



Financial Statements 2017/18

housing&care21



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CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT

2017/18 has been another year of sustained progress and strong performance for Housing & Care 21. Last year we re-affirmed our core strategic purpose, priorities and principles alongside seven strategic ambitions in a new Strategic Plan that looks forward to 2021 and beyond. We are now in a good position and prospects for the future look promising. But our commitment to investment and improvement is still on-going as we seek to go further and do more, in order to provide services and satisfaction at a level that is 'better than good'.

We remain committed to our core purpose of providing contemporary housing and care services and solutions to meet the needs of older people of modest means. In pursuit of this we have already made significant progress against our seven strategic priorities. We have been investing in:

1. Providing more homes

In November 2017 we successfully issued a 30 year bond to raise £250 million at a competitive rate of 3.28%. This provides the financial resources required to fulfil our ambitions to develop 2,100 Extra Care properties and 210 Retirement Housing properties by 2021. We also have the capacity and commitment to continue to borrow and develop affordable homes for older people of modest means to rent and purchase on a shared ownership basis at a rate of at least 800 properties per annum thereafter.

We are also seeking to extend our capacity and capability to provide quality services through the acquisition of Extra Care and Retirement Housing properties from other providers. The tenants of the 563 properties acquired from Your Housing have already benefited from investment in their buildings and improved court management. We have recently acquired eight properties in Plymouth from Anchor Trust that are linked to an Extra Care development we previously acquired from the Pocklington Trust. We are also looking at other potential Extra Care acquisition opportunities.

2. Quality of existing properties

We have now completed the second year of the five year plan and programme to invest more than £135m in enhancing the design and specification of existing properties. Considerable progress has been made such that as at 31 March 2018 88% of kitchens and 90% of bathrooms were no more than 20 years old, 79% of courts had received a design based makeover within the past seven years and 74% of courts had an EPC energy efficiency rating of level C or above. We remain on track to achieve 100% compliance with these key quality standards by 2021.

Our investment has not only been in our older buildings. We have also committed funds to ensure that any defects or problems with newer buildings have also been rectified and addressed.

Although we only have six high rise blocks and no combustible cladding on any of our buildings, we take fire safety very seriously and undertook a comprehensive review of all aspects of fire safety following the tragic fire at Grenfell Tower. We have installed additional smoke detectors, even in sterile stairwells of small two storey blocks of flats, and we had already commissioned the installation of sprinkler systems for our high rise blocks. We are also investing an extra £2 million to ensure all fire alarm systems are zone specific as an extra precaution against the risk of fire spreading through roof voids. We have adopted a similar no compromise approach to all other aspects of safety with just as rigorous a process to ensure we have full compliance with gas, electrical, asbestos, water hygiene and radon checks and standards.

Although residents moving into our properties provide lettings satisfaction ratings of 98% and existing residents report satisfaction levels of 92% with the repairs service, we still want to improve on these results and seek to provide properties that older people are proud to call home.

3. Quality and responsiveness of our services

Whenever we ask residents about what they value most about the services we provide, they consistently tell us that the most important factor in their satisfaction is the people who make the service. That is why we have retained our dedicated Court Managers when some other providers have been moving to floating or visiting services or even withdrawing the on-site support completely. We have put the emphasis on training, equipping and empowering on-site staff to provide a first class service and emphasised the importance of devolving decisions to give local staff and residents more choice and control over the services at each location.

The quality of our care services has also seen a significant improvement with 94% of our care services at the year end assessed as good by the Care Quality Commission. We are confident that the two services that are graded as requiring improvement will also be assessed as good when next re-inspected. We now want to see our services improve further in order to be recognised as outstanding. As part of this desire to improve further the quality of the care provided we have strengthened the care management structures and also improved the terms and conditions for our care staff by providing guaranteed hours contracts and setting pay rates at least 10% above the National Living Wage. This will help provide a more stable and quality care workforce which will translate into improved experiences and satisfaction for those they care for.

4. Our people and potential

As indicated above, people are the essential ingredient of a great service. We recognise this and have made a considerable investment in the training and development of all our staff. This has included externally accredited training, apprenticeships, management development and key skills development. We have also been working to engage and empower all our people through improved appraisal, coaching and talent recognition on an individual, team and organisational basis.

We achieved the Investors in People (IIP) Silver Standard in 2015 and we are hoping that when we are reassessed in 2018 we will attain the IIP Gold Standard. However, ensuring that the changes and improvements we make are effective and sustained is of prime importance.

Our Gender Pay Gap, with a mean pay gap of 36% and median pay gap of 28%, is largely a consequence of the structure of the workforce in the sectors in which we operate. Care staff, domestic staff and Court Managers account for the vast majority of our staff and more than 90% of the people in these traditionally lower paid roles are female. We do ensure we pay male and female workers in equivalent roles exactly the same rate of pay and have produced an action plan to try to eliminate any barriers that deter or prevent women progressing into the highest grades or senior management positions. We recognise the value in encouraging diversity and representation of people with different characteristics and talents at all levels in the organisation.

5. Systems and technology

We have been progressing the implementation of a new housing management platform that will equip our frontline Court Managers and Housing and Care Managers to work more dynamically and effectively as well as taking on a wider remit of responsibilities. Although we had hoped that the first phase of this would be in place from April 2018 that proved to be too ambitious a timescale for the software suppliers to meet. We are still confident that the systems and new ways of working will be implemented before the end of the year and that this will make a positive impact not only on our costs but more importantly in improving the responsiveness and quality of the service we provide.

As well as embracing new ways of working we have continued to maintain a focus on ensuring the security and integrity of the infrastructure of our computer systems as well as the applications we use and data we hold. We have also checked and verified the data we hold to ensure we meet the requirements of the General Data Protection Regulations (GDPR) which have now come into effect.

