let.

Deferred taxation

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Except as noted below, full provision for deferred taxation is made under the incremental liability method on all timing differences that have arisen, but not reversed by the balance sheet date.

In accordance with FRS 19, deferred tax is not provided for gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Value added tax

The Group charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

Interest payable

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

a) interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or

b) interest on borrowings of the Group as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the year.

Pensions

The Group participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Lancashire County Council Pension Fund ('LCCPF').

For the SHPS, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

The operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any other changes in fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits.

Supported housing managed by agencies

Social housing capital grants are claimed by the Group as developer and owner of the property and included in the balance sheet of the Group. The treatment of other income and expenditure in respect of supported housing projects depends on the nature of the partnership arrangements between the Group and its managing agents and on whether the Group carries the financial risk.

Where the Group holds the support contract with the Supporting People Administering Authority and carries the financial risk, all of the project's income and expenditure is included in the Group's income and expenditure account.

Where the agency holds the support contract with the Supporting People Administering Authority and carries the financial risk, the income and expenditure account includes only that income and expenditure which relates solely to the Group.

Social housing and non social housing properties

Social housing and non social properties are principally properties available for rent and are stated at cost less depreciation and social housing and other grants. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing benefits of the assets, are capitalised as improvements.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover and the remaining element is classed as fixed asset and included in housing properties at cost less any provisions needed for depreciation or impairment.

Social housing grant

Social housing grant (SHG) is receivable from the Homes and Communities Agency and is utilised to reduce the capital costs of housing properties, including land costs. SHG due or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the Homes and Communities Agency. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

Other grants

Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

The Group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

Depreciation of social housing and non social housing properties

The Group depreciates the major components of its housing and non social housing properties at the following annual rates:

Structure	1.0%
Roofs	2.0%
Kitchens	5.0%
Bathrooms	3.3%
Boilers	6.6%
Central Heating	3.3%
Windows	3.3%

Freehold land is not depreciated.

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Housing properties in the course of construction are stated at cost and not depreciated.

Impairment

Social housing and non social housing properties which are depreciated over a period in excess of 50 years are subject to impairment reviews annually. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to their recoverable amount.

Other tangible fixed assets

Tangible fixed assets, other than social housing and non social housing properties are stated at cost less accumulated depreciation and any provision for impairment.

Depreciation is provided evenly on the cost of other tangible fixed assets over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold buildings	100 years
Leasehold premises	Length of lease
Scheme assets	4 to 25 years
Fixtures and fittings	10 years
Computer costs	2 to 8 years
Motor vehicles	4 years

Leased assets

Rentals payable under operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Properties for sale

Shared ownership first tranche sales and other properties under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads.

Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

The proceeds from the sale of the first tranche are included within turnover.

Sales of subsequent tranches are treated as disposals and are shown in the income and expenditure account within surplus/ (deficit) on sale of housing properties.

Current asset investments

Investments are stated at market value.

Deferred income

Where debt has been issued at a premium, the premium is treated as deferred income and is released to the income and expenditure account over the term of the loan.

Liquid resources

Liquid resources are readily disposable current asset investments. They include some money market deposits, held for more than 24 hours that can only be withdrawn without penalty on maturity or by giving notice of more than one working day.

Reserves

The Group establishes restricted reserves for specific purposes where their use is subject to external restrictions and designated reserves where reserves are earmarked for a particular purpose.

3. Turnover, cost of sales, operating costs and operating surplus

	2015				2014			
	Turnover	Cost of sales	Operating costs	Operating surplus / (deficit)	Turnover	Cost of sales	Operating costs	Operating surplus / (deficit)
Group	£000	£000	£000	£000	£000	£000	£000	£000
Income and expenditure from social housing activities								
Housing accommodation	42,299	-	(27,850)	14,449	40,113	-	(26,991)	13,122
Supported housing	9,191	-	(7,707)	1,484	8,799	-	(8,438)	361
Low cost home ownership	2,545	-	(1,614)	931	2,417	-	(1,559)	858
Social housing lettings	54,035	-	(37,171)	16,864	51,329	-	(36,988)	14,341
Other social housing activities								
Supporting people contract income	141	-	(141)	-	169	-	(169)	-
Development costs not capitalised	-	-	(62)	(62)	-	-	(79)	(79)
Management services	137	-	(137)	-	137	-	(150)	(13)
Community regeneration	163	-	(1,177)	(1,014)	116	-	(1,097)	(981)
First Tranche Property Sales	522	(424)	-	98	680	(586)	-	94
	963	(424)	(1,517)	(978)	1,102	(586)	(1,495)	(979)
Non-social housing activities								
Lettings	380	-	(493)	(113)	321	-	(753)	(432)
Other	465	-	(563)	(98)	501	-	(622)	(121)
	845	-	(1,056)	(211)	822	-	(1,375)	(553)
Total	55,843	(424)	(39,744)	15,675	53,253	(586)	(39,858)	12,809

3. Turnover, cost of sales, operating costs and operating surplus (continued)

	2015			2014		
	Turnover	Operating costs	Operating surplus / (deficit)	Turnover	Operating costs	Operating surplus / (deficit)
Association	£000	£000	£000	£000	£000	£000
Income and expenditure from social housing activities						
Housing accommodation	38,906	(26,610)	12,296	36,728	(25,506)	11,222
Supported housing	8,239	(7,322)	917	7,865	(7,830)	35
Low cost home ownership	8	(3)	5	3	(2)	1
Social housing lettings	47,153	(33,935)	13,218	44,596	(33,338)	11,258
Other social housing activities						
Supporting people contract income	141	(141)	-	169	(169)	-
Development costs not capitalised	-	(52)	(52)	-	(65)	(65)
Management services	102	(100)	2	97	(117)	(20)
Community regeneration	59	(1,077)	(1,018)	1	(992)	(991)
Other social housing activities	2,313	(2,313)	-	2,119	(2,119)	-
	2,615	(3,683)	(1,068)	2,386	(3,462)	(1,076)
Total	49,768	(37,618)	12,150	46,982	(36,800)	10,182

