housing&care21

# Financial Statements 2014/15

Report and financial statements for the year ended 31 March 2015

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015

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# Chairman's statement

## 2014/15 was a year of significant change and transition for Housing & Care 21. We made real progress in addressing some of the fundamental challenges facing the organisation and put in place firm foundations for future performance, improvement and growth.

Whilst we recognise the need to learn from past mistakes we have taken decisive action necessary to address the problems we previously encountered. Housing & Care 21 is now in a strong position to move forward and focus on improving the quality of the care and housing services we provide, pursue opportunities to continue to grow, extend the scope of our activities and ensure we are operating as effectively and efficiently as possible.

It is positive that progress we have made and the transformation that has taken place has been acknowledged by the Homes and Communities Agency (HCA), as our principal regulator, and as a consequence Housing & Care 21 has been restored to the highest grade for both Viability and Governance.

### Decisive action

Change was necessary, but that does not mean it was undertaken lightly and without consideration of the impact or consequences.

It was a particularly significant decision to move away from the regional and locality structure that had become established and delivered against the budgets and targets that had been set. This decision, however, was recognised as essential to give each of the three core businesses of Housing & Care 21 (Retirement Housing, Extra Care and Home Care) the clarity of focus and attention needed to address the specific challenges they each face and drive improvement. We have been fortunate to be able to appoint three talented leaders for each of the businesses (James McCarthy for Retirement Housing, Kris Peach for Extra Care and Karen Lewis for Home Care).

In May 2014 we moved our head office to Tricorn House in Birmingham and relocated corporate functions from other locations to provide a central hub for our devolved business operations across the country as well as the potential to achieve efficiencies and improved ways of working. We have now closed and disposed of our offices in Beaconsfield, Cirencester and Bradford.

We also completed the disposal of non-core subsidiary companies (SureCare Community Services Limited, First Call Systems Limited and Paediatric Nursing Link Limited) and are negotiating the transfer of Gharana Housing Association Limited to merge with another housing association.

But not all our changes and achievements have been concerned with restructuring and consolidation; we have also continued to grow our services. Despite a challenging timetable we met our commitments under the 2011-2015 Affordable Homes Programme and delivered 1,131 impressive new Extra Care properties in 2014/15. We also have a future 369 properties under construction at year end and have more recently acquired a further Extra Care development in Plymouth from the Thomas Pocklington Trust.

We also delivered strong financial results with increased operating margins and surpluses demonstrating the underlying strength of Housing & Care 21 as a business. But that does not mean we are complacent and we recognise there is still plenty of scope for improvement.

*"We have increased investment in our existing properties, reviewed the design and specification of new developments and improved the quality of care services."*

## Looking forward

We are committed to making Housing & Care 21 as good as we know it should be. Our future success will be achieved by paying attention to our core purpose of providing contemporary care and housing services and solutions to address the needs of older people who because of modest means or other needs will most benefit from this support.

## Communication

We have continued to work to find improved ways to engage with all our stakeholders including staff, residents, customers, business partners, commissioners and opinion formers. It is particularly important that we show we are prepared to listen and engage with those we are seeking to serve to understand how we can make our services better. We have transformed the National Committee of Residents into an Improvement Group that will take a leading role in reviewing services and learning from feedback at a local as well as a regional and national level.

## Value for money

The changes we have made to give focus to the different needs and priorities of Retirement Housing, Extra Care and Home Care will ensure each of these services gets the attention and resources they require to demonstrate their effectiveness and distinctive quality and value. We have focused on the costs of overheads and corporate services to ensure these are no bigger than they need to be and are aligned with the operational priorities and ways of working in each of the businesses. We have also made savings, and provided greater ownership and control by devolving more services and decision making to each Retirement Housing court, Extra Care scheme and Home Care branch.

## Quality

Big strides have been made to improve the quality of our services. We have increased investment in our existing properties, reviewed the design and specification of new developments and improved the quality of care services. Compliance with Care Quality Commission (CQC) standards has risen to 94% but we will not rest until all services, without exception, are at least rated 'good' or 'excellent'.

## Relationships

We recognise that we will not be successful acting alone and therefore are seeking to build stronger relationships with our business partners and commissioners to ensure we work together to our mutual advantage. Internal relationships however are just as important and significant steps have been made to improve trust and coordination of working within Housing & Care 21 as well as restoring confidence in our relationships with our customers.

## Leadership

Housing & Care 21 now has a strong Executive Team of Bruce Moore (Chief Executive), Paul Weston (Chief Financial Officer) and Tony Tench (Chief Operations Officer). Considerable progress has also been made to develop wider leadership capacity and potential across Housing & Care 21 working in partnership with the Leadership Trust.

The four new Board members that were recruited in January 2014 have made a significant impact and contributed to a vibrant and dynamic Board that is actively engaged in the challenge of assessing and balancing the multiple risks, challenges and opportunities we face. It is with regret that Matthew Harker will leave the Board in September 2015 having completed nine years service as a most valuable Board member adding great experience, insight and spirit. He leaves a Board that will still be well resourced with skills and experience to continue the vital task of providing effective governance.

I remain confident that Housing & Care 21 will continue to develop and improve from this position of growing strength.

Lord Ben Stoneham
**Chairman**

# Chief Executive's statement

## Housing & Care 21 achieved a lot in 2014/15:

- We delivered a substantial programme of 1,131 new Extra Care properties
- We recognised the importance of our Court Managers by introducing new terms and conditions and training programmes
- We moved to a new head office in Birmingham and reviewed the performance and effectiveness of corporate support functions in the process
- We improved the quality and compliance of our care services with CQC standards
- We made substantial progress and are ahead of schedule with the Oldham PFI rectification programme
- We completed the disposal of non-core subsidiary companies and undertakings
- We demonstrated our commitment to addressing the challenge of dementia by establishing over 2,014 new Dementia Friends in 2014
- We improved our financial results with increased operating margins and surpluses
- We have been recognised as fully meeting the regulatory standards set by the Homes and Communities Agency for Governance and Viability

Although we have addressed some of the significant challenges that were facing Housing & Care 21 a year ago, there is still much more to be done to improve performance and achieve our ambition of being the leading provider of housing and care services for older people of modest means.

Retirement Housing, Extra Care and Home Care, the three core services provided by Housing & Care 21, each have their particular characteristics, challenges and potential. It was nevertheless a particularly important decision to switch from the previous combined regional and locality management model to establish the leadership, support structures and systems needed by each of the three core services.

*" I would like to thank everyone who has helped Housing & Care 21 make such great progress. We are very fortunate to have so many talented and committed staff and to have had support from our residents, clients, commissioners and business partners."*

## Retirement Housing

Housing & Care 21 has 11,401 retirement properties let at social rents at 364 courts (including the remaining family properties) across England plus 764 leasehold retirement properties at 29 courts managed by a dedicated leasehold management team. The court manager is fundamental to the success of retirement housing and the provision of services and support to residents. We are committed to devolving more control, choices and responsibilities to each of our courts and to investing in and developing the court manager service. We recognise that many of the courts were built in the 1970s and 1980s and now need attention, updating and improvements to make them fit for the 21st century. Spending on court investment programmes has already been increased and five year plans are being developed for each court to identify what further steps are needed to ensure they are fit for purpose and remain suitable to meet the needs and expectations of future generations of older people.

## Extra Care

Housing & Care 21 is the largest national provider of Extra Care services. We have 124 Extra Care schemes (including those under construction and those under PFI / PPP contracts) providing over 4,800 properties. As well as providing care services in the majority of our own Extra Care schemes, we provide care services in 24 Extra Care schemes owned by other housing providers. In total we provide around 40,000 hours of social care per week within Extra Care properties. Housing & Care 21 is committed to developing more innovative and well-designed Extra Care properties.

Extra Care is still a relatively new concept. Whilst some providers are emphasising the lifestyle and facilities on offer in Extra Care properties, Housing & Care 21 sees Extra Care as the means to address increasing care needs. We will work with care commissioners to ensure that Extra Care developments are used to their full potential and also find ways to ensure that Extra Care properties are suited to the needs and circumstances of potential purchasers where appropriate.

## Home Care

Even with some consolidation and exit from inappropriate and loss-making contracts, Housing & Care 21 remains one of the largest not-for-profit providers of home care delivering around 42,000 hours of care each week. Whilst Home Care makes an operating surplus there is a deficit when corporate support and overhead costs are applied and this needs to be addressed to make this service sustainable.

Home Care remains a challenging business with low margins, commissioning that is primarily focused on 'time and task' and an inevitability of employment practices based on zero hour contracts and terms and conditions linked closely to minimum wage rates of pay. This does not always create the type of stable and secure conditions needed to provide the reliable, quality-assured and personal service that we aim to deliver. We are therefore investing in new systems and ways of working to build better relationships with our staff and outcomes for our clients.

The move to create three distinct business divisions does not mean that Housing & Care 21 has in any way lost its overall sense of identity, purpose or commitment to work collectively across and between divisions and corporately to achieve the common goals that we all share.

The increased emphasis that has been given to understanding what each of the business divisions needs and how they intend to operate will, however, present challenges for the corporate and support functions and require them to adapt their ways of working and review the resources they require to ensure they are efficient and effective in supporting the changing business priorities. Despite the considerable amount of change we have been through in 2014/15 we have nevertheless continued to invest in people to equip them with the skills and insights that will be necessary for Housing & Care 21's future success.

We have had a successful partnership with the Leadership Trust that reflects the belief that leadership abilities need to be embedded throughout the organisation. We have also been rebuilding relationships with our key stakeholders within and beyond Housing & Care 21. We have emphasised quality as a key component for success but also the need for assurance, control and effective risk management. Value for Money remains a crucial guide to ensure that we remain focused on our core purpose and are challenging ourselves to use our resources wisely and be as successful as we can be. Communication is a challenge for any large organisation, especially one with many different and devolved services, but we have been finding new ways to listen and learn as well as informing our staff and customers about how Housing & Care 21 is changing.

The three key factors of '21', 'Better' and 'Experience' are now embedded in our psyche and informing how decisions are made:

- **21:** Creating a modern and contemporary service and attitude that seeks solutions that reflect the type of society we want to create for ourselves and current and future generations of older people
- **Better:** A constant desire to improve ourselves, our processes and the services and support we provide to make them as good as they should be and allowing no scope for complacency.
- **Experience:** The ultimate test of success is in the experience and satisfaction of customers. Our aim is to provide a great service that more than meets expectations.

I would like to thank everyone who has helped Housing & Care 21 make such great progress. We are very fortunate to have so many talented and committed staff and to have had support from our residents, clients, commissioners and business partners.

I would particularly like to acknowledge the contribution and give credit to my two Executive Team colleagues: Paul Weston (Chief Financial Officer) who was recognised as Finance Director of the Year at the Housing Association National Accountancy Awards and Tony Tench (Chief Operations Officer) who has made a significant impact since joining Housing & Care 21 in April 2014.

Housing & Care 21 is also fortunate to have a skilled, experienced and challenging Board with Lord Ben Stoneham at the helm as a strong and effective Chair.

So, even though we have further to go, I am confident if we can sustain the progress we have shown in 2014/15, we will remain on track to achieve our ambitions and lead the way in providing quality housing and care services for older people of modest means.

Bruce Moore

**Chief Executive**


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# Report of the Board

## Board and Committee Members

The Board of Housing & Care 21 exercises control and formulates strategy, both directly and through delegation to its committees.

## Board appointments

| Name | Position | Appointed | Main Board attendance |
|---|---|---|---|
| Lord Ben Stoneham | Chair and Member | 29 July 2011 | 6 out of 6 |
| Kathleen Boyle | Member | 31 January 2014 | 6 out of 6 |
| Simon Fanshawe OBE | Member | 29 July 2011 | 4 out of 6 |
| Matthew Harker | Member | 1 April 2006 | 4 out of 6 |
| Stephen Hughes | Member | 31 January 2014 | 6 out of 6 |
| Richard Humphries | Member | 21 October 2009 | 5 out of 6 |
| Ken Jeffries | Member and Resident | 24 September 2010 | 5 out of 6 |
| Michael Knott | Member | 31 January 2014 | 6 out of 6 |
| Jenny Owen CBE | Member | 31 May 2011 | 6 out of 6 |
| Liz Potter | Member | 31 January 2014 | 6 out of 6 |
| Sanaya Robinson | Member | 6 November 2009 | 6 out of 6 |

### Lord Ben Stoneham

Ben spent most of his career in the newspaper industry as an operational manager and PLC director. He has developed considerable experience of housing, having previously been the chair of two other housing associations and a major urban regeneration scheme. He is currently the frontbench spokesperson on Business, Innovation and Skills for the Liberal Democrats in the House of Lords.

### Kathleen Boyle

Kathleen brings knowledge and familiarity of the housing and care sectors through 30 years' experience working in national and local organisations. Her roles have included policy development at the National Housing Federation, Board Member at Croydon Churches Housing Association and Regional Leader for L'Arche UK, a charity providing housing and care.

### Simon Fanshawe OBE

Simon is an entrepreneur, non-executive director and broadcaster who regularly comments on diversity, social policy, politics and the arts. He currently works with organisations to use diversity to transform their performance and culture. Until 2013 he was chair of Sussex University's governing Council. He was a co-founder of Stonewall. He is on the Board of Brighton Dome and Festival, The Kaleidoscope Trust and The Museum of London.

### Matthew Harker

Matthew is currently a Director in the Mergers and Acquisitions Group of Societe Generale. As an investment banker, Matthew brings considerable expertise in financial advisory across a number of business sectors, including experience in social housing and health care. Matthew has previously held roles with UBS Investment Bank and NM Rothschild Investment Banking.

## Stephen Hughes

Stephen has extensive local government experience and was previously Chief Executive of Birmingham City Council. He is a qualified accountant and also a member of the Institute of Customer Service. Stephen brings insight into delivering first class customer services in the housing and social care environment as well as knowledge and experience of PFI projects.

## Richard Humphries

Richard has considerable understanding of health and social care issues through his role as Assistant Director (Policy) at the health policy think-tank the King's Fund, and over 35 years' experience in local government, the NHS and central government. He is co-chair of the Association of Directors of Adult Social Services (ADASS) Associates Network.

## Ken Jeffries

As a Resident Board member, Ken provides the customer input and perspective into the decision-making and strategic direction of the Board. Ken has worked as a customer services manager and was a mortgage and insurance broker, as well serving in the Royal Navy.

## Michael Knott

Michael provides an extensive range of experience from a career that has moved from consumer goods, through engineering and then to health and social care. Michael is the founder of Caring and Support Today Limited providing help and advice for people seeking care. Michael was also previously the Managing Director of Shaw Healthcare.

## Jenny Owen CBE

Jenny brings 36 years' experience of social care in local authorities, central government and regulation. She was previously Deputy Chief Executive and Director of Adult Social Care at Essex County Council. Jenny is also an experienced non-executive director who is also on the Board of the Royal Free Hospital London, and the Alzheimer's Society. She is a member of ADASS having been the President in 2010.

## Liz Potter

Liz has 30 years' of housing experience and brings a range of experience to the Board. She was previously chair of Orbit Housing Group. Liz advises on governance and has been involved in recovery action plans with the Homes and Communities Agency (HCA). As Director of Policy at the National Housing Federation (NHF), she negotiated a much improved deal for housing associations on rent restructuring and support funding for older people. Liz is also an Executive Coach.

## Sanaya Robinson

As a Chartered Accountant and Corporate Treasurer who has held a number of senior finance management and director posts in high profile organisations, Sanaya brings best practice expertise on financial reporting and audit issues. Her experience includes FTSE 100 plcs and a housing association, where she was interim Finance Director. Sanaya also serves on the Board of another Registered Provider and a Building Society.

## Board Committees

The Board has delegated specific responsibilities for internal and external audit and risk management to the Audit and Risk Management Committee and responsibilities for remuneration, nominations and the governance framework to the Governance Committee.

## Membership of Committees is as follows:

### Audit and Risk Management Committee

Sanaya Robinson (Chair)
Stephen Hughes
Ken Jeffries
Michael Knott
Jenny Owen CBE
Lord Ben Stoneham*

### Governance Committee

Richard Humphries (Chair)
Simon Fanshawe OBE
Ken Jeffries
Jenny Owen CBE
Liz Potter
Sanaya Robinson
Lord Ben Stoneham

The Board considers the views and perspectives of residents and customers when reviewing and improving services. The National Committee and Regional Partnership Groups provides particularly valuable feedback and insights into the views of residents. During the year the National Committee was involved in shaping changes to the repairs system and also the complaints process. In order to broaden engagement with customers it was agreed that the National Committee would be replaced by an Improvement Group, allowing engagement of a wider group of residents and a more targeted approach to involvement of those residents and customers with a particular interest or insight.

* Lord Ben Stoneham is invited to attend the Audit and Risk Management Committee but is not a member of the Committee


Limestone View in North Yorkshire

## Executive

| Executive Name | Position |
|---|---|
| Bruce Moore | Chief Executive |
| Paul Weston | Chief Financial Officer |
| Tony Tench | Chief Operations Officer |

Bruce Moore

Paul Weston

Tony Tench

| Secretary Name | Position |
|---|---|
| Paul Hutton | Head of Legal Services and Company Secretary |

The Executives are supported by the Senior Management Team. The Board has a delegated authority framework which includes specific delegation to the Executive and Senior Management Team members.

## Bankers and advisors

| | | |
|---|---|---|
| Bankers | Barclays Bank plc | Canary Wharf, London, E15 5HP |
| Independent External Auditors | BDO LLP | 2 City Place, Beehive Ring Road, Gatwick, RH6 0PA |
| Principal Solicitors | Devonshires LLP | 30 Finsbury Circus, London, EC2M 7DT |
| | Towers and Hamlins LLP | 3 Bunhill Row, London EC1Y 8YZ |

## Registration

Housing & Care 21 is incorporated under the Co-operative and Community Benefit Society Act 2014 (Registered number 16791R) and registered under the Housing and Regeneration Action 2008 (Number L0055). Housing & Care 21 is an exempt charity.

## Insurance of directors and officers

Directors are covered by Directors and Officers Liability insurance to an indemnity limit of £10m in respect of their duties as Directors of the Group.

## Registered office

Housing & Care 21
Tricorn House
51-53 Hagley Road
Edgbaston
Birmingham, B16 8TP

## Principal activities and structure

Housing & Care 21's purpose is to provide contemporary care and housing services and solutions to address the needs of older people of modest means who will benefit from the support provided by Retirement Housing, Extra Care and Home Care services. We:

- own and manage 18,818 properties
- have 11,401 retirement housing properties for social rent, and 764 leasehold properties in England, covering 42 local authorities
- are the largest provider of Extra Care housing in England with 124 schemes representing 4,867 properties, which also provide 37,500 care hours a week
- also provide more than 43,000 hours of Home Care each week into peoples own homes
- have also developed new Extra Housing for older people, with 1,131 new units completed in 2014/15 and is committed to build 471 new Extra Care properties between 2015 and 2018
- are also promoting dementia awareness and have five specialist dementia units. In 2014, over 2,014 staff members became Dementia Friends.
- employ more than 5,000 staff.

The mission of Housing & Care 21 is to support independence and choice for older people through quality housing, care and support.

The purpose of Housing & Care 21 is to provide contemporary care and housing services and solutions to address the needs of older people who will benefit from this support.

**Contemporary** – Commitment to providing a modern and forward looking 21st century service

**Care and Housing** – Recognition that both care and housing are core competencies that set the scope and focus for any business activities

**Solutions that meet individual needs** – Not simply adopting and applying prescribed or standard responses

**Older people** – People over retirement age (65+) should become the primary focus of our work and services we provide

**Addressing needs** – Aim to increase well-being and not just desires and aspirations

**For those of modest means** – Helping those most likely to benefit from support and assistance

# Key figures – At a glance

**43,000** hours of **Home Care** each week

We own and manage **18,818 properties**

**4,867** Extra Care properties across **124** courts

**11,401 retirement housing** properties for social rent

**1,131 NEW** Extra Care units built in 2014/2015

**471** new **Extra Care** properties planned between 2015 and 2018

In **2014**, more than **2,014** members of staff became **Dementia Friends**

**37,500** hours of **Extra Care** each week

## Group structure and active companies as at 31 March 2015

**Housing & Care 21** (the Parent) is a Co-operative and Communities Benefit Society with exempt charitable status. As a registered provider of social housing it provides care and housing with associated amenities. It is registered with the Financial Conduct Authority and regulated by the Homes and Communities Agency. Its constitution is contained in its rule book.

The Group's main subsidiaries are as follows:

**Gharana Housing Association Limited (GHAL)** is a Co-operative and Communities Benefit Society with exempt charitable status and comprises two sheltered housing schemes in Northamptonshire.

**H21 Guernsey LBG (H21G)** is a private company limited by guarantee and incorporated under and subject to the law of the States of Guernsey. The purpose of this subsidiary is the management of a scheme for and on behalf of the States of Guernsey.

**Oldham Retirement Housing Partnership Limited (ORHP)** is a Co-operative and Communities Benefit Society with exempt charitable status. It is a special purpose vehicle set up under the Private Finance Initiative (PFI) to refurbish and manage retirement housing in Oldham under a contract with Oldham Metropolitan Borough Council.