We have also harnessed the power of social media and technology by introducing the Workplace application (which is like a private Facebook for our employees) so that care workers and domestic staff can engage, communicate and keep in touch with things happening across the organisation even if they don't have their own Housing & Care 21 computer or email accounts.

6. Value for money

We have already demonstrated our ability to grow our services and do more whilst at the same time reducing our corporate overhead costs. The implementation of new systems will allow further process efficiencies to be realised.

We have continued to seek to compare our costs and performance against other organisations and service providers both from within the housing association sector and beyond. We have made big improvements in operational performance over the last year addressing void rates and arrears in particular. Our costs compare favourably with those of other providers of equivalent services and where we do spend more this is a consequence of our positive commitment to adopt higher standards and make deliberate investments in the quality of our services.

Part of ensuring that we continue to provide value for money is to challenge and question our current practices and performance as well as looking for ways to improve. To help us do this we have created opportunities and incentives to encourage staff and residents to generate new ideas and performance improvement proposals.

7. Innovation and influence

We have played a leading role in influencing the shift in the Government's proposals away from the introduction of a cap on benefit entitlements for supported housing at Local Housing Allowance levels which would have resulted in a requirement to seek any top-up funding from local authorities. The alternative proposals for a 'sheltered rent' appear to be more sensible and appropriate but there are still potentially devils in the detail. We are continuing to work with Government and other providers and developers of supported housing services for older people to ensure that the new regime is fair, workable and reasonable not only for providers such as ourselves but especially for our residents of modest means who rely on support to pay for the costs of the accommodation they require.

We have also continued to demonstrate our credentials as a thought leader in other areas by speaking at numerous conferences and events, supporting the All Party Parliamentary Group on Housing and Care for Older People and hosting our own successful conference on the future of older people's housing in October 2017 that brought academics and practitioners together and is now set to become an annual event with a further conference planned for October 2018.

Lord Ben Stoneham, Chairman



CHAIRMAN AND CHIEF EXECUTIVE'S STATEMENT

We have now officially launched Housing & Care 21 as a dementia friendly organisation and produced a video showcasing the vital work we do to help people retain their dignity and live well with dementia. We have continued to promote the Dementia-Friendly Housing Charter, which we developed with the Alzheimer's Society, and we have also published our own dementia design guide. All staff are given the opportunity to become a Dementia Friend and we are now making great progress in helping more than 2,300 of our residents to become Dementia Friends so far as we progress towards our target of 9,000 by 2021.

We have also continued to make progress towards our target of promoting digital technology. We are about to install our 100th digital call system while many other providers are still sticking with their old fashioned, and soon to become obsolete, analogue systems. We are working on pilot projects with the University of Sheffield to explore potential for technology to help with intelligent passive lifestyle monitoring. We have also developed a productive partnership with Virgin Media to give our Courts the option to access their digital cable services.

We are extremely grateful for the passion, commitment and dedication that has been demonstrated by staff in every part of Housing & Care 21, who by working together have made such positive progress and produced great results. The business divisions of Retirement Housing and Extra Care, the many essential corporate and support functions and the PFI and PPP schemes have all played their part in putting Housing & Care 21 back into a strong position where it can look forward with confidence.

What we have achieved would of course not have been possible without the support, vision and assistance of the many partners, local authorities and service commissioners, suppliers and other stakeholders who have helped us on our journey. We are entirely dependent upon the goodwill, loyalty and support of the residents who we seek to serve but who provide valuable feedback and guidance on how we can improve.

Our Board plays a particularly vital role in ensuring the governance and leadership is in place that has underpinned this positive position. Last year we recruited four new experienced and strong Board members who have all already demonstrated the value they bring to the Board. They are:

- Anne Turner (who has taken on the role of Chair of the Audit and Risk Management Committee) has extensive executive and non-executive experience in finance roles within the housing association sector;
- Mike McDonagh has recently retired as a partner and member of KPMG's UK Executive Committee;
- Neil Revely has previously worked in partnership with Housing & Care 21 in previous senior social service roles at North Yorkshire and Sunderland Councils; and
- Stephanie Heeley has insights and perspectives of Housing & Care 21 as a resident as well as a Board member.

We are also glad that the Board agreed to ask Jenny Owen to defer her resignation from the Board for a further two years and she agreed to continue as a Board member until September 2019 to provide continuity as well as her particular skills and expertise.

This investment in new Board members and retention of a much valued existing Board member will be particularly important over the coming year as in September 2018 we will lose two of our longest serving Board members – Sanaya Robinson and Richard Humphries. Over their nine years of service they have each made a huge contribution to Housing & Care 21; offering immense dedication, valuable insights, incredible judgement and good spirits. They will both be missed.

Following a rigorous and extensive search and selection process we are delighted that Stephen Hughes will be taking on the role of Chair of Housing & Care 21 from September 2018. Stephen joined the Board in 2014 after an accomplished career in local government including a long and successful period as Chief Executive of Birmingham City Council. We are delighted he will now be bringing his skills, drive and ambition into the role of Chair to maintain a commitment to our purpose, focus on future performance improvement and ensure the potential of Housing & Care 21 continues to be realised.

Lord Ben Stoneham and Bruce Moore

Incoming chairman's statement

I am delighted to have been selected to take on the responsibilities of Chair of Housing & Care 21 from September 2018 and to continue the valuable work to help support older people to live independently with the care and support they need. I would like to thank Lord Ben Stoneham and acknowledge the pivotal role he has played in transforming the fortunes of the organisation by leading the Board through some challenging times into a position of great strength and potential. My priority will be to continue to provide the guidance and leadership needed to maintain the strength of leadership and ambition to succeed.