3. Turnover, cost of sales, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings

Group

	2015				2014
	General needs	Supported housing and housing for older people	Low cost home ownership	Total	Total
Turnover from social housing lettings	£000	£000	£000	£000	£000
Rent receivable net of identifiable service charges	40,767	7,029	1,564	49,360	46,894
Charges for support services	18	247	-	265	295
Service charges receivable	1,514	1,911	949	4,374	4,090
Other income	-	4	32	36	50
Turnover from social housing lettings	42,299	9,191	2,545	54,035	51,329
Expenditure on social housing lettings					
Management	(5,865)	(1,523)	(774)	(8,162)	(8,325)
* Restructuring costs	(353)	(91)	-	(444)	-
Services	(1,515)	(2,569)	(683)	(4,767)	(4,735)
Routine maintenance	(8,134)	(1,238)	(4)	(9,376)	(10,019)
Planned maintenance	(5,718)	(642)	(8)	(6,368)	(6,417)
Major repairs expenditure	(950)	(404)	-	(1,354)	(1,238)
Bad debts	(393)	1	(2)	(394)	(455)
Depreciation of social housing properties	(4,551)	(1,003)	(119)	(5,673)	(5,192)
Other costs	(371)	(238)	(24)	(633)	(607)
Operating costs on social housing lettings	(27,850)	(7,707)	(1,614)	(37,171)	(36,988)
Operating surplus on social housing letting activities	14,449	1,484	931	16,864	14,341
Void losses	(449)	(196)	-	(645)	(695)

* Restructuring Costs relate to the loss of office compensation payments incurred during the year.

3. Turnover, cost of sales, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings

Association	2015				2014
	General needs	Supported housing and housing for older people	Low cost home ownership	Total	Total
Turnover from social housing activities	£000	£000	£000	£000	£000
Rent receivable net of identifiable service charges	37,640	6,364	6	44,010	41,651
Charges for support services	17	218	-	235	261
Service Income	1,249	1,653	2	2,904	2,680
Other income	-	4	-	4	4
Turnover from social housing lettings	38,906	8,239	8	47,153	44,596
Expenditure on social housing activities					
Management	(5,252)	(1,456)	-	(6,708)	(6,980)
* Restructuring Costs	(353)	(91)	-	(444)	-
Services	(1,254)	(2,340)	(2)	(3,596)	(3,513)
Routine maintenance	(8,345)	(1,267)	-	(9,612)	(9,600)
Planned Maintenance	(5,465)	(582)	-	(6,047)	(6,285)
Major repairs expenditure	(930)	(403)	-	(1,333)	(1,162)
Bad Debts	(370)	4	-	(366)	(470)
Depreciation of housing properties	(4,277)	(949)	(1)	(5,227)	(4,766)
Other costs	(364)	(238)	-	(602)	(562)
Operating costs on social housing lettings	(26,610)	(7,322)	(3)	(33,935)	(33,338)
Operating surplus on social housing letting activities	12,296	917	5	13,218	11,258
Void losses	(406)	(174)	-	(580)	(610)

* Restructuring Costs relate to the loss of office compensation payments incurred during the year.

Particulars of turnover from non - social housing lettings

	Group		Association	
	2015	2014	2015	2014
	£000	£000	£000	£000
Office and Retail Units	103	364	-	-
Market Rented	277	162	-	-
	380	526	-	-

4. Accommodation in management and development

At the end of the year accommodation in management for each class of accommodation was as follows:

	Group		Association	
	2015	2014	2015	2014
	number	number	number	number
Social housing				
General housing	9,282	9,190	8,533	8,443
Supported housing and housing for older people	1,997	1,967	1,797	1,766
Low cost home ownership	1,365	1,365	3	3
Total owned	12,644	12,522	10,333	10,212
Accommodation managed for others	63	67	-	-
Total owned or managed	12,707	12,589	10,333	10,212
Non-social housing				
Market rented	73	55	-	-
Office and retail units owned by the Group	13	17	-	-
	86	72	-	-
Total owned and managed	12,793	12,661	10,333	10,212
Accommodation in development at the year end	198	91	188	77

5. Surplus on ordinary activities before taxation

Surplus on ordinary activities before taxation is stated after charging:

	Group		Association	
	2015	2014	2015	2014
	£000	£000	£000	£000
Depreciation of social housing properties	5,186	5,192	4,764	4,766
Depreciation of commercial properties	49	35	-	-
Impairment of commercial properties	-	366	-	-
Depreciation of other tangible fixed assets	990	928	815	745
Operating lease rentals				
- land & buildings	336	338	171	338
- office equipment, cars and computers	183	416	139	108
Auditors remuneration (excluding VAT)				
- for audit services				
- for the audit of the financial statements	42	43	25	26
- other services in respect of taxation	15	15	-	-
- for the audit of service charge accounts	18	18	-	-

6. Sales of housing properties

	Group		Association	
	2015	2014	2015	2014
	£000	£000	£000	£000
Disposal proceeds	1,509	1,021	692	465
Carrying value of fixed assets	(514)	(330)	(252)	(91)
	995	691	440	374
Capital grant recycled (note 21)	(261)	(279)	(32)	(81)
Disposal proceeds fund (note 22)	(293)	(231)	(242)	(212)
Surplus for the year	441	181	166	81

7. Interest receivable and other income

	Group		Association	
	2015	2014	2015	2014
	£000	£000	£000	£000
Interest receivable and similar income	200	147	197	144
From subsidiaries relating to syndicated housing loans	-	-	106	53
	200	147	303	197

8. Interest payable and similar charges

	Group		Association	
	2015	2014	2015	2014
	£000	£000	£000	£000
Bank loans and overdrafts	9,493	8,714	8,693	7,957
Interest payable capitalised on housing properties under construction	(239)	(109)	(186)	(98)
	9,254	8,605	8,507	7,859

The interest rates applied to determine the finance costs during the period were 4.5% for all direct subsidiaries of the Association (2014: 4.5%).