**Kent Community Partnerships Limited (KCP)** is a Co-operative and Communities Benefit Society with exempt charitable status. It is a special purpose vehicle set up under the PFI to build and manage Extra Care housing in Kent under a contract with Kent County Council.

During the financial year First Call Community Systems Limited (First Call), SureCare Community Services Limited (SureCare) and Paediatric Nursing Link Limited (PNL) were disposed of.

In addition, Housing & Care 21 also commenced processes to divest of Gharana Housing Association to another registered provider.

The Board took the decision to dispose of these subsidiaries in order for Housing & Care 21 to focus on its core services of Retirement Housing, Extra Care and Home Care.

## Board Member responsibilities

The responsibilities and expectations of Board members are documented in Board member contracts. All Board members share collective responsibility for:

- setting plans to achieve the objectives of the Group, and taking key decisions in relation to them
- approving and reviewing the budget and financial statements
- establishing and overseeing a framework of delegation to staff
- monitoring the Group's performance in relation to the agreed plans, objectives, budgets and risk mitigation
- the effective working of the Board
- ensuring that the Group's affairs are conducted solvently, lawfully and in accordance with accepted standards of best practice and propriety

On an individual basis Board member responsibilities include:

- supporting the values and objectives of the Group
- contributing to the decisions of the Board and any Committee of which they are a member by drawing on their skills and experience
- representing the Group positively to all external audiences, respecting confidentiality and complying with the Code of Conduct
- registering all interests that might have a bearing on the Group's work and declaring any potential or actual conflicts of interest as and when they arise.

The Board met formally six times during 2014/15, held a number of telephone meetings which were required to discuss specific individual matters, and held an away day session in order to discharge these formal duties.

The Board made key decisions in relation to organisational strategy, change and management of risk, including the divesting of subsidiaries, development and investment activities, the ongoing operational performance, resourcing, systems and structures. In addition, the Board received information on and discussed issues which arose in the wider social, political, economic and care and housing sectors including regulatory and legislative changes and developments and lessons learnt from other organisations. Formal reports confirming how Housing & Care 21 meets the HCA's regulatory standards on governance, viability, value for money, rent and the consumer standards have been considered by the Board.

As well as attending formal Board meetings, Board members have also attended various staff and resident engagement events, visited Retirement Housing and Extra Care courts, met with external stakeholders and attended conferences and training to gain a wider perspective of Housing & Care 21's position and performance.

The performance of the Board, Committees and its members are appraised annually on both an individual and collective basis. Individual members are appraised by the Chair, and the Chair by the Chair of the Governance Committee. An annual assessment of Board effectiveness takes place and in the current year this was based on a review of compliance with the NHF Code of Governance by Internal Audit, along with Committees reviewing their effectiveness individually.

A comprehensive external assessment of the Board's performance, skills and effectiveness was completed in 2013 and a formal process of self-evaluation is conducted on an annual basis. A further external comprehensive assessment of Board performance and effectiveness is planned to be conducted by the end of 2015. Four new Board members were appointed in 2014 to provide specific skills and experience. Board membership has remained consistent since 2014, one member (Matthew Harker) will retire in September 2015, having completed nine years service.

The responsibilities of Board members are considered important by Housing & Care 21, therefore the organisation pays its members not only for their time and commitment but the experience and support that they bring to the governance of the organisation. Payments made are benchmarked against the sector.

## Responsibilities in respect of the report and financial statement

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

Legislation requires the Board members to prepare financial statements for each financial year in accordance with United Kingdom accounting standards and applicable laws. Board members approve the financial statements when they are satisfied that they give a true and fair view of the state of affairs of the Group and of the surplus or deficit of the Group for that period.

In preparing these financial statements, the Board members are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by Registered Social Landlords (updated 2010) have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Co-operative and Communities Benefit Society Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England from April 2012. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Board is also responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social landlords (updated 2010).

Financial statements are published and made available on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements.

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Group's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

## Responsibilities in respect of governance and internal control

The Group, which includes all subsidiaries both regulated and unregulated entities, is committed to achieving best practice in all aspects of corporate governance and has adopted the National Housing Federation's Code of Governance as its Governance Framework. During the year ended 31 March 2015, the Group has assessed itself as being compliant with the Code of Governance.

The Board acknowledges that it has overall responsibility for establishing and maintaining the system of internal control and for reviewing its adequacy and effectiveness. This applies in respect of all companies and subsidiaries within the Group. Whilst the Board is responsible for overall strategy and policy of Housing & Care 21, the day-to-day running of the Group is delegated to the Chief Executive and other Executives.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. However, the system of internal control adopted by the Board is designed to manage risk and to provide reasonable, but not absolute, assurance that key business objectives and expected outcomes will be achieved.

The Board has agreed that the adopted framework of internal control is appropriate for the size, nature and complexity of the Group and is adequate and effective.

During the year the Board has recognised improvements in the internal control environment overall, there is noticeable evidence that the strategic risk profile of the organisation has reduced, and management controls over areas which were seen previously as not wholly effective have improved. The changes in organisational management structures in the year have fostered a stronger culture of accountability and assurance. The Board however acknowledges that steps continue to be made to address those specific areas where risks and controls are not at acceptable levels.

The improvement in the organisation's risk profile is demonstrated by the achievement of an upgrade to the top rating in the HCA's regulatory judgements on governance and financial viability (G1 and V1, from G2 and V2). The Board is committed to ensuring that it maintains standards to continue to achieve the highest ratings.

## Audit and Risk Management Committee

The Audit and Risk Management Committee meets with members of the Executive and Senior Management Teams, internal auditors and external auditors to review specific reporting and internal control matters in order to satisfy itself that systems are operating effectively and to ensure that the highest standards of effective governance are in place. The committee, which met formally four times during the year, considered risk management, fraud, internal audit findings and implementation of recommendations, the external audit strategy and outcomes, the Group's financial statements, health and safety and insurance.

The committee agrees the scope and reviews the work of the external auditors and has assessed that sufficient resource is applied to ensure an objective and independent review. Private meetings are held with external auditors and the audit partner has open access to the committee chairman.

The annual self assessment of effectiveness of the committee against good practice identified that it was meeting expectations in respect of its essential functions, particularly in relation to:

- general risk management reviews and escalating risks to the Board which were considered substantial
- receiving reports from individual members of the Senior Management Team on department risks and assurance
- reviewing the effectiveness of internal and external audit
- specifically for 2014/15, considering the future impact of anticipated changes in accounting policy as a result of the implementation of FRS 102 for the 2015/16 financial statements.

In reviewing the control environment of the Group, the Audit and Risk Management Committee and Board is satisfied that the overall framework for internal control is adequate and effective. It has been recognised that there have been improvements in the systems of governance and internal control arising from the findings of Internal Audit, and from the change in organisational risk profile. Where weaknesses have been found, action is being taken to close control deficiencies. The Audit and Risk Management Committee and Board however recognises that it cannot be complacent in the progress achieved during 2014/15 and recognises that there are mixed levels of performance operationally, and strategic risks which continue to require management.

Information on core elements of the internal control and assurance framework including risk management which supports the Board's assessment is detailed in further sections below.

## Governance Committee

The Group's Governance Committee's responsibilities include reviewing compliance with good governance principles along with reviewing and approving nominations and remuneration.

During the year the committee has reviewed the outcomes of the Board member appraisals, conducted Board effectiveness assessments and considered and approved the Executive and Non-executive Directors' remuneration.


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## The core elements of Housing & Care 21's Internal Control and Assurance Framework are:

### Risk Management

The management of risk is acknowledged as being fundamentally important to Housing & Care 21. The risks of not meeting organisational objectives are continually assessed to measure their significance, and required action. Regular risk management reporting takes place to the Audit and Risk Management Committee and Board, and the Group has a well developed risk management strategy and framework in place, which includes:

- how we identify and manage risks and opportunities, which sets out responsibilities for the Board, Management Team and officers
- documentation of risk maps, setting out the risk of failing to meet business objectives, together with controls and actions needed to manage the risks

During 2014/15 the risk framework was externally assessed as being effective and reflective of good practice.

On a quarterly basis the Group formally reviews progress in implementing risk mitigation plans and completes horizon scanning for new risks. Risks are reviewed in detail by the Head of Internal Audit and Risk, Senior Management Team, Executive, Audit and Risk Management Committee and the Board. The ongoing review of risks and their proactive management ensured the risk profile of the organisation reduced in 17 of its 22 strategic risks. In particular, risks around financial stability and the management of both internal and external factors were reduced significantly as Housing & Care 21:

- secured further financing
- reduced organisational complexity
- managed previous financial risks relating to the Oldham PFI, successfully implementing a detailed programme of rectification works
- delivered on time and to budget the revised Affordable Homes Programme, completing 1,131 units as of the end of March 2015
- met the targeted budgeted surplus for the year
- improved compliance with care quality standards

In addition, risks relating to health and safety, disaster recovery, knowledge transfer and Board development are now being managed as part of business as usual activities. Key risks and uncertainties continue to be proactively managed through the following measures:

- ensuring the financial strategy and business model continues to satisfy our core customer base whilst providing value for money. This includes management attention over:
  - the continued financial viability of the organisation
  - ensuring that there is appropriate and targeted investment in our properties
  - further managing care quality
  - maximising the potential for Extra Care
- ensuring operating systems and processes, in particular Information Technology and Organisational Development/Human Resource enablers are enhanced in order to continue to improve the quality of delivery of services to our customers and internal stakeholders
- ensuring the continued adequacy of internal controls and improving the culture of accountability.

Housing & Care 21 continuously manages risks and tracks progress and impact of actions required in order to mitigate risks to acceptable levels which have been agreed by the Board.

Housing & Care 21 also incorporates risk management into a range of day-to-day operational activities. These include:

- Internal Audit using a risk approach to the audit programme; based on risk maps, inherent risks, and outcomes of performance reports
- Investment Committee approving new business and developments, which are based on pre-agreed hurdle rates
- sensitivity analysis over key areas of risk and uncertainty built into our financial forecasts (including multiple stress scenarios)
- regular reviews of operational performance in terms of assets and service quality
- robust budgetary control, monitoring and reporting;
- setting of Group policies in compliance with legislation and regulatory requirements
- a Projects Board overseeing the formal governance for key projects
- business continuity plans for all office and operational sites
- information security, data protection and disaster recovery arrangements, along with the formal review of Information Governance processes and issues within the Information Governance Steering Group
- robust employment procedures, and the commitment to train, develop and appraise our employees
- scanning of the housing and care environment and reviewing the impact on the Group.

## Assurance statements

In addition to the above risk management practices, members of the Senior Management Team provide individual assurance statements on an annual basis with an update part way though the year. The statements identify risks and areas of concern from an individual operational perspective, and provide information on how the risks were identified and are to be managed.

The actions to manage those significant unmitigated risks arising from the exercise are incorporated into department business plans and those of a strategic nature incorporated into the corporate risk map.

## Internal Audit

Housing & Care 21 has an Internal Audit function that is managed in-house by the Head of Internal Audit and Risk, who reports to the Chief Executive. The in-house team is supported by third party providers commissioned for specialist areas and where sector benchmarking is advantageous.

The Internal Audit function expanded in 2014/15 to incorporate the delivery of operational audits which assess compliance with quality aspects of care management and delivery based on both Housing & Care 21's quality standards and those of the Care Quality Commission (CQC). The function operates independently of management and has no operational responsibility other than for anti-fraud, whistleblowing and business continuity.

An internal assessment of the effectiveness of the core Internal Audit function was carried out in 2014/15 benchmarking activities from planning through to delivery against Internal Audit standards. The function was found to meet standards.

The programme of internal audit work focuses on reviewing objectively the policies, procedures and effectiveness of internal controls within core operational areas and areas of risk. During 2014/15, a range of systems were audited covering operational, corporate and financial areas. The audit findings in the year identified a balance of areas with strong levels of assurance and controls (such as business planning and treasury management) and others requiring further strengthening and attention. Core areas for development have included updating and ensuring compliance with policies and procedures, improving clarity over localised roles and responsibilities, and developing better preventative and detective controls to support robust fraud management.

Restructures of operational management have focussed on providing a clear culture of accountability, internal control and assurance mechanisms, the outcomes of which are yet to be fully realised. The continued investment in these two areas have been identified as key risks for the Group going forward.

The progress and outcomes of audit work are reported to the Executive, Senior Management and Audit and Risk Management Committee. This includes reporting on implementation of recommendations.

During the year management implemented 85% of recommendations which were due to be implemented, outstanding actions have been confirmed by management as being progressed.

As a result of the specific internal audit work completed in the year and a review of key aspects of governance and risk management, the function concluded that there was an adequate and effective system of internal control in place in the year. Although there has been a small number of internal audit outcomes reported as providing limited assurance, management have provided assurance that recommendations have been implemented, therefore improving the control environment in these specific areas. The programme of formal audit work and activity in a critical friend role continues to reflect the commitment that has been made to improving controls and assurance mechanisms.

## Anti-fraud, corruption and bribery

As part of its system of internal control, the Group has an approved anti-fraud and bribery strategy and policy in place. The policy defines fraud, and the strategy covers prevention and detection arrangements, and process for reporting and responding to suspected fraud. The Group is committed to act at all times with honesty and integrity in safeguarding the resources for which it is responsible and expects the same from its employees and contractors and seeks appropriate redress when subjected to fraud. This includes recovering losses and passing details of wrongdoing to the police.

During the year the Group was subject to a low number of low value frauds which were identified as a result of whistleblowing and management review of system controls. Formal disciplinary action against employees concerned took place, with losses recovered. In addition, those frauds which are considered to be perpetrated externally are referred to Action Fraud.

Although no system can fully protect against fraud, the Group is aware of the importance of effective fraud awareness and anti fraud controls. As such the Group has undertaken targeted training to improve overall fraud awareness during the year and has further developed mandatory training for staff.

The Group maintains a register of all incidents of fraud and attempted fraud. The Audit and Risk Management Committee receives a report at each meeting detailing the incidents, the action taken, and improvements in controls as a result of investigations.

## Financial, operational and governance reporting

The regular reports to the Executive and Board are a fundamental element of the control framework and provide assurance over the achievement of the Group's aims and objectives and compliance with internal and external standards. In 2014/15 reporting included:

- actual and forecast reports of operating budgets and longer term business plans
- monthly budget reviews and detailed quarterly reviews of expected budget outturns with budget holders. The robustness of budget management and reviewing contract models provided effective budget outcomes in the year, with agreed surpluses achieved
- positive assurance over treasury and covenant compliance
- reporting of operational performance against key performance indicators at the year end. Performance is reported on a range of indicators which cover housing and care management, repairs and maintenance, customer satisfaction and complaints.

## Health and safety

The Board acknowledges its duty of care to all employees, service users and residents in respect of all matters relating to health and safety (including fire safety) and, as such, has approved detailed health and safety policies and procedures. Dedicated Health and Safety Managers manage a devolved framework for Health and Safety management and regularly review the policies and procedures, supervise and review risk assessments, and manage key actions arising from the risk assessments.

In addition, in order to promote a health and safety culture, a Health and Safety Forum comprising staff and service user/resident representatives and chaired by the Chief Operating Officer was introduced in 2013/14. This Group, which continues to meet quarterly, reviews all key health and safety initiatives, policies and procedures and the way in which they will be communicated. Additional briefings and communications through newsletters, email bulletins and the intranet also continue to take place to raise awareness.

Despite the commitment to health and safety, in a Group of the size, nature and complexity of Housing & Care 21 a number of incidents can still occur. When this happens it is important that they are handled sensitively and treated as an opportunity for learning and improvement. During 2014/15 Housing & Care 21 practices remained appropriate and robust with reporting of any incidents to the Board.

## Care quality and safeguarding

The Group has established policies and procedures for ensuring care quality, and for raising and reporting of safeguarding incidents (including perceived financial, physical, sexual abuse, neglect, mental health issues and medication issues), and their onward reporting to the management of Housing & Care 21 or third parties such as local authorities.

Registered Managers on our Extra Care courts and in our Home Care branches are accountable for ensuring care quality and the safeguarding of customers. In order to improve central support and to manage root causes of quality or safeguarding concerns, specific Quality and Training Manager roles were approved in the year.

To measure compliance with quality standards, regular auditing of Home Care and Extra Care sites takes place by the Internal Audit Function, with managers also encouraged to complete Self Assessments (using the Audit review tool). Formal reporting highlights the outcomes of audits, areas of non compliance and themes arising and enables the Group to focus on areas for attention and improvement.

Where services are deemed not compliant, either by the CQC or internally, action plans to improve services are put into place and their implementation reviewed as part of a follow up audit. Reporting of service quality takes place to the Executive and Board. At the year end March 2015, this included reporting CQC's assessment that collectively 94% of sites were compliant with CQC standards. Housing & Care 21's target is for 100% compliance. We are currently waiting for CQC reassessments of sites previously considered non compliant (all of which were assessed over 12 months ago).

*Complaints*

The Group has a formal complaints procedure through which customers can express their dissatisfaction with services, and through which they can also raise compliments. Each complaint was logged, investigated and managed on an individual basis using a two stage process. Reporting on the nature of complaints, by region and by department takes place to the Executive and the Board. During the end of the year it was recognised that the current process was not fully effective and as a result steps have been taken to implement a one-stage process using the principles of responding right first time therefore improving customer outcomes and process efficiency.

*Equal Opportunities*

The Group is committed to equal opportunities and has in place an Equality and Diversity policy and a Diversity Strategy. We work to ensure that everyone has equal access to opportunities and that the attributes, talents and skills of our workforce reflect those of the communities we serve through:

- recognising that employees have the right to work in a supportive, safe and harassment free environment
- promoting an environment where standards of conduct are of the highest level and to ensure that no one is harassed, bullied or victimised
- promoting a supportive, accessible and open working environment where all employees have the opportunity to reach their potential
- developing a 'Let's Talk' Forum as an online LGBT customer support network/discussion forum

By order of the Board

Paul Hutton
**Secretary**
26 June 2015


Cotton

The Group has delivered a strong performance in the year, both financially and operationally, and reflects the significant strides made in emerging from a period of challenge and uncertainty.

# Operating and financial review

## The broad themes for the year

The Group has delivered a strong performance in the year, both financially and operationally, and reflects the significant strides made in emerging from a period of challenge and uncertainty. A healthy operating surplus has been generated of £28.8m (2014: £18.2m, after exceptional items of £5.6m), reflecting the impact of growth through more properties, improvements in cost control and the absence of exceptional items.

The key focus for the Group in the year was the delivery of the 2011-2015 Affordable Homes Programme. This entailed the practical completion of 1,131 new Extra Care properties in the year (2014: 153 and 2013: 343), resulting in a total of 1,627 new properties in the last three years. Of the 1,131 properties completed in the year, 644 became operational in the year (2014: 153) and the remaining 487 will become operational in 2015/16 along with other properties in our development programmes.

The movement in the Association's property numbers is summarised below:

| | Total |
|---|---|
| As at 1 April 2014 | 18,180 |
| Newly commissioned | 644 |
| Demolished, decommissioned, transferred out or sold | (67) |
| **As at 31 March 2015** | **18,757** |

The delivery of so many properties in the year is an even greater achievement given the delays that were caused to the development programme as a result of the Oldham PFI issues that affected the Group in 2012/13 and the start of 2013/14. This effectively resulted in the entire programme being suspended for a number of months whilst the resolution of the Oldham and funding issues were addressed. Therefore, the delivery of such a large programme demonstrates the Group's financial strength and management capacity in continuing to deliver on its commitments in the face of such challenges and in such a short time period.

The Group committed to resolving the issues with the Oldham PFI contract by signing a Deed of Variation in August 2013 and committing to investing around £20m in order to rectify the works deficiencies of the contractor. Work has been progressing well throughout the year with each milestone being successfully achieved in accordance with the Deed of Variation. £5.2m of expenditure has been incurred in the year in completing these works (2014: £4.6m; and 2013: £1.9m) which accumulates to £11.7m of expenditure incurred to date. The works are expected to progress and conclude successfully and the overall contract continues to provide a positive return to the Association. The original intention in the Deed of Variation was that the works would be completed by August 2016, it is now anticipated that the works will be completed by March 2016. The overall delivery of the service to residents also continues to be strong and relationships with Oldham MBC and the project lenders continue to improve.

The Group has continued to rationalise its corporate structure in order to focus on its core service offers of Retirement Housing, Extra Care and Home Care. As a result, the Group disposed of three of its subsidiary companies in the year (SureCare Community Services Limited, First Call Community Systems Limited and Paediatric Nursing Link Limited) in addition to the disposal of Complete Care Holdings Limited in 2013/14. The sale has generated £1.65m of sales proceeds (2014: £9m), of which £1.4m is deferred consideration receivable over seven years, generating a profit on sale of £0.5m for the Group (2014: £2.8m loss) and £0.9m for the Association (2014: nil).

Furthermore, we plan to divest Gharana Housing Association from the Group to another Registered Provider early in 2015/16 at nil consideration by transferring the assets. These corporate disposals and divestments will result in a much simpler corporate group structure which will encompass just three trading subsidiaries: Kent Community Partnership Limited, Oldham Retirement Housing Partnership and H21 Guernsey LBG. These remaining companies help deliver the Group's core service offers and ensure the corporate structure moving forward reflects and helps deliver the objectives set by the Board.