Stephen Hughes



Bruce Moore, Chief Executive



REPORT OF THE BOARD

Organisational and governance structure

Principal activities and structure

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

- Housing & Care 21 own or manage 20,188 properties;
- We have 12,814 Retirement Housing properties (12,075 properties for social rent, and 739 leasehold properties) in England, covering over 150 local authorities;
- We are the largest provider of Extra Care housing in England with 132 schemes representing 5,898 properties (which includes properties under the Walsall PPP and Kent PFI contract), which also provide 40,000 care hours a week;
- We manage 1,476 properties for other organisations, predominantly for Oldham Council (1,432 properties);
- We have continued to develop new Extra Care Housing for older people, with 77 new properties completed in 2018 (2017: 113);
- We are promoting dementia awareness and have five specialist dementia courts. All staff are given

the opportunity to be a Dementia Friend. We have over 3,000 staff members who are Dementia Friends. Over the next five years, Housing & Care 21 has pledged to raise awareness about dementia through helping 9,000 of our residents become Dementia Friends, and;

- Housing & Care 21 employs over 2,900 full-time equivalent 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 2017

Housing & Care 21 (the Parent) is a Community 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), its housing activities are regulated by the Regulator of Social Housing and its care activities are regulated by the Care Quality Commission (CQC). Its constitution is contained in its Rule Book.

The Group's active subsidiaries are:

Housing 21 Guernsey LBG (H21G) is a private company limited by guarantee and incorporated under and subject to the law of the States of Guernsey. The purpose of this subsidiary is the ownership and management of an Extra Care scheme in Guernsey.

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

Oldham Retirement Housing Partnership Limited (ORHP) is a Community Benefit Society with exempt charitable status. It is a special purpose vehicle set up under the PFI to refurbish and manage Retirement Housing properties in Oldham under a contract with Oldham Metropolitan Borough Council.

Our Board membership

We are committed to maintaining the 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.

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.

Board members

Name	Position	Appointed	Resigned	Main Board attendance
Lord Ben Stoneham	Chair / Member	29 July 2011		6 out of 6
Kathleen Boyle	Member	31 Jan 2014		6 out of 6
Simon Fanshawe OBE	Member	29 July 2011	28 Sept 2017	3 out of 3
Stephanie Heeley	Member & Resident	01 Jan 2018		2 out of 2
Stephen Hughes	Member & Chair Designate	31 Jan 2014		5 out of 6
Richard Humphries	Member	21 Oct 2009		5 out of 6
Ken Jeffries	Member & Resident	24 Sept 2010	28 Sept 2017	3 out of 3
Michael Knott	Member	31 Jan 2014		6 out of 6
Mike McDonagh	Member	01 Sept 2017		4 out of 4
Jenny Owen CBE	Member	31 May 2011		6 out of 6
Liz Potter	Vice-Chair / Member	31 Jan 2014		6 out of 6
Neil Revely	Member	01 Sept 2017		4 out of 4
Sanaya Robinson	Member	06 Nov 2009		6 out of 6
Anne Turner	Member	01 Sept 2017		4 out of 4

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.

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 committees is as follows:

Audit and risk management committee	Attendance
Sanaya Robinson (Chair until January 2018)	4 out of 4
Stephanie Heeley (appointed 1 January 2018)	0 out of 1
Stephen Hughes	3 out of 4
Ken Jeffries (resigned 28 September 2017)	1 out of 2
Michael Knott	4 out of 4
Jenny Owen CBE (resigned 1 December 2017)	1 out of 3
Anne Turner (appointed 1 December 2017, Chair from January 2018)	2 out of 2

Governance committee	Attendance
Liz Potter (Chair)	3 out of 3
Richard Humphries	3 out of 3
Simon Fanshawe (resigned 28 September 2017)	1 out of 1
Ken Jeffries (resigned 28 September 2017)	1 out of 1
Mike McDonagh (appointed 1 December 2017)	2 out of 2
Jenny Owen CBE	3 out of 3
Sanaya Robinson (resigned 1 December 2017)	1 out of 1

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

ORHP	Attendance
Stephen Hughes (Chair)	3 out of 3
Lord Ben Stoneham (resigned 1 December 2017)	1 out of 2
Jenny Owen CBE	2 out of 3
Liz Potter (resigned 1 December 2017)	2 out of 2
Neil Revely (appointed 1 December 2017)	0 out of 1
Bruce Moore	3 out of 3
Paul Weston	3 out of 3

H21 Guernsey LBG	Attendance
Kathleen Boyle (Chair)	2 out of 2
Simon Fanshawe (resigned 28 September 2017)	0 out of 1
Richard Humphries (resigned 1 December 2017)	1 out of 1
Michael Knott (resigned 23 March 2018)	1 out of 1
Mike McDonagh (appointed 1 December 2017)	1 out of 1
Bruce Moore	2 out of 2
Tony Tench (appointed 23 March 2018)	1 out of 1
Anne Turner (appointed 1 December 2017)	1 out of 1
Paul Weston (resigned 23 March 2018)	1 out of 1

KCP	Attendance
Michael Knott (Chair)	3 out of 3
Kathleen Boyle	3 out of 3
Liz Potter (resigned 1 December 2017)	1 out of 1
Neil Revely (appointed 1 December 2017)	1 out of 2
Bruce Moore (resigned 1 December 2017)	1 out of 1
Tony Tench (appointed 1 December 2017)	2 out of 2
Paul Weston	3 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 was formerly the frontbench spokesperson on Business, Innovation and Skills for the Liberal Democrats in the House of Lords, and is currently their Chief Whip.

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 Deputy National Leader for L'Arche UK, a charity providing housing and care.

Stephanie Heeley

Stephanie has been a resident in Housing & Care 21 Retirement Housing for over three years and passionately believes that the focus of the organisation should always be on the residents, both current and future.