9. Employees

Average monthly number of employees expressed in full time equivalents :

	Group		Association	
	2015	2014	2015	2014
	Number	Number	Number	Number
Administration	64	65	64	65
Development	8	8	8	8
Housing, support and care	190	197	176	182
Maintenance	210	198	32	32
Community regeneration	19	19	19	19
	491	487	299	306

Employee costs	Group		Association	
	2015	2014	2015	2014
	£000	£000	£000	£000
Wages and salaries	12,971	12,272	8,411	8,234
Social security costs	1,262	1,168	834	790
Other pension costs	1,300	1,231	1,224	1,223
	15,533	14,671	10,469	10,247
Restructuring Costs	444	37	444	37
	15,977	14,708	10,913	10,284

The Group participates in the Social Housing Pension Scheme and the Lancashire County Council Pension Fund.

Social Housing Pension Scheme (Group and Association)

The Association and all Group members participate in the Social Housing Pension Scheme (SHPS).

SHPS is funded and is contracted out of the state scheme. SHPS is a multi-employer defined benefit scheme. Employer participation in SHPS is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

SHPS operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 there are three benefit structures available, namely:

- Final salary with a 1/60th accrual rate.
- Final salary with a 1/70th accrual rate.
- Career average revalued earnings (CARE) with a 1/60th accrual rate.

From April 2010 there are a further two benefit structures available, namely:

- Final salary with a 1/80th accrual rate
- Career average revalued earnings (CARE) with a 1/80th accrual rate

9. Employees (continued)

Social Housing Pension Scheme (Group and Association) (continued)

A defined contribution benefit structure was made available from 1 October 2010.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

The Group currently operates the defined contribution benefit structure for active members.

The Trustee commissions an actuarial valuation of SHPS every three years. The main purpose of the valuation is to determine the financial position of SHPS in order to determine the level of future contributions required, in respect of each benefit structure, so that the SHPS can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution rate no longer applies.

The actuarial valuation assesses whether the SHPS's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period the Group paid contributions at rates which varied between 2.0% and 6% per individual member. Member contributions varied between 1.0% and 24.0% depending on the relevant benefit structure and/or their age.

As at the balance sheet date there were 397 active members of SHPS employed by the Group. The annual pensionable payroll in respect of these members was £10.5m. The Group continues to offer membership of SHPS to its employees.

It is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. SHPS is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of total Scheme assets. Accordingly, due to the nature of SHPS, the accounting charge for the period under FRS17 represents the employer contribution payable.

The last formal valuation of SHPS was performed as at 30 September 2011 by a professionally qualified actuary using the Projected Unit Method. The market value of the SHPS's assets at the valuation date was £2,062 million. The valuation revealed a shortfall

9. Employees (continued)

Social Housing Pension Scheme (Group and Association) (continued)

of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

The Scheme Actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2014. Such a report is required by legislation for years in which a full actuarial is not carried out.

The market value of the Scheme's assets at the date of the Actuarial Report was £3,123 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,323 million, equivalent to a past service funding level of 67%. The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

Valuation discount rates	% p.a.
Pre retirement	7.0
Non Pensioner post retirement	4.2
Pensioner post retirement	4.2
Pensionable earnings growth	2.5 per annum for three years then 4.4
Price inflation (RPI)	2.9
Pension increases	
Pre 88 GMP	0.0
Post 88 GMP	2.0
Excess over GMP	2.4

Expenses for death in service insurance, administration and Pension Protection Fund (PPF) levy are included in the contribution rate. The valuation was carried out using the following demographic assumptions:

Mortality pre retirement – 41% SAPS S1 Male / Female all pensioners (amounts), Year of Birth, CMI_2009 projections with long term improvement rates of 1.5% p.a. for males and 1.25% p.a. for females.

Mortality post retirement – 97% SAPS S1 Male / Female all pensioners (amounts), Year of Birth, CMI_2009 projections with long term improvement rates of 1.5% p.a. for males and 1.25% p.a. for females.

9. Employees (continued)

Social Housing Pension Scheme (Group and Association) (continued)

The long-term joint contribution rates required from April 2013 from employers and members to meet the cost of future benefit accrual were assessed at:

Benefit structure	Long-term joint contribution rate (%
Final salary with a 1/60th accrual rate	19.4
Final salary with a 1/70th accrual rate	16.9
Career average revalued earnings (CARE) with a 1/60th accrual rate	18.1
Final salary with a 1/80th accrual rate	14.8
Career average revalued earnings (CARE) with a 1/80th accrual rate	14.0
Career average revalued earnings (CARE) with a 1/120th accrual rate	9.7

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £1,035 million would be dealt with by the payment of deficit contributions as shown in the table below:

From 1 April 2013 to 30 September 2020	A cash amount(*) equivalent to 7.5% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 October 2020 to 30 September 2023	A cash amount(*) equivalent to 3.1% of Members' Earnings per annum (payable monthly and increasing by 4.7% per annum each 1 April)
From 1 April 2013 to 30 September 2026	£30,640,000 per annum (payable monthly and increasing by 4.7% per annum each 1 April; first increase on 1 April 2014)

(*) The contributions of 7.5% will be expressed in nominal pound terms (for each Employer), increasing each year in line with the Earnings growth used in the 30 September 2008 valuation (i.e. 4.7% per annum). The contributions of 3.1% will be calculated by proportioning the nominal pound payment at the time of the change. Earnings at 30 September 2008 (for each Employer) will be used as the reference point for calculating these contributions.

