



Financial Statements **2015/16**





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Chairman and Chief Executive's statement

2015/16 has been a year of further improvement and looking to the future for Housing & Care 21.



Achievements

In May 2015 the Homes and Communities Agency, our principal regulator, assessed that the governance and viability of Housing & Care 21 was at the top level. This judgement was reconfirmed a year on.

We have delivered financial results ahead of budget and we are proud of the progress and achievements that have been made over the past year.

- The move to the business divisions and formation of new management teams has helped give greater clarity and focus to each of our services of Retirement Housing, Extra Care and Home Care.
- We successfully commissioned and brought into operation the unprecedented number of 1,131 new Extra Care properties that were developed in the previous financial year as well as a further 256 in 2015/16. We have used the experience to review designs and specifications to ensure that future developments will be even better.
- Attention has been given to developing the role of court and registered managers, who provide vital front line leadership and are critical to the success of our services.
- Our properties have been subject to a rigorous assessment process to help us plan and prioritise reinvestment requirements and ensure that they will meet the demands and expectations of future generations of older people.

- We have devolved choice and control to our residents and actively engaged and involved them in making decisions. A new locally commissioned and controlled repairs service has not only resulted in greater accountability and oversight, but has also produced a saving of over £1m.
- The rectification works for the Oldham PFI project were successfully completed in early May 2016, significantly ahead of schedule.
- Achievement of Investors in People Silver recognised the progress that has been made in staff engagement and development, whilst acknowledging that there is still more we can and will do to support people to achieve their full potential.
- We have developed and maintained a growing number of partnerships, including working on exciting projects with the Alzheimer's Society, Mental Health Foundation, the King's Fund and the University of Birmingham. We worked with the charity Hand on Heart to put life saving defibrillators in all our 116 Extra Care courts as well as 10 local schools. Residents and staff also raised funds for and supported numerous local charities, including £75,000 for Macmillan.

Challenges

2015/16 was a year when we faced a number of new external challenges.

- The announcement in the July 2015 Budget of a series of one percent reductions in housing association rents, whilst delayed for supported housing for one year, could potentially impact us from April 2017. However, further announcements are expected.
- The introduction of the National Living Wage, which although welcomed could have a significant impact on the viability of many care services.
- A Right to Buy arrangement for housing associations, which is still uncertain in its applicability and suitability for Retirement Housing and Extra Care properties.
- A shift in funding priorities away from rent towards ownership and the prospect of change in the regulatory landscape.
- The decision that future housing association tenants claiming benefits should be subject to the Local Housing Allowance Cap (LHA). This could potentially have a devastating impact on Housing & Care 21's services and ability to provide the support and living environments needed by older people of modest means, with the result that they may be required to seek more expensive and less appropriate alternatives. We are hopeful that the government will recognise this and we are working to suggest more suitable and sustainable alternative arrangements.



Lord Ben Stoneham
Chairman



Bruce Moore
Chief Executive

Strategy

The Board and management of Housing & Care 21 recognised that we needed to respond positively to these challenges and use the potential we have as an organisation to do more, drive improvement and set new standards. Although we considered the option of merging with Sanctuary Housing Group we were not convinced that the commitments made would be fulfilled and concluded that the interests of older people of modest means would be better served by Housing & Care 21 remaining independent. We therefore committed to pursuing an ambitious strategy for each of our services.

Retirement Housing

Investing in properties to improve standards

In order to ensure that our Retirement Housing continues to provide a comfortable and attractive place to live, we will invest £27m each year for the next five years in developing and proactively managing our properties. This involves considering the options for the limited number of courts identified by business plans as having uncertain prospects and investing significantly in the rest to achieve sector leading standards for renewal and energy efficiency.

Demonstrating the quality and value of the local service offer

Court managers are crucial to ensuring that Retirement Housing can provide a locally accountable and supportive service that reflects the choices and demands of residents. We will invest in and develop the role of court managers to ensure that this is a service that residents value and to help facilitate local choice and control.

Devolving services to achieve service improvements and efficiencies

Many of our existing processes and ways of working are inefficient and cumbersome to manage. We need to improve our systems and ways of working in order to drive efficiency and ensure the delivery of professional and responsive services.

Developing new and innovative Retirement Housing properties

The aim is to develop 210 new Retirement Housing properties over the next five years that are innovative, set new standards of design and present Retirement Housing as a positive choice for older people.



Chairman and Chief Executive's statement



Extra Care

Define the Housing & Care 21 Extra Care offer

Housing & Care 21 is the largest provider of Extra Care services, but this is still a relatively underappreciated and poorly understood service, and one that many people do not distinguish from more traditional retirement housing and residential care models. We have therefore been working with Associated Retirement Community Operators (ARCO) to promote and set quality standards for Extra Care, as well as to demonstrate the distinctiveness and the benefits, value and cost effectiveness of Housing & Care 21's particular service model.

Standardise management models and systems

We will demonstrate the value and benefits that can be achieved from integrating and coordinating the management of housing and care services in Extra Care, as well as standardising and developing systems to improve the efficiency and effectiveness of service operations.

Develop or acquire 2,100 Extra Care properties by 2021

Despite the challenges and uncertainty around future funding, Housing & Care 21 is committed to continuing to develop new Extra Care properties and take on the management of existing courts from other providers for whom this is not a specialism. An ambitious target has been set of developing 2,100 new properties by 2021 and 400 per annum thereafter. Of these, as high a proportion as possible will be available for affordable rent to older people of modest means.

Enhance and assure the quality of the Extra Care service

Quality is of fundamental importance to Housing & Care 21 and a commitment has been made to ensure that all our care services in Extra Care are rated as at least 'Good' by the Care Quality Commission (CQC).

Home Care

Because of the challenges of providing an assured and quality Home Care service in the current commissioning and operating environment, questions have been raised about whether this is a service area in which Housing & Care 21 should continue to operate.

Action has been taken to consolidate this service into four main geographical areas (North West, Yorkshire, Midlands and London) and to dispose of or close services in other areas. Management of the Home Care service has also been strengthened and focused on achieving three quality targets of:

- At least 90% of services rated as 'Good' or 'Outstanding' by CQC standards
- Staff turnover to below 30%
- Customer satisfaction levels of at least 90%

Leading

Housing & Care 21 is very fortunate to have a strong Board and Executive Team who have shown a strength of purpose and commitment to providing contemporary care and housing services and solutions to address the needs of older people of modest means.

We would also like to thank all of our staff for their hard work and contributions to the progress and achievements that Housing & Care 21 have made during the year.

21, Better, Experience

Housing & Care 21 has consistently used the principles '21', 'Better' and 'Experience' to inform our thinking and actions. These also link to our desire to be a leading organisation.

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Housing & Care 21's ambition is to be a leading organisation in terms of its service quality, innovation and influence on the best way to respond positively to the changing needs and circumstances of older people.

Better

Housing & Care 21 should set leading standards in terms of its efficiency, quality and performance as an organisation.

Experience

Housing & Care 21 seeks to be resident-led in its appreciation of older people's needs and expectations.



Report of the Board



Organisational and governance structure

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.

In order to meet this purpose:

- Housing & Care 21 own and manage 19,499 properties
- We have 11,625 Retirement Housing properties for social rent and 737 leasehold properties in England, covering 42 local authorities
- We are the largest provider of Extra Care housing in England, with 143 schemes representing 5,701 properties (which includes properties under the Walsall PPP and Kent PFI contract), which also provide 45,200 care hours a week
- We provide more than 34,000 hours of Home Care each week into people's own homes
- We manage 1,436 properties for other organisations, predominantly for Oldham Council
- We have continued to develop new Extra Housing for older people, with 256 (2015: 1,131) new units completed in 2015/16
- We are promoting dementia awareness and have five specialist dementia units. We have over 2,800 staff members who are Dementia Friends
- We 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.

Group structure and active companies as at 31 March 2016

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 (FCA) and regulated by the Homes and Communities Agency (HCA). Its constitution is contained in its Rule Book.

The Group's main subsidiaries are as follows:

H21 Guernsey LBG (H21G) is a private company limited by guarantee and incorporated under and subject to the law of the State of Guernsey. The purpose of this subsidiary is the management of a scheme for and on behalf of the State 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 year, Gharana Housing Association Limited (GHAL) was divested to another registered provider.



Report of the Board

Our Board membership

We are committed to maintaining high standards of organisational governance, as set by the Board. The commitment and contribution from the Board has enabled the organisation to continue to achieve robust governance at the highest level.

During the year, there was one change to the Board. After nine years on the Board, Matthew Harker stepped down as his period of maximum tenure came to an end. We take this opportunity to thank Matthew for his significant contribution over this time.

Board and committee members

The Board of Housing & Care 21 exercises control and formulates strategy, both directly and through delegation to its committees. The role and detailed responsibilities of the Board, including those which cannot be delegated, are set out in the Governance Handbook which is aligned to the National Housing Federation (NHF) Code of Governance.

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 (resigned 30 September 2015)	3 out of 3
Stephen Hughes	Member	31 January 2014	6 out of 6
Richard Humphries	Member	21 October 2009	4 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

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	Attendance
Sanaya Robinson (Chair)	4 out of 4
Stephen Hughes	2 out of 4
Ken Jeffries	3 out of 4
Michael Knott	4 out of 4
Jenny Owen CBE	3 out of 4

Governance Committee	Attendance
Richard Humphries (Chair)	2 out of 2
Simon Fanshawe OBE	2 out of 2
Ken Jeffries	2 out of 2
Jenny Owen CBE	2 out of 2
Liz Potter	2 out of 2
Sanaya Robinson	2 out of 2

Lord Ben Stoneham is invited to attend the Audit and Risk Management Committee and Governance Committee but is not a member of these committees.

Membership of other Boards in the Group structure is as follows:

Oldham Retirement Housing Partnership	Attendance
Stephen Hughes (Chair)	3 out of 3
Lord Ben Stoneham	3 out of 3
Jenny Owen CBE	3 out of 3
Liz Potter	3 out of 3
Bruce Moore	3 out of 3
Paul Weston	3 out of 3

Kent Community Partnership	Attendance
Michael Knott (Chair)	3 out of 3
Kathleen Boyle	3 out of 3
Liz Potter	3 out of 3
Matthew Harker (to 30 September 2015)	2 out of 2
Bruce Moore	3 out of 3
Paul Weston	2 out of 3

H21 Guernsey LBG	Attendance
Kathleen Boyle (Chair)	3 out of 3
Michael Knott	3 out of 3
Simon Fanshawe	2 out of 3
Richard Humphries	1 out of 3
Bruce Moore	3 out of 3
Paul Weston	2 out of 3

Report of the Board

Board member experience



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 NHF, 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.



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 and 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 also a non-executive director of Wye Valley NHS Trust.



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 as 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 founded Caring and Support Today Limited, an organisation dedicated to 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 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 Association of Directors of Adult Social Services (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 HCA. As Director of Policy at the 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 and a Board member of Care and Repair England.



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 committee issues. She has worked for FTSE 100 plcs and as interim finance director of a housing association. Sanaya's experience includes another Registered Provider and serving as Audit Committee Chair at a building society.



Report of the Board

Executives



Bruce Moore
Chief Executive



Paul Weston
Chief Financial Officer



Tony Tench
Chief Operations Officer

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	Corporate Banking, Level 28, 1 Churchill Place, 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
	Trowers and Hamlins LLP	3 Bunhill Row, London EC1Y 8YZ

Secretary

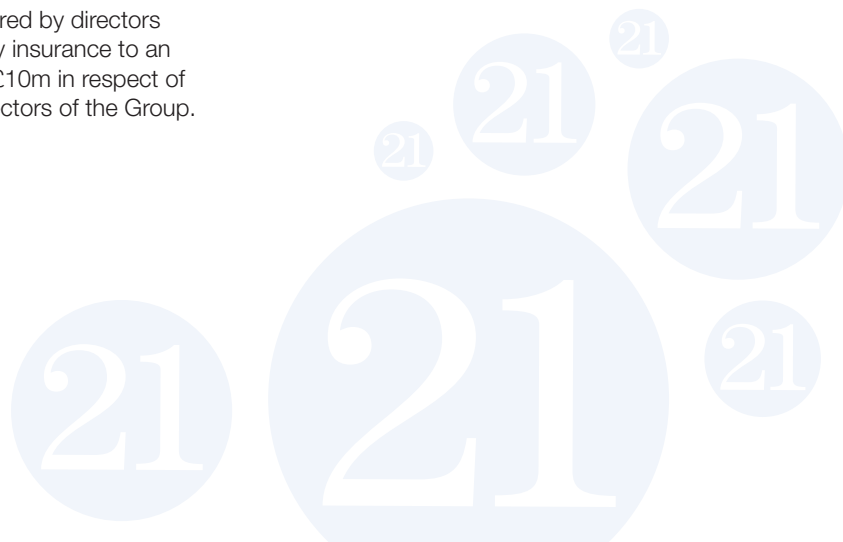
Paul Hutton
Head of Legal Services and
Company Secretary

Registration

Housing & Care 21 is incorporated under the Co-operative and Community Benefit Societies Act 2014 (Registered number 16791R) and registered under the Housing and Regeneration Act 2008 (Number L0055). Housing & Care 21 is an exempt charity. Housing & Care 21's registered office is Tricorn House, 51-53 Hagley Road, Edgbaston, Birmingham B16 8TP.

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.





Report of the Board

Corporate governance report

Board members' responsibilities (continued)

The responsibilities and expectations of Board members are documented in Board member contracts and are further outlined in the Governance Handbook. 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 annual budget for the Group 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 National Housing Federation (NHF) 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

In order to discharge these formal duties, the Board met formally six times during 2015/16, held telephone meetings to discuss specific individual matters and held an away day session.

The Board made key decisions in relation to organisational strategy and change and the management of risk, including development and investment activities, divesting of specific care contracts, operational performance including care quality, resourcing, and systems and structures.

In addition, the Board received information on and discussed issues which arose in the wider social, political and economic environment and care and housing sectors, which included general regulatory and legislative changes, and developments and lessons learnt from other organisations. The Board debated the impact of the May 2015 Government Budget and September 2015 Comprehensive Spending Review, receiving a number of updates to its financial forecasts as a result, with the forecasts being stress tested with a variety of scenarios. Housing & Care 21 is represented on working parties to raise concerns to government over the proposals to implement the LHA cap in the supported housing sector.

Formal reports confirming how Housing & Care 21 meets the HCA's regulatory standards on governance and viability, value for money, rent and consumer standards have been considered by the Board along with changes to the accounting standards. As changes to the regulatory framework occurred at the start of the year, assurance was extended to reviewing compliance with aspects of law and the development of the assets and liabilities register. The Board also considered the alternative accounting policy options under implementing Financial Reporting Standard 102 (FRS 102), and approved the revised accounting policies in this area.

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, visited other providers' properties, 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. A formal assessment of Board effectiveness was carried out by consultants Campbell Tickell. The assessment concluded that the Board was effective and discharged its governance duties robustly. The report noted that 'there is a strong level of depth and diversity in the Board, and a threshold of proficiency and competence across the Board team. In our experience of the sector, this is remarkable, and the organisation can pride itself on a Board that is able to lead and direct'.

Individual members are appraised by the Chair. The Chair is appraised by the Chair of the Governance Committee. As a result of the reviews, there were some areas of development which included:

- Reviewing Board succession planning
- Reviewing the role of the Governance Committee
- Reviewing the formal constitution of the management led Treasury Group
- Developing further linkages across risk appetite, scenario planning, stress testing and KPI reporting

In addition to this independent assessment, an assessment of compliance with the NHF Code of Governance was carried out by Internal Audit. The Audit and Risk Management Committee also undertook an assessment of its own effectiveness. The results of these assessments are considered by the Governance Committee along with reviews of Board skills, appraisals, and succession.

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 and are in line with sector averages.

As a result of the above activities and those included in this Report of the Board, the Board is able to confirm, to the best of its knowledge, compliance with its adopted code of governance (NHF Code), the regulatory requirements as established by the HCA including compliance with all aspects of law.



Report of the Board



Board members' responsibilities (continued)

Board members are responsible for preparing the Report of the Board and the Financial Statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the Board members to prepare Financial Statements for each financial year in accordance with United Kingdom generally accepted accounting practice (United Kingdom accounting standards and applicable law).

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 housing providers (2014) 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 and Association will continue in business

Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that the Financial Statements comply with 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 2015. They are also responsible for safeguarding the assets of the Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the Report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

Financial Statements are published on the Association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Association's website is the responsibility of the Board. Board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

All of the current directors have taken all the steps necessary 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 NHF's Code of Governance as its Governance Framework. During the year ended 31 March 2016, 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 strategic clarity of the Group and the internal control environment overall. There is noticeable evidence that the strategic risk profile has greater consideration of external environment impacts. The Group has also reduced its risk profile in core areas of governance and viability with management controls and assurances in place to demonstrate improvements. The move to three clear business streams has resulted in a stronger culture of accountability and assurance and greater transparency. The Board acknowledges that there are some specific areas where risk mitigation and controls need further development to manage risks within target levels (in line with their adopted risk appetite).

Housing & Care 21 retained its top rating in respect of the HCA's regulatory judgements on governance and financial viability (G1 and V1). The Board continues to be committed to ensuring that it maintains the highest ratings and to also be an exemplar of good practice.

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; implementation of recommendations; the external audit strategy and outcomes; the Group's Financial Statements; external and regulatory developments; health and safety and insurance.

Report of the Board

Audit and Risk Management Committee (continued)

The committee assessed itself as effective in meeting its obligations in the year as set out in its terms of reference.

Core objective:	Met by:
Effectiveness of internal control and risk	<ul style="list-style-type: none"> Approval of risk management policy Review and challenge of risk profile Review of organisational risk maturity Review of progress with risk control actions Receipt of additional assurance over key risks from senior managers Escalation of significant risks to the Board, which in the year included CQC compliance, cyber risk, Home Care staff retention and the proposed LHA cap Consideration of internal controls assurance and compliance with regulatory requirements
Effectiveness of internal audit	<ul style="list-style-type: none"> Approval of audit plan and scope Review of audit delivery and outcomes Review of follow up/implementation or recommendations by management Review of Head of Internal Audit and Risk annual opinion Review of effectiveness of service
Effectiveness of external audit	<ul style="list-style-type: none"> Approval of audit plan and scope Review of independence and fee and approval of non audit work Review and follow up of findings and misstatements Review of effectiveness of service
Integrity of financial reporting	<ul style="list-style-type: none"> Review of principal accounting policies, new accounting policies for FRS 102 were approved by the Board Review of application of changes arising from FRS 102/SORP Review of Strategic Report and Financial Statements Assessing completeness of disclosures Recommendations to the Board on going concern
Effectiveness of anti-fraud and whistleblowing	<ul style="list-style-type: none"> Approval of policy Review and challenge of fraud risk profile Review of progress with risk control actions Review of register of fraud

In reviewing the control environment of the Group, the Audit and Risk Management Committee and the Board are 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 auditors, 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 the Board however recognises that it cannot be complacent in the further progress achieved during 2015/16 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 elsewhere in this report.

Governance Committee

The Group's Governance Committee's responsibilities include reviewing compliance with good governance principles along with reviewing and approving nominations and remuneration. As a result of the independent review of governance in the year the committee reconfirmed its objectives and noted the further development required in respect of Board succession planning linked to documented skills audits.

The committee has met its core objectives during the year.

Core objective:	Met by:
Effective Board governance	<ul style="list-style-type: none"> Review and approval of Governance Handbook Review of compliance with governance standards Commissioning of governance review Consideration of governance review outcomes and actions
Review and approval of nominations	<ul style="list-style-type: none"> Reviewing and assessing the appropriateness of the structure, size, composition, skills, knowledge and experience of the Board Reviewing Board members appraisal processes Consideration of succession planning
Review of remuneration	Determining and agreeing with the Board the policy for the remuneration of the Chair and non-executive directors and also for the Chief Executive



Report of the Board

Core elements of Housing & Care 21's Internal Control and Assurance Framework

Risk management

The management of risk is acknowledged as being fundamentally important to Housing & Care 21. The Board as a whole, including the Audit and Risk Management Committee members, consider the nature and extent of the risk management framework to be effective. The risk profile overall is considered acceptable to the achievement of organisational objectives. However, there are a limited number of individual risks which require further management attention for them to be considered within the Board's risk appetite.