## Summary financial results

Our results are summarised as follows:

| | Turnover | | Surplus | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **£m** | £m | **£m** | £m |
| Social housing lettings | 113.6 | 107.8 | 28.7 | 21.1 |
| Other social housing activities | 13.3 | 12.9 | 4.6 | 7.1 |
| **Social housing activities** | 126.9 | 120.7 | 33.3 | 28.2 |
| Care activities | 60.6 | 80.2 | (7.0) | (8.6) |
| Management activities | 16.5 | 17.8 | 3.2 | 4.1 |
| Other | 0.0 | 0.0 | (0.7) | 0.0 |
| | 204.0 | 218.7 | 28.8 | 23.7 |
| Exceptional costs | | | 0.0 | (5.6) |
| Operating surplus | | | 28.8 | 18.2 |
| Sale of other assets | | | 1.2 | 5.9 |
| Sale of subsidiaries | | | 0.5 | (2.8) |
| Net interest | | | (14.2) | (13.1) |
| Taxation | | | (0.0) | (0.0) |
| **Net surplus** | | | 16.3 | 8.2 |

Social housing lettings include Retirement Housing, Extra Care and PFI/PPP related lettings activity. Other social housing activities predominately include the sale of shared ownership/outright property sales and VAT recoveries. Management activities include all other non-lettings related PFI/PPP activity.

Both the Group's reported operating surplus and operating surplus before exceptional items has increased from 2013/14 – £28.8m vs £18.2m and £28.8m vs £23.7m respectively.

## Social housing activities

Social housing lettings turnover and operating surplus have both increased from 2013/14. The £5.8m increase in lettings turnover has been driven by higher rents of £4.3m being charged in accordance with the annual allowable rent increase, higher rents from new Affordable Rent tenancies and higher rents from new re-let tenancies. The £7.6m increase in lettings operating surplus reflects both the increases in rents and also cost savings achieved. 56% of the Group's turnover and the majority of its operating surplus is derived from lettings activities. Therefore, the safeguarding and enhancement of this activity represents a key objective for the Group, including the drive for value for money. Ensuring the void losses from empty properties are minimised and value for money is achieved from repairs and management costs is an area of continuing focus for the Group to ensure continued growth and improvement. Further growth will be achieved from the new developments that have been delivered in 2014/15. This is expected to contribute an additional £9m of turnover and £4.3m of operating surplus for 2015/16.

In addition to the lettings performance detailed above, the Group has invested £16.1m in its existing properties (2014: £15.7m) through its capitalised Stock Investment Programme (SIP). The programme includes mandatory enhancements around fire stopping, lighting and wiring as well as investment through replacement programmes of bathrooms, kitchens and windows. The programme has been increased further in 2015/16 to £20m. This exemplifies the Group's commitment to ensuring its existing properties are maintained to a suitable standard for our residents and to ensure the revenue generating potential of the properties are not diminished in the medium/longer term through obsolescence and deterioration. The Group is planning to undertake a wider stock condition exercise which will help determine the longer term five year court investment plans. More informed decisions can then be made by the Group as to the level of investment needed on specific courts or whether it would make more business sense to close and re-develop. This is particularly pertinent for the Group given a large proportion of its housing stock dates back to the 1960s.

Moving forward the Group is also committed to continuing to be a key investment partner of the HCA. The Group's current plans for new developments includes the completion of 1,133 Extra Care properties by March 2018 (of which 471 are committed and 369 are under construction as at the year end) representing capital expenditure of over £137m (of which £37.7m (2014: £89.2m) is contracted for).

The level of investment in the Group's existing housing stock and the level of development of new schemes post-2017 are key decisions that the Board will be making in 2016. The Board will consider future investment appetite in conjunction with the availability of appropriate long-term funding.

Other social housing activities turnover has increased by £0.3m, although the operating surplus has decreased by £2.5m. This is a result of higher property sales in the year (generating higher turnover and surplus), offset by the absence of £2m of one-off VAT recoveries that were received in 2013/14.

Property sales included within social housing lettings turnover were £8.6m in the year compared to £6m in 2013/14, driven by 101 properties being sold compared to 69 in 2013/14. This generated a surplus of £2.7m in the current year compared to £1.9m in 2013/14. In 2015/16, over 150 properties are anticipated to be sold. The significant volume reflects the sale of units on those developments which completed at the end of the current year. Expected property sales from 2016/17 onwards are anticipated to return to a much lower level per year. The Group is not reliant on these sales in order to meet lenders' covenants, though their absence would increase the amount of borrowing required to fund future investments and the financial viability of those developments to provide a positive return.

## Care activities

Care activity turnover has decreased by £19.6m. This is split between a decrease of £2.6m on continuing activity and £17m from discontinued activities – these being the sale of the non-core subsidiary companies over the last two years. The decrease on continuing activities is a result of the continued rationalisation of loss-making and low margin contracts. The loss on care activities is derived after the allocation of central overheads. The decrease in the loss from £8.6m to £7m reflects the improvement from both the exit from the loss-making/marginal contracts and also the improvement in the overall corporate overheads that are allocated.

The Group continues to steer away from concentrating on revenues/hours and focuses on sustainable operating profits (before the allocation of central overheads). During the year the Group has aligned its operational structure around the three core services. As a result, it is now better placed to deliver quality care services and robust financial performance with the appropriate focus on the unique intricacies presented by the Extra Care and Home Care business models. In addition, the continuing rollout of the Service Management Solution ("SMS") technology has continued throughout the year and is planned for a complete roll out in 2015/16 in all Home Care branches. The technology is anticipated to provide greater control, quality and efficiency over the delivery of care services.

## Sale of assets and financing costs

The £1.2m surplus from the sale of other assets in the year predominately relates to the sale of the Group's head office at Beaconsfield that was sold for £3.1m, generating a surplus of £0.8m. The remainder relates to staircasing sales. The previous year surplus of £5.9m was driven by the sale of the Group's family properties. No further sales have taken place in the year as it has now largely disposed of this portfolio of properties so that it can focus on the core offer of housing for older people. A small handful of family properties remain and the Group will look to dispose of these in the future.

The sales of the subsidiary companies have generated a surplus of £0.5m (2014: £2.8m loss), which is commented previously.

Net interest costs are £14.2m (2014: £13.1m). The increase is driven by £57.9m of net loan draw downs to fund the development programme. Net interest costs for the Group will increase in future years as a result of the full year impact of the in-year loan draw downs, future expected loan draw downs to fund the development programme and as a result of the Group fixing £105m of its debt in the year for periods up to 2019 and 2024. Further details and analysis are given in the cash flow and treasury section.

## Balance sheet and net debt

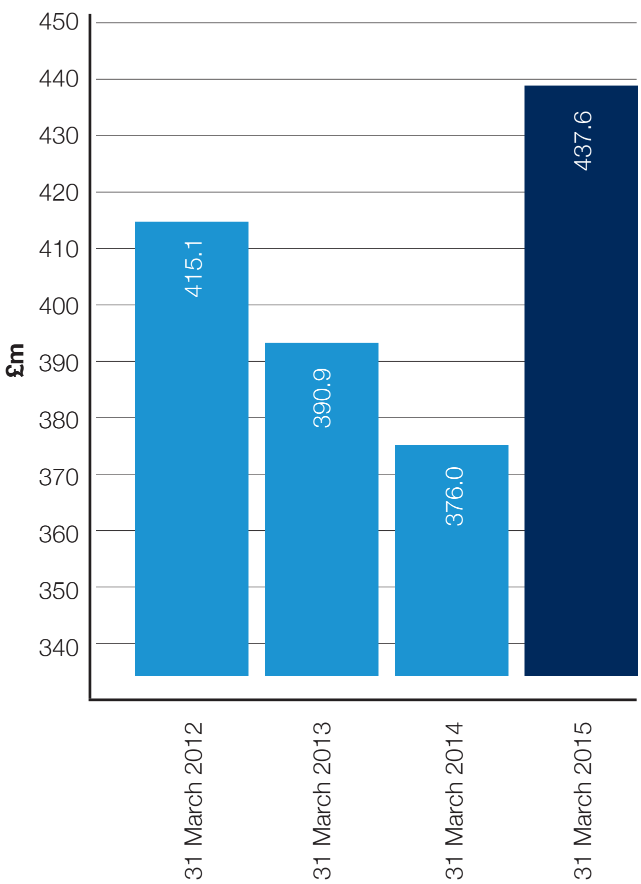
The Group's balance sheet reflects the significant development activity that has taken place in the year. This includes the expenditure of £92.2m on new construction (2014: £55.9m), reflecting the final costs associated with the 1,131 properties completed in the year and the costs of the properties still under construction at the year end. The investment, along with the increase in property valuations, has increased the valuation of the Group's properties to above £1bn. The valuation increases on properties of £32.9m (2014: £20m) predominately reflects the increase in valuation on existing properties driven by higher Affordable Rents that the Group is allowed to charge on them.

Goodwill of £10.0m continues to be held on the balance sheet, predominately in regard to the Home Care business acquired through Claimar Care in 2009. Amortisation of the balance continues through a £2m charge per year. The underlying cash flows and profits (before allocation of central overheads) of the Home Care business continue to support the goodwill balance.

The decrease in other fixed assets from £7.3m to £4.6m reflects the sale of the Group's former head office at Beaconsfield.

The Group's net borrowings have increased by £57.9m to £474.7m (2014: £13.2m decrease) in the year, resulting in net debt, which includes available cash, increasing from £376m to £437.6m (increase of £61.7m). The increase has been driven by loan draw downs that have funded the development programme. In the previous two years the Group's net debt had actually decreased year-on-year as detailed below:

**Group net debt**



The decreases in net debt during 2012/13 and 2013/14 reflect a low level of borrowing by the Group over that period. This was driven by large parts of the development construction expenditure being pushed into 2014/15 as a result of the Oldham PFI issues combined with a) £37.2m of capital receipts in 2012/13 and 2013/14 associated with the disposal of the Group's family courts and b) £22.3m of sales receipts from the sale of shared ownership properties from the previous development programme. These capital receipts significantly underpinned the funding of the latest development programme without the need for additional borrowing until the current year.

The ongoing development programme(s) from 2015/16 onwards will continue to be funded by a combination of shared ownership sales receipts, grant funding and additional borrowing. No significant capital receipts are anticipated from any further stock rationalisations. Thus, Group net debt is expected to increase from 2015/16 onwards as borrowings are drawn down to fund development.

## Cash flow and treasury

Cash flow and treasury key statistics are summarised below:

| | **2015** | 2014 |
|---|---|---|
| | **£'m** | £'m |
| Cash holdings | 39.1 | 41.1 |
| Cash inflows from operating activities (before working capital movements) | 47.7 | 39.9 |
| Cash (outflow) from net interest costs | (15.5) | (14.8) |
| Investment in housing properties | (112.5) | (69.3) |
| Net increase/(decrease) in borrowings | 57.9 | (13.2) |

Strong cash inflows from operations are anticipated to continue and increase in 2015/16 and beyond, driven by new properties being commissioned, rent uplifts, continued drive for value for money, and growth and efficiency from care service delivery. These operating cash flows are projected to cover not only the continued servicing of the Group's debt, but also allow for an increased amount generated for the investment in its existing housing properties.

The ability of the Group to service its debts and invest in existing housing properties from internally generated trading cash flows ensures that borrowings and additional debt is only used to invest in new developments. This demonstrates the sound financial footing that the Group currently operates and is expected to continue operating on in the future.

The Group's debt and financing activities are managed by a centralised treasury function, which is overseen by the Chief Financial Officer. The treasury function ensures it operates within the parameters of a Board approved Treasury Management Policy. The policy ensures appropriate management of certain key treasury risks, these include: ensuring lenders' covenants remain within a set of 'shadow' limits (as opposed to the minimum lenders' requirement); funding is available for at least two years ahead at any given time; speculative investments/options are not undertaken and interest rate risk is minimised.

The Group has taken steps in the year to ensure the level of financing available to fund its investments and developments is sufficient for the medium term. This has included the securing of a new £75m facility with RBS, which is a new funder for the Group. The financial strength of the Group raises the confidence of new funders, as well as existing funders, on investing in the Group. Though sufficient financing is available well into 2017/18, management work on a continual basis to ensure expiring financing facilities (and new facilities where necessary) are secured in good time. The entire Group's debt is managed within the Association with the exception of the PFI contract debts, which are managed through Special Purpose Vehicles.

Facility headrooms as at 31 March 2015 are as follows:

| | Association | Subsidiaries | Group |
|---|---|---|---|
| | **£'m** | **£'m** | **£'m** |
| Total facility available | 450.0 | 137.7 | 587.7 |
| Total drawn down | 337.0 | 137.7 | 474.7 |
| Facility headroom | 113.0 | 0.0 | 113.0 |

Of the £474.7m facilities that have been drawn down, the repayment profile is as follows:

| | 2015 | 2014 |
|---|---|---|
| | **£'m** | £'m |
| Less than 1 year | 7.8 | 8.8 |
| 1 – 2 years | 17.8 | 7.8 |
| 2 – 5 years | 44.2 | 39.8 |
| More than 5 years | 404.9 | 360.4 |
| **Total** | 474.7 | 416.8 |

The Group seeks to manage its exposure to volatility in interest rates by balancing its loan book between fixed, floating and inflation-linked debt. A decision was undertaken in the year to take advantage of low margins on fixing arrangements for £105m of the Group's floating rate debts. This also ensures volatility in interest rates are lowered and ensures cost certainty up to 2019 and 2024. The fixing arrangements put in place during the year have resulted in a mix of debt of 69% fixed (2014: 55%), 22% floating (2014: 34%) and 9% inflation-linked (2014: 11%) as at 31 March 2015.

The Group has a simple debt profile. The fixing of rates and the gradual reduction of our inflation-linked debt, combined with the relatively straightforward nature of our loan book, means that the Group has relatively low exposure in regard to capital market volatility and onerous financing terms.

## Creditor payment policy

The Group agrees payment terms with its suppliers when it enters into binding contracts. It seeks to abide by these terms when it is satisfied that the supplier has provided the goods or services in accordance with agreed terms and conditions.

## Going concern

After making enquiries, the Board of Housing & Care 21 has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Board obtains further assurance of the Group's financial viability through the annual budgeting, quarterly re-forecasting and long term business planning exercises. Within all these exercises, the Group assesses and stress tests the availability of funding, liquidity and compliance with lenders' covenants over at least a three year period. This ensures the Board has a continual and rolling process of reviewing and assessing the financial strength and viability of the Group.

For this reason the going concern basis has been adopted in these financial statements.

## Accounting policy changes

Housing & Care 21 has not made any changes to its accounting policies in the current financial year. The key accounting policies are stated in the notes to the financial statements and have been consistently applied throughout the year in preparing these financial statements.

This current year financial results will be the last under 'old' UK GAAP before the transition to the new FRS 102 accounting standard/framework. Next year's 2015/16 financial statements will be under the new FRS 102 accounting framework and will involve a significant change in the accounting for key areas of the accounts. As a result, prior year adjustments and re-statement of comparatives (2014/15 results) will be required in order to ensure the new accounting policies are applied consistently and retrospectively. This is in line with accepted practice.

## Charitable and political gifts

Housing & Care 21 did not directly make any charitable or political donations in the year (2014: £3,340). However, the Group does support the work undertaken by staff and residents in their various charitable initiatives.

Dymond House, Wallington, Sutton

# Operating and financial review

## – value for money

# Overview

In November 2013, the Board agreed our key strategic principles:

- **21** – We are committed to providing a modern and forward thinking 21st century service. This includes updating and modernising our existing housing, as well as developing new and innovative property designs and service models for the future
- **Better** – We aim to be the lead provider of housing and care services, and strive for continuous improvement and innovation in all that we do
- **Experience** – We will consistently deliver positive results for residents, customers and staff. We will deliver tailored solutions that meet individual needs – not simply adopting and applying prescribed or standard responses

Value for money (VFM) is core to this strategic vision and we embed our VFM objectives within our 'business as usual' processes. This helps ensure that cost, quality and performance are considered through our budget and service planning processes, the setting of departmental, team and personnel objectives, and in our scrutiny and performance review arrangements.

We have made significant progress over the last few years to restore financial stability, focus the organisation on what we consider to be our core service offers and reduce loss making elements of our business. We have also restructured to put staff with the greatest power to improve services and VFM closer to residents and customers.

A particularly important decision was taken to move from the previous Regional and Locality structures to give each of our three core businesses (Retirement Housing, Extra Care and Home Care) the clarity of focus, attention and resources they require to demonstrate their effectiveness, distinctive qualities and value. This move will help to set targets and align actions to address the challenges and deliver the results that our residents, customers and clients require and expect. Our full VFM report highlights some of the other key achievements made in the year, for example, rationalisation of our office space, improvement in customer satisfaction levels, steps taken to improve employee engagement and year on year central support cost savings of £3.9 million.

However, we recognise we can still do things better. We know that we must be clearer about where we want to be in terms of cost, quality and performance and this will become clearer within our new reorganised service areas. This vision will be developed over the coming year through, for example, our Board's strategic planning processes and will ultimately reflect our financial capacity, relative market positions, and feedback from customers and stakeholders.

Our full VFM report for 2014/15, which summarises our key VFM achievements for 2014/15 and sets out our key initiatives and targets for 2015/16, is available on our website. We summarise our progress against the key VFM initiatives and targets we set in 2013/14.

# Customer engagement

## VFM initiatives

| Initiative | Progress 2014/15 | Status |
|---|---|---|
| Expand on the current methods and forums used to engage with customers and gain their views, particularly our community based care customers. | We have made good progress in this area through more locally managed initiatives, for example establishing a database of those customers wishing to get more involved in feeding back on services (the Partner Shop); running annual resident conferences; revising the format and content of some of our key publications and undertaking a national residents' survey.<br><br>With reference to community-based care customers, we introduced a new national care survey which began in October 2014 and, at the time of drafting this report, had heard the views of over 500 care customers. | Met |
| Conduct a full review of our service charge process and deliver improvements in the format, transparency and clarity of information reported to residents.<br><br>Give residents the opportunity to decide on the services they receive. | We undertook a full and independent review of our service charge process which resulted in a number of recommended areas for improvement.<br><br>We revised the format of statements and budgets following consultation with residents represented at a national and local level. The new format is supported by a 'Guide to Understanding your Service Charge Statement' booklet available at each court, which has received positive feedback.<br><br>Unfortunately, we have not made as much progress as we hoped in engaging residents about the services they receive. | In progress |
| Carry out a review of the suitability of our Court Manager service, including consultation with residents. | We undertook a review of the Court Manager service and, as a result, have committed to be clearer about the role, invest appropriately in learning and development, and equip Court Managers with the right resources and support.<br><br>As part of the review we considered pay and benchmarked this against similar employers. Residents, via the Partner Shop and National Committee, were given the opportunity to feed into the process. | Met |

## VFM KPI targets

| Performance measure | Actual 2013/14 | Target 2014/15 | Actual 2014/15 | Met 2014/15 target? |
|---|---|---|---|---|
| Domestic gas servicing complete | 99.8% | 100% | 100% | ✓ |
| Repairs carried out in time | 95.9% | 95.0% | 94.2% | ✗ |
| Average days to complete a repair | 7 | 21 | 8 | ✓ |
| Satisfaction with repairs | 98.0% | 95.0% | 97.7% | ✓ |
| Satisfaction with job completed first time | 95.4% | 95.0% | 95.0% | ✓ |
| Satisfaction with major works (e.g bathrooms, kitchens) | 96.3% | 95.0% | 96.3% | ✓ |
| Vacant (void) properties as a percentage of total properties | 4.4% | 4.5% | 4.0% | ✓ |
| Vacant (void) properties within newly developed schemes as a percentage of total properties | 0.4% | 0.8% | 1.0% | ✗ |
| Vacant (void) properties subject to major works as a percentage of total properties | 0.7% | 0.8% | 0.5% | ✓ |
| Rent collection | 99.1% | 98.5% | 100.5% | ✓ |
| Current tenant rent arrears | 1.8% | 1.6% | 2.4% | ✗ |

# Customer engagement

## **VFM KPI targets** continued

### Domestic gas servicing

Our domestic gas servicing is a high priority compliance contract. Through robust planning and management we met our 100% compliance target. We have commissioned further improvements to help automate our management systems and have successfully retendered the contract.

### Repairs

While we exceeded our target for the average days to complete a repair (eight days actual; 21 days target) we fell marginally short of our target for percentage of repairs carried out on time (actual 94.2%; target 95%). We are pleased to have met or exceeded all our repairs satisfaction targets, achieving 97.7% (target 95.0%), 95.0% (target 95.0%) and 96.3% (target 95.0%) satisfaction scores for repairs, job completed first time and for major works respectively, which is a positive reflection on the quality of service we provided.

### Vacant (void) properties

We met our 4.5% target for the number of total vacant properties as a percentage of total rented properties (outturn 4.0%) and the 0.8% target for the number of vacant properties subject to major works as a percentage of total rented properties (outturn 0.5%). In both cases we improved performance when compared to 2013/14. We did not meet our 0.8% target for void properties within newly developed schemes (outturn 1.0%), which was predominately a result of the significant number of new schemes that were completed towards the end of the year.