9. Employees (continued)

Social Housing Pension Scheme (Group and Association) (continued)

These deficit contributions are in addition to the long term contribution rates as set out on the previous page.

Employers that participate in SHPS on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed SHPS to new entrants are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into SHPS.

New employers that do not transfer any past service liabilities to the SHPS pay contributions at the ongoing future service contribution rate.

This rate is reviewed at each valuation and new employees joining SHPS between valuations up until 1 April 2010 do not contribute towards the deficit until two valuations have been completed after their date of joining. New employers joining SHPS after 1 April 2010 will be liable for past deficit contributions from the valuation following joining. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

A copy of the recovery plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to the Pensions Regulator. The Regulator has the power under Part three of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and / or recovery plan are inappropriate. For example the Regulator could require that the Trustee strengthens the actuarial assumptions (which would increase the Scheme liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the Recovery Plan).

As a result of the pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of SHPS. The debt is due in the event of the employer ceasing to participate in SHPS or SHPS winding up.

The debt for SHPS as a whole is calculated by comparing the liabilities for SHPS (calculated on a buyout basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the SHPS. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of SHPS's liability attributable to employment with the leaving employer compared to the total amount of SHPS's liabilities (relating to employment with all the currently participating employers).

9. Employees (continued)

Social Housing Pension Scheme (Group and Association) (continued)

The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total SHPS liabilities, SHPS investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Group and Association has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the SHPS based on the financial position of the scheme as at 30 September 2014. As at this date the estimated employer debt of the Group was £51.0 million.

Lancashire County Council Pension Fund (Group and Association)

The Lancashire County Council Pension Fund (LCCPF) is a multi-employer fund, administered by Lancashire County Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme.

The date of the last full actuarial valuation was 31 March 2013. The pension cost charged has been assessed in accordance with the advice of a qualified actuary, using the Projected Unit method of valuation in a review of the scheme as at 31 March 2014.
The employers' contributions to the LCCPF by the Group for the year ended 31 March 2015 were £225k (2014 £149k) at a contribution rate of 104.5%.

Estimated employer's contribution to the LCCPF during the accounting period commencing 1 April 2015 are £238k.

Financial Assumptions

In calculating the LCCPF assets and liabilities, the actuary had to make a number of assumptions about events and circumstances in the future. These assumptions represent the best estimate of the expected outcomes but it is possible that actual outcomes will differ from those indicated in the accounts. Any differences between expected and actual outcomes are reported through experience gains and losses.

The main financial assumptions were as follows:

9. Employees (continued)

Lancashire County Council Pension Fund (Group and Association) – (continued)

(% per annum)	2015	2014
Inflation assumption	2.00%	2.40%
Rate of increase in salaries	3.50%	3.90%
Rate of increase in pensions	2.00%	2.40%
Discount rate	3.20%	4.20%
Expected return on assets		
Equities	6.50%	7.00%
Government bonds	2.20%	3.40%
Other bonds	2.90%	4.30%
Property	5.90%	6.20%
Cash / Liquidity	0.50%	0.50%
Other	6.50%	7.00%
Expenses deduction	0.16%	0.28%
Overall expected return	5.80%	6.18%

The expected rate of return is the assumed return the assets of the fund will achieve over the entire life of the related obligation based on market expectations at the beginning of the period. This assumption is used to determine the expected return on assets for the pension expense.

Mortality assumptions	2015	2014
	No.of Years	No.of Years
Retiring today:		
Males	22.9	22.8
Females	25.4	25.3
Retiring in 20 years		
Males	25.1	25.0
Females	27.8	27.7

Amounts recognised in the balance sheet:	2015	2014
	£'000	£'000
Present value of funded obligations	(9,155)	(7,873)
Fair value of plan assets	6,469	5,748
Net liability	(2,686)	(2,125)

9. Employees (continued)

Lancashire County Council Pension Fund (Group and Association) – (continued)

Analysis of the amount charged to the income and expenditure account:

	2015	2014
	£'000	£'000
Expected return on pension scheme assets	(355)	(311)
Interest on pension scheme liabilities	342	339
Amount (credited)/charged to other finance costs	(13)	28
Current service cost (charged to operating cost)	45	52
Total charge recognised in the income and expenditure account	32	80

Changes in present value of scheme liabilities:	2015	2014
	£'000	£'000
Opening present value of scheme liabilities	(7,873)	(8,165)
Current service cost	(45)	(52)
Interest cost	(342)	(339)
Member contributions	(17)	(14)
Actuarial (losses) / gains	(1,124)	423
Benefits paid	246	274
Closing present value of scheme liabilities	(9,155)	(7,873)

Changes in fair value of scheme assets:	2015	2014
	£'000	£'000
Opening fair value of scheme assets	5,748	5,690
Expected return on plan assets	355	311
Actuarial gains / (losses)	370	(142)
Employer contributions	225	149
Members contributions	17	14
Benefits paid	(246)	(274)
Closing fair value of scheme assets	6,469	5,748

Major catergories of plan assets as a percentage of total plan assets:

	2015	2014
Equities	49.3%	52.4%
Governement Bonds	3.1%	3.1%
Other Bonds	1.4%	9.2%
Property	10.1%	8.7%
Cash Liquidity	4.8%	1.7%
Other	31.3%	24.9%

9. Employees (continued)

Lancashire County Council Pension Fund (Group and Association) - (continued)

Analysis of amount recognised in the Statement of Total Recognised Surpluses and Deficits ('STRSD')

	2015	2014
	£'000	£'000
Actuarial (loss) / gain	(754)	281
Total amount recognised - STRSD	(754)	281
Cumulative actual losses	(1,798)	(1,044)

Actual return on plan assets :	2015	2014
	£'000	£'000
Actual return on plan assets	725	228