Stephen Hughes



Stephen has extensive local government experience having been the Chief Executive of Birmingham City

Council and Interim Chief Executive at Bristol City Council. He is a qualified accountant and also a member of the Institute of Customer Service. Stephen brings insight into strategic financial planning and management as well as 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 Senior Fellow 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 and visiting professor at the University of Worcester.

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.

Mike McDonagh



Mike is a former KPMG Partner who has held a number of senior leadership roles including serving as a Member of KPMG's

UK Executive and being the Global Lead Partner for a FTSE 15 company. He has also specialised in public sector services, is a keen supporter of diversity and a track record of mentoring. He is currently an Audit Committee member for the Royal Botanic Gardens, Kew and has recently been appointed as Chair of their Audit Committee (from June 2018).

Jenny Owen CBE



Jenny brings 36 years' experience of social care in local authorities, central government and regulation. She was previously Deputy

Chief Executive and Director of Adult Social Care at Essex County Council. Jenny is also an experienced non-executive director who is vice chair of both the Royal Free Hospital London and the Alzheimer's Society. She is a member of the King's Fund Advisory Group and 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 is currently the Chair of Curo, having

previously been 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.

Neil Revely



Neil has extensive experience in the social care sector with Durham County Council, North Yorkshire County Council and as

Executive Director of Health, Housing and Adult Services for Sunderland City Council. He now provides consultancy across health, housing, and adult Services and is a Care & Health Improvement Adviser with the Local Government Association. He is a member of the National Executive of the Association of Directors of Adult Social Services and Co-Chairs the ADASS Housing Policy Network. He also Chairs Disability Action Yorkshire.

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 non-executive director experience includes another registered provider and serving as Audit Committee Chair at a building society.

Anne Turner



Anne is a qualified accountant who worked for 25 years in executive positions in three large housing association

groups in the Midlands. She was Chief Operating Officer at Orbit Group until March 2016 and now uses her experience in non-executive positions. She is currently on the group boards of two other large housing associations where she chairs their treasury and audit committees. Anne has also served on numerous NHF and CIPFA committees and working groups.

Executive and Secretary



Bruce Moore

Chief Executive



Paul Weston

Chief Financial Officer



Tony Tench

Chief Operations Officer

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

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

During the year the Executive Monitoring Group was formed comprising of the three Executives, the Director of Retirement Housing, the Director of Extra Care and the Director of Culture, Assurance and Performance. The role of this group is to monitor progress and performance against the seven strategic priorities and to drive improvements across the organisation.

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 Hamblins LLP	3 Bunhill Row, London EC1Y 8YZ

Registration

Housing & Care 21 is incorporated under the Co-operative and Community Benefit Society Act 2014 (Registered number 16791R) and registered under the Housing and Regeneration 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 £7.5m in respect of their duties as directors of the Group.

REPORT OF THE BOARD

Corporate governance report

Board members' responsibilities

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 and financial statements for the Group;
- 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, and;
- 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 its chosen Code of Conduct (National Housing Federation), and;
- 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 2017/18, 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 such as the £250m Public Bond issue, further investment in technology and related organisational changes, the acquisition of 563 properties from Your Housing Group into Housing & Care 21 stock, and changes to the Extra Care operational management structure. Operational performance including health and safety, care quality, resourcing and finances continued to be discussed.

In addition, the Board received information on and discussed issues which arose in the wider social, political, economic environment and care and housing sectors, which included general regulatory and legislative changes, and developments and lessons learnt from other organisations. The Board has continued to take particular note of the risks and potential impact and implications of the Government's Supported Housing funding proposals, and although the Local Housing Allowance (LHA) will not be implemented for Supported Housing, the Board remains concerned about the proposed alternative.

The Board also considered the tragic events of the Grenfell Tower fire, reviewing fire building safety and approving further investment in fire stopping works which exceed good practice standards.

The Board has continued to assess the potential impact of risks through receipt of updates to the financial forecasts and updated stress tests.

Formal reports confirming how Housing & Care 21 meets the Regulator of Social Housing (RoSH) regulatory standards on governance and viability, value for money, rent and the consumer standards have been considered by the Board as part of routine reporting on risks and assurance and as part of a specific assurance exercise. Assurance continues to be provided on reviewing compliance with aspects of law and the maintenance of the Assets and Liabilities register. The Board has been assured over compliance with the regulatory standards and key aspects of law as a result of the assurance received.

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. Individual members are appraised by the Chair. The Chair is appraised by the Chair of the Governance Committee. A formal assessment of Board effectiveness was last carried out by Campbell Tickell in November 2015. In preparation for recruitment of new board members, in 2017 the Board carried out a detailed skills review with Altair. This, along with the outcomes of the recruitment process, and a comprehensive induction process for new members, has ensured that levels of proficiency and competence across the Board have been maintained.

An assessment of the Board's role has concluded that the Board was effective and discharged its governance duties robustly and has complied with its Code of Governance. In addition, the Audit and Risk Management Committee also undertook a formal assessment of its own effectiveness.

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 by the Governance Committee.

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), and the regulatory requirements as established by the Regulator of Social Housing including compliance with all aspects of law.



Responsibilities in respect of the report of the board and the financial statements

Board members' responsibilities

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.

REPORT OF THE BOARD

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

Responsibilities in respect of governance and internal control

The Group, which includes all subsidiaries, both regulated and unregulated entities, is committed to achieving best practice in all aspects of corporate governance and has adopted the NHF's Code of Governance as its Governance Framework. During the year ended 31 March 2018, the Group 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. While 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.

Housing & Care 21 retained its top rating in respect of the Regulator of Social Housing (RoSH) regulatory judgements on governance and financial viability (G1 and V1), and continued to achieve positive CQC outcomes well above sector averages. 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, internal auditors and external auditors to review specific reporting and internal control matters in order to satisfy itself that systems are operating effectively and to ensure that the highest standards of effective governance are in place. The Committee, which met formally four times during the year, considered risk management; fraud; internal audit findings and implementation of recommendations; the external audit strategy and outcomes; the Group's Financial Statements; external and regulatory developments; health and safety; and insurance.