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 the Board. The Group has a well-developed risk management strategy and framework in place, which includes:

- The process by which we identify and manage risks and opportunities, which sets out responsibilities for the Board, Executive Directors and Senior Management Team
- Risk appetite levels for each risk category and the organisation overall
- Documentation of risk maps, with controls and actions needed to manage the risks
- Additional consideration of risks in the context of the changing external environment through horizon scanning

The risk framework was last externally assessed in 2014/15, and considered as being effective and reflective of good practice. Since this time, there has been further development of the framework to include the documentation of risk appetite, risk triggers, and assurance gained from performance reporting.

The risk management process begins with each function and business stream identifying risks. The risks are assessed taking into account the potential impact and likelihood of the risk occurring and key mitigations in place. The level of current mitigation is reviewed against the Board's risk appetite to determine whether further mitigation is required.

The most significant risks from each function and business stream are reviewed as part of the corporate risk review which takes place quarterly. Each risk area has mitigating controls, policies and procedures and action plans, the aim being to reduce all risks to the level of the Board's stated risk appetite wherever possible. The Group formally reviews progress in implementing risk mitigation plans and also completes horizon scanning for new risks. The risks are reviewed in detail by the Head of Internal Audit and Risk, Senior Management Team and Executive. The Corporate Risk Register is considered by the Audit and Risk Management Committee at each meeting, and at least twice a year, by the Board. For areas of significant risk and for risks where there has been limited improvement, the Audit and Risk Management Committee requires separate reporting, which is also escalated to the Board for further review if necessary.

The principal risks facing Housing & Care 21 are similar to those facing the sector as a whole and influenced by external factors such as government policy. There are some specific areas where, by nature of its focus on older persons, the Group has been shielded from certain impacts of welfare reform.

However, we remain vigilant and build in contingency and efficiency improvements to our plans to allow for the more challenging environment. Our business plan is rigorously stress-tested, and shows considerable headroom.

The key risk areas and controls that we consider fall into the following broad headings:

- 1) Governance, including external environment, reputation and regulatory changes
- 2) Internal effectiveness – strategy development for each of the business streams, IT systems and processes, change management, internal control environment, financial viability including budgetary control and treasury management
- 3) Customer facing – demand for services, properties and care quality
- 4) Staff – recruitment and retention

Whilst we have made considerable progress in addressing risks and have effective mitigation in place for most risks, there are a limited number of areas where we need to do more work. These are: deriving further efficiencies from IT applications and change management projects, and achieving consistent high care quality and staff retention in Home Care. We are mindful of and working hard to mitigate against the external risk of the potential for a LHA cap.

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

- Internal audit using a risk based approach to the audit programme, based on risk maps, inherent risks, and outcomes of performance reports
- Investment and Resources Group 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 Programme 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 through the year. The statements identify risks and areas of concern from an individual operational perspective, and provide information on how risks identified are being managed. A summary of the statements is provided to the Audit and Risk Management Committee and the Board to enable them to triangulate both performance and assurance information.

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

In light of changes in the regulatory requirements, at the start of the year the assurance statements were extended to include compliance with key aspects of law and specific responsibilities relating to organisational assets and liabilities.

Positive assurance was provided as part of this assurance process over risk, compliance with law and regulation, with no elements of non-compliance raised. As a result, the Board takes assurance from this process.

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 also delivers 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 CQC. The function operates independently of management and has no operational responsibility other than for anti-fraud, whistleblowing and business continuity.

An annual assessment of the effectiveness of the internal audit function is carried out. In 2015/16 the internal assessment included a review of compliance with internal audit standards and considered formal feedback from stakeholders (both staff and Audit and Risk Management Committee Members). The internal audit function was found to be effective in delivering robust assurance.

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 2015/16, 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 and others requiring further strengthening and attention.

The progress and outcomes of internal audit work is reported to the Executive, Senior Management team and Audit and Risk Management Committee. This includes reporting on implementation of recommendations. During the year, management implemented 90% of recommendations which were due to be implemented, the outstanding actions have been confirmed by management as being progressed. There has been a year on year improvement in implementing recommendations arising from audit work.

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 have been a small number of internal audit outcomes reported as providing limited assurance, these have related to areas which overall are not material to achieving organisational aims and objectives. There has been specific follow up for each area. Management has 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.

Report of the Board

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 the 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. It 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 where practicable. In addition, those frauds which were considered to be perpetrated externally were 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 developed mandatory training for all 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.

The Board considers the arrangements to be appropriate and effective for the size and nature of the organisation.

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 2015/16 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 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, to promote a health and safety culture, a Health and Safety Forum comprising staff and service users and resident representatives and chaired by the Chief Operating Officer is in place. 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 this size, nature and complexity 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 2015/16 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.

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.

Reporting of service quality takes place to the Executive, Audit and Risk Management Committee and the Board. During the year, CQC introduced more stringent standards. At the year end March 2016, 95% of Extra Care Services were compliant and 81% of Home Care services were compliant based on services inspected by CQC. Housing & Care 21's target is for 100% compliance.

Where services are deemed non-compliant, either by the CQC, local authority partners or internally, action plans to improve services are put into place and their implementation reviewed by management, along with further follow-up auditing. Additional resources in the form of quality and training managers and other support roles have been introduced in the year reflecting the ongoing commitment to ensuring the Group achieves the highest quality standards.

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 one stage process which was introduced in the year. Reporting on the nature of complaints, by region and by department, takes place to the executive team and the Board.

Although the new process continues to embed, early feedback suggests that the one stage process using the principles of responding right first time, improving customer outcomes and process efficiency is effective.

Staff engagement

The Group recognises that its staff are its most valuable asset in delivering services and implementing internal controls. Staff engagement processes and staff satisfaction are considered important and the organisation invests in this process in a variety of ways:

- Informing staff through a weekly staff newsletter and also regular news bulletins on the intranet
- Holding an annual staff conference at regional locations. For 2015/16 over 700 staff attended. The outcomes of which are collated and improvement plans developed
- Recognition of staff through an awards ceremony held at each staff conference. For 2015/16 over 300 nominations for awards were received
- Holding department conferences and regular team meetings
- Engaging with the wider leadership team twice a year to shape and develop the organisation's strategy
- Obtaining information on staff satisfaction through an annual survey
- Valuing individual performance through regular performance review and appraisal processes
- Providing opportunities for training and development through both mandatory and elective training
- Commitment to obtaining Investors In People Gold standard. We achieved a Silver in 2015/16, an improvement from Bronze the previous year
- Review and development of the reward strategy with implementation of the new reward strategy continuing into 2016/17

Report of the Board

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 ensuring 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

Customer involvement

The Board considers the views and perspectives of residents and customers when reviewing and improving services. During the year, resident involvement was further developed through Improvement Groups and Local Partner Shop, which allows for engagement with a wide group of customers with a targeted approach to involvement. During the year 96 customers were involved in Improvement Groups and shaped changes to asset management and local choices around stock improvement. 172 customers are available for consultation through the Partner Shop.

In addition to these groups, Housing & Care 21 ran nine customer conferences around the country to obtain feedback on services provided and to give our customers the opportunity to shape the organisation's future. A conference was also held for our leasehold customers. As part of these events we engaged with over 500 customers. These conferences provide valuable insights into the views and satisfaction of customers.

In the year we developed a Complaints Panel with customers involved in reviewing the type of complaints, responses and satisfaction levels, and making recommendations to improve current processes. Involvement of customers in service delivery is to be extended in the forthcoming year with the development of 'mystery shopping' to include customers.

By order of the Board,



Paul Hutton, Secretary
15 July 2016



Strategic Report

Overview of the year

The Group has continued to make progress both financially and operationally, and has delivered another strong performance in the year – demonstrating the sound financial footing that has enabled it to bring on stream the largest number of new completed properties (in any one year) in its history. The Group has delivered an operating surplus (before exceptional non-cash items) of £35m (2015: £26.9m), reflecting the impact of the growth in the number of properties and continued progress in cost efficiency.

Housing & Care 21 Group £m	2011/12 (pre-FRS 102)	2012/13 (pre-FRS 102)	2013/14 (pre-FRS 102)	2014/15 Restated (FRS 102)	2015/16 (FRS 102)
Turnover	220.2	222.0	218.7	200.5	219.7
Operating costs	(198.0)	(198.9)	(195.0)	(173.6)	(184.7)
Operating surplus	22.2	23.1	23.7	26.9	35.0
Sale of assets	1.6	(0.5)	5.9	1.2	1.5
Sales of subsidiaries	-	-	(2.8)	-	-
Net interest	(15.4)	(14.5)	(13.1)	(15.1)	(15.8)
Swap fair value movements	N/A	N/A	N/A	(0.5)	1.0
Surplus before tax & one-off items	8.3	8.2	13.8	12.4	21.7

In 2015/16 the Group has adopted FRS 102, the new accounting framework, which has also required restatement of the prior year results. See Notes 1 and 31 for further details

The year has also been a period of embedding of the new operational management structure that was put in place in March 2015, which focused service delivery models on our three core services: Retirement Housing; Extra Care (including PFIs and PPPs) and Home Care – all of which are supported by the corporate departments. The alignment of our management structures is designed to enable the Group to better meet the needs of our residents and service users and gives the Group a solid foundation for the future. This replaced the regional and locality structure that was previously in place which required managers to address issues in all three areas, rather than specialising and focusing on one.

Our Retirement Housing focus is centred on investing in our housing stock to ensure it is fit for the 21st century and on the devolving of services to achieve service improvements and higher resident satisfaction.

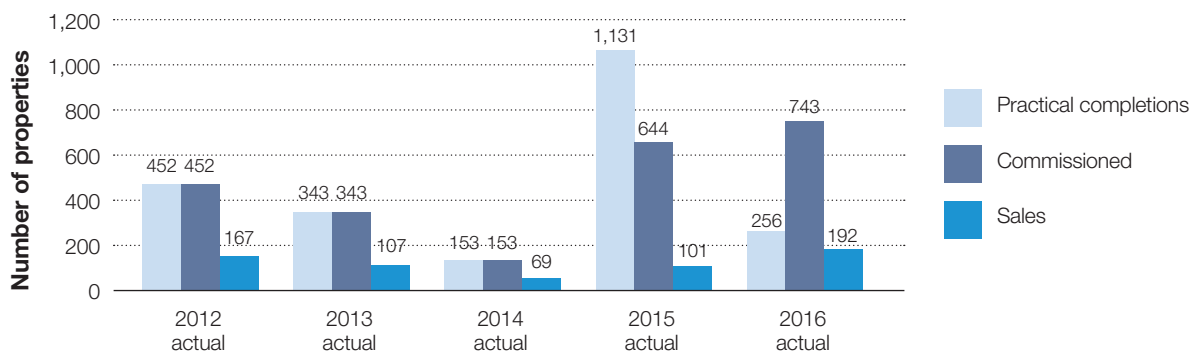
In Extra Care our focus is on creating housing and care integrated services which are recognised as a core solution to the challenges facing the provision of housing and care for older people. We are currently undertaking research to validate the benefits that this model of independent living within Extra Care gives to the wider health, housing and care environment, both from a care and financial benefits perspective.

The Group completed 256 new properties in 2015/16 and commissioned the final 743 from our 1,131 completions in 2014/15. The effect of all the new properties on our finances has been to increase operating surpluses from lettings by £3.5m in the year. The chart on the following page shows the development investment made by the Group in recent years, resulting in a record number of properties coming on stream.

Strategic Report



Development completions



The completion of the properties also meant that the Group had a considerable sales pipeline in the year: 192 shared ownership and outright sale properties were sold (2015: 101 properties), generating £20.3m in turnover (2015: £8.6m). The level of sales in terms of sales price and percentage equities were also better than anticipated. Overall, we are pleased with the level of property sales, which were ahead of budget. Furthermore, there are only a modest number of properties left to be sold at the year end.

One of the key challenges for the Group over the last few years has been the delivery against the Oldham PFI contract. Whilst this is a challenging and complex contract, the delivery of the services to residents has continued to be to a very high standard. The Group is pleased to report that the rectification programme was completed in May 2016, three months ahead of the August 2016 deadline, whilst meeting all material milestones along the way. The successful completion of the works over nearly a three year period is a significant achievement and testament to the Group's commitment to successfully deliver on a complex programme.

Home Care continues to be a challenging business, both operationally and financially, with the Group in the year focusing primarily on ensuring quality standards are improved and sustained on its existing services. Steps

taken in the year to deliver the quality outcomes included the decision to both increase the overall care reward package and to move to a 'hub' service delivery model. As part of the hub structure, the Group has transferred five of its 28 services to another provider at the end of May 2016.

Looking ahead

The positive progress and developments detailed previously come before a period of challenge for the Group and for the wider social housing and care sector. The Government's policy announcements of one per cent rent decreases, the National Living Wage (NLW), the proposal to cap Housing Benefit to Local Housing Allowance (LHA) levels, the government's focus on home ownership and the resulting capital grant environment could all have a significant impact on the Group's future strength and development capacity.

For 2016/17, the Group will benefit from the exemption for older people's housing from the rent decrease. However, we anticipate that there will still be three years of rent reductions from 2017/18 onwards. Uncertainty remains concerning the proposed LHA cap and the extent it will apply to older people. Through our involvement on working groups, we are hopeful that an appropriate funding solution will be put in place for supported older people's housing.

We welcome the government's initiatives around the NLW. However, this will create a significant cost pressure to the care sector. We continue to monitor the extent to which an increase in our care cost base arising from NLW will be manageable and recoverable from increases in rates from service users and care commissioners. When this is coupled with the continual funding challenges in the local authority segment of the home care market place in which we operate, the Board continues to monitor closely its options in this business segment.

These pressures and risks continue to require the Group to look closely at its cost structures and business processes in order to make sure these are as efficient as possible. Following our business reorganisation last year, work had already begun to address inefficiencies which have arisen over the years due to a lack of focus on and investment in the 'best fit' IT applications and processes for each of our business divisions. In light of the external challenges, our focus on efficiency remains a key priority, with various projects underway to review and streamline business processes.

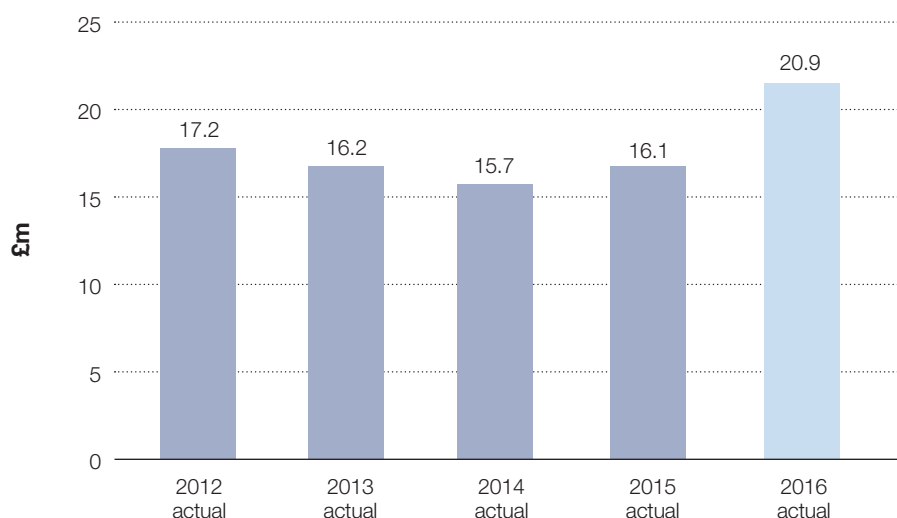
The capital grant environment affects the Group's future development prospects. The Group has had a large development programme in previous years that has been underpinned by capital grant funding and local authority relationships to secure land and demand for services.



Whilst the government's focus on home ownership will create challenges to our business model, we will evolve our business model to ensure that we can continue to develop as much affordable housing as possible to meet the needs of older people. The potential hurdle of acquiring affordable land for development, with potentially reduced local authority subsidies, could impact the level of development. However, we will seek alternative and innovative solutions to delivering new properties and will seek to work in partnership with others, including the NHS. This is because our Extra Care developments have significant direct benefits on the wider health economy.

Notwithstanding the development challenges, the Group is still committed to being a growing and ambitious organisation. The Board has set itself a challenging strategy objective of developing (or acquiring) 2,100 new Extra Care and 210 new Retirement Housing properties by 2021 – a total of 2,310 properties. 453 properties are either currently on-site or committed, representing £46.8m committed expenditure and £9m of approved grant. A key challenge for the Group will be to convert its development opportunities pipeline into 1,857 committed properties in order to realise its strategy by 2021. The Group will also seek to participate in the HCA's recently announced 2016 – 2021 grant funding programme in order to secure funds for specialist properties.

Capital investment in existing properties



In addition to the development of new properties, the investment in the Group's existing properties is another key strategy approved by the Board. The Group's Retirement Housing properties in particular were largely built in the 1960s and 70s and will require significant investment to ensure they meet the needs and demands of the 21st century. Historically the Group has invested around £16m per year in its properties and then £20m in the current

year. The Group has committed to increasing this further to £27m per year for five years from 2016/17 onwards, reflecting the need to ensure our properties remain a positive choice for older people. The Group continues to ensure that this investment can always be funded from its operating cash flows leaving any borrowing requirements for new developments only. This demonstrates our sound financial footing.

Strategic Report

Business performance

The financial results are summarised as follows:

£m	Turnover		Surplus	
	2016	2015 (restated)	2016	2015 (restated)
Retirement Housing	78.0	77.1	33.8	31.1
Extra Care lettings	38.2	30.2	12.6	8.6
PFI/PPP lettings	17.8	16.8	6.0	4.2
Corporate	1.4	1.5	(20.3)	(19.9)
Social housing lettings	135.4	125.5	32.1	24.1
Other social housing activities	22.9	11.5	5.3	3.3
Social housing activities	158.3	137.0	37.4	27.4
Extra Care services	26.9	24.3	1.1	0.6
Home Care services	29.2	33.0	(4.8)	(1.8)
PFI/PPP services	5.3	6.1	1.1	1.6
Other	0.0	3.2	(8.2)	(0.7)
	61.3	66.6	(10.8)	(0.2)
Operating surplus			26.6	27.2
Sale of properties & assets			1.5	1.2
Sales of subsidiaries			(1.6)	0.5
Interest receivable			7.2	7.0
Interest payable			(23.1)	(22.1)
Fair value movement on swaps			1.0	(0.5)
Taxation			(0.0)	(0.0)
Net surplus			11.7	13.3



Retirement Housing

Although Retirement Housing has had little growth in terms of property numbers over the past few years, it still represents the Group's largest service in all aspects (revenue, surpluses and number of properties).

Turnover from the service has increased by £0.9m to £78.0m (2015: £77.1m) whilst operating surplus has increased by £2.7m to £33.8m (2015: £31.1m). The increase in turnover largely reflects the rent increase applicable to the properties. However, there is a greater increase in operating surplus vs turnover, and although this is partly a result of the profile and nature of accelerated depreciation charges on replaced components, it does also reflect real cost savings. The main saving has been in regard to routine maintenance costs which were £6.8m in the year (2015: £8.2m). The 17% decrease has arisen as a result of the devolution of the repairs ordering process to our court managers in the year, as opposed to the centralised arrangement that existed previously. Devolution of the process has resulted in court managers having the flexibility to select appropriate contractors for the works based on both centrally selected and locally sourced suppliers. The reduction in this significant cost base is anticipated to continue in the future and demonstrates the service being run on a much more efficient basis, which will be crucial when it comes to addressing the forthcoming challenges.