### Rent collection

We aim to collect rent as effectively and efficiently as possible by encouraging residents, in particular new residents, to pay by direct debit, and by providing help and support where residents fall behind with their rent payments. We collected 100.5% (99.1% in 2013/14) of housing rent due in the year, compared to a budget of 98.5%. We collected more than 100% of the housing rent due in 2014/15 because some of our tenants pay for their rent in advance by direct debit and we recovered an element of previous years' rent due.

While total arrears have remained fairly constant over the last two years despite increases in rent and the number of new properties, the higher than expected arrears as a percentage of rent due performance (2.4%) when compared to budget (1.6%) can be attributed to establishing new and smaller invoicing and collection teams. We expect performance to improve in 2015/16 as the new team becomes further embedded.

While we have seen a 10% increase in the proportion of our residents paying by direct debit, we hope to increase the proportion further by introducing a paperless service. This will allow residents to set up direct debits over the phone rather than having to complete and send a form by post, thus speeding up and improving the outdated process.

# Employee engagement

## VFM KPI initiatives

| Initiative | Progress 2014/15 | Status |
|---|---|---|
| Conduct '3 Steps' Events for all staff and follow up on issues identified. | We successfully delivered '3 Steps' events for all staff and, at the time of drafting this report, have delivered follow on 'Next Steps' events, with tailored events for care colleagues. | Met |
| Recruit a Staff Engagement Manager and conduct a full staff survey in November 2014. | We recruited a Staff Engagement Manager in November 2014 and undertook a full staff survey. | Met |
| Obtain Investors in People Gold Standard. | In July 2015 we learnt we had obtained Investors in People Silver Standard. We will continue to push for Gold Standard in the future. | In progress |
| Further enhance our staff training and development offering and secure increased levels of funding for this. | Staff training and development continues to be enhanced with more choice and availability.<br><br>However, due to government funding changes and constraints and a business decision to stop apprenticeships, our funding income has reduced. As such, we did not meet our 2014/15 target to secure over £1 million of learning and development funding. In spite of this we continue to deliver more qualifications and more training. | In progress<br><br>Not met |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# Operational performance

## VFM initiatives

| Initiative | Progress 2014/15 | Status |
|---|---|---|
| Develop more sophisticated methods of benchmarking our performance with our peers. | The nature of our services – providing housing and care services for people who are predominately over 65 years of age and of modest means – makes us unique within the housing sector. This presents difficulties in benchmarking our performance in a meaningful way (i.e. comparing like with like).<br><br>Taking the above into account, we have made some progress in this area but not as much as we had anticipated. We have refined the group of peers against which we benchmark our performance, have joined the M6 benchmarking group and have started discussions with two similar organisations, who provide services to older people, with a view of comparing corporate overhead spend in detail. | In progress |
| Improve all of the following per unit metrics compared to 2013/14:<br>• repair costs<br>• bad debt costs<br>• void costs (excluding new developments)<br>• operating costs<br>• board and executive team costs<br>• net rental income | Please see table on page 38. | Please see table on page 38. |
| Improve our gross and net margins in our Care division, remove loss making contracts and pursue profitable growth opportunities. | Please see table on page 40. | Please see table on page 40. |
| Achieve 100% Care Quality Commission compliance for our Care service. | Please see table on page 40. | Please see table on page 40. |
| Enhance our performance management systems including more focus on our property development and asset management financial performance | We have enhanced our financial and non-financial performance management arrangements with regards to our property development, for example by introducing more formal monthly reporting to the Executive Team and introducing a post completion review process.<br><br>We will continue to focus on improving the granularity of reporting across our asset management activities, learning from the improvements we made in reporting on our property development activities. | In progress |

## VFM KPI targets: Retirement Housing and Extra Care Housing

| Performance Measure | Actual 2013/14 | Target 2014/15 | Actual 2014/15 | Met 2014/15 target? | Benchmark range |
|---|---|---|---|---|---|
| Repair cost per unit | £686 | £660 | £767 | ✗ | £767 - £1,869 |
| Net rent per unit | £3,897 | £4,010 | £4,064 | ✓ | £3,757 - £4,780 |
| Arrears Provision per unit | £37 | £10 | £53 | ✗ | £5 - £64 |
| Debt per unit | £21,667 | £23,850 | £23,610 | ✓ | £4k - £36k |
| Operating cost per unit | £4,763 | £4,260 | £4,585 | ✗ | £2k - £7k |
| Service cost per unit | £1,855 | £1,920 | £1,820 | ✓ | £142 - £1,458 |
| Void cost per unit | £216 | £270 | £214 | ✓ | £46 - £156 |

# Operational performance

## VFM KPI targets: Retirement Housing and Extra Care Housing continued

### Repair cost per unit

We spent £13.5m in 2014/15 (£11.1m in 2013/14) making sure the properties we provide are in a good state of repair. We understand that things can go wrong with our properties and we try to respond to residents' needs as efficiently and effectively as possible. While a majority of what we spend is determined by the type and frequency of repairs that are needed (partly reflecting the age-profile of our properties), we can influence the amount we spend through our planned maintenance programme and procurement initiatives to help drive VFM.

Our average repairs cost per unit for 2014/15 is £767 (£686 in 2013/14) compared to a budget of £660, which is largely driven by the type and frequency of repairs carried out compared to budget.

Our repairs costs are at the lower end of our benchmark range. This is largely because our peer group provide general needs housing whereas properties for older people tend to require lower levels of repairs and maintenance.

Over the last year we have reviewed and re-organised how we deliver our repairs service and anticipate improvements to be delivered in 2015/16 through the refocused service.

### Net rent per unit

Rental income is our primary source of revenue and the levels of rent we charge are restricted, for example, by government policy and local authority agreements.

Net rent per unit is £4,064 (£3,897 in 2013/14), which exceeded our target of £4,010. This higher performance is in part, driven by converting social rents to affordable rents.

### Rent arrears provision per unit

The level of arrears provision per unit is £53 (£37 in 2013/14) compared to a target of £10. A higher than anticipated rent arrears provision was required in the year due to deterioration in the age profile of rent arrears and an increase in the level of former tenants arrears.

Following the closure of our Cirencester office, we established new and smaller invoicing and collection teams, and relocated these to our new head office in Birmingham. While total arrears have remained fairly constant over the last two years despite increases in rent and the number of new properties, the worse than expected arrears as a percentage of rent due performance (2.4%) when compared to budget (1.6%) can be attributed to establishing the new team and associated working arrangements and processes. We expect performance to improve in 2015/16 as the new team becomes further embedded.

### Debt per unit

Our level of debt per unit as at 31 March 2015 is £23,610 (£21,667 as at 31 March 2014), which is consistent with our budget of £23,850. The higher level of debt per unit when compared to the previous year reflects the significant amount of development activity that has taken place in the year.

### Operating cost per unit

Despite higher than anticipated repairs and maintenance costs, our 2014/15 operating cost per unit (£4,585) is lower than the previous year (£4,763). On reflection, our £4,260 operating cost per unit target for 2014/15 was overly ambitious.

### Service cost per unit

In addition to rent, we require each of our residents to contribute to certain services that are provided exclusively to their courts. These cover things like the Court Manager service, cleaning, lighting and heating of communal areas, gardening and window cleaning.

Service cost per unit is £1,820 (£1,855 in 2013/14), compared to a budget of £1,920 per unit. This is pleasing to note given the lack of engagement with residents about the level of service charge and that utility costs are only expected to reduce later in the year.

Over the coming year we plan to undertake a full review of our service charge policy, further improve budgeting processes as appropriate, and look at ways to better consult with residents about the services they receive and ultimately pay for.

### Void cost per unit

Voids can pose a significant cost to the organisation. As a landlord, the longer one of our properties is not occupied the longer we don't receive rent. Void cost per unit is £214 (£216 in 2013/14) which is below our £270 target and reflects the focus placed on this area in the year.

## VFM KPI targets: Extra Care and Home Care services

| Performance measure | Actual 2013/14 | Target 2014/15 | Actual 2014/15 | Met 2014/15 target? |
|---|---|---|---|---|
| Turnover (£'000) | 59,356 | 55,779 | 56,787 | ✓ |
| Care Operating Profit (£'000) | 5,228 | 5,901 | 5,085 | ✗ |
| Loss-making contracts | 44 (£1.2m) | 0 | 49 (£1.1m) | ✗ |
| Care Quality Commission compliance ratings | 79% | 100% | 94% | ✗ |

### Turnover

The number and type of care hours delivered is a key driver of turnover. Total turnover for care services is £56.8m for 2014/15 (£59.4m in 2013/14), which exceeds our target of £55.8m. This is mainly due to a favourable variance to the mix of care hours delivered. The reduction in turnover when compared to 2013/14 is driven by the disposal of a number of care subsidiaries and by lower losses across our loss-making contracts.

### Care operating profit

Our care operating profit (before the allocation of central overheads) for 2014/15 is £5.1m (9% of turnover) which compares to £5.2m in 2013/14 (8.8% of turnover). While we did not meet our 2014/15 target of an operating profit equivalent to 10% of turnover, mainly because of higher than anticipated staff and agency costs, we made encouraging progress from the previous year.

While there are recognised challenges around recruiting and retaining staff in the care sector, high levels of staff turnover could indicate potential issues and means the business needs to turn to using agency staff to help deliver the service, at a higher cost. In 2014/15, average staff turnover for Extra Care and Home Care staff was 28% and 46% respectively. Improving our care staff turnover rates is a priority and we will investigate the key drivers for this high turnover over the coming year. This will help reduce cost but also ensure consistency of staffing which is important to our care customers. We will also continue our focus on removing loss-making care contracts.

### Loss-making care contracts

One of our key objectives in prioritising profitability and quality is to eliminate where possible our loss making care contracts. Our aspiration was to remove all loss making contracts by the end of 2014/15.

In 2013/14, 44 of our care contracts reported a full year loss, totalling £1.2m. In 2014/15, our loss making care contracts reported a full year loss, totalling £1.1m. However, progress was made in the year with the business closing loss-making contracts that contributed £459k of that loss.

We will continue to drive improvements in our remaining loss-making contracts, through for example, renegotiating terms and terminating contracts where appropriate.

### Quality

The Care Quality Commission (CQC) inspects and regulates our care services to make sure they meet the necessary standards. As at 31 March 2015, CQC had assessed five of our registered care services (6%) as non-compliant. This compares to 21% assessed as non-compliant as at 31 March 2014.

# Cost Improvements

## VFM initiatives

| Initiative | Progress 2014/15 | Status |
|---|---|---|
| Reduce our central cost base by >£3m compared to 2013/14. | Central support costs for 2014/15 totalled £18.1m, which represents a £3.9m underspend when compared to 2013/14 (£22.1m). | Met |
| Secure 5% procurement savings on 50 of our significant contracts and cost streams (which totalled £28m). | We exceeded this target, negotiating £1.5m of supply contract savings. | Met |


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# Return on assets

## VFM initiatives

| Initiative | Progress 2014/15 | Status |
|---|---|---|
| Formalise and develop our asset management strategy and conduct full assessments of those courts identified as a concern. | We have formalised our approach to assessing court performance using four key measures: void performance, repair costs, profitability and number of bedsits. Based on this assessment we have categorised all courts as red, amber or green.<br><br>To date, around 35% of 'red' courts have completed a business plan and strategy. This target has a dependency on the recently restructured Housing Management Team who will be prioritising the remaining courts in 2015/16. | In progress |
| Publish our five year investment plan to residents. | We published a five year investment plan to residents for every court. | Met |
| Dispose of non-core elements of our business including 35 family housing properties, two decommissioned sheltered sites and non-core subsidiary entities. | We continue to explore possible means to dispose of our remaining family housing properties. | In progress |
| Close our support offices in Beaconsfield and Cirencester and relocate these functions to our new shared service centre in Birmingham. | We have closed our offices in Beaconsfield and Cirencester and relocated these functions to Birmingham. | Met |
| Formalise our post investment analysis methodology for our property investments. | We have introduced a formal three-staged approach which involves reviewing development schemes against the original approval criteria when the scheme is completed and then after 12 and 24 months.<br>Our development appraisal processes were recently reviewed by KPMG, who graded the controls in this area as 'Substantial Assurance'. | Met |

# Financial statements

# Report of the independent auditors

We have audited the financial statements of Housing & Care 21 for the year ended 31 March 2015 which comprise the consolidated and association income and expenditure accounts, the consolidated and association balance sheets, the consolidated statement of total recognised surpluses and deficits, the consolidated note of historical cost surpluses and deficits, 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 association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Board and auditors

As explained more fully in the statement of Board member responsibilities, the Board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

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

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent association's affairs as at 31 March 2015 and of the group's and parent association's surplus deficit for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

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

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements
- adequate accounting records have not been kept by the parent association, or returns adequate for our audit have not been received from branches not visited by us
- a satisfactory system of control has not been maintained over transactions
- the parent association financial statements are not in agreement with the accounting records and returns
- we have not received all the information and explanations we require for our audit.

BDO LLP, statutory auditor
Gatwick, West Sussex
United Kingdom

Date: 30/07/2015

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Income & expenditure account

## Consolidated income and expenditure account for the year ended 31 March 2015

| | | 2015 | | | | |
|---|---|---|---|---|---|---|
| | **Notes** | **Continuing operations** | **Exceptional items** | **Sub-total** | **Discontinued operations** | **Total** |
| | | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Turnover** | 2 | 200,757 | - | 200,757 | 3,202 | 203,959 |
| Operating costs | 2 | (172,210) | - | (172,210) | (2,908) | (175,118) |
| **Operating surplus** | 2 | 28,547 | - | 28,547 | 294 | 28,841 |
| Surplus on disposal of housing properties and other assets | 4 | 1,167 | - | 1,167 | - | 1,167 |
| Surplus on sale of subsidiary | 5 | - | - | - | 548 | 548 |
| Interest receivable and similar income | 8 | 7,000 | - | 7,000 | - | 7,000 |
| Interest payable and similar charges | 9 | (21,192) | - | (21,192) | - | (21,192) |
| **Surplus on ordinary activities before taxation** | 10 | 15,522 | - | 15,522 | 842 | 16,364 |
| Tax on surplus / (deficit) on ordinary activities | 11 | (42) | - | (42) | 9 | (33) |
| **Surplus for the financial year** | 20 | 15,480 | - | 15,480 | 851 | 16,331 |

| | | 2014 | | | | |
|---|---|---|---|---|---|---|
| | Notes | Continuing operations | Exceptional items | Sub-total | Discontinued operations | Total |
| | | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Turnover** | 2 | 198,437 | - | 198,437 | 20,301 | 218,738 |
| Operating costs | 2 | (176,304) | (5,574) | (181,878) | (18,685) | (200,563) |
| **Operating surplus** | 2 | 22,133 | (5,574) | 16,559 | 1,616 | 18,175 |
| Surplus on disposal of housing properties and other assets | 4 | 5,937 | - | 5,937 | - | 5,937 |
| (Deficit) on sale of subsidiary | 5 | - | - | - | (2,790) | (2,790) |
| Interest receivable and similar income | 8 | 6,906 | - | 6,906 | - | 6,906 |
| Interest payable and similar charges | 9 | (20,020) | - | (20,020) | - | (20,020) |
| **Surplus / (deficit) on ordinary activities before taxation** | 10 | 14,956 | (5,574) | 9,382 | (1,174) | 8,208 |
| Tax on surplus / (deficit) on ordinary activities | 11 | (42) | - | (42) | - | (42) |
| **Surplus / (deficit) for the financial year** | 20 | 14,914 | (5,574) | 9,340 | (1,174) | 8,166 |

The notes on pages 51 to 100 form part of the financial statements

# Association income and expenditure account for the year ended 31 March 2015

| | | 2015 | | |
|---|---|---|---|---|
| | **Notes** | **Pre-exceptional** | **Exceptional items** | **Total** |
| | | **£'000** | **£'000** | **£'000** |
| **Turnover** | 2 | 195,518 | - | 195,518 |
| Operating costs | 2 | (170,817) | - | (170,817) |
| **Operating surplus** | 2 | 24,701 | - | 24,701 |
| Surplus on disposal of housing properties and other assets | 4 | 1,167 | - | 1,167 |
| Surplus on sale of subsidiaries | 5 | 896 | - | 896 |
| Interest receivable and similar income | 8 | 1,736 | - | 1,736 |
| Interest payable and similar charges | 9 | (13,024) | - | (13,024) |
| **Surplus on ordinary activities before taxation** | 10 | 15,476 | - | 15,476 |
| Tax on surplus on ordinary activities | 11 | - | - | - |
| **Surplus for the financial year** | 20 | 15,476 | - | 15,476 |

| | | 2014 | | |
|---|---|---|---|---|
| | Notes | Pre-exceptional | Exceptional items | Total |
| | | £'000 | £'000 | £'000 |
| **Turnover** | 2 | 192,469 | - | 192,469 |
| Operating costs | 2 | (172,655) | (21,922) | (194,577) |
| **Operating surplus/ (deficit)** | 2 | 19,814 | (21,922) | (2,108) |
| Surplus on disposal of housing properties and other assets | 4 | 5,937 | - | 5,937 |
| Interest receivable and similar income | 8 | 3,433 | - | 3,433 |
| Interest payable and similar charges | 9 | (11,621) | - | (11,621) |
| **Surplus / (deficit) on ordinary activities before taxation** | 10 | 17,563 | (21,922) | (4,359) |
| Tax on surplus / (deficit) on ordinary activities | 11 | - | - | - |
| **Surplus / (deficit) for the financial year** | 20 | 17,563 | (21,922) | (4,359) |

All amounts relate to on-going activities.

The notes on pages 51 to 100 form part of the financial statements

# Statement of total recognised surpluses and deficits for the year ended 31 March 2015

| | Notes | Group | | Association | |
|---|---|---|---|---|---|
| | | **2015** | 2014 | **2015** | 2014 |
| | | **£'000** | £'000 | **£'000** | £'000 |
| Surplus / (deficit) for the financial year | | 16,331 | 8,166 | 15,476 | (4,359) |
| Actuarial loss on pension schemes | 28 | (19) | (30) | (19) | (30) |
| Unrealised surplus on revaluation of housing properties | 20 | 32,956 | 19,959 | 32,477 | 16,849 |
| Total recognised gains for the financial year | | 49,268 | 28,095 | 47,934 | 12,460 |

# Note of historical cost surpluses and deficits for the year ended 31 March 2015

| | Notes | Group | | Association | |
|---|---|---|---|---|---|
| | | **2015** | 2014 | **2015** | 2014 |
| | | **£'000** | £'000 | **£'000** | £'000 |
| Reported surplus / (deficit) on ordinary activities before taxation | | 16,331 | 8,166 | 15,476 | (4,359) |
| Realisation of property revaluation surpluses of previous years | 20 | (150) | 9,896 | (150) | 9,094 |
| **Historical cost surplus for the year on ordinary activities before taxation** | | 16,181 | 18,062 | 15,326 | 4,735 |
| Taxation | 11 | (33) | (42) | - | - |
| **Historical cost surplus for the year on ordinary activities after taxation** | | 16,148 | 18,020 | 15,326 | 4,735 |

The notes on pages 51 to 100 form part of the financial statements

# Reconciliation of movement in capital and reserves

| | Notes | Group | | Association | |
|---|---|---|---|---|---|
| | | **2015** | 2014 | **2015** | 2014 |
| | | **£'000** | £'000 | **£'000** | £'000 |
| Reported surplus / (deficit) for the financial year | | 16,331 | 8,166 | 15,476 | (4,359) |
| Actuarial loss recognised in statement of realised surpluses and deficits | | (19) | (30) | (19) | (30) |
| Other recognised surpluses relating to the financial year (net) | | 32,956 | 19,959 | 32,477 | 16,849 |
| Net increase to reserves | | 49,268 | 28,095 | 47,934 | 12,460 |
| Opening capital and reserves | 20 | 680,993 | 652,898 | 654,892 | 642,432 |
| Closing capital and reserves | 20 | 730,261 | 680,993 | 702,826 | 654,892 |