REPORT OF THE BOARD

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; External review of risk management framework; Review and challenge of risk profile including review of progress with risk control actions; Receipt of additional assurance over key risks including care quality, cyber security, disaster recovery, and property compliance. New systems implementation assurance and progress with the development pipeline has been escalated to the Board; Consideration of external factors through regular horizon scanning and receipt of sector updates
Effectiveness of internal audit	<ul style="list-style-type: none"> Approval of the audit plan and its scope; Review of audit delivery and outcomes; Review of follow up and implementation by management; Review of effectiveness of service; Private meeting with Internal Audit
Effectiveness of external audit	<ul style="list-style-type: none"> Approval of audit plan, scope and materiality; Review of independence and fee; Review and follow up of findings and misstatements; Review of effectiveness of service; Private meeting with External Audit
Integrity of financial reporting	<ul style="list-style-type: none"> Approval of principal accounting policies and key financial judgements; Review of application of accounting policies and other sector developments; Review and input to drafting of Strategic Report, VFM Report, and Audit and Risk Management Committee Report in the Group Financial Statements; Assess 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; External review of fraud policies and procedures; 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 Audit, and from the change in organisational risk profile. Where weaknesses have been found, action is being taken to address and improve controls and processes. The Audit and Risk Management Committee and the Board however recognise that they cannot be complacent and recognises that there are mixed levels of performance operationally, and strategic risks which continue to require management.

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

Governance committee

The Group's Governance Committee's responsibilities include reviewing compliance with good governance principles along with reviewing and approving nominations and remuneration. In 2017 the Committee commissioned a review to support Board succession planning and in 2018 appointed external consultants to support the recruitment process for the new Board Chair.

The committee has met its core objectives during the year.

Core objective:	Met by:
Effective Board governance	<ul style="list-style-type: none"> Keeping Governance Handbook under ongoing review; Seeking assurance that Housing & Care 21 is operating in compliance with relevant codes and regulatory requirements; Ensuring that all Board members are subject to annual appraisal; Managing process for recruitment of new Board Chair; Continued 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; External review of the skills required whilst considering succession planning
Review of remuneration	<ul style="list-style-type: none"> 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, considers 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 management attention in order for them to be managed 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 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;
- The identification of risks using both a bottom up and top down approach, along with a formal review of risks every quarter;
- Documentation of risks taking into account the impact and likelihood of the risk occurring;
- Consideration of the Board's risk appetite, which has been identified for risk themes and the organisation overall;
- Documentation of risk maps, with controls, assurances and actions needed to manage the risks to a level within the Board's risk appetite;
- Additional consideration of risks in the context of the changing external environment through horizon scanning.

The risks are reviewed in detail by the Director of Culture, Assurance and Performance, Senior Management Team and Executives. 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 risk framework was last externally assessed in 2016/17, and considered as being effective and reflective of good practice. Developments in risk reporting have taken place in 2017/18 to include the mapping of assurance outcomes against key risk categories.

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 people, 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 in order to allow for the prospect of a 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) Government policy – in particular, the future implementation of funding of care for older people;
- 2) Governance – including the external environment, reputation and regulatory changes;
- 3) Internal effectiveness – development of IT systems and processes with the implementation of major improvements to our core housing and finance systems, devolved accountability within the internal control environment, financial viability including budgetary control and treasury management;
- 4) Customer facing – demand for services and properties, and care quality;
- 5) Staff – recruitment and retention.

While 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. Our risk management focus is in the following principal areas:

- Managing the operational risk of the systems and process improvements currently underway, along with the cultural impact of a greater devolved model;
- Continuation of excellent services to our residents which ensure the highest levels of property compliance and care quality;
- The continued generation of development opportunities for conversion to viable options, ensuring development ambitions are met;
- Staff retention and continued commitment to being an employer of choice.



REPORT OF THE BOARD

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

- The development of an Executive Monitoring Group with greater oversight of operational performance and service quality;
- Development Steering Group overseeing initial approvals of new 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;
- Robust budgetary control, monitoring and reporting;
- Setting of Group policies in compliance with legislation and regulatory requirements;
- Business continuity plans for all office and operational sites;
- Internal audit using a risk-based approach to the audit programme, based on risk maps, inherent risks and outcomes of performance reporting;
- Information security, data protection and disaster recovery arrangements, along with the formal review of General Data Protection Regulations (GDPR) preparedness and compliance, 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. The statements identify risks and areas of concern from an individual operational perspective, and provide information on how identified risks are being managed. The statements also provide information on compliance with key aspects of law and specific responsibilities relating to organisational assets and liabilities. 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.

As at the end of the year, the Senior Management Team collectively provided substantial assurance that there had been improvements in the management of risks. 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.

Positive assurance was provided as part of this assurance process over risk, compliance with law and regulation. As a result, the Board takes assurance from this process.

Internal audit

Housing & Care 21's internal audit function is delivered by KPMG, a third party provider, whilst managed and supported by an in-house internal audit function. The in-house internal audit function 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 the CQC. The function operates independently of management and has no operational responsibility other than for anti-fraud, whistle-blowing and business continuity.

An annual assessment of the effectiveness of the internal audit function is carried out. In 2017/18 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 2017/18, a range of systems were audited covering operational, corporate and financial areas. In the year, heart beat audits were introduced on a four monthly basis which assess compliance with key controls in core systems. 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, the Senior Management Team and the Audit and Risk Management Committee. This includes reporting on implementation of recommendations. Any outstanding actions are confirmed in the year as being progressed by management.