The future challenges facing the service are both internal and external. The government's policy announcement of one percent rent decreases on sheltered accommodation for three years from April 2017 to April 2019 will impact the financial performance of the service, as well as the potential impact of the LHA cap. The age and nature of the property portfolio reflects a key internal challenge. The Group's Retirement Housing properties were subject to the majority of the £20.9m

capital investment in the year (2015: £16.1m) and for the £27m approved for the next five years. The decisions as to how the investment will be allocated will be driven by the court investment plans that have been developed in the year. The outcome of these reviews will not only inform the decision-making process on future investment but also highlight the properties where a subsequent options appraisal will likely result in them being completely redeveloped or disposed. This will ensure that the Retirement Housing estate remains a positive choice for elderly residents and continue to secure good demand.

Extra Care

The Extra Care service is designed to be an integrated service for housing and care needs in mainly a single location. They are managed as a single unified service although the housing service and care service are split in the Financial Statements in accordance with reporting requirements.

Extra Care lettings turnover has increased to £38.2m (2015: £30.2m) and operating surplus to £12.6m in the year (2015: £8.6m). This represents growth of over 25% in turnover and 45% in operating surpluses from the previous year. The majority of the growth, £3.5m operating surplus, is a result of the new properties being commissioned in the year.

The Group's strategy has been to develop in the Extra Care field over the last two decades and continues to be so in the future. The Group's strategy rests on the view that the Extra Care model best serves the needs, through an integrated service, of an ageing population and is a better alternative to the more costly residential care option. As a result, the age profile of the Group's Extra Care estate is virtually all less than 20 years old, meaning that the investment challenges facing Retirement Housing are less relevant in the short term. However, the issues in regard to

rent decreases and the LHA caps is likely to be disproportionately greater in Extra Care where the rents and service charges are greater because they reflect higher levels of property standards and services. As previously discussed, we are optimistic that the threat of the LHA cap can be abated.

The care services within Extra Care represent 41% of total Extra Care turnover (2015: 44%), but only 8% of operating surpluses (2015: 6.5%). However, the integrated nature of Extra Care means that it forms a cornerstone of the Group's service offer. The growth in turnover was £2.6m whilst operating surplus has increased by £0.5m. The growth has been driven by additional hours of care being delivered both at our new courts and our existing courts. Operating surpluses have increased as a result of the hours, and reductions and eliminations of loss-making services.

Growth in care services within Extra Care is a limited avenue that the Group can explore. This is because there is a finite number of service users within the boundaries of our courts that the Group can deliver care to. Once the care provision required for the residents is mobilised there is little additional growth that can be delivered to the same residents as service users. Therefore, growth in Extra Care services, which currently runs at around 45,200 hours per week, can best be achieved by the Group through the development of new Extra Care courts. The challenges of NLW impacts the care services in Extra Care, and we will strive to minimise the impact on margins and surpluses by seeking rate increases from commissioners and service users as appropriate.

Strategic Report

PFI and PPP

The Group continues to operate three PFI or PPP contracts in Oldham, Kent and Walsall. They are all predominately housing related services, although there is a large care element at Walsall. All contracts are less than a third of the way through their respective terms and operate in accordance with the Group's expectations. We are particularly pleased to report that the Oldham PFI contract achieved its key milestones ahead of schedule.

The nature of PFI and PPP contracts means that there is a degree of certainty and protection from the challenges facing Retirement Housing and Extra Care. In particular, there is little uncertainty in regard to the unitary charge income receivable from the relevant local authorities, meaning that the Group anticipates continuing making a viable return so long as it continues to control its costs in running the services.

The Group does collect and take the benefit of the rents at Kent and Walsall as part of the project terms. However, the rent decrease legislation specifically excludes PFI accommodation. Therefore, the challenge of the rent decrease, from a statutory perspective at least, is not applicable. It is unconfirmed as to whether the LHA cap will be applicable – as it is with many other aspects of the LHA cap proposals.

Home Care

Home Care currently represents around half of the Group's care activities when measured by turnover and hours delivered. The volume of activity has decreased in the year as fewer hours have been delivered compared to the previous year (34,000 vs 39,200 hours). This is shown by the decrease in turnover by £3.8m to £29.2m (2015: £33m). The reduction in hours is a result of exiting loss-making services, small isolated services and from services that do not support the four hub delivery

model being implemented. It has been difficult to deliver sustainable services in Home Care given the very challenging external environment.

The challenging home care market has meant that we have yet to see the benefits of these changes and repositioning, resulting in a loss of £4.8m in the year (2015: £1.8m loss). The loss is after the allocation of around £1.4m of corporate overheads (2015: £1.5m) and £3.7m of non-cash depreciation and goodwill charges (2015: £2.5m). Therefore, the contribution toward central overheads and capital charges by Home Care was £0.3m in the year (2015: £2.2m).

The Group's business model for Home Care relies heavily on local authority commissioned care packages – around 90% of total turnover in the year (2015: 87%). Therefore, welfare and social care cuts and reforms will continue to place pressure on commissioning local authorities and on the Group. When NLW is also included into the mix, the Home Care service faces significant challenges. The Group will ensure that contracts are only entered into and delivered where they are of an appropriate quality to service users and financially viable.

Given the challenges that are forthcoming and the performance in the year, the Group has recognised an £8.3m exceptional charge in the year (2015: nil) in regard to its goodwill balance which is included in Other in Note 3. The goodwill balance related to the Claimar home care and James Butcher leasehold businesses acquired in 2009 and 2007 respectively. Although the leasehold business continues to provide a viable return for the Group, one of the reasons for the acquisition was to secure a customer base to which home care services could be delivered. However, this has not materialised.

Other social housing activities

Other social housing activities predominately relates to first tranche shared ownership and outright sales. 192 sales have been achieved in the year (2015: 101 properties) which has generated £18.5m of first tranche sales (2015: £8.4m) and £1.8m of outright sales (2015: £0.2m).

Moving forward, the Group is confident that the remaining properties that had yet to be sold at the year end will achieve successful sales in addition to the new properties that are due to complete. Although the Group has never been reliant on the sales of properties to underpin its financial position or performance, the risk of sales not materialising has significantly reduced following the successful sales of so many properties resulting from the peak of completions in 2014/15. The number of properties available for sale over the next two financial years is significantly lower than the recent past. This demonstrates the significantly reduced risk profile of the Group from a property sales perspective.

Corporate

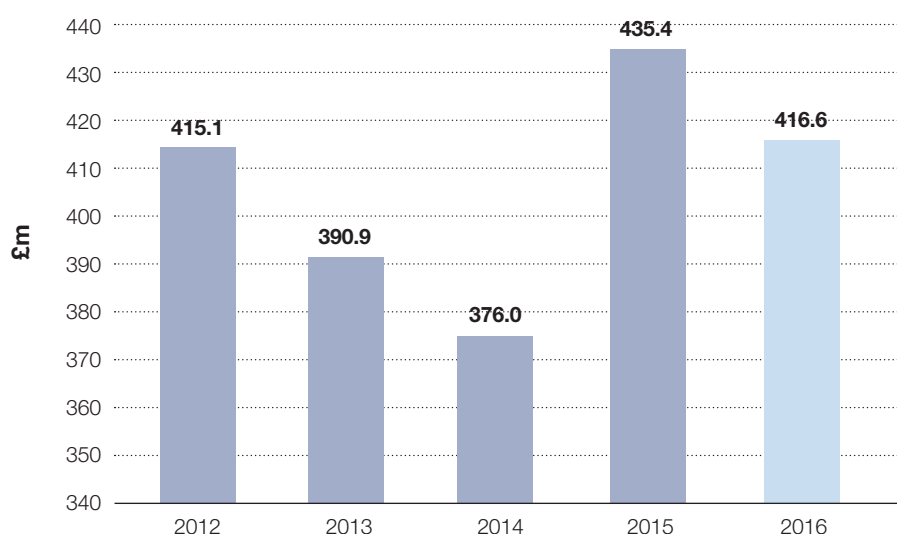
Corporate costs are largely reported within social housing lettings activities, with £1.5m (2015: £1.6m) being allocated to Extra Care services and £1.4m (2015: £1.5m) to Home Care services. The costs represent the corporate departments (e.g. finance, IT, HR, asset management) that support and underpin the operational service delivery activities of the business. Costs have increased by £0.4m to £20.3m in the year (within social housing lettings). However, this includes a £3m charge (2015: nil) to reflect additional pensions costs that are payable over the next 10 years. Therefore, the underlying cost base for the year is £17.3m which represents a £2.6m decrease from the previous year.

Balance Sheet and net debt

The Group's net assets have increased by £9.6m to £623.3m (2015: £613.7m). The growth in assets is driven by increases in housing properties from the £31.6m of development activity (2015: £92.2m) and from £10.3m increase in cash reserves (2015: £2m decrease), largely generated from operations and property sales. There have also been decreases in the level of debt liability that the Group owes as a result of both contractual and revolver repayments. The increase in net assets is offset by the write-off (£8.3m) and amortisation (£1.7m) of goodwill assets in regard to the Home Care business (2015: £1.7m) and the sale of 192 properties in the year reducing the properties held for sale balance to £4.4m (2015: £15.8m). There has also been an increase in pension liabilities in the year of £2.5m as a result of the SHPS valuation requiring additional deficit contributions over the next ten years.

The Group's assets ensure that there is a large pool of security for borrowings to fund development. A significant value of the Group's property estate is still available for use as security, which means that it is well placed to secure borrowing facilities for the purpose of continued development in the future, even after the delivery of such a large programme. As the Group continues to develop, it expects further security to be created that unlocks yet further development capacity.

Group net debt



Net debt had increased markedly in 2014/15 compared to the previous years. The decrease prior to 2014/15 was a result of contractual repayments and borrowings not being required to fund the AHP1 development programme. The borrowings were not needed because of the sales receipts from a) property sales from the previous development programme and b) the Group's Family properties. Furthermore, the deferral of much of the AHP1 programme into 2014/15 meant that net debt did not increase until 2014/15 when the facilities were used to fund the developments.

The decrease to 31 March 2016 reflects the significant cash generated from operations and the sales receipts from the AHP1 properties allowing the Group to reduce its debt in the year. Moreover, the level of cash generation of the Group has resulted in not using any of the revolvers that are available and an increase in cash reserves. No further loan repayments were possible in the year to utilise the cash reserves without incurring early repayment charges.

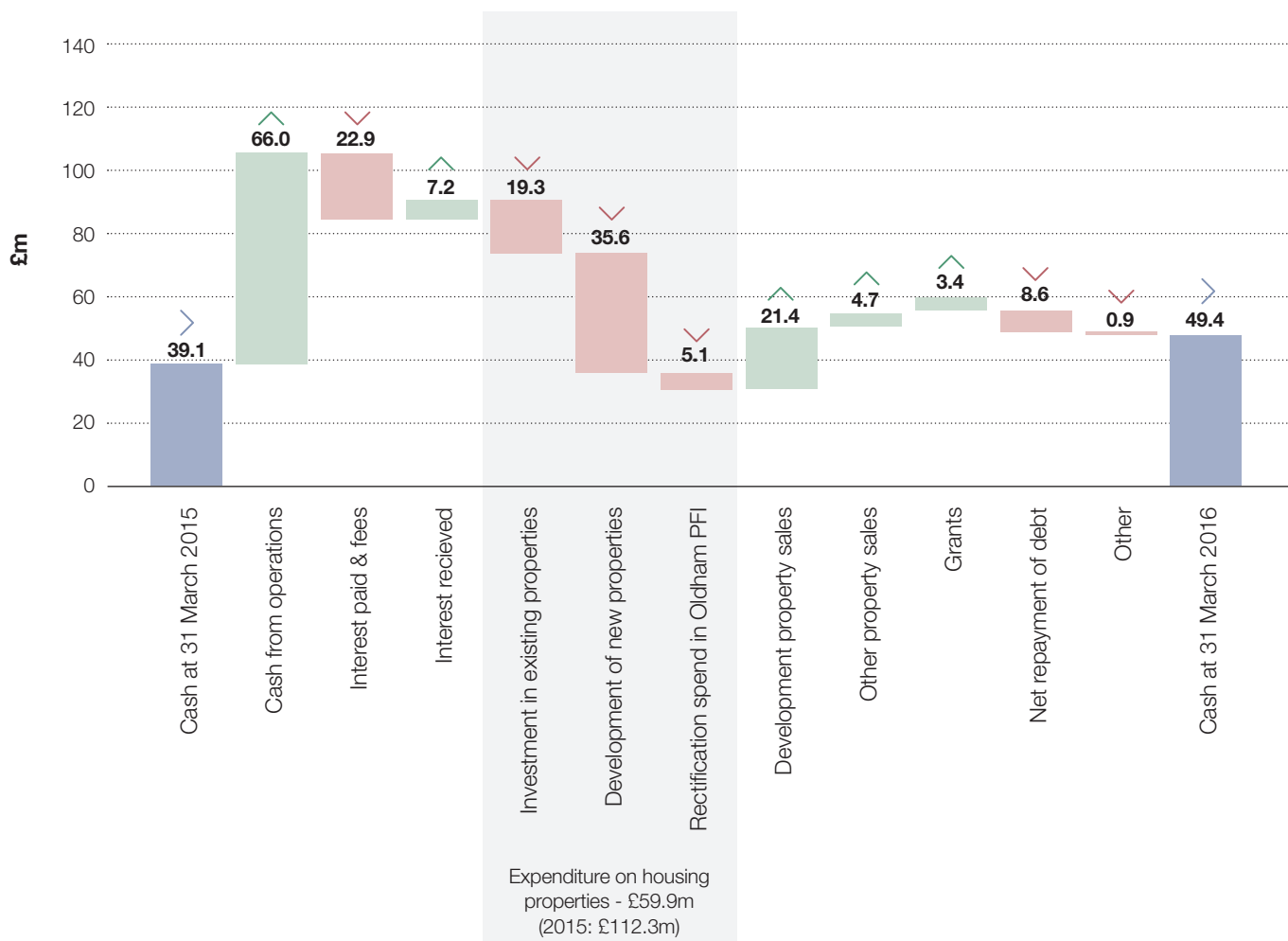
As the Group has already benefited from the cash from the sale of properties during 2015/16, the current committed development programme will predominately be funded by borrowings and cash reserves, therefore, net debt is expected to increase from 2016/17 onwards. However, this will be in accordance with the Group's business plan. The Group will continue operating on a sound financial footing even when the development programme to 2021 becomes committed over the coming months and years.

Strategic Report

Cash flow and treasury

The key movements in cash balances are as follows:

Group cash flow



The Group's cash reserves have increased by £10.3m in the year (2015: £2m decrease).

The Group's strong cash generation from trading operations of £66.0m (2015: £47.3m) has continued in the year and has been more than sufficient to cover the payment of interest payable of £22.9m (2015: £22.5m) and the investment in existing properties of £19.3m (2015: £17.9m). This demonstrates how the Group ensures that it generates sufficient cash from operating activities to cover

these key items of expenditure and investment. It also demonstrates that the Group does not borrow in order to fund these items and only to invest in new development. Though this is not a formal policy of the Group, it is a key 'golden rule' which ensures the Group continues to be viable and financially robust in the future.

Development expenditure has continued in the year with expenditure of £35.6m (2015: £95.2m) in regard to the 256 properties that were completed and the 190 properties that were under

construction as at 31 March 2016 (out of the 453 properties committed). The funding of this construction has been underpinned by the cash generated from operating activities and from the sales receipts from development properties of £21.4m (2015: £9.3m) – so much so that the Group has been able to make net repayments on its debt facilities in excess of the minimum contractual repayments (i.e. on its revolving facilities), which coincides with the decrease in net debt in the year.

The Group's available facilities are as follows as at 31 March 2016:

£m	Association	Subsidiaries	Group
Total facility available	446.1	134.8	580.9
Total drawn	331.1	134.8	465.9
Facility headroom	115.0	0.0	115.0

The Group has sufficient facilities available to fund the properties that are under construction (190 properties) and those that are committed (263 properties) – a total of 453 properties. The Group would not need to renew its expiring facilities until 2022/23 if only these properties were completed. However, in order to achieve the delivery of 2,310 properties by 2021 the Group is in the process of ensuring that additional and replacement facilities are in place. The Group ensures that developments are not committed to unless there is sufficient funding already secured and available.

The Group ensures that it takes reasonable steps to safeguard against fluctuations in LIBOR by having a mix of fixed, floating and index-linked debt. The Group has in previous years taken advantage of low margins on fixing arrangements for periods up to 2019 and 2024. This has resulted in a debt mix of 76% fixed (2015: 69%), 14% floating (2015: 22%) and 9% index-linked (2015: 9%).

The overall nature of the Group's loan book and financing arrangements is also very basic and simple. This means that the Group is not subject to onerous financing terms and is relatively sheltered from volatility in the capital markets. As an example, the Group has just four derivative swap instruments, three of which are embedded within the PFI contract terms, and neither does it have any complex loans that would require them to be held at market value. It is the Group's policy that this will continue to be the case 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, including; 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 and options are not undertaken and interest rate risk is minimised.

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 transitioned to FRS 102 in the year. All comparative balances for 2014/15 have been restated where necessary in order that comparisons can be made on a like-for-like basis. Full commentary and description of the transition are detailed in the notes accompanying the Financial Statements.

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.

Charitable and political gifts

Housing & Care 21 did not directly make any charitable or political donations in the year (2015: nil). However, the Group does support the work undertaken by staff and residents in their various charitable initiatives.



Value for Money

Our approach to Value for Money

It is essential that Housing & Care 21 makes the most of its limited resources to deliver quality and sustainable outcomes. To achieve this, we must be clear about what Value for Money (VFM) means to our residents and customers, and embed a culture of continuous improvement so that we are well placed to meet those expectations.

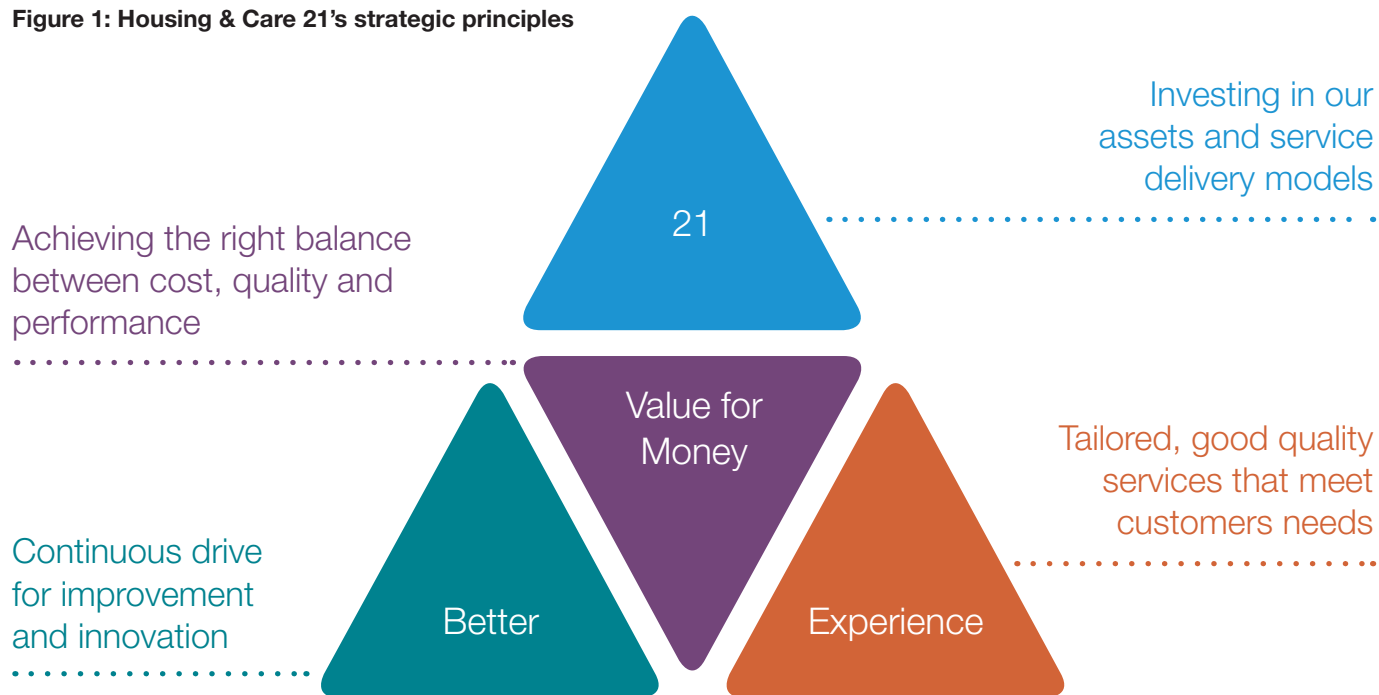
VFM is about getting the right balance between cost, quality and performance.