Amounts for the current and previous four periods are as follows:

	2015	2014	2013	2012	2011
	£'000	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	(9,155)	(7,873)	(8,165)	(7,211)	(6,790)
Fair value of scheme assets	6,469	5,748	5,690	5,038	5,023
Deficit on scheme	(2,686)	(2,125)	(2,475)	(2,173)	(1,767)

10. Board members and executive directors

	2015	2014
Board Members	£000	£000
Board Member remuneration		
M Brown	-	5
J Thomson	16	15
S Conquer	-	4
R Burman	4	8
I Bryan	5	5
R Chadwick	3	5
P Coffey	8	8
D Hancock	7	7
P Neild	-	3
F Parkinson	-	3
S Roberts	-	8
W McQuinn	5	5
R Zammit	5	5
T Hepton	5	3
M Riley	5	3
G Gray	7	3
K Barnes	7	3
Z Ahmed	5	3
I Fife	6	3
C Wilson	8	4
MG O'Doherty	5	3
P Roberts	5	3
P Faulkner	2	-
	108	109
Board remuneration as a % of Group turnover	0.19%	0.20%

10. Board members and executive directors (continued)

Executive Directors	2015 £000	2014 £000
Aggregate executive directors' remuneration		
Emoluments	641	602
Highest paid executive director		
Emoluments, excluding pension contributions	164	118

The full time equivalent number of staff who received emoluments:

(including Executive Directors)	2015 No.	2014 No.
£60,001 to £70,000	3	5
£70,001 to £80,000	7	5
£80,001 to £90,000	1	-
£90,001 to £100,000	-	-
£100,001 to £110,000	1	1
£110,001 to £120,000	2	3
£120,001 +	3	2

Severance and redundancy payments	Group		Association	
	2015	2014	2015	2014
	£000	£000	£000	£000
Total severance and redundancy payments	444	37	444	37

The executive directors are employed on the same terms as other staff. The executive directors are members of the Social Housing Pension Scheme which is a defined contribution pension scheme. They participate in the scheme on the same terms as all other eligible staff and the Group contributes to the scheme on behalf of its employees. Executive directors and other officers may be members of the Association’s board on a non-remuneration basis.

During the year severance and redundancy payments totalling £246k were made to Catherine Lynagh, Executive Director Finance, Tracey Wilson, Executive Director Business Improvement, and Tracy Heyes, Executive Director Operations, in respect of the loss of office of executive directors.

11. Tax on surplus on ordinary activities

	Group		Association	
	2015	2014	2015	2014
	£000	£000	£000	£000
Current tax				
United Kingdom corporation tax on surplus	703	563	-	-
Adjustments in respect of prior years	(10)	(13)	-	9
	693	550	-	9
Deferred taxation				
Net origination of timing differences	15	(8)	-	-
	708	542	-	9

Current tax reconciliation

	Group		Association	
	2015	2014	2015	2014
	£000	£000	£000	£000
Surplus for the period before taxation	7,075	4,504	4,325	2,823
Theoretical tax at UK Corporation Tax rate 21% (2014: 23%)	1,486	1,035	908	649
Expenses not deductible for tax purposes	221	207	-	-
Accelerated capital allowances	(25)	(40)	-	-
Enhanced expenditure on land remediation	(1)	-	-	-
Income not chargeable to corporation tax	(81)	-	-	-
Short term timing differences	11	10	-	-
Charitable association (profits)	(908)	(649)	(908)	(649)
Adjustments in respect of prior years	(10)	(13)	-	9
Corporation tax charge	693	550	-	9

Deferred Tax

	Group		Association	
	2015	2014	2015	2014
	£000	£000	£000	£000
Accelerated capital allowances	309	294	-	-
	309	294	-	-

	Group	Association
	£000	£000
Balance at 1 April 2014	294	-
Amount charged to income and expenditure account	15	-
Balance at 31 March 2015	309	-

12. Tangible fixed assets - housing and commercial properties

Group	Social housing properties Held for letting		Low cost home ownership		Total	Non social housing		Total	Total
	Completed	Under Construction	Completed	Under Construction	Housing Properties	Completed	Under Construction	Non Social Housing Properties	All Properties
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Property cost									
At 1 April 2014	475,262	7,856	39,782	366	523,266	8,753	-	8,753	532,019
Additions	-	12,685	-	1,396	14,081	-	59	59	14,140
Properties acquired	673	-	-	-	673	1,311	-	1,311	1,984
Works to existing properties	6,735	-	-	-	6,735	-	-	-	6,735
Schemes completed	12,032	(12,032)	964	(964)	-	59	(59)	-	-
Change of tenure	268	-	-	-	268	(268)	-	-	-
Transfer from / (to) other fixed assets	(70)	-	-	-	(70)	-	-	-	(70)
Disposals	(3,653)	-	(502)	-	(4,155)	(55)	-	(55)	(4,210)
At 31 March 2015	491,247	8,509	40,244	798	540,798	9,800	-	10,068	550,598
Social Housing Grant									
At 1 April 2014	244,150	1,868	23,198	216	269,432	1,986	-	1,986	271,418
Additions	60	3,791	-	553	4,404	-	-	-	4,404
Schemes completed	3,017	(3,017)	368	(368)	-	-	-	-	-
Disposals	(397)	-	(250)	-	(647)	-	-	-	(647)
At 31 March 2015	246,830	2,642	23,316	401	273,189	1,986	-	1,986	275,175
Depreciation & impairment									
At 1 April 2014	54,007	34	1,456	-	55,497	2,465	-	2,465	57,962
Charge for the year (note 3)	5,068	-	118	-	5,186	49	-	49	5,235
Eliminated in respect of disposals	(310)	-	(18)	-	(328)	(13)	-	(13)	(341)
Transfer to other fixed assets	(6)	-	-	-	(6)	-	-	-	(6)
Released on disposal	(2,217)	-	-	-	(2,217)	-	-	-	(2,217)
At 31 March 2015	56,542	34	1,556	-	58,132	2,501	-	2,501	60,633
Net book value at 31 March 2015	187,875	5,833	15,372	397	209,477	5,313	-	5,581	214,790
Net book value at 31 March 2014	177,105	5,954	15,128	366	198,337	4,302	-	4,302	202,639