The notes on pages 51 to 100 form part of the financial statements

# Balance sheets as at 31 March 2015

Registered number 16791R

| | Notes | Group 2015 £'000 | Group 2014 £'000 | Association 2015 £'000 | Association 2014 £'000 |
|---|---|---|---|---|---|
| **Intangible assets** | | | | | |
| Goodwill | 30 | 10,042 | 12,059 | 10,042 | 11,728 |
| **Tangible fixed assets** | | | | | |
| Housing properties at valuation | 12 | 1,072,796 | 972,135 | 982,210 | 880,863 |
| Other fixed assets | 13 | 4,603 | 7,267 | 4,597 | 7,223 |
| Investments | 29 | - | - | 6,485 | 7,235 |
| | | 1,087,441 | 991,461 | 1,003,334 | 907,049 |
| **Current assets** | | | | | |
| Housing properties and stock for sale | 14 | 15,803 | 9,898 | 15,803 | 9,898 |
| Debtors: amounts falling due after one year | 15 | 117,576 | 114,791 | 38,150 | 31,983 |
| Debtors: amounts falling due within one year | 16 | 25,637 | 30,992 | 28,230 | 31,347 |
| Cash at bank and in hand | 22 | 39,084 | 41,125 | 19,254 | 23,265 |
| | | 198,100 | 196,806 | 101,437 | 96,493 |
| **Creditors: amounts falling due within one year** | 17 | (87,388) | (97,790) | (66,283) | (76,570) |
| **Net current assets** | | 110,712 | 99,016 | 35,154 | 19,923 |
| **Total assets less current liabilities** | | 1,198,153 | 1,090,477 | 1,038,488 | 926,972 |
| Creditors: amounts falling due after more than one year | 18 | 467,664 | 409,283 | 335,434 | 271,879 |
| Pension scheme liability | 28 | 228 | 201 | 228 | 201 |
| **Unrestricted capital and reserves** | | | | | |
| Share capital | 19 | - | - | - | - |
| Revaluation reserve | 20 | 606,479 | 573,373 | 582,330 | 549,703 |
| Revenue reserve | 20 | 123,782 | 107,620 | 120,496 | 105,189 |
| | | 730,261 | 680,993 | 702,826 | 654,892 |
| | | 1,198,153 | 1,090,477 | 1,038,488 | 926,972 |

The notes on pages 51 to 100 form part of the financial statements

These financial statements were approved and authorised for issue by the Board on 26th June 2015 and are signed on behalf of the Board by:

Lord Ben Stoneham
**Chairman**

Sanaya Robinson
**Director**

Paul Hutton
**Secretary**

# Consolidated cash flow statement

## Consolidated cash flow statement for the year ended 31 March 2015

| | | Group | | | |
|---|---|---|---|---|---|
| | | 2015 | | 2014 | |
| | Notes | £'000 | £'000 | £'000 | £'000 |
| **Net cash inflow from operating activities** | 21 | | 47,686 | | 54,864 |
| **Return on investments and servicing of finance** | | | | | |
| Interest received | | 7,000 | | 6,906 | |
| Interest and other fees paid | | (22,447) | | (21,580) | |
| Interest element of finance lease payments | | (80) | | (82) | |
| **Net cash outflow from return on investments and servicing of finance** | | | (15,527) | | (14,756) |
| **Taxation** | | | (53) | | (12) |
| **Capital expenditure and financial investment** | | | | | |
| Expenditure on housing properties | | (112,534) | | (69,322) | |
| Social Housing Grants received | | 11,504 | | 12,295 | |
| Purchase of other fixed assets | | (2,040) | | (2,730) | |
| Proceeds from the sale of housing properties | | 9,134 | | 26,561 | |
| Proceeds from the sale of other fixed assets | | 3,058 | | 420 | |
| **Net cash outflow from capital expenditure** | | | (90,878) | | (32,776) |
| **Disposals** | | | | | |
| Sale of subsidiary undertakings | | 250 | | 9,000 | |
| Disposal expenses | | (4) | | (446) | |
| Cash at bank and in hand disposed with subsidiary | | (151) | | (626) | |
| | | | 95 | | 7,928 |
| **Cash inflow before use of liquid resources and financing** | | | (58,677) | | 15,248 |
| **Financing** | | | | | |
| Loans drawn down | | 67,300 | | - | |
| Loans repaid | | (9,457) | | (13,141) | |
| Loan issue costs | | (1,152) | | (425) | |
| Capital element of finance lease repaid | | (55) | | (48) | |
| **Net cash (outflow) / inflow from financing** | | | 56,636 | | (13,614) |
| **(Decrease) / Increase in cash** | 22 | | (2,041) | | 1,634 |

The notes on pages 51 to 100 form part of the financial statements

# Notes to the financial statements

# 1. Principal accounting policies

The financial statements of the Group and Association have been prepared on a going concern basis and in accordance with generally accepted accounting practice applicable in the United Kingdom and comply with the Statement of Recommended Practice: Accounting for Registered Social Providers (Update 2010), Co-operative and Communities Benefit Society Act 2014, The Housing and Regeneration Act 2008 and with the Accounting Direction for Social Housing in England 2012.

The principal accounting policies applied in preparing these financial statements are set out below and have been consistently applied throughout the year.

## Basis of accounting

The financial statements are prepared on a going concern basis, under the historical cost basis, as modified by the revaluation of housing properties to Existing Use Value for Social Housing (EUV-SH).

## Going concern

After making enquiries, the directors of Housing & Care 21 have a reasonable expectation, after due consideration of all material matters, that adequate resources exist to continue in operational existence for the foreseeable future. For this reason the going concern basis has been adopted in these financial statements.

## Consolidation

In accordance with Financial Reporting Standard 2 "Accounting for subsidiary undertakings", the financial statements for the Group are the consolidated position for the year ended 31 March 2015 of Housing & Care 21 Association and its subsidiaries, from the date of their acquisition and up to the date of their disposal (if applicable), as described in Note 29. Intra-Group transactions are eliminated on consolidation.

## Turnover

Turnover represents: rental and service charge income net of void losses; Supporting People contract income; management fees; income from provision of care and health services, revenue based grants received from local authorities and from the HCA; income from first tranche sales of shared ownership and outright sales of property, and other income.

Charges for services provided and Supporting People income are recognised as income when the Group has provided the service concerned. Grants made as contributions to revenue expenditure are credited to income in the period in which the related expenditure is incurred. Income from the sale of leasehold properties is recognised as turnover at the completion date of the sale of the property.

In respect of the Group's Private Finance Initiative (PFI) and Public Private Partnerships (PPP), turnover is recognised with reference to the stage of completion of the project. The stage of completion for the project has been determined by reference to the proportion of the total projected costs, including finance costs, incurred to date.

## Value Added Tax

The majority of services supplied by the Group are exempt from VAT. However, management contracts and unitary charge income is chargeable to VAT which enables some recovery of input VAT under a basis of calculation agreed with HMRC.

Expenditure is shown inclusive of VAT and input tax recovered is recorded within non-social housing activities, other, as part of turnover.

# 1. Principal accounting policies *continued*

## Goodwill

Goodwill arises on the acquisition of subsidiaries and other business combinations and is calculated as the difference between the fair value of consideration paid and the fair value of net assets acquired.

Positive goodwill is amortised on a straight-line basis over a period in which it is expected to derive economic benefit to the Group. The period is not expected to be more than 20 years, negative goodwill is recognised immediately in reserves.

Impairment reviews are carried out in the first year after acquisition or where there are changes in circumstances which indicate that the carrying value of goodwill is not recoverable.

## Housing properties

The Group adopts a policy of revaluing its housing properties. Housing properties are stated on an EUV-SH basis. At the point of revaluation, the aggregate surplus or deficit arising, calculated as the difference between the cost of properties less Social Housing Grant (SHG) and the revalued amount, is allocated to the land associated with the housing properties and transferred to a revaluation reserve.

Housing properties in the course of construction are stated at cost and are transferred to completed housing properties, if they are rental units, or stock for sale if they are outright sale units. Expenditure incurred on housing properties after practicable completion is only capitalised to the extent that the expenditure enhances rental capacity, extends the useful economic life or reduces future repair and maintenance costs. Any remaining carrying value of the replaced component is charged to the income and expenditure account.

## Capitalisation of interest

Interest on borrowings is capitalised as part of the cost of housing properties in the course of construction based on the Group's average cost of borrowings applied to the net cost over the period of construction.

## Capitalisation of development department costs

Development department costs are capitalised where they are directly attributable to bringing the properties into working condition for their intended use. Directly attributable costs are the labour costs of the Group's employees arising directly from the construction or acquisition of the property and incremental costs that would have been avoided only if individual properties had not been constructed or acquired.

## Depreciation – housing properties

Land is considered to have an indefinite life and is not depreciated. Depreciation on other assets is charged on a straight-line basis over the expected useful economic lives of each component as follows:

| | Years |
|---|---|
| Structure | 100 |
| Roof | 50 |
| Window and doors | 30 |
| Kitchen and bathrooms | 25 |
| Mechanical services | 20 |
| Heating and plumbing | 25 |
| Fit out costs | 25 |

The land value element (to separate land from buildings) of each property valuation is determined using guidance issued by the NHF.

On the disposal of a property, a transfer is made from the Revaluation Reserve to the General Reserve of an amount equal to the difference between the profit or loss on a historical cost basis and the actual surplus, which is calculated using the revalued amounts.

# 1. Principal accounting policies *continued*

## Depreciation - other tangible fixed assets

Depreciation is charged on a straight line basis once the asset is brought into service and over the expected useful economic lives at the following rates:

| | Years |
|---|---|
| Leasehold office improvements | Over the remaining period of the lease |
| Land | Is not depreciated |
| Freehold office buildings | 50 |
| Office furniture and equipment | 10 |
| Motor vehicles | 4 |
| Computer software | 5 |
| Computer hardware | 3 |

## Landbank

Where land has been acquired and is intended for development, it is held within fixed assets. Where it is unlikely that any scheme will proceed on acquired land, it is held within current assets and carried at the lower of cost and net realisable value. Any write downs to net realisable value are included in cost of sales.

## Impairment

Annual impairment reviews are carried out in accordance with Financial Reporting Standard 11 where remaining useful economic life is greater than 50 years. Where there is evidence of impairment, assets are written down to their recoverable amount through a charge to the income and expenditure account. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

## Low Cost Home Ownership and staircasing

Under Low Cost Home Ownership (LCHO) arrangements, the Group disposes of a long lease on LCHO units to persons who occupy them at a share equal to between 25% and 75% of value (the ‘first tranche’). The occupier has the right to purchase further proportions at the then current valuation up to 75% (‘staircasing’).

A shared ownership property comprises two assets: that to be disposed of in the first tranche sale (50%), which is recorded as a current asset, and that retained by the Group (50%), which is recorded as a fixed asset. When a first tranche sale occurs, the cost is adjusted to reflect the percentage of the property sold.

Proceeds of sale of first tranches are accounted for as turnover in the income and expenditure account, with the associated cost being shown within the operating results as a cost of sale.

Subsequent tranches sold (‘staircasing sales’) are disclosed in the income and expenditure account after operating results as a surplus or deficit on sale of fixed assets. Such staircasing sales may result in capital grant being deferred or abated and this is credited in the sale account in arriving at the surplus or deficit on disposal.

Social Housing Grant in respect of LCHO properties is allocated against the fixed asset element of the property and is treated as a deduction from fixed assets.

The fixed asset element of LCHO properties is included in housing properties at EUV-SH. These properties are not depreciated on the basis that the expected realisable value at the end of the expected useful life to the Group is at least equal to the carrying value.

# 1. Principal accounting policies *continued*

## Properties developed for sale

Completed properties and properties under construction for sale, either as first tranche LCHO sales or outright sale, 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 prices after allowing for all further costs of completion and disposal.

Until sold these properties are held as current assets.

## Social Housing Grant (SHG) and other grants

Where housing developments have been financed wholly or partly by grants, the amount of grant received is offset against the cost of the development.

SHG due from the HCA or received in advance is included as a current asset or liability.

Where the grant is received on items treated as revenue expenditure, it is treated as a revenue grant and credited to the income and expenditure account.

Where, following the sale of the property, SHG becomes repayable, to the extent that it is not subject to abatement, it is reclassified in the Recycled Capital Grant Fund (RCFG) and included as a liability until it is repaid or utilised for future developments.

## Sinking funds

Sinking funds are maintained for each scheme with leasehold properties to cover future major repairs. These funds are managed through service charges to leaseholders.

## Donated land

The valuation of land donated by local authorities is accounted for as a cost of development and also treated as a capital grant. It is included within the other grants receivable amounts.

## Works to existing properties

Expenditure on day-to-day and cyclical repairs and maintenance, together with health and safety work and service contract maintenance expenditure, is charged as incurred to the income and expenditure account. Also charged are the apportioned administration costs associated with this work.

Renewals of communal equipment, furniture and furnishings, and the replacement of refrigerators and cookers provided for tenants, are borne by Housing & Care 21 and recovered through service charges.

## Work in progress and finance debtor

Where the risks of the Group's PFI or PPP contracts lies outside of the Group, costs incurred in the construction and refurbishment of the sheltered housing properties are accounted for under Financial Reporting Standard (FRS) 5, 'Reporting the Substance of Transactions' and are carried in the balance sheet as recoverable work in progress in debtors. Work in progress comprises direct payments to the contractor, attributable initial project costs and interest costs incurred over the construction period on borrowings to fund construction.

When a property has been completed or refurbished, the work in progress balance is converted to a finance debtor representing an appropriate proportion of costs incurred in accordance with FRS5 'Reporting the Substance of Transactions'. The debt is recovered via the unitary charge contract income over the remaining life of the contract. Until the debtor is fully recovered, interest income is released to the income and expenditure account which is based upon the value of the financial debt outstanding. This interest is included within interest receivable.

# 1. Principal accounting policies *continued*

## Housing loans and other financial instruments

Loans and other financial instruments are stated in the balance sheet at the amount of the net proceeds.

Finance costs, including incremental issue costs, are deducted from the loan and amortised over the life of the loan.

Where loans and other financial instruments are redeemed, any redemption penalty is recognised in the income and expenditure account in the year in which redemption takes place.

## Leased assets

Rentals paid under operating leases are charged to the income and expenditure account on the accruals basis.

The cost of assets held under finance leases is included under tangible assets and depreciation, provided in accordance with the policy for the class of asset concerned. The corresponding obligations under these leases are shown as creditors. The finance charge element of rentals is charged to the income and expenditure account to produce, or approximate to, a constant periodic charge on the remaining balance of the outstanding obligations.

## Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of obligations under the lease.

## Provisions

Provisions have been included in the financial statements only to the extent that there is a present legal or constructive obligation to transfer economic benefits.

## Management services to leaseholders and other bodies

In addition to managing housing for rent, the Group also provides management services to leaseholders and other bodies. The Group provides management services to leaseholders on a cost basis.

Charges which are made to leaseholders for decorations and major works within their schemes are held in sinking funds. These sinking funds are recorded within other creditors and shown in note 17, with amounts falling due within one year of these Financial Statements.

The Group also provides property management services to other bodies for which a management fee is charged. Such services are provided primarily on an agency basis. All transactions relating to owned leasehold properties have been brought into the accounts.

## Pensions

The Group's and Association's pension arrangements comprise defined contribution and defined benefits schemes. The annual costs of defined contribution, stakeholder and savings plan pension schemes are charged to the income and expenditure account on an accruals basis.

Where the Group participates in a defined benefits scheme, the accounting treatment is dependent on whether the assets and liabilities of those schemes can be separately identified. Where assets and liabilities can be separately identified the Group recognises in full the schemes' surpluses or deficits on the balance sheet. Actuarial gains and losses for these schemes are included in the Statement of Total Recognised Surpluses and Deficits. Current and past service costs, curtailments and settlements are recognised within operating surplus. Expected returns on scheme assets and interest on obligations are recognised as other finance income or expenses.

Where assets and liabilities of a defined benefits scheme cannot be separately identified the Group charges contributions to the income and expenditure account on an accruals basis.

# 1. Principal accounting policies *continued*

## Taxation

The Group is exempt from corporation tax on income and gains to the extent that these are applied to the Group's charitable objectives. The tax charge in the year relates to Group companies that are subject to UK taxation in addition to the non-exempt tax for Housing & Care 21 Association.

## Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the Group has entered into a binding sale agreement and is not proposing to take advantage of rollover relief
- the recognition of deferred tax assets is limited to the extent that the Group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances are not discounted.

## Significant estimation techniques

In the preparation of the financial statements, the Group makes estimates based on available information, expert advice and past experience. The financial statements contain the following significant estimates:

- carrying value of LCHO sales or outright sales based on previous/intended sales values
- carrying value on housing properties, based on the independent valuations prepared on the basis of EUV-SH using a discounted cash flow making allowances for outgoings against income receivable
- carrying value of goodwill, based on forecast cash flows and a discount rate that reflects an appropriate risk premium on its weighted average interest rate. Growth rates are based on the specific market opportunity, the strength of the customer offer and investment in the business
- bad debt provisions based on previous experience, cash collected subsequent to the year end and financial viability of the customer.


Gordon Palmer Court, Reading

## 2. Turnover, cost of sales, operating costs and operating surplus

| | Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | | | | 2014 | | | |
| | **Turnover** | **Operating costs & cost of sales** | **Exceptional costs** | **Operating surplus** | Turnover | Operating costs & cost of sales | Exceptional costs | Operating surplus |
| | **£'000** | **£'000** | **£'000** | **£'000** | £'000 | £'000 | £'000 | £'000 |
| **Social housing lettings (Note 3)** | 113,611 | (84,891) | - | 28,720 | 107,813 | (86,751) | - | 21,062 |
| **Other social housing activities** | | | | | | | | |
| Supporting people | 2,971 | (2,825) | - | 146 | 2,979 | (1,700) | - | 1,279 |
| Shared ownership first tranche and outright sales | 8,562 | (5,788) | - | 2,774 | 6,019 | (4,124) | - | 1,895 |
| Other | 1,707 | - | - | 1,707 | 3,930 | - | - | 3,930 |
| **Social housing activities** | 126,851 | (93,504) | - | 33,347 | 120,741 | (92,575) | - | 28,166 |
| **Non-social housing activities** | | | | | | | | |
| Management services | 16,526 | (13,326) | - | 3,200 | 17,800 | (13,653) | (2,805) | 1,342 |
| Care and health services | | | | | | | | |
| - continuing operations | 57,349 | (64,657) | - | (7,308) | 59,896 | (70,076) | - | (10,180) |
| - discontinued operations | 3,202 | (2,908) | - | 294 | 20,301 | (18,685) | - | 1,616 |
| | 60,551 | (67,565) | - | (7,014) | 80,197 | (88,761) | - | (8,564) |
| Other | 31 | (723) | - | (692) | - | - | (2,769) | (2,769) |
| **Total** | 203,959 | (175,118) | - | 28,841 | 218,738 | (194,989) | (5,574) | 18,175 |

There have been £nil exceptional costs in 2015. The exceptional costs in 2014 related to one-off costs incurred on a PFI contract prior to the signing of a Deed of Variation (£2,805k) and a one-off, non-cash impairment charge on the goodwill and net asset of certain Group subsidiaries (£2,769k)

The cost of shared ownership first tranche and outright property sales (£5,788k) excluding selling fees is £5,389k (2014: £3,927k).

Total development administration costs capitalised were £949k (2014: £1,112k).

In care and health services is £100k (2014: £95k) income and £89k (2014: £95k) operating costs in relation to Department of Health funding for Dementia Voice Nurse.

## 2. Turnover, cost of sales, operating costs and operating surplus *continued*

| | Association | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2015** | | | | 2014 | | | |
| | **Turnover** | **Operating costs & cost of sales** | **Exceptional costs** | **Operating surplus** | Turnover | Operating costs & cost of sales | Exceptional costs | Operating surplus |
| | **£'000** | **£'000** | **£'000** | **£'000** | £'000 | £'000 | £'000 | £'000 |
| **Social housing lettings (Note 3)** | 112,746 | (84,414) | - | 28,332 | 106,843 | (86,191) | - | 20,652 |
| **Other social housing activities** | | | | | | | | |
| Supporting people | 2,962 | (2,804) | - | 158 | 2,979 | (1,697) | - | 1,282 |
| Shared ownership first tranche and outright sales | 8,562 | (5,788) | - | 2,774 | 6,019 | (4,124) | - | 1,895 |
| Other | 1,707 | - | - | 1,707 | 3,930 | - | - | 3,930 |
| **Social housing activities** | 125,977 | (93,006) | - | 32,971 | 119,771 | (92,012) | - | 27,759 |
| **Non-social housing activities** | | | | | | | | |
| Management services | 11,525 | (12,457) | - | (932) | 12,332 | (12,664) | (2,805) | (3,137) |
| Care and health services | 56,806 | (63,954) | - | (7,148) | 59,356 | (67,979) | - | (8,623) |
| Other | 31 | (1,400) | - | (1,369) | - | - | (19,117) | (19,117) |
| Gift aid | 1,179 | - | - | 1,179 | 1,010 | - | - | 1,010 |
| **Total** | 195,518 | (170,817) | - | 24,701 | 192,469 | (172,655) | (21,922) | (2,108) |

There have been £nil exceptional costs in 2015. The exceptional costs in 2014 related to one-off costs incurred on a PFI contract prior to the signing of a Deed of Variation (£2,805k) and a one-off, non-cash impairment write-down on investments (£19,117k).

The cost of shared ownership first tranche and outright property sales (£5,788k) excluding selling fees is £5,389k (2014: £3,927k).

Total development administration costs capitalised were £949k (2014: £1,112k).

In care and health services is £100k (2014: £95k) income and £89k (2014: £95k) operating costs in relation to Department of Health funding for Dementia Voice Nurse.