Organisations that improve VFM do more with their money – they deliver the same service for less cost, deliver a better service for the same cost or effort, and invest in services to achieve better outcomes. VFM also involves considering the wider social and environmental impacts and benefits of our work, for example, improving the energy efficiency of our courts, our commitment to dementia awareness and the role our services play in

helping residents live as independently as possible.

VFM is core to our three strategic principles of '21', 'Better' and 'Experience' (Figure 1). We aim to embed VFM within our day to day business arrangements so that cost, quality and performance are considered throughout our decision-making and performance review processes.

Figure 1: Housing & Care 21's strategic principles



Each year, we publish a detailed report summarising our key VFM achievements across our three strategic principles, and highlight the areas we will continue to work on to improve quality and effectiveness.

Our report for 2015/16 is published alongside these financial statements and can be found at www.housingandcare21.co.uk/about-us/publications/corporate-and-financial

We summarise the key VFM achievements and areas for improvement in the following section of the report.

Value for Money

Return on assets

To deliver VFM we must have a clear understanding of the quality and performance of our properties, and therefore the return on our assets. We must be clear about the specific asset management challenges we face so that we make informed and appropriate investment decisions.

Our Asset Management Team works with our housing teams to assess and categorise our properties according to their performance. Poorer performing properties are prioritised for detailed assessment of future investment requirements.

Our Investment and Resources Group reviews a range of financial and non-financial information when considering potential new development investments to ensure we achieve acceptable returns, and when considering proposed divestment and disposals to ensure all practical alternatives have been considered.

In terms of delivering a return on our assets, key achievements in the year include:

- Generating a £44.5m operating profit from our Retirement Housing services (2015: £44.0m) and achieving an overall resident satisfaction score of 88%
- Generating a £20.2m operating profit from our Extra Care housing services (2015: £15.8m) and achieving an overall resident satisfaction score of 88%
- Disposing of three poor performing courts, generating £6.1m of sales proceeds and a surplus of £1.1m, which will be reinvested into services
- Committing to significantly increasing the amount we spend on improving our properties to £27m from 2017 and, in consultation with residents, introducing new property quality standards
- Embedding a new and improved repairs management service, including greater devolvement to court managers, which helped deliver over £1.5m repairs savings
- Committing to develop or acquire at least 2,100 new Extra Care and 210 new Retirement Housing properties by 2021
- Successfully completing 256 new Extra Care properties as planned, and selling 209 properties where the proceeds will be used to fund our development programme

Key themes around return on assets are also commented on in the Strategic Report and in our full Value for Money report.

Service charge budgets

Significant improvements to the service charge budgeting process made in the year

£353

Average repair cost per Retirement Housing property reduced from £482 to £353 year on year

9

Number of national resident conferences delivered in 2015

Retirement Housing

Performance against 2016 targets:

Performance indicator	2015 Actual	2016 Actual	2016 Target	Direction of travel
Vacant (void) percentage*	2.2%	2.5%	2.0%	●
Average re-let days (excluding long term voids)**	43 days	43 days	50 days	●
Rent arrears	£1.1m	£0.6m	£1.0m	●
Average repair cost per property***	£482	£353	£417	●
Average service cost per property	£35.90	£36.47	£36.55	●
Operating profit	£44.0m	£44.5m	£45.3m	●
Operating margin	56.0%	55.9%	56.3%	●
Staff turnover – Retirement Housing	13%	12%	12%	●
Domestic gas servicing complete	100%	100%	100%	●
Repairs satisfaction scores****	n/a	83%	n/a	n/a
Lettings satisfaction scores	98%	100%	95%	●

Notes:

*2015 actual and 2016 target, as reported in our 2015 VFM report, are restated to include operational ('available to let') voids only

**2015 actual, as reported on in our 2015 VFM report, is restated to exclude properties vacant for >180 days

***2015 actual and 2016 targets, as reported on in our 2015 VFM report, are restated to include responsive repairs only

****Repairs satisfaction score for 2016 is not comparable to previous years as a new, more robust methodology was introduced during the year

In terms of delivering VFM across our Retirement Housing services, 2016 was a positive year and we have continued to build on the successes of previous years. We delivered significant year on year savings by embedding the new devolved repairs process and continued to invest in our court managers. An induction programme was introduced and a training prospectus of mandatory and developmental training promoted.

We have continued to build on our resident engagement activities. We reached more residents by replacing the national resident conference with nine local conferences and continued with our programme of court evaluations. Importantly, we have listened to our residents and used their feedback to inform our future strategy.

We undertook a full review of the service charge policy and made improvements to the service charge budgeting process during the year. In particular, there was better consultation with residents about the type and level of services provided at their court, achieved by holding a service charge consultation meeting at every court. We also introduced a standard fixed service charge management fee across all

courts, providing greater transparency and consistency for residents.

However, we still have areas for improvement. In particular, we have had a disappointing year in terms of meeting our void percentage and re-let day targets which, along with higher than anticipated void property costs, have had an adverse impact on our operating profit and margin. Improving lettings performance is a key priority for 2017 and a number of initiatives – including reviewing the lettings process, assigning local budgets for the promotion of void properties and undertaking improvement works – will be undertaken to address current performance.

Over the next year we will drive VFM further by giving residents greater choice and influence over the services they receive so that they better meet local requirements. This will be achieved by embedding a framework (Court Service Agreement) that defines what choices should be made by Housing & Care 21 (as the landlord) and what can and should be devolved to a local level. We will also significantly increase the amount we invest to improve the quality and standard of our housing, and develop 210 new Retirement Housing properties by 2021.

New property standards

Kitchen and bathrooms replaced every 20 years, communal areas redecorated every seven years and every property to have an EPC rating of at least C

210

Committed to developing 210 new Retirement Housing properties by 2021, incorporating modern designs and specifications

Value for Money

Extra Care

Performance against 2016 targets - Extra Care (housing):

Performance indicator	2015 Actual	2016 Actual	2016 Target	Direction of travel
Vacant (void) percentage (including Kent, Walsall and Guernsey contract services) *	2.8%	2.5%	2.7%	●
Average re-let days (excluding long term voids and including Kent, Walsall and Guernsey contract services) **	56 days	50 days	50 days	●
Rent arrears	£0.8m	£0.5m	£0.7m	●
Average repair cost per property ***	£533	£395	£323	●
Average service cost per property	£55.91	£53.19	£56.50	●
Operating profit	£15.8m	£20.2m	£21.2m	●
Operating margin	51.3%	52.0%	53.6%	●
Staff turnover – Extra Care court managers	17%	16%	15%	●
Domestic gas servicing complete	100%	100%	100%	●
Repairs satisfaction scores ****	n/a	83%	n/a	n/a
Lettings satisfaction scores	96%	100%	95%	●

Notes:

* 2015 actual and 2016 target, as reported in our 2015 VFM report, are restated to include operational ('available to let') voids only and to include Kent PFI, Walsall PPP and Housing 21 Guernsey. Vacant (void) percentage excluding contract services was: 3.2% (2015: 3.6%) compared to a 2.9% target

** 2015 actual as reported on in our 2015 VFM report is restated to exclude properties vacant for >180 days and to include Kent PFI, Walsall PPP and Housing 21 Guernsey

***2015 actual and 2016 targets, as reported on in our 2015 VFM report, are restated to include responsive repairs only

**** Repairs satisfaction score for 2016 is not comparable to previous years as a new, more robust methodology was introduced during the year



Performance against 2016 targets - Extra Care (care):

Performance indicator	2015 Actual	2016 Actual	2016 Target	Direction of travel
Turnover	£23.8m	£26.3m	£25.7m	●
Gross margin	20.8%	20.5%	21.4%	●
Operating margin	8.7%	9.8%	9.9%	●
Care debtors	£0.5m	£0.8m	£0.4m	●
Number of loss-making contracts	14	8	0	●
Average weekly care hours (including Walsall and Guernsey subsidiaries)	44,700	45,200	42,800	●
Staff turnover	28%	25%	25%	●
Percentage of CQC assessed compliant services	95%	95%	100%	●
Care customer survey	92%	95%	95%	●

Notes:

Average weekly care hours for 2016 excluding Walsall PPP and Housing 21 Guernsey was: 40,300 (2015: 38,600) compared to a 37,700 target

Loss making contracts exclude services that were opened or closed in the year

In terms of improving VFM, 2016 was a positive year for our Extra Care services. We successfully commissioned and brought into operation some 1,131 new Extra Care properties that had been developed in the previous financial year as well as a further 256 in 2016.

We continued to invest in our court managers – introducing new terms and conditions and building on our training and development package – and continued to build on our resident engagement using key feedback to inform our new product designs and services.

We undertook a full review of the service charge policy and made improvements to the service charge budgeting process during the year. Further detail can be found under the previous Retirement Housing heading.

While new Extra Care services coming online during the year have significantly driven up care hours and turnover when compared to last year, this has been offset to some extent by adverse void performance, void property costs and property maintenance costs. This has

resulted in us not meeting our operating profit and margin targets for the year.

A number of initiatives have and will be undertaken to address current void performance, primarily focused on strengthening relationships with local authority commissioners and proactively managing nomination agreements.

Over the coming year we will drive VFM further by demonstrating the relevance, distinctiveness and viability of our Extra Care offer and the wider health and social benefits the service provides. Part of this will involve improving engagement with local authorities, potential residents and other stakeholders. We will also enhance and assure the quality of local services further by investing in the training and development of our staff, seek to reduce court manager and care staff turnover, and aim for 100% of our care services to be rated 'Good' or 'Outstanding' by the CQC.

1,131

Number of Extra Care properties commissioned and brought online in the year

2,100

Committed to expanding services by building or acquiring 2,100 new Extra Care properties by 2021

Value for Money

Home Care

Performance against 2016 targets:

Performance indicator – Care	2015 Actual	2016 Actual	2016 Target	Direction of travel
Turnover	£33.0m	£29.1m	£31.0m	●
Gross margin	25.6%	19.8%	23.5%	●
Operating margin	9.2%	1.1%	6.7%	●
Care debtors	£0.6m	£1.5m	£0.6m	●
Number of loss-making contracts	7	8	0	●
Average weekly care hours	39,200	34,000	43,200	●
Staff turnover	47%	51%	30%	●
Percentage of CQC assessed compliant services	95%	81%	100%	●
Care customer survey	85%	86%	95%	●

Notes:

Loss-making contracts exclude services that were opened or closed or pending disposal in the year

Overall, our Home Care performance in 2016 has been below the targets we set for the year, which is disappointing. In particular, gross and operating margins are below target, the percentage of Home Care services assessed as being at least 'Good' by the CQC has reduced and we have experienced significant issues in attracting and retaining staff. The inspection methodology used by CQC has changed during the year and we have invested significant internal resource in quality audits and building the resilience and quality of our services.

However, in a lot of cases, especially with regards to financial performance, Home Care providers who rely on the local authority contracts have shown significant declines in profitability with numerous examples of suppliers exiting from local authority contracts where rates are not sustainable to provide an acceptable level of service.

Home Care turnover for 2016 was £29.1m (2015: £33m), compared to a 2016 budget of £31m. This reduction is primarily a result of our decision to exit

loss-making services and is reflected in our average weekly Home Care hours delivered (34,000 in 2016 compared to a target of 43,200). Our decision to focus on four key hubs will result in a further decline in hours delivered in 2017 once those outlier branches exit our organisation.

Significant actions taken in the year to try and reduce staff turnover included:

- Increasing pay rates
- Introducing additional benefits (e.g. breakdown cover) and greater emphasis on other specific benefits that Housing & Care 21 offers (e.g. life assurance)
- Introducing guaranteed hours
- Undertaking employee roadshows
- Enhancing training

Home Care gross margin for 2016 was 19.8% (2015: 25.6%), compared to a 2016 budget of 23.5%, and operating margin was 1.1% (2015: 9.2%), compared to a 2016 budget of 6.7%. The main driver for this margin decline was the decision to address some of the challenges around

pay and other rewards for our carers. We expect this underlying margin pressure to continue over the next few years, with changes in the National Living Wage (NLW) and our commitment to reward at a higher rate. It is uncertain how much of this additional cost will be compensated for by local authority rate increases.

During the year we rolled out a Home Care management system – SMS – across branches. Disappointingly, the system is not delivering the intended benefits despite the significant investment and it has had an adverse impact on our income collection (care debtors as at March 2016 were £1.5m compared to a target of £0.6m).

Our focus now will be on the branch manager and carer relationship as we believe this is the key to improved staff retention and, in turn, service quality. Combined with the introduction of 'value based' recruitment, a five-day induction programme and regional hub management changes, this will hopefully contribute to significant improvements.

Corporate services

Last year, we committed to identifying further savings across our corporate overhead costs in order to achieve a reduction of 20% by 2020 when compared to our 2015 cost base. Corporate overhead costs for 2016 totalled £20.9m (£21.5m target), which represents a seven percent reduction when compared to 2015. This reduction was predominately achieved through restructures across a number of corporate departments.

Benchmarking

Where practical, we compare our performance against other organisations to provide further assurance that we are moving in the right direction.

In June 2016, the HCA published 'Delivering better value for money: understanding the differences in unit costs'.

Headline social housing costs consist of management, service charge, maintenance, major repairs and other social housing costs. The following table compares our headline costs to the sector averages included in the HCA's report.

The HCA reported that a hypothetical 'baseline' housing provider with 100% general needs properties had an average headline social housing cost of £3,300 per unit, and that housing for older people had an average headline cost of £5,100 per unit.

Housing & Care 21's headline social housing costs for 2015 (restated) and 2016 were £5,300 and £5,360, respectively, broadly in line with the HCA's adjusted average. Our year on year increase in social housing cost is the result of our significantly increased major repairs

and capitalised improvement works, partly offset by management and maintenance cost savings. Our headline per unit cost for 2016 excluding the increased major repairs investment is £5,150.

We are encouraged that our headline social housing cost is broadly in line with the HCA's adjusted average, but will do more over the coming year to better understand how our costs compare to similar providers of housing for older people.

Headline social housing unit costs

	H&C 21 (2015) As per HCA report	H&C 21 (2015) Restated*	H&C 21 (2016)	HCA 'older people housing adjusted' (2015)	HCA general needs 'baseline' (2015)
Headline social housing costs	£4,790	£5,300	£5,360	£5,100	£3,300

Notes:

* 2015 per unit costs as reported on by the HCA have been restated to reflect changes in Housing & Care 21 accounting policies during the year

Independent Auditor's Report to the Members of Housing & Care 21

We have audited the Financial Statements of Housing & Care 21 for the year ended 31 March 2016 which comprise the consolidated and association statement of comprehensive income, the consolidated and association Balance Sheet, the consolidated and association statement of changes in equity, the consolidated and association 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 2016 and of the Group's and parent Association's surplus 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 2015

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
- 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.

BDO LLP, statutory auditor
Gatwick, West Sussex
United Kingdom
6 September 2016

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



Consolidated Comprehensive Income Statement

Notes	2016			2015 (restated)			
	Ongoing activities	One-off items and discontinued activities	Total	Ongoing activities	One-off items and discontinued activities	Total	
	£'000	£'000	£'000	£'000	£'000	£'000	
Turnover	3	219,680	-	219,680	200,460	3,202	203,662
Operating costs and cost of sales	3	(184,704)	(8,355)	(193,059)	(173,581)	(2,908)	(176,489)
Operating surplus	3	34,976	(8,355)	26,621	26,879	294	27,173
Surplus on disposal of housing properties and other assets	5	1,499	-	1,499	1,167	-	1,167
(Deficit)/surplus on sale of subsidiary	6	-	(1,600)	(1,600)	-	548	548
Other interest receivable and similar income	9	7,236	-	7,236	7,000	-	7,000
Interest and financing costs	10	(23,073)	-	(23,073)	(22,130)	-	(22,130)
Movement in fair value of financial instruments		1,035	-	1,035	(468)	-	(468)
Surplus before taxation		21,673	(9,955)	11,718	12,448	842	13,290
Tax on surplus	12	(33)	-	(33)	(42)	9	(33)
Surplus for the financial year		21,640	(9,955)	11,685	12,406	851	13,257
Actuarial gains/(losses) on defined benefit pension scheme	26	21	-	21	(19)	-	(19)
Movement in fair value of hedged financial instrument	10	(2,128)	-	(2,128)	(27,836)	-	(27,836)
Total comprehensive income for the financial year		19,533	(9,955)	9,578	(15,449)	851	(14,598)

The notes on pages 51 to 93 form part of the Financial Statements.

Association Comprehensive Income Statement

	Notes	2016			2015 (restated)		
		Ongoing activities	One-off items	Total	Ongoing activities	One-off items	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Turnover	3	212,895	-	212,895	195,214	-	195,214
Operating costs and cost of sales	3	(182,767)	(8,355)	(191,122)	(172,154)	-	(172,154)
Operating surplus	3	30,128	(8,355)	21,773	23,060	-	23,060
Surplus on disposal of housing properties and other assets	5	1,499	-	1,499	1,167	-	1,167
Surplus on sale of subsidiary	6	121	-	121	896	-	896
Other interest receivable and similar income	9	1,855	-	1,855	1,736	-	1,736
Interest and financing costs	10	(15,127)	-	(15,127)	(13,961)	-	(13,961)
Surplus before taxation		18,476	(8,355)	10,121	12,898	-	12,898
Tax on surplus	12	-	-	-	-	-	-
Surplus for the financial year		18,476	(8,355)	10,121	12,898	-	12,898
Actuarial gains/(losses) on defined benefit pension scheme	26	21	-	21	(19)	-	(19)
Movement in fair value of hedged financial instrument	10	389	-	389	(4,840)	-	(4,840)
Total comprehensive income for the financial year		18,886	(8,355)	10,531	8,039	-	8,039

The notes on pages 51 to 93 form part of the Financial Statements.

Consolidated Statement of Changes in Reserves

	2016				2015 (restated)			
	Income and expenditure reserve	Cash flow hedge reserve	Revaluation reserve	Total	Income and expenditure reserve	Cash flow hedge reserve	Revaluation reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at April (restated)	364,579	(59,375)	308,489	613,693	351,491	(31,539)	308,339	628,291
Surplus for the financial year	11,685	-	-	11,685	13,257	-	-	13,257
Actuarial gains/(losses) on defined benefit pension scheme	21	-	-	21	(19)	-	-	(19)
Movement in fair value of hedged financial instrument	-	(2,128)	-	(2,128)	-	(27,836)	-	(27,836)
Other comprehensive income for the year	21	(2,128)	-	(2,107)	(19)	(27,836)	-	(27,855)
Reserve transfers:								
Transfer from revaluation reserve to income and expenditure reserve	1,708	-	(1,708)	-	(150)	-	150	-
Balance at 31 March	377,993	(61,503)	306,781	623,271	364,579	(59,375)	308,489	613,693

The notes on pages 51 to 93 form part of the Financial Statements.



Association Statement of Changes in Reserves

	2016				2015 (restated)			
	Income and expenditure reserve	Cash flow hedge reserve	Revaluation reserve	Total	Income and expenditure reserve	Cash flow hedge reserve	Revaluation reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at April (restated)	358,623	(7,364)	290,915	642,174	345,894	(2,524)	290,765	634,135
Surplus for the financial year	10,121	-	-	10,121	12,898	-	-	12,898
Actuarial gains/(losses) on defined benefit pension scheme	21	-	-	21	(19)	-	-	(19)
Movement in fair value of hedged financial instrument	-	389	-	389	-	(4,840)	-	(4,840)
Other comprehensive income for the year	21	389	-	410	(19)	(4,840)	-	(4,859)
Transfer from revaluation reserve to income and expenditure reserve	1,708	-	(1,708)	-	(150)	-	150	-
Balance at 31 March	370,473	(6,975)	289,207	652,705	358,623	(7,364)	290,915	642,174

The notes on pages 51 to 93 form part of the Financial Statements.