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 specific areas which are not material to achieving organisational aims and objectives. Follow up limited assurance areas is carried out either through an additional internal audit or through specific management assurance reporting. Management has provided assurance that recommendations have been implemented, thereby 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 ensuring controls and assurance mechanisms continue to be effective.

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 whistle-blowing and management review of system controls. Formal disciplinary action against the employees concerned took place, with losses recovered wherever possible. In addition, those frauds which are considered to be perpetrated externally are referred to Action Fraud.

Although no system can fully protect against fraud, the Group is aware of the importance of effective fraud awareness and anti-fraud controls. As such the Group has developed mandatory training for all staff.

Cyber risk is considered the highest fraud risk for the organisation as a result of user error rather than weak organisational defences. To combat user error, mandatory cyber risk training was developed in the year with a series of phishing exercises carried out.

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 actions 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, Senior Management Team and the 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 2017/18 reporting included:

- Actual and forecast reports of operating budgets and longer terms 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 throughout the year. Performance is reported on a range of indicators which cover housing and care management, repairs and maintenance, customer satisfaction and complaints.

Health and safety

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

In addition, to promote a health and safety culture, a Health and Safety Forum is in place comprising staff, service users and resident representatives, chaired by the Chief Operating Officer. 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.

REPORT OF THE BOARD

Despite the commitment to health and safety, in a Group of this size, nature and complexity of Housing & Care 21, a number of incidents can still occur. When this happens it is important that they are handled sensitively and treated as an opportunity for learning and improvement.

During 2017/18 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 or 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. In the year, this procedure was enhanced through the development of software which improves the workflow of incidents and onward management reporting.

Registered managers on our Extra Care courts are fully accountable for ensuring care quality and the safeguarding of residents.

To measure compliance with quality standards, regular auditing of Extra Care sites is undertaken by the internal audit function, with managers completing self assessments using a management review toolkit. 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 Monitoring Group, Audit and Risk Management Committee and the Board. During the year, there were improvements in the overall internal audit outcomes, reflecting the level of continued management effort to ensure care quality. At the year end March 2018, CQC had rated 94% (2017: 85%) of our Extra Care services as 'good'. No services were rated as non-compliant overall. Housing & Care 21's target is for 100% of services to be rated good or above.

Where services are deemed to require improvement, either by the CQC, local authority partners or by our own internal assessment, action plans to improve services are put into place and their implementation reviewed by management, along with further follow up by internal audit. Themes arising are reviewed and progressed through developments in policy and procedure, training and or supervision, along with further investment in resources reflecting the ongoing commitment to ensuring the Group achieves the highest quality standards.

Information governance

Housing & Care 21 has had in place an Information Governance Steering Group for some time chaired by the Chief Operations Officer who is also the organisations Senior Information Responsible Officer (SIRO). During the year much emphasis of the Group has been on preparedness to ensure compliance with the GDPR which came into effect 25 May 2018. The Group has also reviewed core policies and procedures, compliance with the Data Protection Act 1998, and the reporting to the Information Commissioners Office of any potential data breaches.

The commitment to the privacy and security of personal and sensitive data is of significant importance to the organisation, however, in a Group of this size, and given the nature and complexity of Housing & Care 21, breaches can still occur. When this happens they are reviewed in detail, handled sensitively and treated as an opportunity for learning and improvement. No significant breaches have arisen in the year, and where minor breaches have been reported to the ICO, these have not resulted in any regulatory action.

Complaints

The Group has a formal complaints procedure through which residents can express their dissatisfaction with services, and through which they can also record compliments. Each complaint is logged, investigated and managed on an individual basis using a one stage process. Reporting on the nature of complaints, by region and by department, takes place to the Executive Team and the Board.

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 regular news bulletins on the intranet;
- Holding a number of staff conferences at regional locations. The outcomes of these are collated and improvement plans developed;
- Recognition of staff through an awards ceremony held at each staff conference;
- Holding department conferences and regular team meetings;
- Engaging with the wider leadership team to shape and develop the organisation's strategy;
- Obtaining information on staff satisfaction through a regular quarterly 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 in 2018, having achieved a Silver award in 2015/16;
- Implementing a new reward strategy which includes developments in staff recognition;
- Increasing engagement through the adoption of Workplace.

Equality, diversity and inclusion

The Group is committed to equal opportunities and has in place an Equality, Diversity and Inclusion Policy. We work to ensure that everyone has fair access to opportunities and are respected for the contributions they bring to the organisation as a result of their knowledge, skills and experiences.

We recognise that employees have the right to work in a supportive and safe environment. We promote an environment where standards of conduct are of the highest level and to ensure that no one is harassed, bullied or victimised. We also promote a supportive, accessible and open working environment where all employees have the opportunity to reach their potential.

Resident involvement

The Board considers the views and perspectives of residents and customers when reviewing and improving services. A key mechanism for us to engage with residents is through our resident engagement database, 'Viewpoint'. Viewpoint allows for engagement with a wide group of residents with a targeted approach to involvement. During the year over 300 residents were involved in improvement groups and other forms of consultation, including workshops about Government proposals to supported housing funding. Residents also helped to shape and make improvements to the service charge process.

In addition to these groups, Housing & Care 21 ran 16 resident conferences and events around the country to obtain feedback on services provided and to give our residents the opportunity to shape the organisation's future. A specific conference was also held for our leasehold residents. As part of these events we engaged with over 700 residents. These conferences provide valuable insights into the views and satisfaction of residents.

Residents are also members of our Complaints Panel and have reviewed complaints, responses and satisfaction levels.