12. Tangible fixed assets - housing and commercial properties (continued)

Association

	Social housing properties Held for letting		Low cost home ownership		Total
	Completed	Under Construction	Completed	Under Construction	All Properties
	£000	£000	£000	£000	£000
Property cost					
At 1 April 2014	426,756	7,823	247	-	434,826
Additions	-	12,685	-	151	12,836
Properties acquired	673	-	-	-	673
Works to existing properties	5,912	-	-	-	5,912
Schemes completed	12,032	(12,032)	-	-	-
Transfer from / (to) other fixed assets	(70)	-	-	-	(70)
Disposals	(3,249)	-	-	-	(3,249)
At 31 March 2015	442,054	8,476	247	151	450,928
Social Housing Grant					
At 1 April 2014	222,641	1,868	120	-	224,629
Additions	-	3,791	-	151	3,942
Schemes completed	3,017	(3,017)	-	-	-
Disposals	(356)	-	-	-	(356)
At 31 March 2015	225,302	2,642	120	151	228,215
Depreciation & impairment					
At 1 April 2014	36,652	-	-	-	36,652
Charge for the year (note 3)	4,764	-	-	-	4,764
Transfer from other fixed assets	(6)	-	-	-	(6)
Released on disposal	(2,217)	-	-	-	(2,217)
At 31 March 2015	39,193	-	-	-	39,193
Net book value at 31 March 2015	177,559	5,834	127	-	183,520
Net book value at 31 March 2014	167,463	5,955	127	-	173,545

12. Tangible fixed assets – Properties (continued)

	Group		Association	
	2015	2014	2015	2014
Expenditure to works on existing properties	£000	£000	£000	£000
Improvement works capitalised	47	188	47	52
Components capitalised	6,735	5,914	5,912	5,392
Amounts charged to the income and expenditure account	1,354	1,238	1,333	1,162
	8,136	7,340	7,292	6,606

	2015	2014	2015	2014
Social housing assistance	£000	£000	£000	£000
Total accumulated SHG receivable at 31 March was :				
Capital grants	275,175	271,418	228,215	224,629
Revenue grants	1,972	1,884	927	876
	277,147	273,302	229,142	225,505

	2015	2014	2015	2014
Housing and non-social housing properties net book value	£000	£000	£000	£000
Freehold land and buildings	179,720	169,100	156,479	147,945
Long leasehold land and buildings	36,537	34,896	28,251	26,727
Short leasehold land and buildings	73	105	73	95
	216,330	204,101	184,803	174,767

13. Tangible fixed assets - other

	Group					
	Freehold/ leasehold premises	Motor vehicles	Computer costs	Fixtures & fittings	Scheme assets	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 April 2014 - (net of grant receipts) *	1,692	295	4,214	1,489	5,104	12,794
Additions	32	14	222	2	146	416
Transfer from property fixed assets	68	-	-	-	2	70
Disposals	-	(19)	-	-	(245)	(264)
At 31 March 2015	1,792	290	4,436	1,491	5,007	13,016
Depreciation						
At 1 April 2014	232	230	3,285	823	2,151	6,721
Charge for the year	14	36	433	226	281	990
Disposals	-	(19)	-	-	(136)	(155)
Transfer from property fixed assets	6	-	-	-	-	6
At 31 March 2015	252	247	3,718	1,049	2,296	7,562
Net book value at 31 March 2015	1,540	43	718	442	2,711	5,454
Net book value at 31 March 2014	1,460	65	929	666	2,953	6,073

*The cost of freehold / leasehold offices is reflected net of grant receipts (£2.2 million).

13. Tangible Fixed Assets – other (continued)

	Association					
	Freehold/ leasehold premises	Motor vehicles	Computer costs	Fixtures & fittings	Scheme assets	Total
	£000	£000	£000	£000	£000	£000
Cost						
At 1 April 2014 - (net of grant receipts) *	1,325	34	4,028	1,264	4,174	10,824
Additions	8	-	179	-	117	304
Transfer from property fixed assets	68	-	-	-	2	70
Disposals	-	-	-	-	(245)	(245)
At 31 March 2015	1,401	34	4,207	1,264	4,048	10,953
Depreciation						
At 1 April 2014	103	32	3,224	720	1,579	5,658
Charge for the year	9	2	381	194	229	815
Disposals	-	-	-	-	(136)	(136)
Transfer from property fixed assets	6	-	-	-	-	6
At 31 March 2015	118	34	3,605	914	1,672	6,343
Net book value at 31 March 2015	1,283	-	602	350	2,376	4,610
Net book value at 31 March 2014	1,222	2	804	544	2,595	5,166

*The cost of freehold / leasehold offices is reflected net of grant receipts (£2.2 million).

14.A Goodwill

	Group		Association	
	2015	2014	2015	2014
	£000	£000	£000	£000
Goodwilll	342	492	-	-

Cost	£000
At 1 April 2014 and 31 March 2015	1,755
Amortisation	
As at 1 April 2014	(1,263)
Charge for the year	(150)
At 31 March 2015	(1,413)
Net book value	
At 31 March 2015	342
At 31 March 2014	492

14.B Investment in subsidiaries

	Group		Association	
	2015	2014	2015	2014
	£000	£000	£000	£000
Investment in M&Y Maintenance & Construction Limited (formerly known as M&Y Joinery and Building Maintenance Limited) at cost	-	-	1,134	1,134

As required by statute, the financial statements consolidate the results of Redwing Living Limited (formerly known as Regenda Homes Limited), M&Y Maintenance & Construction Limited (formerly known as M&Y Joinery and Maintenance Limited), McDonald Property Rentals Limited, and Wyre Developments Limited, which were subsidiaries of the Association at the end of the year. The Association has the right to appoint members to the board of all four subsidiaries and thereby exercises control over them. Redwing Living Limited (formerly known as Regenda Homes Limited) is a Registered Provider; the other three subsidiaries are non-regulated companies.