Consolidated and Association Balance Sheets as at 31 March 2016

Registered number: 16791R

	Notes	Group		Association	
		2016	2015	2016	2015
		£'000	£'000 (restated)	£'000	£'000 (restated)
Intangible assets					
Goodwill	28	-	10,042	-	10,042
Tangible fixed assets					
Housing properties	13	1,089,378	1,065,799	1,002,595	975,584
Other fixed assets	14	2,172	4,603	2,172	4,597
Investments	27	-	-	6,485	6,485
		1,091,550	1,080,444	1,011,252	996,708
Current assets					
Housing properties and stock for sale	15	4,411	15,803	4,411	15,803
Debtors – receivable after one year	16	120,324	117,576	45,007	38,150
Debtors – receivable within one year	16	21,657	22,678	19,155	25,395
Cash and cash equivalents	22	49,430	39,084	28,347	19,254
		195,822	195,141	96,920	98,602
Creditors: amounts falling due within one year	17	(83,377)	(80,032)	(61,528)	(59,204)
Net current assets		112,445	115,109	35,392	39,398
Total assets less current liabilities		1,203,995	1,195,553	1,046,644	1,036,106
Creditors: amounts falling due after more than one year	18	(570,268)	(573,934)	(383,483)	(386,006)
Pension scheme liabilities	26	(10,456)	(7,926)	(10,456)	(7,926)
Net assets		623,271	613,693	652,705	642,174
Capital and reserves					
Share capital	23	-	-	-	-
Cash flow hedge reserve		(61,503)	(59,375)	(6,975)	(7,364)
Revaluation reserve		306,781	308,489	289,207	290,915
Income and expenditure reserve		377,993	364,579	370,473	358,623
		623,271	613,693	652,705	642,174

The notes on pages 51 to 93 form part of the Financial Statements.

These Financial Statements were approved and authorised for issue by the Board on 15 July 2016 and are signed on behalf of the Board by:



Lord Ben Stoneham
(Chairman)



Sanaya Robinson
(Director)



Paul Hutton
(Secretary)

Consolidated and Association Cash Flow Statements

	Notes	Group		Association	
		2016	2015	2016	2015
		£'000	£'000 (restated)	£'000	£'000 (restated)
Cash from operations	21	66,005	47,285	59,942	37,220
Taxation		(29)	(53)	-	-
Net cash generated from operating activities		65,976	47,232	59,942	37,220
Cash flow from investing activities					
Proceeds from the sale of housing properties		21,382	9,263	21,382	9,263
Proceeds from the sale of other fixed assets		4,740	3,058	4,740	3,058
Expenditure on housing properties		(59,942)	(112,266)	(54,855)	(107,211)
Expenditure on other fixed assets		(943)	(2,040)	(943)	(2,040)
Receipt of grants		3,369	11,508	3,369	11,508
Interest received and gift aid		7,236	7,000	907	2,094
Net investment in subsidiaries		-	-	(4,210)	(6,304)
Net proceeds from sale of subsidiary undertakings		321	246	321	246
Cash disposed with subsidiary		(250)	(151)	-	-
Net cash from investing activities		(24,087)	(83,382)	(29,289)	(89,386)
Cash flow from financing activities					
Repayment of obligations under finance leases		(61)	(55)	(61)	(55)
Repayment of bank borrowings		(8,582)	(9,457)	(5,961)	(3,954)
Proceeds from new loans		-	67,300	-	67,300
Debt issue costs incurred		(11)	(1,152)	(11)	(1,138)
Interest paid		(22,889)	(22,527)	(15,527)	(13,998)
Net cash used in financing activities		(31,543)	34,109	(21,560)	48,155
Net increase/(decrease) in cash and cash equivalents		10,346	(2,041)	9,093	(4,011)
Cash and cash equivalents at the beginning of the year		39,084	41,125	19,254	23,265
Cash and cash equivalents at the end of the year		49,430	39,084	28,347	19,254

The notes on pages 51 to 93 form part of the Financial Statements.

Notes to the Financial Statements for the year ended 31 March 2016



1. Principal accounting policies

The Financial Statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom generally accepted accounting practice) which for Housing & Care 21 includes the:

- Cooperative and Community Benefit Societies Act 2014 (and related group accounts regulations)
- Housing and Regeneration Act 2008
- FRS 102 “the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland”
- Statement of Recommended Practice (SORP) for Registered Social Housing Providers, “Accounting by registered social housing providers” 2014
- Accounting Direction for Private Registered Providers of Social Housing 2015

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015, therefore, it is mandatory for the Group’s current accounting period which commenced 1 April 2015. Information on the impact of first-time adoption of FRS 102 is given in note 31. As a result of FRS 102, prior year comparatives are restated.

The preparation of Financial Statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group’s accounting policies.

The Group and Association are Public Benefit Entities (PBEs) for the purpose of the application of certain accounting policies.

1.1. Parent Association disclosure exemptions

In preparing the separate Financial Statements of the parent Association, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent Association would be identical;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent Association, because their remuneration is included in the totals for the Group as a whole.

1.2. Basis of preparation

The Financial Statements are prepared on a going concern basis, under the deemed historic cost basis, as modified for the valuation of derivative financial instruments.

1.3. Basis of consolidation

The consolidated Financial Statements present the results of Housing & Care 21 – registered provider of social housing and its subsidiary companies (‘the Group’) as if they formed a single entity. Transactions and balances between Group companies are therefore eliminated in full to show transactions and balances with third parties only.

The consolidated Financial Statements incorporate the results of business combinations using the ‘purchase method’. In the Balance Sheet, the identifiable assets, liabilities and contingent liabilities of the acquired entity are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Comprehensive Income Statement from the date on which control is obtained (usually also the acquisition date). They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the Group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 1 April 2014.

1.4. Business combinations that are gifts

Where there is a business combination that is in substance a gift (e.g. an acquisition of another entity for nil consideration), any excess of the fair value of the net assets received is recognised as a surplus in the Comprehensive Income Statement. This surplus represents the gift of the value of one entity to another and is recognised as income. Where a fair value of net liabilities is acquired, the loss represents net obligations assumed and is recognised as an expense.

1.5. Turnover

Turnover is measured at the fair value of the cash consideration received or receivable. The Group generates the following material income streams:

- Rental income receivable (after deducting lost rent from empty properties available for letting)
- Service charges receivable (see ‘service charges’, Note 1.8)
- First tranche sales of low cost home ownership housing properties developed for sale
- Sales of outright sale housing properties
- Revenue grants and proceeds from the sale of land and property
- Invoiced amounts receivable from the delivery of care services
- Invoiced amounts receivable from the delivery of housing and care services under PFI and PPP contract arrangements (see ‘Long-term PFI and PPP contracts’, Note 1.6)

Rental income is recognised from the point when properties under development reach practical completion and are available to let. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Income from care is recognised at the point of delivery of the service to the service user.

1.6. Long-term PFI and PPP contracts

Income and profit is recognised with reference to the stage of completion and/or delivery of services and milestones associated with the long-term contract. Income recognised from such contracts is stated at the total costs incurred in delivering the contract (including finance costs) plus any attributable profit assessed to have been earned to date, less amounts recognised in previous years.

Any excess of total income invoiced to date above the calculated stage of completion is recognised as a creditor on the Balance Sheet as deferred income. Any shortfall between the total income invoiced compared to the total costs incurred to date is accrued and recognised as a debtor on the Balance Sheet.

Where any losses over the life of the contract, including future losses, are identified which cannot be recovered from invoiced income, appropriate provisions are made in full in the year that they are identified.

1.7. Supporting People grants

The Group receives Supporting People grants from a number of local authorities. The grants received in the period as well as costs incurred by the Group in the provision of support services have been included in the Comprehensive Income Statement. Any excess of cost over the grant received is borne by the residents through their support charge. Any excess of grant received over the cost incurred is recognised as a creditor on the Balance Sheet as deferred income until utilised.

1.8. Service charges

The Group adopts the variable method for calculating and charging service charges to its residents and leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account or to a sinking fund. Income is recorded based on the amount of service charge receivable from residents.

Any excess of service charge receivable over service costs is deferred to the Balance Sheet as deferred income and is used to offset future years' charges. Any shortfall between service charge receivable and service costs is accrued and recognised as a debtor on the Balance Sheet and recovered from residents in future years' charges.

1.9. Taxation

The Group is exempt from Corporation Tax on income and gains to the extent that these are derived from the Group's charitable objectives. The tax expense in the year relates to Group companies that are subject to UK taxation in addition to the non-exempt tax for the parent Association.

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Comprehensive Income Statement, except for any changes attributable:

- to items of income or expense recognised as other comprehensive income
- to an item recognised directly in equity
- directly in equity

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Association's subsidiaries operate and generate taxable income (namely the State of Guernsey).

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met
- Where timing differences relate to interests in subsidiaries and the Group can control their reversal and such reversal is not considered probable in the foreseeable future

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.10. Valued Added Tax (VAT)

The majority of services supplied by the Group are exempt from VAT. However, the Group does charge VAT on its management contracts and PFI unitary charge income. This enables the Group to recover part of the VAT it incurs on expenditure under a Partial Exemption Special Method (PESM) calculation agreed with HM Revenue & Customs (HMRC).

The Financial Statements include VAT to the extent that it is incurred by the Group and not recoverable from HMRC. All expenditure is shown inclusive of VAT and the recoverable VAT arising from partially exempt activities is included in the Comprehensive Income Statement as turnover.

1.11. Interest and financing costs

Finance costs are charged to the Comprehensive Income Statement based on the interest rate applicable on the debt in the year. Loan issue costs (including costs associated with arranging security charges on properties for new loans) are initially capitalised as an offset against the principle and then subsequently amortised to the Comprehensive Income Statement over the life of the new loan facility. Non-utilisation and other loan fees for existing debt are charged to the Comprehensive Income Statement.

1.12. Pension costs

The Group participates in a number of defined contribution and closed defined benefit pension schemes.

Contributions to the Group's defined contribution pension schemes are charged to the Comprehensive Income Statement in the year in which they become payable.

The Group participates in a number of multi-employer defined benefit pension schemes (which are now closed to both new and current members). These are accounted for as if they are defined contribution schemes on the basis that:

- Insufficient information is available for the Group to be able to determine its share of the actuarial assets and liabilities, in order to apply defined benefit accounting
- Appropriate liability caps and indemnities are in place with each pension fund that would preclude any liability crystallising for the Group

Where the exemptions above are not applicable, the pension scheme is accounted as a defined benefit scheme. The difference between the Group's share of the scheme's fair value of the assets and the scheme's liabilities (as measured on an actuarial basis using the projected unit method) are recognised in the Group's Balance Sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the Group is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Any obligations payable from agreements to fund multi-employer defined benefit plans (where they are accounted as defined contribution schemes) are recognised in full as a liability upon entry into the agreement. This future liability is discounted using a rate determined by high quality corporate bonds at each reporting date. The discount unwinds each year as an interest expense through the Comprehensive Income Statement.

1.13. Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement for care staff which has accrued at the Balance Sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement at the balance sheet date.

1.14. Intangible assets – goodwill

Goodwill represents the excess of the purchase price of an acquisition over the fair value of the net assets of the company acquired at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in ‘intangible assets’. Surpluses and losses on the disposal of a subsidiary company include the carrying amount of the associated goodwill.

Goodwill has been amortised over periods ranging from 10 to 20 years based on the assumed useful economic lives applied prior to the adoption of FRS 102. During 2015/16, an impairment review of goodwill was carried out.

1.15. Tangible fixed assets – housing properties

Housing properties constructed or acquired (including land) on the open market since the date of transition to FRS 102 are stated at cost less depreciation and impairment (where applicable). The cost of housing land and property represents their purchase price and any directly attributable costs of acquisition which may include an appropriate amount for staff costs and other costs of developing the property.

Directly attributable costs of acquisition include capitalised interest calculated, on a proportional basis, using finance costs on borrowing which has been drawn in order to finance the relevant construction or acquisition. Where housing properties are in the course of construction, finance costs are only capitalised where construction is ongoing and has not been interrupted or terminated.

Expenditure on major component replacements and refurbishments to properties is capitalised where the works:

- Increase the rental stream over the life of the property
- Reduce the future maintenance costs of the property
- Subsequently extend the life of the property
- Constitute replacement of major components where the replaced component can be identified and written off (see also ‘Depreciation of housing property’, Note 1.17)

All other repair and replacement expenditure is charged to the Comprehensive Income Statement.

Mixed developments, excluding the estimated cost of the element of shared ownership properties held for sale (if any) as first tranche, are held within fixed asset housing properties and accounted for at cost less depreciation.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche (see ‘Shared ownership properties and staircasing’, Note 1.19), are included in fixed asset housing properties and held at cost less any impairment, and are transferred to completed properties when ready for letting.

1.16. Deemed cost on transition to FRS 102

On transition to FRS 102 the Group took the option of freezing its valuation of housing properties and using that amount as deemed cost. To determine the deemed cost at 1 April 2014, the Group utilised its valuation as at 31 March 2014 which was undertaken by Deloitte Real Estate to value housing properties on an EUV-SH basis. Housing properties will subsequently be measured at cost less depreciation.

The deemed cost approach has resulted in a revaluation reserve remaining on the Balance Sheet. On disposal of a property or court, a transfer is made from the revaluation reserve to the Comprehensive Income Statement reserve of an amount equal to the difference between the historical cost and the deemed cost. Otherwise, the revaluation reserve is also amortised to the income and expenditure reserve over a period of 100 years.

1.17. Depreciation of housing property

Housing land and property is split between land, structure and other major components that are expected to require replacement over time.

Land is not depreciated on account of its indefinite useful economic life. The portion of shared ownership property retained or expected to be retained is depreciated over 100 years.

Assets in the course of construction are not depreciated until they are ready for letting to ensure that they are depreciated only in periods in which economic benefits are expected to be materially consumed.

The cost of all other housing property (net of accumulated depreciation to date and impairment, where applicable) and components is depreciated over the useful economic lives of the assets on the following basis:

Component	Years
Land	Infinite
Structure	100
Roof	50
Windows and doors	30
Kitchens and bathrooms	25
Mechanical services	20
Heating and plumbing	25
Fit-out costs	25

Housing properties are split between the structure and the major components which require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life.

1.18. Donated land and other assets

Land and other assets donated by local authorities and other government sources are added to cost at the fair value of the asset at the time of the donation. The donation is treated as a non-monetary grant and recognised in the Balance Sheet as a liability.

Where the donation is from a non-public source the value of the donation is included as income.

1.19. Shared ownership properties and staircasing

All of the Group’s shared ownership properties are low cost home ownership properties. Under low cost home ownership arrangements, the Group disposes of a long lease on low cost home ownership housing units for a share ranging between 25% and 75% equity. The buyer has the right to purchase further proportions up to 75% based on the market valuation of the property at the time each purchase transaction is completed.

Low cost home ownership properties are split proportionately between current and fixed asset housing properties based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element, ‘staircasing element’, is classed as fixed asset housing properties and included in completed housing property at cost and any provision for impairment. Sales of subsequent tranches are treated as a part disposal of fixed asset housing properties.

Low cost home ownership properties are depreciated over 100 years.

Any impairment in the value of such properties is charged to the Comprehensive Income Statement.

Costs are allocated to the appropriate tenure on a floor area or unit basis depending on the appropriateness for each scheme.

1.20. Tangible fixed assets – other

Other tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

1.21. Depreciation of other tangible fixed assets

Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Component	Years
Leasehold office	Over the remaining period of the lease
Office furniture and equipment	10
Motor vehicles	4
Computer software	5
Computer hardware	3

The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Surpluses and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within ‘surplus/ (loss) on disposal of fixed assets’ in the Comprehensive Income Statement.

1.22. Government grants

Grants received in relation to those properties that are presented at deemed cost at the date of transition (1 April 2014) have been accounted for using the performance model as required by Housing SORP 2014. In applying this model, the grant has been presented as if it were originally recognised as income within the Comprehensive Income Statement in the year the associated housing properties were completed and is therefore included within brought forward reserves.

Grant received since the transition date in relation to newly acquired or developed housing properties is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014. Grant is carried as deferred income in the Balance Sheet and released to the Comprehensive Income Statement on a systematic basis over the useful economic life of the asset for which it was received. In accordance with Housing SORP 2014 the useful economic life of the housing property structure has been selected (100 years).

Where Social Housing Grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a Recycled Capital Grant Fund until it is reinvested in a replacement property (see ‘Recycled Capital Grant Fund’, Note 1.23). Therefore, any amortised grant associated with a sold property is reversed through the Comprehensive Income Statement as a charge in order to account for it in the Recycled Capital Grant Fund.

If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining with creditors is released and recognised as income within the Comprehensive Income Statement.

Grants relating to revenue are recognised in the Comprehensive Income Statement over the same period as the expenditure to which they relate once performance related conditions have been met.

Grants due from government organisations or received in advance are included as current assets or liabilities respectively.

1.23. Recycled Capital Grant Fund

On the occurrence of certain relevant events, primarily the sale of properties, the HCA can direct the Group to recycle capital grants, or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it will be repayable to the HCA with interest. Any unused recycled capital grant held within the Recycled Capital Grant Fund, which it is anticipated will not be used or repaid within one year is disclosed in the Balance Sheet under ‘creditors due after more than one year’. The remainder is disclosed under ‘creditors due within one year’.

1.24. Impairments of fixed assets and goodwill

The housing property portfolio for the Group is assessed for indicators of impairment at each Balance Sheet date. Where indicators are identified then a detailed assessment is undertaken to compare the carrying amount of the assets to whichever is higher of the following:

- Net realisable value based on social housing market sale (if known)
- Value in use based on the net present value of future cash flows
- Value in use based on the depreciated replacement cost of a similar asset (which reflects the social purpose of holding the asset)

Depreciated replacement cost is calculated based on the rebuild cost of a similar asset, adjusted for the same period of depreciation of the asset being assessed.

Where the carrying value is higher than all three of the assessment outcomes listed above, an impairment charge is recognised for the difference in the Comprehensive Income Statement and the carrying value of the asset adjusted on the Balance Sheet accordingly.

Impairment assessments are undertaken on 'cash generating units'. The Group defines cash generating units as individual courts or schemes.

The same approach is undertaken when assessing impairment of goodwill, except that the carrying value is only assessed against the net present values of the future cash flows associated with the goodwill.

1.25. Stock

Stock represents work in progress and completed properties developed for outright sale and shared ownership. For shared ownership properties the value held as stock is the estimated cost to be sold as a first tranche.

Stock is stated 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 proceeds after allowing for all further costs to completion and selling costs.

1.26. Debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Comprehensive Income Statement.

1.27. Recoverable amount of rental and other trade debtors

The Group estimates the recoverable value of rental and other debtors and impairs the debtor by appropriate amounts. When assessing the amount to impair it reviews the age profile of the debt, historical collection rates and the class of debt.

1.28. Loans, investments and short term deposits

All loans, investments and short term deposits held by the Group are classified as 'basic' financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however, the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the Balance Sheet at historical cost.

Loans and investments that are payable or receivable within one year are not discounted.

1.29. Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet consist of cash at bank, in hand, deposits and short term investments which can be accessed instantly.

1.30. Derivative instruments and hedge accounting

The Group holds some floating rate loans which expose the Group to interest rate risk. To mitigate against this risk the Group uses interest rate swap instruments which fixes the amount payable over a certain period of time. These instruments are measured at fair value at each reporting date. They are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The Group has designated each of the swaps against either existing drawn floating rate debt or against floating rate debt that it almost certainly expects to have in the future.