## 3. Turnover, operating costs and operating surplus from social housing lettings

| | Group | | | |
|---|---|---|---|---|
| | **Older people & specialist housing** | **General needs** | **Total 2015** | Total 2014 |
| | **£'000** | **£'000** | **£'000** | £'000 |
| Rent receivable net of identifiable service charges | 74,771 | 484 | 75,255 | 70,977 |
| Service charges receivable | 38,302 | 54 | 38,356 | 36,836 |
| **Net rental income and turnover from social housing lettings** | 113,073 | 538 | 113,611 | 107,813 |
| Services | (33,160) | (46) | (33,206) | (33,789) |
| Management | (18,439) | (68) | (18,507) | (21,815) |
| Routine maintenance | (8,771) | (70) | (8,841) | (7,824) |
| Major repairs expenditure | (1,921) | (1) | (1,922) | (1,726) |
| Planned maintenance | (2,766) | (9) | (2,775) | (2,359) |
| Leasehold and other costs | (2,194) | (3) | (2,197) | (2,542) |
| Bad debts | (934) | - | (934) | (648) |
| Depreciation on housing properties | (16,405) | (104) | (16,509) | (16,048) |
| **Operating costs on social housing lettings** | (84,590) | (301) | (84,891) | (86,751) |
| **Operating surplus on social housing lettings** | 28,483 | 237 | 28,720 | 21,062 |
| Rent losses from voids | (3,762) | (21) | (3,783) | (3,752) |

# 3. Turnover, operating costs and operating surplus from social housing lettings *continued*

| | Association | | | |
|---|---|---|---|---|
| | **Older people & specialist housing** | **General needs** | **Total 2015** | Total 2014 |
| | **£'000** | **£'000** | **£'000** | £'000 |
| Rent receivable net of identifiable service charges | 74,244 | 484 | 74,728 | 70,435 |
| Service charges receivable | 37,964 | 54 | 38,018 | 36,408 |
| **Net rental income and turnover from social housing lettings** | 112,208 | 538 | 112,746 | 106,843 |
| Services | (32,858) | (46) | (32,904) | (33,439) |
| Management | (20,432) | (68) | (20,500) | (23,750) |
| Routine maintenance | (8,260) | (70) | (8,330) | (7,326) |
| Major repairs expenditure | (1,532) | (1) | (1,533) | (1,383) |
| Planned maintenance | (2,751) | (9) | (2,760) | (2,346) |
| Leasehold and other costs | (2,108) | (3) | (2,111) | (2,385) |
| Bad debts | (924) | - | (924) | (653) |
| Depreciation on housing properties | (15,248) | (104) | (15,352) | (14,909) |
| **Operating costs on social housing lettings** | (84,113) | (301) | (84,414) | (86,191) |
| **Operating surplus on social housing lettings** | 28,095 | 237 | 28,332 | 20,652 |
| Rent losses from voids | (3,743) | (21) | (3,764) | (3,749) |

Included within rent losses from voids are new unit voids of £658k (2014: £291k), for both Group and Association.

# 4. Surplus on disposal of housing properties and other assets

| | Group and Association | | | | |
|---|---|---|---|---|---|
| | **2015** | | | | 2014 |
| | **Shared ownership staircasings** | **Other housing properties** | **Other assets** | **Total** | Total |
| | **£'000** | **£'000** | **£'000** | **£'000** | £'000 |
| Proceeds of sale | 701 | - | 3,128 | 3,829 | 21,590 |
| Costs of sale at carrying value | (349) | - | (2,313) | (2,662) | (15,653) |
| **Surplus on disposal** | 352 | - | 815 | 1,167 | 5,937 |

The disposals of the above housing properties and other assets on a historical cost basis would have resulted in a gain of £1,317k (2014: £15,031k).

# 5. Surplus/(deficit) on sale of subsidiaries

| | Group | | | |
|---|---|---|---|---|
| | **2015** | | | 2014 |
| | **PNL** | **SureCare and First Call** | **Total** | Total |
| | **£'000** | **£'000** | **£'000** | £'000 |
| Proceeds | 250 | 1,400 | 1,650 | 9,000 |
| Net assets disposed of and selling fees | (358) | (744) | (1,102) | (3,933) |
| Goodwill | - | - | - | (7,857) |
| **Surplus/ (deficit) on disposal** | (108) | 656 | 548 | (2,790) |

| | Association | | | |
|---|---|---|---|---|
| | **2015** | | | 2014 |
| | **PNL** | **SureCare and First Call** | **Total** | Total |
| | **£'000** | **£'000** | **£'000** | £'000 |
| Proceeds | 250 | 1,400 | 1,650 | - |
| Investment write-off and selling fees | (254) | (500) | (754) | - |
| Goodwill | - | - | - | - |
| **Surplus/ (deficit) on disposal** | (4) | 900 | 896 | - |

On 31 October 2014, SureCare Community Services Limited (SureCare and First Call Community Services Limited (First Call) were disposed for £1,400k deferred consideration. On 30 November 2014 Paediatric Nursing Limited (PNL) was disposed for £250k in cash. The value of cash at bank and in hand disposed with the subsidiaries was £140k (SureCare and FirstCall) and £10k (PNL).

The disposal of PNL and SureCare/First Call has been treated as a discontinued operation in the Income and Expenditure Account.

# 6. Directors' emoluments

The directors of Housing & Care 21 are defined as members of the Board and the Executive. The Board consists of 11 non-executive members (2014: 11). The non-executive Board members received the following emoluments during the year.

| | | **2015** | 2014 |
|---|---|---|---|
| | | **£'000** | £'000 |
| B Stoneham (Chair) | | 18 | 18 |
| S Fanshawe OBE | | 10 | 10 |
| M Harker | | 10 | 10 |
| R Humphries | | 10 | 10 |
| K Jeffries | | 10 | 10 |
| J Owen CBE | | 10 | 10 |
| S Robinson | | 10 | 10 |
| K Boyle | From 31/01/2014 | 10 | 2 |
| S Hughes | From 31/01/2014 | 10 | 2 |
| M Knott | From 31/01/2014 | 10 | 2 |
| L Potter | From 31/01/2014 | 10 | 2 |
| MJ Stansfield | To 27/09/2013 | - | 5 |
| **Total** | | 118 | 91 |

One of the directors, Kenneth Jeffries, is a resident of the Association during the year. His tenancy is on the same terms and conditions as other residents. He is unable to use his position as a Board member to any advantage in his relationship with the Association as a resident.

Executive directors received the following emoluments during the financial year (including the former and current Chief Executives):

| | **2015** | 2014 |
|---|---|---|
| | **£'000** | £'000 |
| Emoluments | 539 | 695 |
| Benefits in kind | - | 2 |
| Loss of office | - | 390 |
| Pension contributions | 72 | 68 |
| Total | 611 | 1,155 |

## 6. Directors' emoluments *continued*

| | 2015 | | | | |
|---|---|---|---|---|---|
| | **Salary** | **Benefits in Kind** | **Contractual loss of office payment** | **Pension** | **Total** |
| | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| B Moore | 224 | - | - | 42 | 266 |

The Chief Executive is an ordinary member of the SHPS (Defined Contribution) pension scheme as set out in Note 28.

| | 2014 | | | | |
|---|---|---|---|---|---|
| | Salary | Benefits in Kind | Contractual loss of office payment | Pension | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| P Raguvaran To 29/08/2013 | 127 | 1 | 174 | 12 | 314 |

## 7. Employee information

The average number of people employed (full time equivalents) was:

| | Group | | Association | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| Management, court managers and administration | 1,147 | 1,195 | 1,139 | 1,078 |
| Care and ancillary | 4,429 | 5,209 | 4,190 | 4,330 |
| | 5,576 | 6,404 | 5,329 | 5,408 |

Full time equivalents are calculated based on a standard working week of 35 hours.

| | Group | | Association | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Wages and salaries | 77,974 | 96,818 | 74,455 | 77,099 |
| Redundancy and other costs | 100 | 1,980 | 100 | 1,980 |
| Social security costs | 5,224 | 5,452 | 5,074 | 5,171 |
| Pension costs | 1,761 | 1,790 | 1,752 | 1,675 |
| | 85,059 | 106,040 | 81,381 | 85,925 |

# 7. Employee information *continued*

Detailed below is full time equivalent number of staff whose remuneration payable in relation to the period was in excess of £60,000:

| | Group | | Association | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| £300,000 – £309,999 | - | 1 | - | 1 |
| £220,000 – £229,999 | 1 | - | 1 | - |
| £160,000 – £169,999 | - | 1 | - | 1 |
| £150,000 - £159,999 | 1 | - | 1 | - |
| £140,000 – £149,999 | 1 | 1 | 1 | 1 |
| £130,000 – £139,999 | - | 1 | - | 1 |
| £120,000 – £129,999 | - | 1 | - | 1 |
| £110,000 – £119,999 | - | - | - | 1 |
| £100,000 – £109,999 | 1 | 2 | 1 | 2 |
| £90,000 – £99,999 | 2 | 2 | 2 | 2 |
| £80,000 – £89,999 | 4 | 7 | 4 | 6 |
| £70,000 – £79,999 | 8 | 7 | 8 | 7 |
| £60,000 – £69,999 | 8 | 11 | 8 | 11 |

# 8. Interest receivable and similar income

| | Group | | Association | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Interest received on cash deposits | 81 | 172 | 70 | 163 |
| Finance asset interest | 6,919 | 6,734 | 459 | 398 |
| Interest receivable on intercompany loans | - | - | 1,207 | 2,872 |
| | 7,000 | 6,906 | 1,736 | 3,433 |

# 9. Interest payable and similar charges

| | Group | | Association | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **£'000** | £'000 | **£'000** | £'000 |
| **On loans from local authorities:** | | | | |
| Repayable wholly or partly in more than 5 years | 28 | 28 | 28 | 28 |
| **On loans from other lenders:** | | | | |
| Interest payable on loans | 21,058 | 19,904 | 13,006 | 11,619 |
| Less: capitalised interest | (2,034) | (972) | (2,034) | (972) |
| Interest payable on finance leases | 80 | 82 | 80 | 82 |
| Other financing fees and charges | 2,056 | 972 | 1,940 | 858 |
| **Other finance costs:** | | | | |
| Other finance costs | 4 | 6 | 4 | 6 |
| | 21,192 | 20,020 | 13,024 | 11,621 |

# 10. Surplus on ordinary activities before tax

| | Group | | Association | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **£'000** | £'000 | **£'000** | £'000 |
| **Surplus on ordinary activities before tax is after charging:** | | | | |
| Depreciation - owned properties | 16,446 | 15,986 | 15,289 | 14,847 |
| Depreciation - leased properties | 63 | 62 | 63 | 62 |
| Depreciation on other fixed assets | 2,437 | 2,119 | 2,422 | 2,078 |
| Impairment of goodwill | - | 2,092 | - | - |
| Exceptional costs (see note 2) | - | 5,574 | - | 21,922 |
| Amortisation of goodwill | 2,017 | 3,378 | 1,686 | 1,686 |
| Interest element of finance lease payments | 80 | 82 | 80 | 82 |
| Payments under operating leases | 1,311 | 1,750 | 1,310 | 1,638 |
| Auditors' remuneration (including VAT and expenses): | | | | |
| - In their capacity as auditors | 98 | 120 | 70 | 68 |
| - In respect of other services | - | 18 | - | 18 |

# 11. Taxation

Housing & Care 21, Kent Community Partnership Limited, Oldham Retirement Housing Partnership Limited and Gharana Housing Association Limited have charitable status, and therefore are exempt from Corporation Tax on their income and gains to the extent that these are derived from their charitable objectives.

Housing 21 Guernsey Limited by Guarantee - the Administrator of Income Tax in Guernsey has agreed that the company's profits are exempt from Guernsey tax due to the company's charitable activities. The company is managed in such a way that it is treated as being a UK tax resident and therefore it will be subject to UK tax.

The following companies are subject to UK Corporation tax at the prevailing rate:

- SureCare Community Services Limited
- First Call Community Services Limited
- Paediatric Nursing Link Limited

The UK taxation charge for the year is analysed as follows:

| | Group | | Association | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **£'000** | £'000 | **£'000** | £'000 |
| **Current Taxation** | | | | |
| UK Corporation tax | 42 | 42 | - | - |
| Deferred tax | (9) | - | - | - |
| Adjustments in respect of prior years | - | - | - | - |
| | 33 | 42 | - | - |

**Current tax reconciliation**

The tax charge differs from the standard rate of corporation tax in the UK. A reconciliation is shown below:

| | Group | | Association | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Surplus/(Deficit) on ordinary activities before taxation | 16,364 | 8,208 | 15,476 | (4,359) |
| Tax at the standard rate of tax of 21% (2014: 23%) | 3,436 | 1,888 | 3,250 | (1,002) |
| Effects of: | | | | |
| Expenses not deductible for tax | 227 | 1,500 | - | - |
| Capital allowances in excess of depreciation | 3 | 9 | - | - |
| Group relief | - | - | (2) | (67) |
| Exemption for charitable activities | (3,624) | (3,487) | (3,248) | 1,069 |
| Tax losses not provided | - | 132 | - | - |
| Total current tax charge/(credit) | 42 | 42 | - | - |

# 12. Housing properties at valuation

| Group | Freehold land & buildings | | | Leasehold buildings | | Finance lease buildings | Housing under construction & landbanks | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Older People & Specialist | General needs | Shared ownership | Older People & Specialist | Shared ownership | Older People & Specialist | Older People & Specialist | Shared ownership | |
| | (valuation) | (valuation) | (valuation) | (valuation) | (valuation) | (valuation) | (cost) | (cost) | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost and revaluation surplus** | | | | | | | | | |
| 1 April 2014 | 1,185,223 | 6,109 | 13,517 | 351,685 | 6,884 | 2,874 | 36,119 | 12,468 | 1,614,879 |
| Additions: works to existing properties | 14,783 | 122 | - | 1,207 | - | 18 | - | - | 16,130 |
| Additions: construction | - | - | - | - | - | - | 70,088 | 22,150 | 92,238 |
| Transfers to current assets | - | - | 353 | - | 81 | - | - | (11,616) | (11,182) |
| Property disposals | - | - | (221) | - | (122) | - | - | - | (343) |
| Component disposals | (4,019) | - | - | (240) | - | - | - | - | (4,259) |
| Completed property transfers | 19,447 | - | 5,511 | 19,245 | 3,084 | - | (38,692) | (8,595) | - |
| Valuation movement | 2,400 | 5,013 | (2,548) | 29,556 | (1,700) | 235 | - | - | 32,956 |
| **31 March 2015** | 1,217,834 | 11,244 | 16,612 | 401,453 | 8,227 | 3,127 | 67,515 | 14,407 | 1,740,419 |
| **SHG and other grants** | | | | | | | | | |
| 1 April 2014 | (346,892) | (65) | (9,446) | (100,648) | (4,897) | (97) | (12,256) | (3,382) | (477,683) |
| Received in the year | - | - | - | - | - | - | (9,019) | (3,643) | (12,662) |
| Transfers to/(from) RCGF | - | - | 127 | - | 73 | - | - | (148) | 52 |
| Completed property transfers | (4,268) | - | (2,266) | (2,917) | (362) | - | 7,185 | 2,628 | - |
| **31 March 2015** | (351,160) | (65) | (11,585) | (103,565) | (5,186) | (97) | (14,090) | (4,545) | (490,293) |
| **Accumulated depreciation** | | | | | | | | | |
| 1 April 2014 | (141,109) | (575) | - | (22,540) | - | (837) | - | - | (165,061) |
| Charge in the year | (12,425) | (104) | - | (3,917) | - | (63) | - | - | (16,509) |
| Disposals | 4,000 | - | - | 240 | - | - | - | - | 4,240 |
| **31 March 2015** | (149,534) | (679) | - | (26,217) | - | (900) | - | - | (177,330) |
| **Valuation** | | | | | | | | | |
| **31 March 2015** | 717,140 | 10,500 | 5,027 | 271,671 | 3,041 | 2,130 | 53,425 | 9,862 | 1,072,796 |
| 31 March 2014 | 697,222 | 5,469 | 4,071 | 228,497 | 1,987 | 1,940 | 23,863 | 9,086 | 972,135 |

Depreciation charge in the year of £16,509k includes £1,473k of accelerated depreciation on replaced components (2014: £1,236k)

# 12. Housing properties at valuation *continued*

| Association | Freehold land & buildings | | | Leasehold buildings | | Finance lease buildings | Housing under construction & landbanks | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Older People & Specialist (valuation) £'000 | General needs (valuation) £'000 | Shared ownership (valuation) £'000 | Older People & Specialist (valuation) £'000 | Shared ownership (valuation) £'000 | Older People & Specialist (valuation) £'000 | Older People & Specialist (cost) £'000 | Shared ownership (cost) £'000 | £'000 |
| **Cost and revaluation surplus** | | | | | | | | | |
| 1 April 2014 | 1,170,780 | 6,109 | 13,517 | 261,889 | 6,884 | 2,874 | 36,119 | 12,468 | 1,510,640 |
| Additions: works to existing properties | 14,772 | 122 | - | 1,207 | - | 18 | - | - | 16,119 |
| Additions: construction | - | - | - | - | - | - | 70,088 | 22,150 | 92,238 |
| Transfers to current assets | - | - | 353 | - | 81 | - | - | (11,616) | (11,182) |
| Property disposals | - | - | (221) | - | (122) | - | - | - | (343) |
| Component disposals | (4,000) | - | - | (240) | - | - | - | - | (4,240) |
| Completed property transfers | 19,447 | - | 5,511 | 19,245 | 3,084 | - | (38,692) | (8,595) | - |
| Valuation movement | 1,763 | 5,013 | (2,548) | 29,714 | (1,700) | 235 | - | - | 32,477 |
| **31 March 2015** | 1,202,762 | 11,244 | 16,612 | 311,815 | 8,227 | 3,127 | 67,515 | 14,407 | 1,635,709 |
| **SHG and other grants** | | | | | | | | | |
| 1 April 2014 | (339,831) | (65) | (9,446) | (100,648) | (4,897) | (97) | (12,256) | (3,382) | (470,622) |
| Received in the year | - | - | - | - | - | - | (9,019) | (3,643) | (12,662) |
| Transfers to/(from) RCGF | - | - | 127 | - | 73 | - | - | (148) | 52 |
| Completed property transfers | (4,268) | - | (2,266) | (2,917) | (362) | - | 7,185 | 2,628 | - |
| **31 March 2015** | (344,099) | (65) | (11,585) | (103,565) | (5,186) | (97) | (14,090) | (4,545) | (483,232) |
| **Accumulated depreciation** | | | | | | | | | |
| 1 April 2014 | (140,559) | (575) | - | (17,184) | - | (837) | - | - | (159,155) |
| Charge in the year | (12,330) | (104) | - | (2,855) | - | (63) | - | - | (15,352) |
| Disposals | 4,000 | - | - | 240 | - | - | - | - | 4,240 |
| **31 March 2015** | (148,889) | (679) | - | (19,799) | - | (900) | - | - | (170,267) |
| **Valuation** | | | | | | | | | |
| **31 March 2015** | 709,774 | 10,500 | 5,027 | 188,451 | 3,041 | 2,130 | 53,425 | 9,862 | 982,210 |
| 31 March 2014 | 690,390 | 5,469 | 4,071 | 144,057 | 1,987 | 1,940 | 23,863 | 9,086 | 880,863 |

Depreciation charge in the year of £15,352k includes £1,473k of accelerated depreciation on replaced components (2014: £1,234k)

# 12. Housing properties at valuation *continued*

Residential properties were valued by Deloitte Real Estate, Chartered Surveyors, on the basis of Existing Use Value for Social Housing (EUV-SH), as at 31 March 2015. The basis of valuation assumes that the properties will continue to be owned by a registered provider of social housing, for letting at social rents, and will be managed in accordance with the Performance Standards published by the Homes and Communities Agency.

The valuation was undertaken in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards 2012.
In determining the valuation, the valuer made use of the discounted cash flow methodology. Assumptions were made concerning the key factors of: the level of future rents, tenant turnover rates, management and maintenance costs, bad debt and void levels, and future discount rates. The spread of discount rates used was from 6.25% to 7% depending on the scheme's location. The assumption applied in respect of rent increases is CPI + 1.0%.

The valuation provided by Deloitte Real Estate for the Group totalled £1,008,010k for completed properties (2014: £937,642k)

The values of completed developments moved into housing stock from housing under construction during the year included capitalised interest (rates applied during year: 4.28%) of £2,034k (2014: £972k).