By order of the Board



Paul Hutton
Secretary

20 July 2018



STRATEGIC REPORT

Overview of the year

£'m	2014/15	2015/16	2016/17	2017/18
Turnover ¹	199.1	214.7	197.8	178.8
Operating costs ¹	(172.0)	(188.1)	(165.5)	(141.1)
Reported operating surplus	27.1	26.6	32.3	37.7
Add back: depreciation & amortisation	23.3	23.9	28.8	25.6
Add back: impairment & exceptional items	-	8.4	(0.5)	-
Operating EBITDA	50.4	58.9	60.6	63.3
Operating EBITDA margin	25%	27%	31%	35%

We are pleased to report another strong set of financial results for the year ended 31 March 2018. Our Operating EBITDA, which largely reflects our cash generation from operations, has increased to £63.3m (2017: £60.6m) which is a 7.8% increase year-on-year since 2014/15.

Despite reducing our rents by 1% (for the first time in 2017/18) we have been able to increase our margins from 25% in 2014/15 to 35% in 2017/18 by rationalising our activities to focus on our core activities of Retirement Housing and Extra Care, effective stewardship and reduction of our cost base. Our housing and care services in 2017/18 have delivered continued strong financial performance in the year due to lower voids as well as delivering other improvements in the quality of the services we offer.

Our Operating EBITDA is mainly reinvested in our existing properties and new properties. In 2017/18 we invested £28.6m (2017: £26.2m) in our existing properties and £28.3m (2017: £9.9m) in new properties. At year end we had no unsold completed properties (2017: 12), having sold 8 properties in the year (2017:60).

¹The Turnover and Operating Costs for 2014/15 to 2016/17 have been restated to the reported numbers from previous years, with the effect of both decreasing by the same amount, as explained in Note 4 to the Financial Statements. There is no impact on Operating Surplus.

Our strategic priorities

Our seven strategic priorities have been in place now for over a year. Launched in March 2017, they signify the core investments and improvements that we are aiming to achieve on an ongoing basis, but particularly up to 2021. Our priorities are as follows:

1. Providing more homes;
2. The quality of our existing properties;
3. The quality and responsiveness of our services;
4. Our people and potential;
5. Systems and technology;
6. Innovation and influence; and
7. Value for money / financial performance.

Our core purpose is to provide contemporary housing and care services for older people of modest means. Our priorities ensure we have clarity and direction on how we are trying to deliver our core purpose.

1. Providing more homes

We are pleased to report that we successfully delivered yet another new Extra Care scheme in the year (2017: 2 schemes), comprising 77 properties (2017: 113 properties) at Foxfields in Northampton. This new development is an all-affordable rented scheme.

This £9m development is a typical example of the principal product that we are striving to deliver as part of this strategic priority – focusing on Extra Care accommodation with enhanced on-site care and support, preferably delivered as one integrated service by us as well.

In addition to the development of our own schemes such as Foxfields, we are committed to seeking out opportunities to acquire good quality Retirement Housing and Extra Care accommodation from other registered providers. We acquired 563 Retirement Housing properties from Your Housing Group in June 2017 for £12m (2017: nil). Throughout the year we have been working hard to integrate these new services into our wider Retirement Housing portfolio, ensuring that the residents benefit from a registered provider, which is a specialist provider for older people.

Our 53 property scheme at Buxton, Thomas Fields was due to be completed in March 2018 but this has slipped into the summer of 2018/19. The Buxton scheme represents one of five schemes that we are planning to deliver in 2018/19.

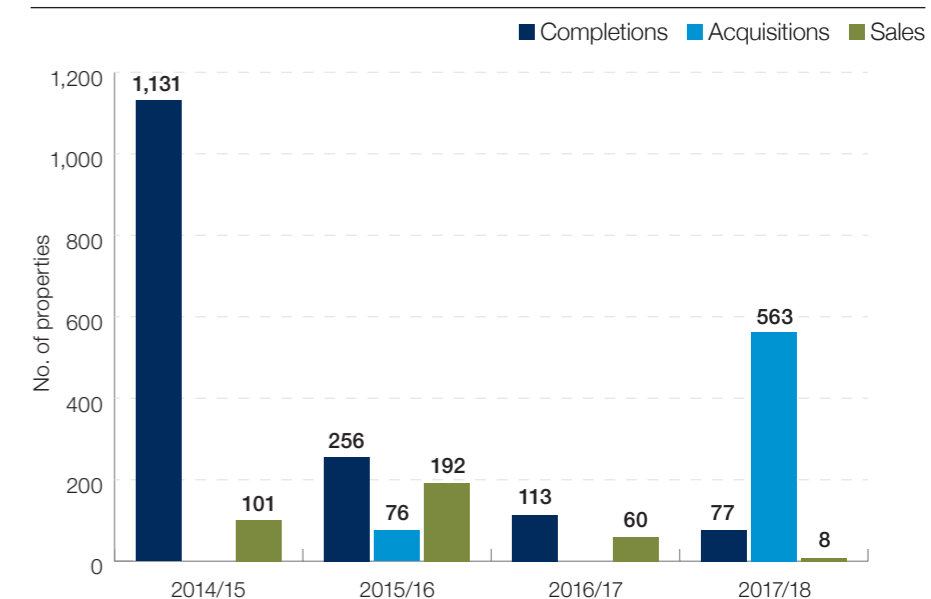
As part of our aim to develop at least 800 properties per year from 2021 onwards, we were successful in issuing a public bond for £250m in November 2017 which will provide funding for our planned development programme. We have at year end approved internally (though not yet contracted) capital expenditure of £170.5m (2017: £96.1m) in order to produce 1,200 properties toward our target of 2,310 properties by 2021.

The principal risk in our Providing More Homes strategy is not being able to undertake the scale of the development that we aspire to – as a result of the inability to secure sites and scheme viability challenges in the current grant environment. Having secured our bond issue, we are not currently exposed to

over-committing to development even in the medium term.