To the extent to which the hedge is effective in mitigating interest rate risk, the movements in fair value (other than adjustments for own or counter party credit risk) are not recognised in the Comprehensive Income Statement but adjusted directly on the Balance Sheet via 'other comprehensive income', and presented in a separate cash flow hedge reserve. Any movements in fair value relating to ineffectiveness (and adjustments for our own or counter party credit risk) are recognised in the Comprehensive Income Statement.

1.31. Leases

Where assets are financed by leasing agreements that, to all intents and purposes, give rights of ownership (finance leases), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease.

The corresponding leasing commitments are shown as amounts payable (excluding the interest). Depreciation on the relevant assets is charged to the Comprehensive Income Statement over the shorter of estimated useful economic life and the term of the lease.

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

All other leases are treated as operating leases. Their annual rentals are charged to the Comprehensive Income Statement on a straight-line basis over the term of the lease.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard (1 April 2014) to continue to be charged over the period to the first break clause rather than the term of the lease.

For leases entered into on or after 1 April 2014, reverse premiums and similar incentives received to enter into operating lease agreements are released to the Comprehensive Income Statement over the term of the lease.

1.32. Leasehold sinking funds

Unexpended amounts collected from leaseholders for major repairs on leasehold schemes and any interest received are included in creditors.

1.33. Contingent liabilities

A contingent liability is recognised for a possible obligation, for:

- When it is not yet confirmed that a present obligation exists that could lead to an outflow of resources
- Where a present obligation that does not meet the definitions of a provision as it is not probable that an outflow of resources will be required
- When a sufficiently reliable estimate of the amount cannot be made

Contingent liabilities exist on grant repayments which are dependent on the disposal or cessation for the social letting of related properties.

1.34. Reserves

The revaluation reserve is created from surpluses on housing property revaluations prior to the transition to FRS 102 on 1 April 2014 and the adoption of deemed cost as a basis for valuing housing properties (see 'Deemed cost on transition to FRS 102', Note 1.16).

The cash flow hedge reserve is created from the movements in the fair value of hedging derivatives that are assessed as effective (see 'Derivative instruments and hedge accounting', Note 1.30).

2. Judgements in applying accounting policies and key sources of estimation

In preparing these Financial Statements, the key judgements and estimations have been made in respect of the following:

2.1. Goodwill has been impaired in the year to nil. The majority of the balance related to the acquisition of the Claimar home care business and has been impaired in response to the current challenging environment and the future challenges of NLW and social care funding cuts.

2.2. All housing properties are classified as **property, plant and equipment**, including the shared ownership properties – as opposed to investment properties. This is because all are judged to be held for their 'social benefit' which is a key criteria in FRS 102 for the classification as property, plant and equipment. The Group does not have any commercial or student accommodation.

2.3. Group housing **property components** have been identified and their associated useful economic lives set with reference to the NHF and Savills' 2011 publication on national property component matrix for sheltered flats.

2.4. When undertaking **impairment assessments** on housing properties, it is judged that an active market does not exist for the sale of sheltered accommodation between registered social providers. Therefore, value in use on the a) net present value of future cash flows or b) depreciated replacement cost is used.

The net present value of future cash flows is based on the current rentals and cost base of the scheme. These are uplifted by the same inflationary assumptions used in new development appraisals. The cash flows are discounted using the Group's current weighted average cost of capital of its debt. The period over which the cash flows are projected and discounted is based on the estimated remaining useful economic life determined on a case-by-case basis.

The depreciated replacement cost is ascertained by the latest average build cost determined by the Group's development team for a similar Retirement Housing or Extra Care court.

2.5. For **mixed tenure housing properties**, an estimate is made in order to allocate the appropriate element of cost between the following categories:

- Fixed asset housing properties – rented accommodation
- Fixed asset housing properties – shared ownership accommodation
- Current asset housing properties held for sale – shared ownership and outright sale accommodation

This is because the construction costs are for the court as a whole and are not split between the different tenures. The apportionment is based on the number of units for each tenure type and the expected first tranche sales equity – both with reference to the final completed tenure mix or the latest development appraisal (if under construction).

Any associated HCA grant is assigned to individual units in the HCA's Investment Management System (IMS). Therefore, this is split based on actual allocations. Any grants from non-HCA sources are all allocated to the rented portion. No grant is assumed to be associated with first tranche sales.

2.6. The Group has agreed **repayment plans** for certain residents and service users on their rent arrears and care services. These arrangements represent financing arrangements (in that they are credit terms outside the normal course of business, therefore, representing interest free loans) that should be discounted using an equivalent market rate of interest for a similar loan.

However, no adjustments have been made in the Financial Statements. This is because discounting would result in the applicable debt being carried on the Balance Sheet at virtually nil, but debts where payment plans are in place would invariably be impaired through a bad debt provision resulting in a materially similar net balance.

2.7. The liability to fund the **SHPS deficit** through additional deficit contributions is discounted using a rate equivalent to a high quality corporate bond. A rate of 3.1% has been used for 2016 (2015: 3.1%). Any decrease in the rate would result in higher notional interest charges in future years, and any increase would result in lower charges or even an interest credit.

2.8. The Group has some fixed rate loans where there are **two-way indemnity** clauses. These are where the exercise of any termination or early repayment clauses enables compensation payments to occur to either the Group or the lender, depending where the prevailing market interest rates are compared to the fixed rate, at the time of termination. The Group's judgement is that any such payment (to either party) does not constitute any loss of principal or interest relating to current or previous periods, but a separate element of compensation based on future or foregone losses or gains. Furthermore, both the Group and lenders enter into the loan agreements with the expectation that loans reflect long-term funding instruments and not debt trading instruments with the intention to benefit from changes in market interest rates. For these reasons, all such loans have been classified and accounted for as 'basic' debt instruments in accordance with the criteria set in Section 11 of FRS 102.

2.9. Hedge accounting effectiveness

is determined by use of the 'critical terms method'. This is possible where the underlying loan matches the swap instrument exactly. Where it is not possible, all hedging instruments are judged to be in accordance with the risk management strategies of the Group in regard to interest rate cash flow risk, and therefore, the 'hypothetical derivative method' is used to assess effectiveness.

2.10. The **sales of first tranche shared ownership and outright sale properties** are reported in the Comprehensive Income Statement as part of 'operating surplus' in accordance with the SORP. However, the associated cash flows are judged to meet the FRS 102 criteria of 'investing activities' as opposed to 'operating activities', and are reported in the cash flow statement as such. The surpluses on sale are shown as an adjustment when reconciling the 'operating surplus' to 'net cash flow from operating activities'.

2.11. As part of the PFI contracts the parent Association has **invested equity into the special purpose vehicles** holding the PFI contracts. These are judged to meet the FRS 102 criteria of concessionary loans to public benefit entities and have therefore been accounted as the amount receivable to the Association.

2.12. The following **transitional exemptions** have been adopted:

- Accounting for **service concession arrangements** (the PFI and PPP contracts) are reported the same under these FRS 102 accounts as they were historically. This is to ensure the ease of comparability with previous years and to ensure continual integration with the original operating and financial close models
- Accounting for **business combinations** and goodwill are reported the same under these FRS 102 accounts as they were historically. This is because the impact on the Balance Sheet and the Comprehensive Income Statement of the FRS 102 method of accounting is considered to be minimal

2.13. The level of **income (and profit) recognised on the PFI and PPP contracts** is based on the estimated stage of completion, which is based on the total expenditure incurred to date compared to the total amount of expenditure expected to be incurred over the life of the contract, and the probability of any losses being incurred on the contract.

The total expected contract costs on the Kent PFI and Walsall PPP are currently expected to be in line with the original models. The total expected contract costs for Oldham PFI have been amended to include the rectification expenditure with the associated knock-on effect on income recognition appropriately reflected in the accounts.

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

Group	2016				2015 (restated)			
	Turnover	Operating costs and cost of sales	Impairment	Operating surplus	Turnover	Operating costs and cost of sales	Impairment	Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings (Note 4)	135,431	(103,331)	-	32,100	125,505	(101,431)	-	24,074
Other social housing activities								
Support charge	2,633	(2,624)	-	9	2,971	(2,828)	-	143
First tranche low cost home ownership sales	18,523	(13,652)	-	4,871	8,377	(5,213)	-	3,164
Outright sales	1,761	(1,354)	-	407	185	(177)	-	8
	22,917	(17,630)	-	5,287	11,533	(8,218)	-	3,315
Total social housing activities	158,348	(120,961)	-	37,387	137,038	(109,649)	-	27,389
Activities other than social housing								
Extra Care services	26,890	(25,747)	-	1,143	24,313	(23,700)	-	613
Home Care services	29,153	(33,981)	-	(4,828)	32,999	(34,817)	-	(1,818)
PFI/PPP non-lettings services	5,289	(4,215)	-	1,074	6,110	(4,468)	-	1,642
Discontinued operations	-	-	-	-	3,202	(2,908)	-	294
Other		200	(8,355)	(8,155)	-	(947)	-	(947)
	61,332	(63,743)	(8,355)	(10,766)	66,624	(66,840)	-	(216)
Operating surplus	219,680	(184,704)	(8,355)	26,621	203,662	(176,489)	-	27,173

- In 2014/15, £8,400k of corporate overheads were allocated to activities other than social housing. The allocation was previously undertaken based on volume of turnover. Whilst this is a valid basis of overhead allocation, it was judged that this did not reflect the actual overhead support incurred by the Association's activities other than social housing. The allocation has been adjusted to show £8,400k of costs within core social housing activities. The treatment is consistent between 2016 and 2015
- Total development administration costs capitalised were £767k (2015: £949k) for both Group and Association
- In Home Care services, for both Group and Association, there is £36k (2015: £100k) income and £16k (2015: £89k) operating costs relating to Department of Health funding for Dementia Voice Nurse
- Included in other costs, for both Group and Association, in activities other than social housing is £8,355k (2015: nil) relating to a one-off, non cash impairment of goodwill

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

Association	2016				2015 (restated)			
	Turnover	Operating costs and cost of sales	Impairment	Operating surplus	Turnover	Operating costs and cost of sales	Impairment	Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings (Note 4)	129,198	(101,894)	-	27,304	119,629	(99,983)	-	19,646
Other social housing activities								
Support charge	2,625	(2,613)	-	12	2,962	(2,804)	-	158
First tranche low cost home ownership sales	18,523	(13,652)	-	4,871	8,377	(5,213)	-	3,164
Outright sales	1,761	(1,354)	-	407	185	(177)	-	8
	22,909	(17,619)	-	5,290	11,524	(8,194)	-	3,330
Total social housing activities	152,107	(119,513)	-	32,594	131,153	(108,177)	-	22,976
Activities other than social housing								
Extra Care services	26,345	(25,258)	-	1,087	23,773	(23,293)	-	480
Home Care services	29,153	(33,981)	-	(4,828)	32,998	(34,817)	-	(1,819)
PFI / PPP non-lettings services	5,290	(4,215)	-	1,075	6,111	(4,467)	-	1,644
Other		200	(8,355)	(8,155)	1,179	(1,400)	-	(221)
	60,788	(63,254)	(8,355)	(10,821)	64,061	(63,977)	-	84
Operating surplus	212,895	(182,767)	(8,355)	21,773	195,214	(172,154)	-	23,060

- In 2014/15, £8,400k of corporate overheads were allocated to activities other than social housing. The allocation was previously undertaken based on volume of turnover. Whilst this is a valid basis of overhead allocation, it was judged that this did not reflect the actual overhead support incurred by the Association's activities other than social housing. The allocation has been adjusted to show £8,400k of costs within core social housing activities. The treatment is consistent between 2016 and 2015
- Total development administration costs capitalised were £767k (2015: £949k) for both Group and Association
- In Home Care services, for both Group and Association, there is £36k (2015: £100k) income and £16k (2015: £89k) operating costs relating to Department of Health funding for Dementia Voice Nurse
- Included in other costs, for both Group and Association, in activities other than social housing is £8,355k (2015: nil) relating to a one-off, non cash impairment of goodwill

4. Turnover, operating costs and operating surplus from social housing lettings

Group	2016					2015 (restated)
	Retirement Housing	Extra Care	PFI / PPP	Corporate	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Rents net of identifiable service charges	52,658	23,095	4,518	(300)	79,971	75,255
Service and utility charges	24,333	14,695	2,661	700	42,389	38,740
Amortisation of government grants	-	130	-	-	130	33
Other income	972	270	10,666	1,033	12,941	11,477
Turnover from social housing lettings	77,963	38,190	17,845	1,433	135,431	125,505
Expenditure						
Management	(4,258)	(3,087)	(4,554)	(18,243)	(30,142)	(28,496)
Service costs	(21,232)	(13,153)	(2,355)	-	(36,740)	(33,949)
Routine maintenance	(6,852)	(2,548)	(2,691)	-	(12,091)	(13,334)
Planned maintenance	(1,025)	(311)	(684)	(2,071)	(4,091)	(3,829)
Bad debts	-	(9)	4	79	74	(1,328)
Depreciation of housing properties	(10,774)	(6,521)	(1,572)	(169)	(19,036)	(18,883)
Other depreciation and goodwill amortisation	-	-	(1)	(1,304)	(1,305)	(1,612)
Operating expenditure on social housing lettings	(44,141)	(25,629)	(11,853)	(21,708)	(103,331)	(101,431)
Operating surplus on social housing lettings	33,822	12,561	5,992	(20,275)	32,100	24,074
Void losses	(2,185)	(3,376)	(52)	(300)	(5,913)	(3,783)

Retirement Housing, Extra Care and PFI/PPP all represent 'supported housing and housing for older people'

Included within rent losses from voids are first-let voids on new properties of £2,540k (2015: £658k)

4. Turnover, operating costs and operating surplus from social housing lettings (continued)

Association	2016					2015 (restated)
	Retirement Housing	Extra Care	PFI / PPP	Corporate	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Rents net of identifiable service charges	52,563	23,095	4,181	(300)	79,539	74,728
Service and utility charges	24,268	14,695	2,402	700	42,065	38,403
Amortisation of government grants	-	130	-	-	130	26
Other income	996	270	5,165	1,033	7,464	6,472
Turnover from social housing lettings	77,827	38,190	11,748	1,433	129,198	119,629
Expenditure						
Management	(4,248)	(3,087)	(6,194)	(18,241)	(31,770)	(29,879)
Service costs	(21,170)	(13,153)	(2,099)	-	(36,422)	(33,356)
Routine maintenance	(6,833)	(2,548)	(1,807)	1	(11,187)	(12,656)
Planned maintenance	(1,025)	(311)	-	(2,072)	(3,408)	(3,472)
Bad debts	(1)	(9)	-	79	69	(1,318)
Depreciation of housing properties	(10,759)	(6,521)	(423)	(169)	(17,872)	(17,691)
Other depreciation and goodwill amortisation	-	-	-	(1,304)	(1,304)	(1,611)
Operating expenditure on social housing lettings	(44,036)	(25,629)	(10,523)	(21,706)	(101,894)	(99,983)
Operating surplus on social housing lettings	33,791	12,561	1,225	(20,273)	27,304	19,646
Void losses	(2,173)	(3,363)	(52)	(300)	(5,888)	(3,764)

Retirement Housing, Extra Care and PFI/PPP all represent 'supported housing and housing for older people'

Included within rent losses from voids are first-let voids on new properties of £2,540k (2015: £658k)

5. Surplus on disposal of housing properties and other assets

	Group and Association			
	Shared ownership staircasings	Other housing properties	2016 Total	2015 Total
	£'000	£'000	£'000	£'000
Proceeds of sale	1,100	6,066	7,166	3,829
Costs of sale at carrying value	(716)	(4,951)	(5,667)	(2,662)
Surplus on disposal	384	1,115	1,499	1,167

The disposals of the above housing properties and other assets on a historical cost basis would have resulted in a gain of £3,208k (2015: £1,317k)

6. Surplus/(deficit) on disposal of subsidiaries

	Group			
	PNL	Gharana	2016 Total	2015 Total
	£'000	£'000	£'000	£'000
Proceeds	121	-	121	1,650
Net assets disposed of and selling fees	-	(1,721)	(1,721)	(1,102)
Surplus/(deficit) on disposal	121	(1,721)	(1,600)	548

On 5 October 2015, Gharana Housing Association (Gharana) divested from the Group for nil consideration. The value of cash at bank and in hand disposed with the subsidiaries was £250k. As the results of Gharana are not material to the Group, it has not been treated as a discontinued operation in the Consolidated Comprehensive Income Statement.

	Association			
	PNL	Gharana	2016 Total	2015 Total
	£'000	£'000	£'000	£'000
Proceeds	121	-	121	1,650
Net assets disposed of and selling fees	-	-	-	(754)
Surplus on disposal	121	-	121	896

7. Directors and Executive remuneration

The directors of Housing & Care 21 are defined as members of the Board and the Executive Management Team. The Board consists of 10 non-executive members (2015: 11).

The non-executive Board members received the following emoluments during the year:

	2016	2015
	£'000	£'000
B Stoneham (Chair)	18	18
S Fanshawe OBE	10	10
R Humphries	10	10
K Jeffries	10	10
J Owen CBE	10	10
S Robinson	10	10
K Boyle	10	10
S Hughes	10	10
M Knott	10	10
L Potter	10	10
M Harker To 25/09/2015	5	10
Total	113	118

One of the directors, Kenneth Jeffries, was 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. The rent and service charged for the year was £6,317 (2015: £6,303) and he had a credit balance of £462 at the 31 March 2016 (31 March 2015: Arrears balance of £470 – due to technical timing issue).

The Executive (see page 11 for more information) received the following emoluments during the financial year:

	2016	2015
	£'000	£'000
Emoluments	514	539
Benefits in kind	-	-
Loss of office	-	-
Pension contributions	64	72
Total	578	611

The highest paid director in the year was the Chief Executive. His emoluments were as follows:

	Financial year	Salary	Pension	Total
		£'000	£'000	£'000
B Moore	2016	228	34	262
B Moore	2015	224	42	266

The Chief Executive is an ordinary member of the SHPS (Defined Contribution) pension scheme as set out in Note 26.