## Works to existing properties

Expenditure on existing properties, other than on routine and planned maintenance, was as follows:

| | Group | | Association | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **£'000** | £'000 | **£'000** | £'000 |
| New components capitalised | 9,402 | 8,345 | 9,390 | 8,345 |
| Capitalised enhancements | 6,728 | 7,387 | 6,728 | 7,346 |
| Major works charged to income and expenditure account (Note 3) | 1,922 | 1,726 | 1,533 | 1,383 |


Liverpool stars packed holiday bags BEFORE 6-1 defeat at Stoke
GERRARD NETS A BRACE
Stokes will hit jackpot after Lord's glory
HARTLEY FEARS WORLD CUP BUTT BAN

## 12. Housing properties at valuation *continued*

| | Group | | |
|---|---|---|---|
| **Capital grants** | **Completed properties** | **Properties under construction** | **Total** |
| | **£'000** | **£'000** | **£'000** |
| **Social Housing Grant** | | | |
| 1 April 2014 | 374,382 | 12,293 | 386,675 |
| Receivable in year | - | 11,448 | 11,448 |
| Transfer from/(to) RCGF | (200) | 148 | (52) |
| Completed schemes | 8,416 | (8,416) | - |
| **At 31 March 2015** | 382,598 | 15,473 | 398,071 |
| **Other Grants** | | | |
| 1 April 2014 | 87,663 | 3,345 | 91,008 |
| Receivable in year | - | 1,214 | 1,214 |
| Completed schemes | 1,397 | (1,397) | - |
| **At 31 March 2015** | 89,060 | 3,162 | 92,222 |
| **Total** | | | |
| 1 April 2014 | 462,045 | 15,638 | 477,683 |
| Receivable in year | - | 12,662 | 12,662 |
| Transfer from/(to) RCGF | (200) | 148 | (52) |
| Completed schemes | 9,813 | (9,813) | - |
| **At 31 March 2015** | 471,658 | 18,635 | 490,293 |

# 12. Housing properties at valuation *continued*

| | Association | | |
|---|---|---|---|
| **Capital grants** | **Completed properties** | **Properties under construction** | **Total** |
| | **£'000** | **£'000** | **£'000** |
| **Social Housing Grant** | | | |
| 1 April 2014 | 367,321 | 12,293 | 379,614 |
| Receivable in year | - | 11,448 | 11,448 |
| Transfer from/(to) RCGF | (200) | 148 | (52) |
| Completed schemes | 8,416 | (8,416) | - |
| **At 31 March 2015** | 375,537 | 15,473 | 391,010 |
| **Other Grants** | | | |
| 1 April 2014 | 87,663 | 3,345 | 91,008 |
| Receivable in year | - | 1,214 | 1,214 |
| Completed schemes | 1,397 | (1,397) | - |
| **At 31 March 2015** | 89,060 | 3,162 | 92,222 |
| **Total** | | | |
| 1 April 2014 | 454,984 | 15,638 | 470,622 |
| Receivable in year | - | 12,662 | 12,662 |
| Transfer from/(to) RCGF | (200) | 148 | (52) |
| Completed schemes | 9,813 | (9,813) | - |
| **At 31 March 2015** | 464,597 | 18,635 | 483,232 |

The cumulative amount of Social Housing Grant credited to the income and expenditure account is £72k (2014: £72k), for both Group and Association.

## 13. Other fixed assets

| | Group | | | |
|---|---|---|---|---|
| | Freehold offices | Leasehold offices & improvements | IT & other equipment | Total |
| | £'000 | £'000 | £'000 | £'000 |
| **Cost** | | | | |
| At 1 April 2014 | 2,720 | 609 | 19,663 | 22,992 |
| Additions | - | 828 | 1,212 | 2,040 |
| Disposals | (2,720) | - | (534) | (3,254) |
| **At 31 March 2015** | - | 1,437 | 20,341 | 21,778 |
| **Depreciation** | | | | |
| At 1 April 2014 | (435) | (438) | (14,852) | (15,725) |
| Charge for the year | (41) | (132) | (2,264) | (2,437) |
| Disposals | 476 | - | 511 | 987 |
| **At 31 March 2015** | - | (570) | (16,605) | (17,175) |
| **Net book value at 31 March 2015** | - | 867 | 3,736 | 4,603 |
| Net book value at 31 March 2014 | 2,285 | 171 | 4,811 | 7,267 |

| | Association | | | |
|---|---|---|---|---|
| | Freehold offices | Leasehold offices & improvements | IT & other equipment | Total |
| | £'000 | £'000 | £'000 | £'000 |
| **Cost** | | | | |
| At 1 April 2014 | 2,720 | 609 | 19,100 | 22,429 |
| Additions | - | 828 | 1,212 | 2,040 |
| Disposals | (2,720) | - | - | (2,720) |
| **At 31 March 2015** | - | 1,437 | 20,312 | 21,749 |
| **Depreciation** | | | | |
| At 1 April 2014 | (435) | (438) | (14,333) | (15,206) |
| Charge for the year | (41) | (132) | (2,249) | (2,422) |
| Disposals | 476 | - | - | 476 |
| **At 31 March 2015** | - | (570) | (16,582) | (17,152) |
| **Net book value at 31 March 2015** | - | 867 | 3,730 | 4,597 |
| Net book value at 31 March 2014 | 2,285 | 171 | 4,767 | 7,223 |

## 14. Housing properties and stock for sale

| | Group & Association | |
|---|---|---|
| | **2015** | 2014 |
| | **£'000** | £'000 |
| Low Cost Home Ownership & Outright Sale properties available for sale | 4,617 | 2,068 |
| Low Cost Home Ownership & Outright Sale properties under construction | 11,186 | 7,830 |
| | 15,803 | 9,898 |

## 15. Debtors: amounts falling due after one year

| | Group | | Association | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Finance debtor | 117,576 | 114,791 | 6,413 | 6,550 |
| Amount owing from subsidiaries | - | - | 31,737 | 25,433 |
| | 117,576 | 114,791 | 38,150 | 31,983 |

## 16. Debtors: amounts falling due within one year

| | Group | | Association | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Rental debtors | 2,974 | 2,941 | 2,908 | 2,917 |
| Less provision for bad debts | (1,921) | (1,314) | (1,904) | (1,307) |
| | 1,053 | 1,627 | 1,004 | 1,610 |
| Trade debtors | 5,367 | 5,461 | 5,367 | 5,517 |
| Other debtors | 17,013 | 22,858 | 11,491 | 17,179 |
| SHG and other capital debtors | 2,204 | 1,046 | 2,204 | 1,046 |
| Amount owing from subsidiaries | - | - | 8,164 | 5,995 |
| | 25,637 | 30,992 | 28,230 | 31,347 |

## 17. Creditors: amounts falling due within one year

| | Group | | Association | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Housing loans | 7,810 | 8,757 | 3,962 | 4,654 |
| Obligations under finance leases | 60 | 55 | 60 | 55 |
| Trade creditors | 803 | 680 | 773 | 632 |
| SHG and other capital receipts in advance | 1,328 | 1,328 | 1,328 | 1,328 |
| Other creditors | 8,206 | 8,298 | 7,381 | 7,462 |
| Accruals and deferred income | 69,181 | 78,672 | 46,432 | 55,906 |
| Amount owing to subsidiaries | - | - | 6,347 | 6,533 |
| | 87,388 | 97,790 | 66,283 | 76,570 |

## 18. Creditors: amounts falling due after more than one year

| | Group | | Association | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **£'000** | £'000 | **£'000** | £'000 |
| **Loans** | | | | |
| Local authority residual loans | 170 | 170 | 170 | 170 |
| Government loans | 10,937 | 11,002 | 10,769 | 10,822 |
| Debenture stock | 14,000 | 14,000 | 14,000 | 14,000 |
| Bank loans | 449,572 | 391,663 | 312,100 | 248,700 |
| **Subtotal** | 474,679 | 416,835 | 337,039 | 273,692 |
| Debenture stock – premium on issue | 104 | 144 | 104 | 144 |
| Less: funding costs to be amortised | (2,630) | (2,265) | (1,068) | (629) |
| Less: amounts falling due within one year (Note 17) | (7,810) | (8,757) | (3,962) | (4,654) |
| **Total loans due after one year** | 464,343 | 405,957 | 332,113 | 268,553 |
| **Finance leases** | | | | |
| Finance leases | 2,315 | 2,370 | 2,315 | 2,370 |
| Less: amounts falling due within one year (Note 17) | (60) | (55) | (60) | (55) |
| **Total finance leases due after one year** | 2,255 | 2,315 | 2,255 | 2,315 |
| **Recycled Capital Grant Fund** | 1,066 | 1,011 | 1,066 | 1,011 |
| | 467,664 | 409,283 | 335,434 | 271,879 |

Details of obligations under finance leases can be found in Note 26.

Loans are secured by charges on the assets of the Association including specific charges on certain housing properties, totalling £500,345 (2014: £375,384). Repayment of loans within the PFI special purpose vehicles are secured through charges on the income of the underlying PFI contracts over their lifetime.

The weighted average interest rate is 4.28% (2014: 4.30%).

## 18. Creditors: amounts falling due after more than one year *continued*

| | Group | | Association | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **£'000** | £'000 | **£'000** | £'000 |
| **Loan stocks and bank loans** | | | | |
| Repayable as follows: | | | | |
| In one year or less | 7,810 | 8,757 | 3,962 | 4,654 |
| In more than one year and less than two years | 17,804 | 7,809 | 13,969 | 3,961 |
| In more than two years and less than five years | 44,174 | 39,815 | 31,456 | 27,350 |
| In five years or more | 404,891 | 360,454 | 287,652 | 237,727 |
| | 474,679 | 416,835 | 337,039 | 273,692 |

The Recycled Capital Grant Fund balance is made up as follows:

| | Group & Association | |
|---|---|---|
| | **2015** | 2014 |
| | **£'000** | £'000 |
| At 1 April | 1,011 | 1,175 |
| Transferred from creditors | - | - |
| Grants recycled | 200 | 209 |
| Transferred to fixed assets | (148) | (373) |
| Interest accrued | 3 | - |
| New build | - | - |
| **At 31 March** | 1,066 | 1,011 |
| Amount due for repayment to the HCA/GLA | - | - |

## 19. Share capital

| | **2015** **£** | 2014 £ |
|---|---|---|
| Allotted, issued and fully paid | 31 | 31 |

Each member of the Association holds a non-equity share of £1 in the Association.

The shares carry no right to dividends. The shares are cancelled on the resignation of members from the Association. The shares carry the right to vote at meetings of the Association on the basis of one share one vote. No rights to participate in the net assets of the Association in the event of a winding up are conferred by the shares.

## 20. Reserves

| | Group | | Association | |
|---|---|---|---|---|
| | General reserve | Revaluation reserve | General reserve | Revaluation reserve |
| | £'000 | £'000 | £'000 | £'000 |
| At 1 April 2014 | 107,620 | 573,373 | 105,189 | 549,703 |
| Surplus for the financial year | 16,331 | - | 15,476 | - |
| Revaluation of properties | - | 32,956 | - | 32,477 |
| Actuarial loss on pension scheme liabilities | (19) | - | (19) | - |
| Realisation of property revaluation surpluses of previous years | (150) | 150 | (150) | 150 |
| **At 31 March 2015** | 123,782 | 606,479 | 120,496 | 582,330 |

## 21. Reconciliation of operating surplus to net cash inflow from operating activities

| | **2015** | 2014 |
|---|---|---|
| | **£'000** | £'000 |
| **Operating surplus** | 28,841 | 18,175 |
| Depreciation | 18,946 | 18,168 |
| Profit on property sales included in operating surplus | (2,774) | (1,895) |
| Amortisation & impairment of goodwill | 2,695 | 5,470 |
| Pension schemes subject to FRS 17 | 8 | 3 |
| Decrease in trading debtors | 3,150 | 425 |
| Increase/(decrease) in trading creditors | (3,180) | 14,518 |
| **Net cash inflow from operating activities** | 47,686 | 54,864 |

## 22. Analysis of the changes in net debt

| | At 1 April 2014 | Cash Flows | Non-Cash Items | **At 31 March 2015** |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | **£'000** |
| Cash | 41,125 | (2,041) | - | 39,084 |
| Bank loans | (414,714) | (56,691) | (748) | (472,153) |
| Finance leases | (2,370) | 55 | - | (2,315) |
| Net debt | (375,959) | (58,677) | (748) | (435,384) |

## 23. Reconciliation of the movement in net debt

| | 2015 | 2014 |
|---|---|---|
| | £'000 | £'000 |
| (Decrease)/increase in cash & deposits in the period | (2,041) | 1,634 |
| Net decrease/(increase) in loans in the period | (56,691) | 13,566 |
| Decrease in finance lease liabilities in the period | 55 | 48 |
| **Changes in net debt resulting from cash flows** | (58,677) | 15,248 |
| Non-cash items affecting net debt | (748) | (308) |
| **Movement in net debt in the year** | (59,425) | 14,940 |
| Net debt at 1 April | (375,959) | (390,899) |
| **Net debt at 31 March** | (435,384) | (375,959) |

## 24. Housing accommodation

The number of units of accommodation at 31 march 2015 was:

| | Group | | Association | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| **Owned and managed** | | | | |
| Housing for older and specialist needs | 15,113 | 14,699 | 14,672 | 14,254 |
| General needs – Social Rent | 95 | 105 | 94 | 104 |
| Shared ownership | 761 | 578 | 761 | 578 |
| Staff accommodation | 259 | 273 | 259 | 273 |
| **Owned but managed by others** | | | | |
| Housing for older and specialist needs | 249 | 249 | 249 | 249 |
| General needs | - | - | - | - |
| **Managed for others** | | | | |
| Housing for older and specialist needs | 1,477 | 1,447 | 1,892 | 1,892 |
| General needs | - | - | 1 | 1 |
| Staff accommodation | - | 1 | - | 1 |
| **Leasehold** | | | | |
| Owned by tenants on Association land | 864 | 863 | 829 | 828 |
| **Total** | 18,818 | 18,215 | 18,757 | 18,180 |
| **Units in development** | | | | |
| For rent | 268 | 1,174 | 268 | 1,174 |
| For shared ownership | 91 | 511 | 91 | 511 |
| For outright sale | 10 | 25 | 10 | 25 |
| **Total** | 369 | 1,710 | 369 | 1,710 |

## 25. Capital commitments

| | Group & Association | |
|---|---|---|
| | **2015** | 2014 |
| | **£'000** | £'000 |
| Capital expenditure contracted but not provided for | 37,692 | 89,201 |
| Capital expenditure approved but not contracted for | 102,843 | 102,716 |

Capital expenditure contracted but not provided for represents the amount committed to development sites for which the Group has a contractual obligation. Capital expenditure approved but not contracted represents potential commitments to development schemes for which funding has been allocated, and forms part of the business plan approved by the Board. A formal investment appraisal is conducted on each development scheme before the Group enters a contractual obligation.

The Group has participated in the capital bid round with the Homes & Communities Agency for Social Housing Grants for the 2015-18 year period. In addition to this funding, the necessary borrowing facilities are in place to deliver the anticipated programme. The business plan also demonstrates the Group's ability to service its debts and repay long term loans as they fall due, which includes anticipated proceeds from LCHO and outright property sales.

## 26. Financial commitments

**Finance leases:**
The Association entered into two finance lease agreements, commencing January 1997, for groups of properties located in Bexhill and Felixstowe. These agreements are 35 years in duration and are full repairing and insuring leases, with an option for reversion during the 35th year.

Under the terms of the lease contract, the Association has an obligation to make rental payments increasing at a compound rate of 3.5% per annum over the 35 year lease duration.

Obligations due under the leases are payable as follows (excluding interest):

| | Group & Association | |
|---|---|---|
| | **2015** | 2014 |
| | **£'000** | £'000 |
| In one year or less | 60 | 55 |
| Between one and two years | 67 | 61 |
| Between two and five years | 253 | 226 |
| In five years or more | 1,935 | 2,027 |
| | 2,315 | 2,369 |

## 27. Commitments under operating leases

The Group and Association had annual commitments under operating leases as set out below:

| | Group | | Association | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **£'000** | £'000 | **£'000** | £'000 |
| **On land and buildings:** | | | | |
| In one year or less | 283 | 206 | 283 | 196 |
| In two – five years | 226 | 503 | 226 | 422 |
| In five or more years | 211 | 291 | 211 | 291 |
| | 720 | 1,000 | 720 | 909 |
| **On other assets:** | | | | |
| In one year or less | - | 38 | - | 38 |
| In two – five years | 36 | 10 | 36 | 10 |
| | 36 | 48 | 36 | 48 |

# 28. Pensions

Housing & Care 21 participates in a number of defined benefit and defined contribution schemes. At the balance sheet date, 3,632 (2014: 3,103) employees contributed to a defined contribution scheme with the majority of employees a member of the National Employment Savings Trust.

At the balance sheet date 215 (2014: 251) employees were members of a defined benefit scheme. All schemes' assets are held in separate funds administered by the Trustees of each scheme. All defined benefit schemes are closed to new entrants.

Further details of each scheme are provided below.

## Group Stakeholder Plan with Axa Sun Life

Following the closure of the SHPS defined benefit scheme to new members, employees have been offered the opportunity to join the Group Stakeholder Plan. The pension cost of this scheme for the Association was £305k (2014: £391k) with 136 employee members at the year end (2014: 192). This includes £0k (2014: £43k) outstanding contributions at the balance sheet date.

## Group Stakeholder Plan with Scottish Equitable

This is a defined contribution scheme. The pension cost of this scheme for the Association was £1k (2014: £7k) with 1 employee member at the year end (2014: 1). This includes £0k (2014: £0k) outstanding contributions at the balance sheet date.

## Prudential Group Savings Plan

This scheme has been closed to new members since 1997. The Prudential Group Savings Plan is a defined contribution scheme. The pension cost of this scheme for the Association was £22k (2014: £27k) with 8 employee members at the year end (2014: 9). This includes £0k (2013: £1k) outstanding contributions at the balance sheet date.

## National Employment Savings Trust

To meet the new requirements of auto enrolment in October 2013 all employees not part of one of the existing schemes were enrolled into the National Employment Savings Trust ('NEST'). This is a defined contribution scheme. The pension cost of this scheme for the Association was £274k (2014: £116k) with 3,044 employee members at the year end (2014: 2,663). This includes £53k (2014: £41k) outstanding contributions at the balance sheet date.

## Social Housing Pension Scheme – Defined Contribution (administered by The Pensions Trust)

Following the closure of the SHPS Defined Benefit structure to new members, employees have been offered the opportunity to join the SHPS Defined Contribution structure. The pension cost of this scheme for the Association in the year was £514k (2014: £419k) with 228 employee members at the year end (2014: 239).

## Social Housing Pension Scheme – Defined Benefit (administered by The Pensions Trust)

The Board decided to close the scheme to new employees at 30 June 2002 and to existing employees at 31 December 2002. From those dates employees have been offered the opportunity to join the group stakeholder pension plan or the SHPS defined contribution plan.

Housing & Care 21 accounts for less than 1% of the SHPS total membership.

The following disclosure has been provided by the administrators:

Housing & Care 21 participates in the Social Housing Pension Scheme (the Scheme). The scheme is funded and is contracted out of the State Pension scheme.

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

## 28. Pensions *continued*

The scheme operated a single benefit structure, final salary with a 1/60th accrual rate until 31 March 2007. From April 2007 three defined benefit structures have been 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
- CARE with a 1/80th accrual rate.

A defined contribution benefit structure was made available from 1 October 2010. A CARE structure with a 1/120th accrual rate was made available from 1 April 2013. This structure is contracted in to the State Second Pension scheme.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can operate one open defined benefit structure plus CARE 1/120th, plus the defined contribution benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

Housing & Care 21 has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members. This does not reflect any benefit structure changes made from April 2010.

The trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the scheme 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 to pay at least 50% of the total contribution no longer applies.

The actuarial valuation assesses whether the scheme'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 Housing & Care 21 paid contributions at the rate of 9.8%. Members' contributions varied between 5.8% and 10.0% depending on their age. The pension cost of this scheme for the Association in the year was £131k (2014: £191k) with 46 employee members at the year end (2014: 66).

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

The last formal valuation of the scheme was performed as at 30 September 2011 by a professionally qualified actuary using the Projected Unit Method. The market value of the scheme's assets at the valuation date was £2,062m. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035m, equivalent to a past service funding level of 67%.

## 28. Pensions *continued*

The scheme actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30 September 2014, the market value of the scheme's assets was £3,123m. There was a shortfall of assets compared with the value of liabilities of £1,323m, equivalent to a past service funding level of 70%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

| | **% pa** |
|---|---|
| • Valuation discount rates: | |
| Pre-retirement | 7.0 |
| Non pensioner post-retirement | 4.2 |
| Pensioner post-retirement | 4.2 |
| • Pensionable earnings growth | 2.5 per annum for 3 years, then 4.4 |
| • Price inflation | 2.9 |
| • Rate of 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 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% per annum for males and 1.25% per annum 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% per annum for males and 1.25% per annum for females.

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

| **Benefit structure** | **Long-term joint contribution rate** (% of pensionable salaries) |
|---|---|
| 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 |

## 28. Pensions *continued*

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 3% 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 assumption 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.

Housing & Care 21's deficit contributions toward the shortfall have been set at £695k per year from 1 April 2015. These deficit contributions are in addition to the long-term joint contribution rates as set out above.

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

Employers that have closed the scheme to new entrants, including Housing & Care 21, 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 the SHPS Scheme.

New employers that do not transfer any past service liabilities to the scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and new employers joining the scheme 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 the scheme after 1 April 2010 will be liable for past service 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 3 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).

## 28. Pensions *continued*

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

The debt for the scheme as a whole is calculated by comparing the liabilities for the scheme (calculated on a buy-out 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 scheme. 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 the scheme's liability attributable to employment with the leaving employer compared to the total amount of the scheme's liabilities (relating to employment with all the currently participating employers). 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 scheme liabilities, scheme 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.

Housing & Care 21 has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the scheme as at 30 September 2014. As of the date the estimated employer debt for Housing & Care 21 was £48,996k (2014: £41,210k).