Regenda Limited is the ultimate parent undertaking.

During the year the Association had the following intra-group transactions with M&Y Maintenance & Construction Limited (formerly known as M&Y Joinery and Maintenance Limited) and McDonald Property Rental Limited, both non-regulated entities.

M&Y Maintenance and Construction Ltd	2015	2014	Allocation basis
	£000	£000	
Management services	302	281	Resources utilised
Provision of the repairs service	(11,829)	(9,681)	Cost of service provided
	(11,527)	(9,400)	

McDonald Property Rentals Ltd

	2015	2014	Allocation basis
	£000	£000	
Management services	41	41	Resources utilised
	41	41	

15. Properties for sale

	Group		Association	
	2015	2014	2015	2014
	£000	£000	£000	£000
Shared ownership properties	298	649	-	-
Properties under construction	1,356	206	97	-
	1,654	855	97	-

16. Debtors

	Group		Association	
	2015	2014	2015	2014
Amounts falling due within one year	£000	£000	£000	£000
Rent and service charges receivable	2,622	2,949	2,226	2,457
Less provision for bad and doubtful debts	(1,578)	(1,540)	(1,282)	(1,168)
Net rent arrears	1,044	1,409	944	1,289
Grants and sales proceeds receivable	581	338	460	278
Amounts owed by Group undertakings	-	-	5,419	6,707
Trade debtors	149	96	-	-
Other debtors	459	620	107	335
Prepayments and accrued income	1,695	803	1,649	694
	3,928	3,266	8,579	9,303
Amounts falling due after more than one year				
Intra-group syndicated loans (note 20)	-	-	2,550	-
	3,928	3,266	11,129	9,303

17. Current asset investments

	Group		Association	
	2015	2014	2015	2014
Bank deposits	£000	£000	£000	£000
Bank deposits	16,251	26,638	14,569	24,554

18. Creditors

	Group		Association	
	2015	2014	2015	2014
Amounts falling due within one year	£000	£000	£000	£000
Debt (note 20)	3,177	3,001	3,177	2,901
Trade creditors	2,556	1,846	2,025	1,470
Rent and service charges received in advance	1,587	1,546	1,416	1,364
Social Housing Grant received in advance	273	526	273	526
Amounts owed to Group undertakings	-	-	497	172
Recycled capital grant fund (note 21)	73	104	-	-
Disposal proceeds fund (note 22)	7	368	7	368
Corporation tax	249	342	-	-
Other taxation and social security	396	405	267	283
Other creditors	1,488	937	1,015	645
Accruals and deferred income	5,137	4,634	4,328	4,181
Leaseholders' funds	1,640	1,558	-	-
	16,583	15,267	13,005	11,910

Social Housing Grant and other grants received in advance will be utilised against capital expenditure in 2015/16. At 31 March 2015, the Group had undrawn loan facilities of £10m (2014: £10m). Further details of the loan facilities are included in note 20.

18. Creditors (continued)

	Group		Association	
	2015	2014	2015	2014
Amounts falling due after more than one year	£000	£000	£000	£000
Recycled capital grant fund (note 21)	463	467	34	81
Disposal proceeds fund (note 22)	404	406	404	387
Deferred income - premium on debenture issue	102	164	-	-
Other creditors	1	17	-	-
Debt (note 20)	188,018	191,050	175,618	178,650
	188,988	192,104	176,056	179,118

19. Provisions for liabilities

	Group		Association	
	2015	2014	2015	2014
	£000	£000	£000	£000
Deferred tax	309	294	-	-

20. Debt Analysis

	Group		Association	
	2015	2014	2015	2014
Due within one year	£000	£000	£000	£000
Bank loans and overdrafts (note 18)	3,177	3,001	3,177	2,901

	Group		Association	
	2015	2014	2015	2014
Due after more than one year	£000	£000	£000	£000
Bank loans	127,061	130,169	122,161	125,269
Notes and Debentures	62,500	62,500	55,000	55,000
Loan Set up Costs	(1,543)	(1,619)	(1,543)	(1,619)
	188,018	191,050	175,618	178,650

	Group		Association	
	2015	2014	2015	2014
	£000	£000	£000	£000
In one year or less (note 18)	3,177	3,001	3,177	2,901
Between one and two years	3,305	3,276	3,205	3,176
Between two and five years	11,676	10,872	11,226	10,547
In five years or more	110,537	114,402	106,187	109,927
	128,695	131,551	123,795	126,551
HACO 10.625% Sterling debenture repayable 2017	7,500	7,500	-	-
M&G Senior Note 4.96% repayable 2043	22,000	22,000	22,000	22,000
M&G Senior Note 5.01% repayable 2048	22,000	22,000	22,000	22,000
M&G Senior Note 5.00% repayable 2053	11,000	11,000	11,000	11,000
	191,195	194,051	178,795	181,551

The loans (other than the HACO debenture and M&G Notes) are repayable by instalments due up to 23 years, and are at fixed and variable interest rates between 0.86% and 10.43%. The Group has group wide loan facilities of £205m. At 31 March 2015, the Group had undrawn loan facilities of £10.0m (2014: £10m). The Group uses its housing properties as security for all its existing loan facilities.