8. Employee information

The average number of people employed (including the Executive Management Team) expressed as full time equivalents (calculated on a standard working week of 35 hours) during the year was as follows:

	Group		Association	
	2016	2015	2016	2015
Management, court managers and administration	1,325	1,403	1,322	1,393
Care and ancillary	3,297	3,242	3,283	3,122
	4,622	4,645	4,605	4,515

Staff costs (including the Executive) consist of:

	Group		Association	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Wages and salaries	77,130	78,979	76,663	74,932
Redundancy and other costs	259	100	259	100
Social security costs	5,284	5,224	5,253	5,074
Pension costs	1,724	1,761	1,723	1,752
	84,397	86,064	83,898	81,858

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

	Group		Association	
	2016	2015	2016	2015
£260,000 – £269,999	1	1	1	1
£160,000 – £169,999	1	1	1	1
£150,000 – £159,999	1	1	1	1
£100,000 – £109,999	1	2	1	2
£90,000 – £99,999	5	2	5	2
£80,000 – £89,999	3	5	3	5
£70,000 – £79,999	5	8	5	8
£60,000 – £69,999	8	6	8	6

9. Other interest receivable and similar income

	Group		Association	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Interest received on cash deposits	144	81	123	70
Finance asset interest	7,092	6,919	383	459
Interest receivable from group undertakings	-	-	1,349	1,207
	7,236	7,000	1,855	1,736

10. Interest and financing costs

	Group		Association	
	2016	2015	2016	2015
	£'000	£'000 (restated)	£'000	£'000 (restated)
Bank loans and overdrafts	(20,581)	(19,575)	(12,752)	(11,522)
All other loans	(1,519)	(1,515)	(1,519)	(1,515)
Finance leases	(80)	(80)	(80)	(80)
Other financing fees and charges	(1,267)	(2,056)	(1,150)	(1,940)
Net interest on pension liabilities	(246)	(938)	(246)	(938)
	(23,693)	(24,164)	(15,747)	(15,995)
Interest capitalised on construction of housing properties	620	2,034	620	2,034
	(23,073)	(22,130)	(15,127)	(13,961)
Other financing costs through other comprehensive income:				
Gain/(loss) on fair value of hedged derivative instruments (see Note 19)	(2,128)	(27,836)	389	(4,840)
	(25,201)	(49,966)	(14,738)	(18,801)

11. Operating surplus on ordinary activities before tax

	Group		Association	
	2016	2015	2016	2015
	£'000	£'000 (restated)	£'000	£'000 (restated)
This is arrived at after (charging)/crediting:				
Depreciation of housing properties	(19,037)	(18,883)	(17,874)	(17,691)
Depreciation on other fixed assets	(3,371)	(2,437)	(3,369)	(2,422)
Amortisation of grant	130	33	130	26
Impairment of goodwill	(8,355)	-	(8,355)	-
Amortisation of goodwill	(1,687)	(2,017)	(1,687)	(1,686)
Interest element of finance lease payments	(80)	(80)	(80)	(80)
Payments under operating leases				
- land and buildings	(1,121)	(1,079)	(1,121)	(1,079)
- other	(152)	(232)	(150)	(232)
Auditors' remuneration (excluding VAT):				
- In their capacity as auditors	(81)	(88)	(62)	(60)
- Leasehold audit	(5)	(10)	(5)	(10)



12. Taxation

Housing & Care 21, Kent Community Partnership Limited and Oldham Retirement Housing Partnership 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 were subject to UK Corporation Tax in 2015 at the prevailing rate but were disposed in that year:

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

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

Current Taxation	Group		Association	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
UK Corporation Tax	(33)	(42)	-	-
Deferred tax	-	9	-	-
	(33)	(33)	-	-

Current tax reconciliation

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

	Group		Association	
	2016	2015	2016	2015
	£'000	£'000 (restated)	£'000	£'000 (restated)
Surplus before taxation	11,685	13,257	10,121	12,898
Tax at the standard rate of tax of 20% (2015: 21%)	(2,337)	(2,784)	(2,024)	(2,709)
Effects of:				
Expenses not deductible for tax	-	(227)	-	-
Capital allowances in excess of depreciation	-	(3)	-	-
Group relief	-	-	-	-
Exemption for charitable activities	2,304	2,972	2,024	2,709
Tax losses not provided	-	-	-	-
Total current tax charge/(credit)	33	42	-	-

13. Housing properties at deemed cost

Group	Retirement Housing		Extra Care		PFI & PPP		Assets under construction and landbanks		Total
	Rented	Shared ownership	Rented	Shared ownership	Rented	Shared ownership	Rented	Shared ownership	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Deemed cost									
1 April 2015 (restated)	768,255	48	397,379	13,947	22,451	749	67,051	14,407	1,284,287
Acquisitions & construction costs	-	-	3,576	683	-	-	22,086	5,276	31,621
Works to existing properties	19,537	-	1,138	-	107	-	-	-	20,782
Transfers to current assets	-	-	-	265	-	-	-	(3,765)	(3,500)
Completed property transfers	-	-	80,305	7,854	-	-	(80,305)	(7,854)	-
Reclassifications	-	-	-	-	-	-	7,036	(7,036)	-
Disposals	(8,900)	-	(72)	(709)	-	-	-	-	(9,681)
31 March 2016	778,892	48	482,326	22,040	22,558	749	15,868	1,028	1,323,509
Accumulated depreciation									
1 April 2015 (restated)	(168,840)	-	(46,891)	(139)	(2,611)	(7)	-	-	(218,488)
Charge in the year	(10,939)	(1)	(7,453)	(221)	(416)	(7)	-	-	(19,037)
Eliminated on disposals	3,322	-	72	-	-	-	-	-	3,394
31 March 2016	(176,457)	(1)	(54,272)	(360)	(3,027)	(14)	-	-	(234,131)
Net book value									
31 March 2016	602,435	47	428,054	21,680	19,531	735	15,868	1,028	1,089,378
31 March 2015 (restated)	599,415	48	350,488	13,808	19,840	742	67,051	14,407	1,065,799

Land tenure	Retirement Housing		Extra Care		PFI & PPP		Assets under construction and landbanks		Total
	Rented	Shared ownership	Rented	Shared ownership	Rented	Shared ownership	Rented	Shared ownership	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Freehold	554,016	47	218,383	17,813	-	-	9,919	-	800,178
Long leasehold	46,500	-	209,671	3,867	19,531	735	5,949	1,028	287,281
Finance Lease	1,919	-	-	-	-	-	-	-	1,919
31 March 2016	602,435	47	428,054	21,680	19,531	735	15,868	1,028	1,089,378

Depreciation charge in the year of £19,037k includes £1,080k of accelerated depreciation on replaced components (2015: 1,473k)

13. Housing properties at deemed cost (continued)

Association	Retirement Housing		Extra Care		PFI & PPP		Assets under construction and landbanks		Total
	Rented	Shared ownership	Rented	Shared ownership	Rented	Shared ownership	Rented	Shared ownership	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Deemed cost									
1 April 2015 (restated)	765,755	48	302,335	13,947	22,451	749	67,051	14,407	1,186,743
Acquisitions & construction costs	-	-	3,576	683	-	-	22,086	5,276	31,621
Works to existing properties	19,537	-	1,073	-	107	-	-	-	20,717
Transfers to current assets	-	-	-	265	-	-	-	(3,765)	(3,500)
Completed property transfers	-	-	80,305	7,854	-	-	(80,305)	(7,854)	-
Reclassifications	-	-	-	-	-	-	7,036	(7,036)	-
Disposals	(6,399)	-	(72)	(709)	-	-	-	-	(7,180)
31 March 2016	778,893	48	387,217	22,040	22,558	749	15,868	1,028	1,228,401
Accumulated depreciation									
1 April 2015 (restated)	(168,688)	-	(39,714)	(139)	(2,611)	(7)	-	-	(211,159)
Charge in the year	(10,924)	(1)	(6,305)	(221)	(416)	(7)	-	-	(17,874)
Eliminated on disposals	3,155	-	72	-	-	-	-	-	3,227
31 March 2016	(176,457)	(1)	(45,947)	(360)	(3,027)	(14)	-	-	(225,806)
Net book value									
31 March 2016	602,436	47	341,270	21,680	19,531	735	15,868	1,028	1,002,595
31 March 2015 (restated)	597,067	48	262,621	13,808	19,840	742	67,051	14,407	975,584
Land tenure	Retirement Housing		Extra Care		PFI & PPP		Assets under construction and landbanks		Total
	Rented	Shared ownership	Rented	Shared ownership	Rented	Shared ownership	Rented	Shared ownership	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Freehold	554,017	47	204,248	17,813	-	-	9,919	-	786,044
Long leasehold	46,500	-	137,022	3,867	19,531	735	5,949	1,028	214,632
Finance Lease	1,919	-	-	-	-	-	-	-	1,919
31 March 2016	602,436	47	341,270	21,680	19,531	735	15,868	1,028	1,002,595

Depreciation charge in the year of £17,874k includes £1,080k of accelerated depreciation on replaced components (2015: 1,473k)

13. Housing properties at deemed cost (continued)**Works to existing properties**

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

	Group		Association	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
New components capitalised	12,331	9,402	12,279	9,390
Capitalised enhancements	8,451	6,728	8,438	6,728
	20,782	16,130	20,717	16,118

The total amount of interest capitalised in the year was £620k (2015: £2,034k) and interest is capitalised at a rate of 4.5% (2015: 4.5%) The cumulative value of capitalised interest included in the net book value in note 13 and properties held for sale in note 15 is not separately recorded.

Housing accommodation	Group		Association	
	2016	2015	2016	2015
Retirement Housing				
Rented	11,055	11,091	11,055	11,040
Rented - general needs/family	91	94	91	94
Shared ownership	12	12	12	12
Leasehold	737	764	737	764
Staff accommodation	189	258	189	258
Owned but managed by others	249	249	249	249
Managed for others	29	46	29	97
	12,362	12,514	12,362	12,514
Extra Care				
Rented	4,150	3,468	4,099	3,417
Shared ownership	818	679	818	679
Leasehold	107	100	72	65
Staff accommodation	1	1	1	1
Managed for others	-	-	86	86
	5,076	4,248	5,076	4,248
PFI / PPP				
Rented	555	555	215	215
Shared ownership	70	70	70	70
Managed for others	1,436	1,435	1,776	1,775
Total	19,499	18,822	19,499	18,822
Units in development				
For rent	174	268	174	268
For shared ownership	16	91	16	91
For outright sale	-	10	-	10
Total	190	369	190	369

13. Housing properties at deemed cost (continued)**Historic cost**

If housing property had been accounted for under historic cost accounting rules, the properties would have been measured as follows:

	Group		Association	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Historic cost (including assets under the course of construction)	1,175,660	1,144,924	1,097,517	1,064,345
Accumulated depreciation	(234,131)	(218,489)	(225,805)	(211,160)
	941,529	926,435	871,712	853,185



14. Other fixed assets

	Group		
	Leasehold offices and improvements	IT and other equipment	Total
	£'000	£'000	£'000
Cost			
At 1 April 2015	1,437	20,341	21,778
Additions	15	929	944
Disposals	-	(21)	(21)
At 31 March 2016	1,452	21,249	22,701
Accumulated depreciation			
At 1 April 2015	(570)	(16,605)	(17,175)
Charge for the year	(166)	(3,205)	(3,371)
Disposals	-	17	17
At 31 March 2016	(736)	(19,793)	(20,529)
Net book value at 31 March 2016	716	1,456	2,172
Net book value at 31 March 2015	867	3,736	4,603

	Association		
	Leasehold offices and improvements	IT and other equipment	Total
	£'000	£'000	£'000
Cost			
At 1 April 2015	1,437	20,312	21,749
Additions	15	929	944
Disposals	-	-	-
At 31 March 2016	1,452	21,241	22,693
Accumulated depreciation			
At 1 April 2015	(570)	(16,582)	(17,152)
Charge for the year	(166)	(3,203)	(3,369)
Disposals	-	-	-
At 31 March 2016	(736)	(19,785)	(20,521)
Net book value at 31 March 2016	716	1,456	2,172
Net book value at 31 March 2015	867	3,730	4,597

15. Housing properties and stock for sale

	Group and Association	
	2016	2015
	£'000	£'000
Low cost home ownership and outright sale properties available for sale	3,384	4,617
Low cost home ownership and outright sale properties under construction	1,027	11,186
	4,411	15,803

16. Debtors

	Group		Association	
	2016	2015	2016	2015
	£'000	£'000 (restated)	£'000	£'000 (restated)
Greater than one year				
Finance receivables	120,324	117,576	6,280	6,413
Amounts owed by group undertakings	-	-	2,129	-
Amounts owed by group undertakings – concessionary loans	-	-	36,598	31,737
	120,324	117,576	45,007	38,150
Within one year				
Rent and service charge arrears	2,287	2,974	2,282	2,908
Less provision for bad debts	(1,580)	(1,921)	(1,577)	(1,904)
	707	1,053	705	1,004
Trade debtors	6,008	5,367	6,008	5,366
Amounts owed by group undertakings	-	-	3,685	8,265
Prepayments, accrued income and other debtors	14,942	14,054	8,757	8,556
SHG and other capital grants receivable	-	2,204	-	2,204
	21,657	22,678	19,155	25,395

Housing & Care 21 provides concessionary loan funding to the following subsidiaries:

	1 April 2015	Movement	31 March 2016
	£'000	£'000	£'000
Kent Community Partnership	6,976	-	6,976
Oldham Retirement Housing Partnership	24,761	4,861	29,622
	31,737	4,861	36,598

The interest rates on the concessionary loans are as follows:

	Kent Community Partnership	Oldham Retirement Housing Partnership
Interest rate	11%	2%

17. Creditors: amounts falling due within one year

	Group		Association	
	2016	2015	2016	2015
	£'000	£'000 (restated)	£'000	£'000 (restated)
Loans and borrowings (see Note 18)	(7,788)	(7,810)	(3,968)	(3,962)
Finance leases (see Note 18)	(68)	(60)	(68)	(60)
Trade creditors	(2,201)	(803)	(2,197)	(773)
Capital receipts in advance	-	(1,328)	-	(1,328)
Amount owed to Group undertakings	-	-	(6,750)	(6,418)
Other creditors	(8,326)	(7,571)	(7,819)	(6,913)
Accruals and deferred income	(64,994)	(62,460)	(40,726)	(39,750)
	(83,377)	(80,032)	(61,528)	(59,204)

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

	Group		Association	
	2016	2015	2016	2015
	£'000	£'000 (restated)	£'000	£'000 (restated)
Loans and borrowings	(458,147)	(466,868)	(327,109)	(333,076)
Finance lease	(2,186)	(2,255)	(2,186)	(2,255)
	(460,333)	(469,123)	(329,295)	(335,331)
Less: funding costs to be amortised	2,162	2,526	675	964
Interest rate swap	(73,562)	(72,469)	(16,624)	(17,013)
Deferred capital grants (see Note 20)	(30,360)	(29,324)	(30,360)	(29,324)
Recycled capital grants fund	(2,720)	(1,066)	(2,720)	(1,066)
Sinking fund balances	(5,455)	(4,478)	(5,159)	(4,236)
	(570,268)	(573,934)	(383,483)	(386,006)

The Recycled Capital Grant Fund balance consists of:

	Group and Association	
	2016	2015
	£'000	£'000
At 1 April	(1,066)	(1,011)
Grants recycled	(1,654)	(200)
Transferred to deferred capital grants	-	148
Interest accrued	-	(3)
At 31 March	(2,720)	(1,066)
Amount due for repayment to the HCA / GLA	-	-

18. Creditors: amounts falling due after more than one year (continued)

Loans are secured by charges on the assets of the Association including specific charges on certain housing properties. Repayment of loans within the PFI special purpose vehicles are secured through charges on the income of the underlying PFI contract over their lifetime. Kent Community Partnership loans are also secured by charges on the assets of the company.

The Association entered into two finance lease agreements, commencing January 1997. 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.

The weighted average interest rate is 4.19% (2015: 4.28%). At the 31 March 2016, the Group and Association had undrawn loan facilities of £115,000k (2015: £113,000k).

Group	2016				2015
	Bank loans	Other loans	Finance leases	Total	Total
	£'000	£'000	£'000	£'000	£'000
In one year or less, or on demand (see Note 17)	(7,787)	(1)	(68)	(7,856)	(7,870)
In more than one year and less than two years	(8,062)	(14,002)	(75)	(22,139)	(17,871)
In more than two years and less than five years	(30,798)	(7)	(275)	(31,080)	(44,427)
More than five years	(405,119)	(159)	(1,836)	(407,114)	(406,825)
	(451,766)	(14,169)	(2,254)	(468,189)	(476,993)

Association	2016				2015
	Bank loans	Other loans	Finance leases	Total	Total
	£'000	£'000	£'000	£'000	£'000
In one year or less, or on demand (see Note 17)	(3,967)	(1)	(68)	(4,036)	(4,022)
In more than one year and less than two years	(3,975)	(14,002)	(75)	(18,052)	(14,036)
In more than two years and less than five years	(18,183)	(7)	(275)	(18,465)	(31,709)
More than five years	(290,783)	(159)	(1,836)	(292,778)	(289,585)
	(316,908)	(14,169)	(2,254)	(333,331)	(339,352)

19. Financial instruments

	Group		Association	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Financial assets				
Financial assets measured at historical cost				
- Rental and Service charge debtors	707	1,053	705	1,005
- Trade debtors	6,008	5,367	6,008	5,367
- Other debtors	13,764	14,922	9,392	15,185
- Investments in subsidiaries	-	-	6,485	6,485
- Cash and cash equivalents	49,430	39,084	28,347	19,254
- Amounts owed from group undertakings - concessionary loans	-	-	38,727	31,737
Total financial assets	69,909	60,426	89,664	79,033
Financial liabilities				
Financial liabilities measured at amortised cost				
- Loans payable	(465,935)	(474,678)	(330,403)	(336,075)
Financial liabilities measured at historic cost				
- Trade creditors	(2,201)	(803)	(2,197)	(635)
- Other creditors	(31,715)	(32,531)	(28,397)	(29,915)
- Amounts owed to group undertakings	-	-	(6,750)	(6,556)
- Finance leases	(2,254)	(2,315)	(2,254)	(2,315)
Derivative financial instruments designated as hedges of variable interest rate risk	(73,562)	(72,469)	(16,624)	(17,013)
Total financial liabilities	(575,667)	(582,796)	(386,625)	(392,509)

19. Financial instruments (continued)**Hedges**

To hedge the potential volatility in future interest cash flows arising from movements in LIBOR, the Group has the following floating to fixed interest rate swaps.

Entity	Underlying loan	Underlying interest rate	Interest rate swap	Maturity of swap
	£'000			
Housing & Care 21	(35,000)	LIBOR	Receive LIBOR pay a fixed 5.5%	April 2040
Oldham Retirement Housing Partnership	(72,151)	LIBOR	Receive LIBOR pay a fixed 4.8%	October 2034
Kent Community Partnership	(30,098)	LIBOR	Receive LIBOR pay a fixed 5.3%	September 2037
Kent Community Partnership	(32,607)	LIBOR	Receive LIBOR pay a fixed 5.0%	March 2039

The derivatives are accounted for as hedges of variable rate of interest, in accordance with FRS 102 and had the following fair values:

	1 April 2015	Movement recognised in CIS	Movement recognised in OCI	31 March 2016
	£'000	£'000	£'000	£'000
Housing & Care 21	(17,013)	-	389	(16,624)
Oldham Retirement Housing Partnership	(22,760)	1,035	(559)	(22,284)
Kent Community Partnership	(32,696)	-	(1,958)	(34,654)
Group	(72,469)	1,035	(2,128)	(73,562)

The Group's hedging instruments qualify for hedge accounting as they are in accordance with the objectives of managing interest rate cash flow risk. As a result, whilst the derivatives are recognised on the Balance Sheet, movements are taken straight to reserves through Other Comprehensive Income (OCI) to the extent they are effective. The element that is not effective is taken through the Comprehensive Income Statement (CIS).

20. Deferred capital grants

Group					
	Retirement Housing	Extra Care	PFI / PPP	Assets under construction	Total
Grants					
1 April 2015	(201,621)	(259,891)	(11,363)	(18,637)	(491,512)
Grants received	-	-	-	(2,851)	(2,851)
Transfer to/(from) RCGF	1,432	222	-	-	1,654
Completions	-	(18,697)	-	18,697	-
Repayment of grant	-	505	-	958	1,463
Transfer to another entity	1,401	-	-	-	1,401
31 March 2016	(198,788)	(277,861)	(11,363)	(1,833)	(489,845)
Amortisation					
1 April 2015	201,621	249,204	11,363	-	462,188
Charge for the year	-	130	-	-	130
Transfer to another entity	(1,401)	-	-	-	(1,401)
Disposals	(1,432)	-	-	-	(1,432)
31 March 2016	198,788	249,334	11,363	-	459,485
Net Book Value					
31 March 2016	-	(28,527)	-	(1,833)	(30,360)
31 March 2015	-	(10,687)	-	(18,637)	(29,324)
Association					
	Retirement Housing	Extra Care	PFI / PPP	Assets under construction	Total
Grants					
1 April 2015	(200,221)	(252,830)	(11,363)	(18,637)	(483,051)
Grants received	-	-	-	(2,851)	(2,851)
Transfer to/(from) RCGF	1,432	222	-	-	1,654
Completions	-	(18,697)	-	18,697	-
Disposals	-	505	-	958	1,463
31 March 2016	(198,789)	(270,800)	(11,363)	(1,833)	(482,785)
Amortisation					
1 April 2015	200,221	242,143	11,363	-	453,727
Charge for the year	-	130	-	-	130
Disposals	(1,432)	-	-	-	(1,432)
31 March 2016	198,789	242,273	11,363	-	452,425
Net Book Value					
31 March 2016	-	(28,527)	-	(1,833)	(30,360)
31 March 2015	-	(10,687)	-	(18,637)	(29,324)

The Group receives grants from the Homes and Communities Agency and from the Greater London Authority, which is used to fund the acquisition and development of housing properties and their components. The Group may have a future obligation to recycle such grant once the properties are disposed of. At 31 March 2016, the total value of grant recycled is £2,720k (2015: £1,066k). See Note 18 for more information.