The contributions outstanding at the balance sheet date for both the SHPS Defined Contribution and SHPS Defined Benefit schemes is £143k (2014: £153k).

### Local Authority Pension Schemes

Due to the TUPE transfer of staff, the Association participates in the following multi-employer defined benefit pension schemes:

#### *City of Westminster Pension Fund*

The City of Westminster scheme is a defined benefit scheme. However Housing & Care 21's liability in relation to its employees is capped at 12% and 17%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the accounting period Housing & Care 21 paid contributions at 17% (2014: 17%) totalling £5k (2014: £5k). This includes £nil (2014: £nil) outstanding contributions at the balance sheet date.

There was one employee member at the year end (2014: 1). Employee contributions were 6.5% (2014: 6.5%).

#### *Oldham Metropolitan Borough Council Pension Fund*

Oldham Metropolitan Borough Council scheme is a defined benefit scheme. However Housing & Care 21's liability in relation to its employees is capped at 20%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the financial year Housing & Care 21 paid contributions at 17.6% (2014: 17%) totalling £39k (2014: £36k). This includes £nil (2014: £4k) outstanding contributions at the balance sheet date.

There were 11 employee members at the year end (2014: 11). Employee contributions were between 5.5% and 6.5% (2014: 5.9% - 6.5%).

## 28. Pensions *continued*

### *Walsall Metropolitan Borough Council Pension Fund*

Walsall Metropolitan Borough Council scheme is a defined benefit scheme. However Housing & Care 21's liability in relation to its employees is capped at 14.7%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the financial year Housing & Care 21 paid contributions at 18.3% (2014: 15.3%) totalling £324k (2014: £327k). There were 11 employee members at the year end (2014: 129). This includes £nil (2014: £26k) outstanding contributions at the Balance Sheet date.

The 3.6% difference between Housing & Care 21's capped employer contributions (14.7%) and actual employer contributions (18.3%) is reclaimed from Walsall Metropolitan Borough Council.

Employee contributions were between 5.5% and 6.8% (2014: 5.5% - 6.8%).

### *Suffolk County Council Pension Scheme*

The Association is an admitted body to the Suffolk County Council Pension Scheme which is administered by Suffolk County Council. Suffolk County Council Scheme is a defined benefit scheme. However Housing & Care 21's liability in relation to its employees is capped at 20.8%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the financial year Housing & Care 21 paid contributions at 22.5% (2014: 19.5%) totalling £16k (2014: £18k). This includes £nil (2014: £1k) outstanding contributions at the balance sheet date.

There were six (2014: six) employee members at the year end. Employee contributions were between 5.5% and 5.8% (2014: 5.5% - 5.9%).

### *London Borough of Barnet Pension Scheme*

The Association is an admitted body to the London Borough of Barnet Pension Scheme which is administered by the London Borough of Barnet. The London Borough of Barnet Pension Scheme is a defined benefit scheme. However Housing & Care 21's liability in relation to its employees is capped at 9%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the accounting period Housing & Care 21 paid contributions at 22.5% (2014: 19.8%) totalling £123k (2014: £120k). This includes £nil (2014: £8k) outstanding contributions at the Balance Sheet date.

The 13.5% difference between Housing & Care 21's capped employer contributions (9%) and actual employer contributions (22.5%) is reclaimed from the London Borough of Barnet.

There were 32 (2014: 36) employee members at the year end. Employee contributions were between 5.5% and 5.8% (2014: 5.5% - 6.5%).

### *North Yorkshire Pension Fund*

The Association is an admitted body to the North Yorkshire County Council Pension Scheme which is administered by North Yorkshire County Council. North Yorkshire County Council Scheme is a defined benefit scheme. However Housing & Care 21's liability in relation to its employees is capped at 5%. The scheme is therefore accounted for as a defined contribution scheme in accordance with FRS 17 as the charge in the income and expenditure account represents the employer contribution payable.

During the financial year Housing & Care 21 paid contributions at 5% totalling £3k (2014: £nil). This includes £nil outstanding contributions at the balance sheet date.

There were six employee members at the year end (2014: nil). Employee contributions were 5.8%

## 28. Pensions *continued*

### *London Borough of Redbridge and Lewisham Pension Schemes*

The Association is an admitted body to Lewisham Pension Schemes (the Fund) which is administered by the London Borough of Lewisham under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme.

In 2014, Housing & Care 21 paid £115k to exit the London Borough of Redbridge Pension Scheme. By exiting the scheme, Housing & Care 21 are not liable to any future costs associated with this pension scheme. As a result, prior year comparatives also include the London Borough of Redbridge pension scheme.

The last formal valuation of the Funds was at 31 March 2013. Actuarial valuations have been prepared as at 31 March 2015 on behalf of Housing & Care 21 (the Employer). For this purpose the value of the Funds as at 31 March 2015 has been estimated based upon the latest split of investments by category which was at 31 December 2014. The value of the funds' liabilities as at 31 March 2015 were assessed by rolling forward the value of the employer's liabilities reported as at the latest valuation.

The main financial assumptions underlying the Lewisham valuations at 31 March are as follows (the figures prior to the current year are an average as disclosed across both London Borough of Redbridge and London Borough of Lewisham whereas the figures for 31 March 2015 are solely for London Borough of Lewisham):

| | **%pa** | %pa | %pa | %pa | %pa | %pa |
|---|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 2012 | 2011 | 2010 |
| Inflation rate | 3.1 | 5.8 | 5.0 | 2.5 | 3.3 | 3.8 |
| Discount rate | 3.1 | 4.1 | 4.5 | 4.8 | 5.5 | 5.5 |
| Expected rate of salary increases | 4.0 | 4.4 | 4.8 | 4.6 | 4.9 | 5.3 |
| Rate of pension increases | 2.2 | 2.6 | 2.8 | 2.5 | 3.3 | 3.8 |

### Mortality

Vita Curves with improvements in line with the CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% per annum. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

| | Males | Females |
|---|---|---|
| Current pensioners | 21.7 years | 24.0 years |
| Future pensioners | 24.4 years | 26.7 years |

### Investment returns

The average return on the funds in market value terms for the year to 31 March 2015 is estimated based on actual fund returns as provided by the Administering Authorities and index returns where necessary. Details are given below:

| | |
|---|---|
| Average actual return for period from 1 April 2014 to 31 December 2014 | 10.0% |
| Average estimated return for period from 1 April 2014 to 31 March 2015 | 16.1% |

## 28. Pensions *continued*

The average expected rates of return of each category of assets held by the funds for the ensuing year as at 31 March were as follows:

| | **%pa** | %pa | %pa | %pa | %pa | %pa |
|---|---|---|---|---|---|---|
| | **2015** | 2014 | 2013 | 2012 | 2011 | 2010 |
| Equities | 3.1 | 6.6 | 5.7 | 6.2 | 7.5 | 7.8 |
| Bonds | 3.1 | 3.5 | 3.3 | 3.9 | 4.9 | 5.0 |
| Property | 3.1 | 4.8 | 3.9 | 4.4 | 5.5 | 5.8 |
| Cash | 3.1 | 3.7 | 3.0 | 3.5 | 4.6 | 4.8 |

The combined values for each main category of assets held on behalf of Housing & Care 21 within the Funds as at 31 March were as follows*:

| | **2015** | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| | **£'000** | £'000 | £'000 | £'000 | £'000 | £'000 |
| Equities | 207 | 185 | 443 | 381 | 4,564 | 4,648 |
| Bonds | 55 | 49 | 178 | 175 | 2,775 | 1,664 |
| Property | 23 | 21 | 56 | 45 | 334 | 304 |
| Cash | 6 | 3 | 26 | 21 | 390 | 834 |
| | 291 | 258 | 703 | 622 | 8,063 | 7,450 |
| Estimated employer assets | 291 | 258 | 703 | 622 | 8,063 | 7,450 |
| The present value of scheme liabilities | (519) | (459) | (923) | (859) | (8,963) | (10,596) |
| Deficit related to Housing & Care 21 | (228) | (201) | (220) | (237) | (900) | (3,146) |

*The 2014 to 2010 disclosure includes the London Borough of Redbridge Pension Scheme and the 2010 to 2011 disclosures also include the London Borough of Barnet Pension Scheme. Housing & Care 21 exited the London Borough of Redbridge Pension Scheme in 2014 and the London Borough of Barnet Pension Scheme ceased to be treated as a defined benefit scheme in 2012 when a liability cap was put in place. It is now treated as a defined contribution scheme.

# 28. Pensions *continued*

## Reconciliation of defined benefit contributions:

| | **31 March 2015** | 31 March 2014 |
|---|---|---|
| | **£'000** | £'000 |
| Opening defined benefit obligation | 459 | 923 |
| Current service costs | 11 | 10 |
| Interest cost | 19 | 40 |
| Contributions by members | 2 | 2 |
| Actuarial losses | 45 | 48 |
| Losses on curtailments/(settlement) | - | (529) |
| Estimated benefits paid | (17) | (35) |
| **Closing defined benefit obligation** | 519 | 459 |

## Reconciliation of fair value of assets employed:

| | **31 March 2015** | 31 March 2014 |
|---|---|---|
| | **£'000** | £'000 |
| Opening fair value of assets employed | 258 | 703 |
| Expected return on assets | 15 | 34 |
| Contributions by members | 2 | 2 |
| Contributions by employers | 7 | 7 |
| Actuarial gains | 26 | 18 |
| Assets distributed on settlements | - | (471) |
| Benefits paid | (17) | (35) |
| **Closing fair value of assets employed** | 291 | 258 |

## Combined amounts for current and previous accounting periods:

| | **2015** | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| | **£'000** | £'000 | £'000 | £'000 | £'000 |
| Fair value of assets employed | 291 | 258 | 703 | 622 | 8,063 |
| Present value of defined benefit obligations | (519) | (459) | (923) | (859) | (8,963) |
| Deficit | (228) | (201) | (220) | (237) | (900) |
| Experience gains/(losses) on assets | 26 | (140) | 50 | (12) | (6) |
| Experience gains/(losses) on liabilities | 1 | 18 | 1 | (14) | 1,145 |
| Cumulative actuarial gains/(losses) | (51) | (17) | (61) | (57) | (586) |

## 28. Pensions *continued*

The pension costs of the Lewisham Pension Scheme to the Association for the year was £7k (2014: £1k). This includes £nil (2014: £nil) outstanding contributions at the balance sheet date.

There were two employee members at the end of the year (2014: two). The average contribution rate of the Association for the year ended 31 March 2015 was 21.5% (2014: 21.5%) and for employees 5.9% (2014: 5.9%).

### Analysis of actuarial gains and losses charged to the statement of total recognised surpluses and deficits

| | **Total 2015 £'000** | Total 2014 £'000 |
|---|---|---|
| Actuarial loss | 19 | 30 |
| Charged to the statement of recognised surpluses and deficits | 19 | 30 |

### Analysis of projected pension expense for the year to 31 March 2016

| | **Total 2015 £'000** | Total 2014 £'000 |
|---|---|---|
| Projected current service cost | 11 | 10 |
| Interest obligation | 16 | 19 |
| Expected return on plan assets | (9) | (15) |
| Total | 18 | 14 |

The estimated employer's contributions for the year to 31 March 2015 are £5k.

## 29. Investments and subsidiary undertakings

| | Group | Association |
|---|---|---|
| | £'000 | £'000 |
| **Cost** | | |
| At 1 April 2014 | - | 26,352 |
| Additions | - | - |
| Disposals | - | (750) |
| At 31 March 2015 | - | 25,602 |
| **Accumulated impairments** | | |
| At 1 April 2014 | - | (19,117) |
| Charge in the year | - | - |
| Disposals | - | - |
| At 31 March 2015 | - | (19,117) |
| **Net book value at 31 March 2015** | - | 6,485 |
| Net book value at 31 March 2014 | - | 7,235 |

## 29. Investments and subsidiary undertakings *continued*

The following comprise the subsidiary undertakings for incorporation into the consolidated accounts for the Group in accordance with the Co-operative and Community Benefit Society and Financial Reporting Standards.

The following companies traded during the financial year and were wholly owned subsidiaries of Housing & Care 21 as at 31 March 2015.

| Name and principal activity | Country of registration | Status | Basis of control |
|---|---|---|---|
| **Gharana Housing Association Limited** Provision of sheltered accommodation for the elderly | England and Wales | Co-operative and Community Benefit Society | Housing & Care 21 is a member and controls the composition of the Board |
| **Housing 21 Guernsey LBG** Development and management of housing properties and the provision of care services | Guernsey | Private company limited by guarantee | Housing & Care 21 Guernsey LBG is wholly under the control of Housing & Care 21 |
| **Kent Community Partnership Limited** Building and managing stock in Kent | England and Wales | Co-operative and Community Benefit Society | Housing & Care 21 is a member and controls the composition of the Board |
| **Oldham Retirement Housing Partnership Limited** Management of sheltered housing stock in Oldham | England and Wales | Co-operative and Community Benefit Society | Housing & Care 21 is a member and controls the composition of the Board |

The following companies were disposed of during the financial year:

| | | | |
|---|---|---|---|
| **First Call Community Systems Limited** Provision of domiciliary care | England and Wales | Private limited company | Housing & Care 21 was a member and controlled the composition of the Board until its disposal on 31 October 2014 |
| **Paediatric Nursing Limited** Supply of agency nursing staff to the NHS | England and Wales | Private limited company | Housing & Care 21 was a member and controlled the composition of the Board until its disposal on 30 November 2014 |
| **SureCare Community Services Limited** Supply and sale of franchises within the domiciliary care sector | England and Wales | Private limited company | Housing & Care 21 was a member and controlled the composition of the Board until its disposal on 31 October 2014 |

## 29. Investments and subsidiary undertakings *continued*

The following Companies are dormant:

| | | | |
|---|---|---|---|
| **Claimar Care Limited** | England and Wales | Private limited company | Housing & Care 21 is a member and controls the composition of the Board |
| **Claimar Care Group Limited** | England and Wales | Private limited company | Housing & Care 21 is a member and controls the composition of the Board |
| **Housing 21 Development Services Limited** | England and Wales | Private limited company | Housing & Care 21 is a member and controls the composition of the Board |
| **Housing 21 Property Services Limited** | England and Wales | Private limited company | Ownership of two £1 shares being 100% of the issued share capital |

The following Companies are dormant and awaiting to be struck off by Companies House:

| | | | |
|---|---|---|---|
| **Dementia Voice** | England and Wales | Private limited company by guarantee | Dementia Voice is wholly under the control of Housing & Care 21 |
| **Easley Health Limited** | England and Wales | Private limited company | Housing & Care 21 is a member and controls the composition of the Board |
| **Housing 21 Care Options Limited** | England and Wales | Private limited company | Ownership of 1,000 £1 shares being 100% of the issued share capital |
| **Housing 21 Trust Limited** | England and Wales | Private limited company by guarantee | Housing 21 Trust Limited is wholly under the control of Housing & Care 21 |
| **Primary Care Services Limited** | England and Wales | Private limited company | Housing & Care 21 is a member and controls the composition of the Board |
| **Practicare Limited** | England and Wales | Private limited company | Ownership of 100 £1 shares being 100% of the issued share capital |
| **Ravenscroft Homelink Limited** | England and Wales | Private limited company | Ownership of 100 £1 shares being 100% of the issued share capital |
| **Ravenscroft One Limited** | England and Wales | Private limited company | Ownership of 6 £1 shares being 100% of the issued share capital |

## 29. Investments and subsidiary undertakings *continued*

Housing & Care 21 Group consists of Housing & Care 21, a registered provider of social housing, and the subsidiary companies listed prior.

Housing & Care 21 provides a number of services to its subsidiaries. The services are recharged based on the actual or estimated use of Housing & Care 21's resources.

These services are apportioned as follows:

| | 2015 | | | | 2014 |
|---|---|---|---|---|---|
| | **Turnover** | **Operating costs** | **Interest payable** | **Total** | Total |
| | **£'000** | **£'000** | **£'000** | **£'000** | £'000 |
| War Memorial Village Derby | - | - | - | - | (4) |
| Kent Community Partnership | 2,013 | (444) | (767) | 802 | 756 |
| Housing & Care 21 Guernsey LBG | - | (232) | - | (232) | (226) |
| Oldham Retirement Housing Partnership | - | (3,137) | (423) | (3,560) | (3,439) |
| Claimar Care Group | - | - | - | - | (1,618) |
| Gharana Housing Association | - | (50) | (16) | (66) | (64) |
| **Total** | 2,013 | (3,863) | (1,206) | (3,056) | (4,595) |

## 30. Goodwill

On 28 February 2007 the Association acquired the leasehold management business of 17 housing schemes from James Butcher Housing Association for £3m. An intangible asset, goodwill, has arisen on the difference between the price paid for the business and the fair value of the net assets and is being amortised over 20 years in accordance with FRS 10. The goodwill amortised in the year was £153k (2014: £153k).

On 18 July 2007 the Association acquired JBK Social Care Limited, a specialist care company based in Westminster for £400k. An intangible asset, goodwill, has arisen on the difference between the price paid for the business and the fair value of the net assets and is being amortised over five years. The goodwill was fully amortised in 2012/13.

On 28 September 2009 the Association acquired Claimar Care Group PLC for £20,624k. An intangible asset, goodwill, has arisen on the difference between the price paid for the business and the fair value of the net assets and is being amortised over 10 years. The goodwill amortised in the year for the Group was £1,866k (2014: £3,205k), and for the Association £1,534k (2014: £1,534k). The amortisation charge within the Association has arisen following the hive up of Claimar Care Limited on 31 March 2011.

On 30 September 2010 SureCare Community Services Limited acquired Easley Health Limited for £758k. An intangible asset, goodwill, has arisen on the difference between the price paid for the business and the fair value of the net assets and is being amortised over 20 years. The goodwill amortised in the year was £nil (2014: £20k).

On 31 March 2011 the Group acquired Gharana Housing Association Limited for nil consideration. The £1.1m negative goodwill that arose was taken to the General Reserve.

On 14 January 2014 the Group disposed of Complete Care Holdings Limited which resulted in a goodwill write off totalling £7,857k.

The disposal of SureCare Community Services Limited, First Call Community Services Limited and Paediatric Nursing Limited (see note 5) in 2015 has resulted in a goodwill disposal of £3,591k. The goodwill balance relating to these companies had been fully impaired as at 31 March 2014 so there was no additional charge to the income and expenditure statement as a result of this disposal.

## 30. Goodwill *continued*

At the balance sheet date the residual Group and Association goodwill balance is £10,042k and relates to the care business (£8,359k) and JBK Social Care Limited (£1,683k).

| | Group | | Association | |
|---|---|---|---|---|
| | **2015** | 2014 | **2015** | 2014 |
| | **£'000** | £'000 | **£'000** | £'000 |
| **Cost** | | | | |
| At 1 April | 25,506 | 39,169 | 17,967 | 17,967 |
| Purchased in the year | - | - | - | - |
| Disposed | (3,591) | (13,663) | - | - |
| At 31 March | 21,915 | 25,506 | 17,967 | 17,967 |
| **Accumulated amortisation and impairments** | | | | |
| At 1 April | (13,447) | (13,783) | (6,239) | (4,553) |
| Amortised during the year | (2,017) | (3,378) | (1,686) | (1,686) |
| Impairments | - | (2,092) | - | - |
| Disposed | 3,591 | 5,806 | - | - |
| At 31 March | (11,873) | (13,447) | 7,925 | (6,239) |
| **Total 31 March** | 10,042 | 12,059 | 10,042 | 11,728 |

## 31. Legislative provisions

The Association is incorporated under the Co-operative and Communities Benefit Societies Act 2014 (Registered number 16791R) and is registered under the Housing and Regeneration Act 2008 (Number L0055).

## 32. Related party transactions

No related party transactions have been entered into during the year, other than those disclosed in the Financial Statements, which might reasonably affect any decision made by the users of these Consolidated Financial Statements.

## 33. Post-balance sheet events

In the Government's budget statement of 8 July 2015, the Government stated its intention to mandate:

- a reduction in social housing rents (including affordable rents and social rents) by 1% each year for the next four years, from April 2016
- tenants living in social housing and earning more than £30,000pa (£40,000pa in London) will be required to pay market rent

This event occurred after the balance sheet date and does not provide additional information about, nor represent a change in, conditions that existed at that date. Therefore, in accordance with Financial Reporting Standard 21 "Events after the balance sheet date", the Government's budget statement is a non-adjusting post balance sheet event. The financial statements do not reflect the possible financial consequences of the matters described below.

The Group carries its housing properties at valuation. This valuation is determined as the Existing Use Value – Social Housing (EUV-SH). EUV-SH takes into account that the Group has committed to use the housing assets for social housing purposes and so represents a lower value than would be applied to comparable housing in the private sector. Overall it is expected that Government's intentions to reduce rent by 1% per annum will lead to a decrease in the value of the housing assets and will have an impact on the Group's revaluation reserve, however, until further details of the intentions are made available the Group has been unable to determine the specific details of the financial impact.

Co-operative and Community Benefit Society: 16791R
Home and Communities Agency registered number L0055

If you need any information in a different format, for example large print, Braille, audio tape/CD or another language, please contact our External Communications team.

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