21. Recycled capital grant fund

	Group		Association	
	2015	2014	2015	2014
	£000	£000	£000	£000
At 1 April	570	618	81	-
Grants recycled	295	279	66	81
Interest accrued	1	-	1	-
Transfers from/(to) other group members	-	-	114	262
Purchase/development of properties	(329)	(326)	(228)	(262)
At 31 March	537	571	34	81

22. Disposals proceeds fund

	Group		Association	
	2015	2014	2015	2014
	£000	£000	£000	£000
At 1 April	774	842	755	842
Net sale proceeds recycled	293	231	242	212
Interest accrued	-	2	-	2
Acquisition of dwellings for letting	(656)	(301)	(656)	(301)
At 31 March	411	774	341	755

23. Non-equity share capital

	Association	
Allotted, issued and fully paid shares at £1 each :	2015	2014
	Number	Number
At 1 April	11	7
Issued during the year	2	7
Surrendered during the year	(2)	(3)
At 31 March	11	11

The shares provide members with the right to vote at general meetings, but do not provide any right to dividends or distribution on winding up.

24. Movement on reserves

	Group			
	Designated Reserves	Restricted Reserves	Revenue Reserve	Total
	£000	£000	£000	£000
At 1 April 2014	2,757	1,205	27,946	31,908
Transfers (to) / from revenue reserves	-	156	(156)	-
	2,757	1,361	27,790	31,908
Surplus for the year	-	-	6,367	6,367
Actuarial loss relating to pension scheme	-	-	(754)	(754)
At 31 March 2015	2,757	1,361	33,403	37,521

24. Movement on reserves (continued)

	Association			
	Designated Reserves	Restricted Reserves	Revenue Reserve	Total
	£000	£000	£000	£000
At 1 April 2014	2,757	1,205	17,153	21,115
Transfers (to) / from revenue reserves	-	156	(156)	-
	2,757	1,361	16,997	21,115
Surplus for the year	-	-	4,325	4,325
Actuarial (loss) / gain relating to pension scheme	-	-	(754)	(754)
At 31 March 2015	2,757	1,361	20,568	24,686

25. Capital commitments

	Group		Association	
	2015	2014	2015	2014
	£000	£000	£000	£000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	11,068	3,560	10,948	2,516
Capital expenditure that has been authorised but has not yet been contracted for	21,637	18,098	21,287	16,765
	32,705	21,658	32,235	19,281

Capital commitments include £24.8m approved by the Homes and Community Agency for the development of schemes up to 2018 and £7.8m of additional schemes approved by Board. Of the above £7.4m will be financed by Social Housing Grant, £2.4m by Local Authority funding, £120k by RCGF, and £7k by DPF with the balance financed through existing cash balances, borrowings which are available for drawdown under existing loan arrangements, and the Group's reserves.

26. Reconciliation of operating surplus to net cash inflow from operating activities

Group	2015	2014
	£000	£000
Operating surplus	15,675	12,809
Depreciation and impairment of tangible fixed assets	6,225	6,521
Pensions operating charge (FRS 17)	45	52
Pension contributions paid (FRS 17)	(225)	(146)
Amortisation of goodwill	150	150
	21,870	19,386
Working capital movements		
(Increase) / Decrease in properties for sale	(799)	272
(Increase) in debtors	(419)	(176)
Increase / (Decrease) in creditors	1,616	(1,776)
Net cash inflow from operating activities	22,268	17,706

27. Reconciliation of net cash flow to movement in net debt

Group	2015	2014
	£000	£000
Increase / (Decrease) in cash	1,933	(507)
Cash flow from (decrease) / increase in liquid resources	(10,387)	25,172
Cash flow from decrease / (increase) in debt	2,932	(37,912)
Increase in net debt from cash flows	(5,522)	(13,247)
Decrease in loan set up costs recognised in debt	(76)	(263)
Net debt at 1 April	(165,678)	(152,168)
Net debt at 31 March	(171,276)	(165,678)

28. Analysis of net debt

Group	1 April 2014	Cash Flow	Other non cash	31 March 2015
	£000	£000	£000	£000
Cash at bank and in hand	1,735	1,933	-	3,668
Changes in cash	1,735	1,933	-	3,668
Current asset investments	26,638	(10,387)	-	16,251
Loans	(194,051)	2,932	(76)	(191,195)
Changes in net debt	(165,678)	(5,522)	(76)	(171,276)

29. Operating leases

	Group		Association	
	2015	2014 Restated	2015	2014 Restated
Payments due in the next year on agreements ending :	£000	£000	£000	£000
Land and Buildings :				
In one year or less	48	80	-	-
Between one and five years	135	302	56	56
In more than five years	164	123	125	81
	347	505	181	137
Office equipment and fittings, computer hardware and software and motor vehicles				
In one year or less	500	69	12	-
Between one and five years	1,259	368	103	99
	1,759	437	115	99

30. Contingent Liabilities

The Group had no contingent liabilities at 31 March 2015 (2014: nil)

31. Related parties

The following are subsidiaries whose results have been incorporated into the consolidated accounts on the basis of common control.

Organisation	Status	Country of origin	Principal activity	Basis of control
Redwing Living Limited (formerly known as Regenda Homes Limited)	Co-operative and Community Benefit Societies	England	Registered Provider	Control over Board membership
M&Y Maintenance and Construction Limited (formerly known as M&Y Joinery and Building Maintenance Limited)	Companies Act	England	Repairs Contractor	Ownership of share capital and control over Board membership
McDonald Property Rentals Limited	Companies Act	England	Lettings Agent	Ownership of share capital and control over Board membership
Wyre Developments Limited	Companies Act	England	Developments Agent	Ownership of share capital and control over Board membership

Under Financial Reporting Standard 8 disclosure is not required of transactions within the Group as the results of the subsidiaries are included within these financial statements. However in accordance with the Accounting Direction for Private Registered Providers of Social Housing 2012 the Group are obliged to disclose transactions with non regulated subsidiaries (Note 14B).