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

	Group		Association	
	2016	2015	2016	2015
	£'000	£'000 (restated)	£'000	£'000 (restated)
Operating surplus	26,621	27,173	21,772	23,061
Depreciation – housing properties	19,036	18,883	17,874	17,691
Depreciation – other fixed assets	3,370	2,437	3,369	2,422
Grant amortisation	(130)	(33)	(130)	(26)
Profit on property sales included in Operating Surplus	(5,277)	(3,173)	(5,277)	(3,173)
Amortisation & impairment of goodwill	9,842	2,695	9,842	1,686
Pension schemes	2,309	(667)	2,306	(667)
Gift aid	-	-	-	(1,179)
Decrease/(increase) in trade and other debtors	1,855	3,150	2,152	1,077
Increase/(decrease) in trade and other creditors	8,379	(3,180)	8,034	(3,672)
Net cash inflow from operating activities	66,005	47,285	59,942	37,220

22. Analysis of the changes in net debt

Group	At 1 April 2015	Cash Flows	Non-Cash Items	At 31 March 2016
	£'000	£'000	£'000	£'000
Cash	39,084	10,346	-	49,430
Bank loans	(472,153)	8,593	(213)	(463,773)
Finance leases	(2,315)	61	-	(2,254)
Net debt	(435,384)	19,000	(213)	(416,597)

Association	At 1 April 2015	Cash Flows	Non-Cash Items	At 31 March 2016
	£'000	£'000	£'000	£'000
Cash	19,254	9,093	-	28,347
Bank loans	(336,075)	5,971	(300)	(330,404)
Finance leases	(2,315)	61	-	(2,254)
Net debt	(319,136)	15,125	(300)	(304,311)

23. Share capital

	2016	2015
	£	£
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.

24. Capital commitments

	Group and Association	
	2016	2015
	£'000	£'000
Capital expenditure contracted but not provided for	10,813	37,692
Capital expenditure approved but not contracted for	36,015	102,843

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 form 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 capital commitments at 31 March 2016 will be funded by:

	2016
	£'000
Grant	9,039
Sales of development properties	25,665
Borrowings	12,124
Total	46,828

25. Commitments under operating leases

Amounts payable as lessee	Group		Association	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
On land and buildings:				
Not later than 1 year	588	719	588	719
Later than 1 year and not later than 5 years	1,727	1,520	1,727	1,520
Later than 5 years	2,487	2,588	2,487	2,588
	4,802	4,827	4,802	4,827
On other assets:				
Not later than 1 year	185	33	185	33
Later than 1 year and not later than 5 years	250	75	250	75
Later than 5 years	-	-	-	-
	435	108	435	108



26. Pensions

Housing & Care 21 participates in a number of defined benefit and defined contribution schemes. At the Balance Sheet date, 3,632 (2015: 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 (2015: 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.

Group Stakeholder Plan with Axa Sun Life

Following the closure of the Social Housing Pension Scheme (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 £216k (2015: £305k) with 104 employee members at the year end (2015: 136). This includes £1k (2015: £0k) 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 (2015: £1k) with one employee member at the year end (2015: one). This includes £0k (2015: £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 £15k (2015: £22k) with six employee members at the year end (2015: eight). This includes £1k (2015: £0k) 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 £304k (2015: £274k) with 3,092 employee members at the year end (2015: 3,044). This includes £51k (2015: £53k) 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 £669k (2015: £514k) with 270 employee members at the year end (2015: 228).

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 one percent of the SHPS total membership.

The following disclosure has been provided by the administrators:

Housing & Care 21 participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK.

It is not possible for Housing & Care 21 to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

The scheme is classified as a 'last-man standing arrangement'. Therefore, Housing & Care 21 is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

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

Tier 1	£40.6m per annum
From 1 April 2016 to 30 September 2020	(payable monthly and increasing 4.7% each year on 1st April)
Tier 2	£28.6m per annum
From 1 April 2016 to 30 September 2023	(payable monthly and increasing 4.7% each year on 1st April)
Tier 3	£32.7m per annum
From 1 April 2016 to 30 September 2026	(payable monthly and increasing 3.0% each year on 1st April)
Tier 4	£31.7m per annum
From 1 April 2016 to 30 September 2026	(payable monthly and increasing 3.0% each year on 1st April)

26. Pensions (continued)

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

contributions. Tier 4 contributions will commence from April 2016 onwards for the first time.

Where the scheme is in deficit and where Housing & Care 21 has agreed to a deficit funding arrangement Housing & Care 21 recognises a liability for this obligation.

The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Present values of provision			
	31 March 2016	31 March 2015	31 March 2014
	£'000	£'000	£'000
Present value of provision	(10,237)	(7,698)	(7,433)

Reconciliation of opening and closing provisions		
	31 March 2016	31 March 2015
	£'000	£'000
Provision at start of period	(7,698)	(7,433)
Unwinding of the discount factor (interest expense)	(239)	(934)
Deficit contribution paid	695	669
Remeasurement – impact of any change in assumptions	-	-
Remeasurement – amendments to the contribution schedule	(2,995)	-
Provision at end of period	(10,237)	(7,698)

Consolidated Comprehensive Income Statement impact		
	31 March 2016	31 March 2015
	£'000	£'000
Interest expense	239	933
Remeasurement – impact of any change in assumptions	-	-
Remeasurement – amendments to the contribution schedule	2,996	-

Present values of provision			
	31 March 2016	31 March 2015	31 March 2014
Assumptions	3.1%	3.1%	4.5%

26. Pensions (continued)

The discount rates shown are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

Housing & Care 21 must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the Comprehensive Income Statement, i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

Housing & Care 21 has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the SHPS based on the financial position of the scheme as at 30 September 2015. As of the date the estimated employer debt for Housing & Care 21 was £53,668k (2015: £48,996k).

The contributions outstanding at the Balance Sheet date for both the SHPS Defined Contribution and SHPS Defined Benefit schemes is £159k (2015: £143k).

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 Section 28 of FRS 102 as the charge in the Comprehensive Income Statement represents the employer contribution payable.

During the accounting period Housing & Care 21 paid contributions at 17% (2015: 17%) totalling £5k (2015: £5k). This includes £1k (2015: £nil) outstanding contributions at the Balance Sheet date. There was one employee member at the year end (2015: one). Employee contribution was 6.5% (2015: 6.5%).

Oldham Metropolitan Borough Council Pension Fund

Oldham Metropolitan Borough Council's 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 Section 28 of FRS 102 as the charge in the Comprehensive Income Statement represents the employer contribution payable.

During the financial year Housing & Care 21 paid contributions at 18.2% (2015: 17.6%) totalling £42k (2015: £39k). This includes £5k (2015: £nil) outstanding contributions at the Balance Sheet date. There were 11 employee members at the year end (2015: 11). Employee contributions were between 5.5% and 6.8% (2015: 5.5% - 6.5%).

Walsall Metropolitan Borough Council Pension Fund

Walsall Metropolitan Borough Council's pension 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 Section 28 of FRS 102 as the charge in the Comprehensive Income Statement represents the employer contribution payable.

During the financial year Housing & Care 21 paid contributions at 18.3% (2015: 18.3%) totalling £278k (2015: £324k). There were 107 employee members at the year end (2015: 111). This includes £32k (2015: £nil) 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% (2015: 5.5% - 6.8%).

Suffolk County Council Pension Fund

The Association is an admitted body to the Suffolk County Council Pension Fund, which is administered by Suffolk County Council. Suffolk County Council's pension 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 Section 28 of FRS 102 as the charge in the Comprehensive Income Statement represents the employer contribution payable.

During the financial year Housing & Care 21 paid contributions at 25.1% (2015: 22.5%) totalling £17k (2015: £16k). This includes £nil (2015: £nil) outstanding contributions at the Balance Sheet date. There were six (2015: six) employee members at the year end. Employee contributions were between 5.5% and 5.8% (2015: 5.5% - 5.8%).

26. Pensions (continued)

London Borough of Barnet Pension Fund

The Association is an admitted body to the London Borough of Barnet Pension Fund, which is administered by the London Borough of Barnet. The London Borough of Barnet 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 Section 28 of FRS 102 as the charge in the Comprehensive Income Statement represents the employer contribution payable.

During the accounting period Housing & Care 21 paid contributions at 22.5% (2015: 22.5%) totalling £118k (2015: £123k). This includes £9k (2015: £nil) 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 London Borough of Barnet. There were 32 (2015: 32) employee members at the year end. Employee contributions were between 5.5% and 6.5% (2015: 5.5% - 5.8%).

North Yorkshire Pension Fund

The Association is an admitted body to the North Yorkshire Pension Fund, which is administered by North Yorkshire County Council. North Yorkshire County Council's pension scheme is a defined benefit scheme. However, Housing & Care 21's liability in relation to its employees is capped at 5.0%. The scheme is therefore accounted for as a defined contribution scheme in accordance with Section 28 of FRS 102 as the charge in the Comprehensive Income Statement represents the employer contribution payable.

During the financial year Housing & Care 21 paid contributions at 5% totalling £3k (2015: £3k). This includes £1k (2015: £nil) outstanding contributions at the Balance Sheet date.

There were six employee members at the year end (2015: six). Employee contributions were between 5.5% and 5.8% (2015: 5.8%).

London Borough of Lewisham Pension Fund

The Association is an admitted body to London Borough of Lewisham Pension Fund (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.

The last formal valuation of the funds was at 31 March 2013. Actuarial valuations have been prepared as at 31 March 2016 on behalf of Housing & Care 21 (the Employer). For this purpose the value of the funds as at 31 March 2016 have been estimated based upon the latest split of investments by category which was at 31 December 2015. The value of the funds' liabilities as at 31 March 2016 were assessed by rolling forward the value of the employer's liabilities reported as at the latest valuation.

26. Pensions (continued)

Reconciliation of defined benefit contributions		
	31 March 2016	31 March 2015
	£'000	£'000
Opening defined benefit obligation	519	459
Current service costs	12	11
Interest cost on defined benefit obligation	16	19
Contributions by members	2	2
Actuarial losses	(30)	45
Benefits paid	(17)	(17)
Closing defined benefit obligation	502	519

Reconciliation of fair value of assets employed		
	31 March 2016	31 March 2015
	£'000	£'000
Opening fair value of assets employed	291	258
Interest income on plan assets	9	10
Contributions by members	2	2
Contributions by employers	7	7
Actuarial gains	(9)	31
Benefits paid	(17)	(17)
Closing fair value of assets employed	283	291

	31 March 2016	31 March 2015
	£'000	£'000
Fair value of plan assets	283	291
Present value of plan liabilities	(502)	(519)
Net pension scheme liability	(219)	(228)

Analysis of actuarial loss recognised in other comprehensive income		
	31 March 2016	31 March 2015
	£'000	£'000
Changes in financial assumptions	28	(46)
Other experience	2	(4)
Return on assets excluding amounts included in net interest	(9)	31
	21	(19)

26. Pensions (continued)

Composition of plan assets		
	31 March 2016	31 March 2015
Equities	67%	71%
Bonds	19%	19%
Property	9%	8%
Cash	5%	2%

Principal actuarial assumptions used at the Balance Sheet date		
	31 March 2016	31 March 2015
Pension increase rate	2.1%	2.2%
Salary increase rate	4.1%	4.0%
Discount rate	3.4%	3.1%

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 as follows:

31 March 2016		
	Males	Females
Current pensioners	21.7 years	24.0 years
Future pensioners*	24.4 years	26.7 years

*Figures assume members aged 45 as at the last formal valuation date.

The pension costs of this scheme to the Association for the year was £7k (2015: £1k). This includes £1k (2015: £nil) outstanding contributions at the Balance Sheet date.

There were two employee members at the end of the year (2015: two). The average contribution rate of the Association for the year ended 31 March 2016 was 22% (2015: 21.5%) and for employees 5.8% (2015: 5.9%).

27. Investments and subsidiary undertakings

	Group	Association
	£'000	£'000
Cost		
At 1 April 2015	-	25,602
Additions	-	-
Disposals	-	-
At 31 March 2016	-	25,602
Accumulated impairments		
At 1 April 2015	-	(19,117)
Charge in the year	-	-
Disposals	-	-
At 31 March 2016	-	(19,117)
Net book value at 31 March 2016	-	6,485
Net book value at 31 March 2015	-	6,485

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 2016.

Name and principal activity	Country of registration	Status	Basis of control
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 is a member and controls the composition of the Board
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 company divested from the Group in the financial year

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 was a member and controlled the composition of the Board

27. Investments and subsidiary undertakings (continued)

The following companies are dormant

Name and principal activity	Country of registration	Status	Basis of control
Claimar Care Limited	England and Wales	Private limited company	Ownership of 4,000,000 £1 shares being 100% of the issued share capital
Claimar Care Group Limited	England and Wales	Private limited company	Ownership of 49,995,140 10p shares being 100% of the issued share capital
Housing 21 Development Services Limited	England and Wales	Private limited company	Ownership of one £1 shares being 100% of the issued share capital
Housing 21 Property Services Limited	England and Wales	Private limited company	Ownership of two £1 shares being 100% of the issued share capital

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

Transactions with non-regulated entities

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:

	2016				2015
	Turnover	Operating costs	Interest payable	Total	Total
	£'000	£'000	£'000	£'000	£'000
Kent Community Partnership	2,042	(512)	(779)	751	802
Housing 21 Guernsey LBG	-	(236)	-	(236)	(232)
Oldham Retirement Housing Partnership	-	(3,161)	(561)	(3,722)	(3,560)
Gharana Housing Association	-	(25)	(8)	(33)	(66)
Total	2,042	(3,934)	(1,348)	(3,240)	(3,056)

28. Goodwill

	Group		Association	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Cost				
At 1 April	21,915	25,506	17,967	17,967
Disposed	-	(3,591)	-	-
At 31 March	21,915	21,915	17,967	17,967
Accumulated amortisation and impairments				
At 1 April	(11,873)	(13,447)	(7,925)	(6,239)
Amortised during the year	(1,687)	(2,017)	(1,687)	(1,686)
Impairments	(8,355)	-	(8,355)	-
Disposed	-	3,591	-	-
At 31 March	(21,915)	(11,873)	(17,967)	(7,925)
Total 31 March	-	10,042	-	10,042

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 (2015: £153k).

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 £1,534k (2015: £1,866k), and for the Association £1,534k (2015: £1,534k).

In year, an impairment charge of £8,355k, which equates to the remaining net book value of both the goodwill associated the purchases of James Butcher Housing Association and Claimar Care Group PLC, has been recognised in the Comprehensive Income Statement due to the current challenging environment and the future challenges of NLW and social care funding cuts.

The disposal of Surecare Community Services Limited, First Call Community Services Limited and Paediatric Nursing Limited (see Note 6) in 2015 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 Comprehensive Income Statement as a result of this disposal.

29. 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 (see Notes 9, 16, 17 and 27 for further information on related party transactions).

30. Post-Balance Sheet events

There are no post-Balance Sheet events.

31. First time adoption of FRS 102

Group	1 April 2014				Surplus for year ended 31 March 2015	31 March 2015		
	I&E reserve	Revaluation reserve	Cash flow hedge reserve	I&E reserve		Revaluation reserve	Cash flow hedge reserve	
	£'000	£'000	£'000	£'000		£'000	£'000	
As previously stated under former UK GAAP	107,620	573,373	-	16,331	123,782	606,479	-	
Opening Balance Sheet adjustments					243,871	(265,034)	(31,539)	
SHPS pension deficit contribution liability	(7,433)	-	-	(266)	(266)	-	-	
Deemed cost adjustment	263,938	(265,034)	-	(2,340)	(2,340)	(32,956)	-	
Financial instruments at fair value	(12,626)	-	(31,539)	(468)	(468)	-	(27,836)	
Holiday pay	(8)	-	-	-	-	-	-	
Total FRS 102 adjustments	243,871	(265,034)	(31,539)	(3,075)	240,797	(297,990)	(59,735)	
As stated in accordance with FRS 102	351,491	308,339	(31,539)	13,257	364,579	308,489	(59,375)	

Association	1 April 2014				Surplus for year ended 31 March 2015	31 March 2015		
	I&E reserve	Revaluation reserve	Cash flow hedge reserve	I&E reserve		Revaluation reserve	Cash flow hedge reserve	
	£'000	£'000	£'000	£'000		£'000	£'000	
As previously stated under former UK GAAP	105,189	549,703	-	15,476	120,496	582,330	-	
Opening Balance Sheet adjustments					240,705	(258,938)	(2,524)	
SHPS pension deficit contribution liability	(7,433)	-	-	(266)	(266)	-	-	
Deemed cost adjustment	257,788	(258,938)	-	(2,312)	(2,312)	(32,477)	-	
Financial instruments at fair value	(9,650)	-	(2,524)	-	-	-	(4,840)	
Total FRS 102 adjustments	240,705	(258,938)	(2,524)	(2,578)	238,127	(291,415)	(7,364)	
As stated in accordance with FRS 102	345,894	290,765	(2,524)	12,898	358,623	290,915	(7,364)	

31. First time adoption of FRS 102 (continued)

Explanation of changes to previously reported profit and equity:

- Previously Housing & Care 21 revalued its housing properties at each report date. Section 35 of FRS 102 allows entities to either continue to value housing properties, revert back to historic cost or freeze the valuation at 1 April 2014 and treat this as a proxy for cost (also known as deemed cost). Housing & Care 21 have adopted deemed cost. As a result:
 - Social housing grants that were effectively included in the revaluation reserve have been transferred to the revenue reserve for all properties completed prior to 1 April 2014. This has been offset by a deemed cost adjustment to ensure the net book value of housing properties excluding social housing grants equates to the frozen valuation at 1 April 2014. The deemed cost adjustment has been charged to the revaluation reserve where there was sufficient revaluation gains or the income and expenditure reserve.
 - Overall, the income and expenditure reserve at 1 April 2014 has increased by £263,954k (Group) and £257,787k (Association) and the revaluation reserve has decreased by £265,034k (Group) and £258,938k (Association).
 - In addition, as housing properties are no longer depreciated net of social housing grants, depreciation for the year ending 31 March 2015 has increased by £2,367k (Group) and £2,339k (Association) but offset by amortisation of grant of £26k (Group and Association)
- The Group has four swaps (see note 19) to mitigate interest rate risk and these swaps are required by Section 12 of FRS 102 to be fair valued at each reporting date. The Group has applied hedge accounting and where the swap is effective at mitigating interest rate risk, the movements in fair value are charged directly to the cash flow hedge reserve on the Balance Sheet via other comprehensive income. Any ineffectiveness is charged to the Comprehensive Income Statement. The following adjustments have been made:
 - The fair value adjustment at 1 April 2014 increased creditors: amounts falling due after more than one year by £44,165k (Group) and £12,173k (Association). Revenue reserves reduced by £31,540k (Group) and £2,524k (Association) for the ineffective element of the swap with the difference (£12,626k for Group and £9,650k for Association) recognised directly in the cash flow hedge reserve
 - For the 31 March 2015 Balance Sheet, the fair value adjustment increased creditors: amounts falling due after more than one year by £28,304k (Group) and £4,840k (Association). £468k (Group) and £nil (Association) was charged to the Comprehensive Income Statement and £27,836k (Group) and £4,840k (Association) was charged to the cash flow hedge reserve (via other comprehensive income).
- Where Housing & Care 21 are committed to funding a pension deficit, instead of the cost being charged to the Comprehensive Income Statement in the year the payment is made, Section 28 of FRS 102 requires the present value of all future deficit payments to be recognised as a liability. At 1 April 2014 opening Balance Sheet, the pension liability increased by £7,433k. Each year this discounted liability is unwound with a resulting charge to interest and financing costs (see note 10). In 2015, the charge was £938k and the pension liability increased to £7,699k.







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Co-operative and Community Benefit Society Number: 16791R

Homes and Communities Agency registered number: L0055



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