Our business model is focussed on providing affordable developments i.e. for rent and shared ownership, and not on developing for market sale. However, with a few of our future developments we have a limited number of outright sales properties within the tenure mix so that the schemes are financially viable as an investment proposition. If these shared ownership and outright sales were not to materialise and all the properties were converted to rent, then our stress tests show that we would still be able to meet all of our covenants with ease and within our current funding arrangements – testament to our financial resilience and non-reliance on property sales.

Properties



STRATEGIC REPORT

2. The quality of our existing properties

We have completed the second year of our enhanced Stock Investment Programme where we are spending around £135m over a five year period on our existing properties. A significant proportion of the investment is to ensure the following property standards are met in all of our courts:

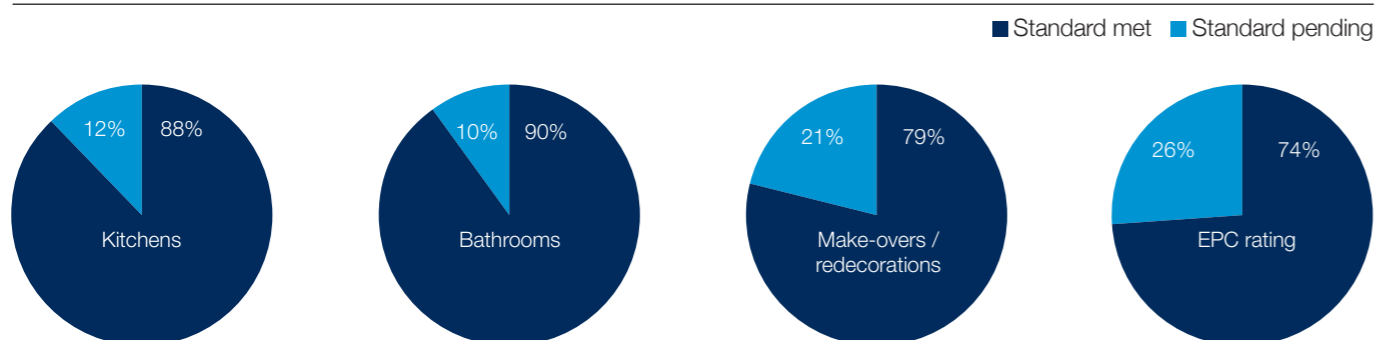
- All kitchens are no more than 20 years old;
- All bathrooms are no more than 20 years old;
- All courts have had a design-led make-over / redecoration of its communal areas within seven years; and
- All courts have an EPC rating of at least C

The bulk of the properties that benefit from this investment are our Retirement Housing properties. This is because they are much older than our Extra Care properties, which were built from the mid-1990s onwards, whereas the majority of our Retirement Housing Courts were built in the 1960s and '70s.

We have invested £28.6m (2017: £26.2m) in the year. The increase from the previous year resulted partly from the introduction of the acquired Retirement Housing properties from Your Housing Group and as a result of our rectification works on some of our newer Extra Care courts. The latter two areas of expenditure illustrate our commitment to ensuring our properties are positive choices for residents.

The charts below show our progress in delivering to our property standards detailed above as at 31 March 2018, in terms of the number of courts shown as a percentage:

Property standards progress



In most cases the property standard is met in over three quarters of our courts. We are confident that the remaining three years of the five year programme is more than sufficient time to get all of our properties to the standard, with the standard being maintained thereafter on a rolling basis.

In addition to the four property standards above, the £135m investment also covers mechanical and electrical (M&E) and other major building works that ensure all of our courts are maintained; up-to-date; and contemporary, as well as safe places to live and are compliant with all relevant regulations, therefore, protecting their value and ability to continue generating cash flows in the medium term.

Other than delivering value for money, the principal risks or uncertainties in regard to this strategic priority are our reliance on key contractors and the potential outcomes of the Hackitt Review following the Grenfell fire. We only have six courts that are over six storeys high, and we can confirm that none of them have any cladding issues that have been identified as fire risks. In addition, we are confident that all of our courts meet a high standard in fire prevention and protection measures. However, the outcomes of the Review may have wide ranging implications on not only high rise tower blocks but also on buildings that are classed as 'complex' – which may encompass our Retirement Housing and Extra Care courts, which tend to be blocks of flats. Therefore, it is possible that significant future expenditure may be required in order to comply with new safety regulations.

Whatever the potential outcomes of the Review, we have the financial capacity and resilience to comply with any new standards that may arise.

3. The quality and responsiveness of our services

Customer service and satisfaction plays a pivotal role in our core purpose hence it's one of our strategic priorities.

A key project to improve even further the quality of our customer service in regard to housing services is the system-enabled devolution of core functions to our Court Managers. The system development and staff training for the new ways of working are well underway and we hope that residents will start seeing the benefit of our new approach over the next 12 months or so.

In the meantime, we continue to maintain high levels of resident satisfaction with our repairs and lettings process, 92% and 98%, based on our latest surveys. We have maintained high levels of satisfaction whilst also achieving good cost control and low income leakage i.e. void losses. Our routine maintenance spend has increased by 8.2% to £12.3m (2017: £11.4m), however, this includes the impact of the new acquired Retirement Housing properties. When excluding these £0.5m of costs, the increase is only 3.6%. Furthermore, our income leakage from empty / void properties has improved by 27% to £2.5m (2017: £3.5m). This improvement includes fewer first-let voids in 2017/18 compared to 2016/17 and the impact of the acquired Retirement Housing properties. When taking these into account the improvement in income leakage is still 18.8% (£2.3m vs £2.9m).

The quality of care services is of equal importance to us, particularly as we deliver over 40,000 hours of care a week. Whilst we are primarily a social landlord, and housing and care are seen as two separate commercial propositions by a lot of our commissioners, our business model in regard to Extra Care revolves around the concept of an integrated housing

and care offering from the customer's perspective. The majority of our care revenue, around 81% (2017: 83%), is from local authority commissioned care packages. As far as is possible, we aim to deliver these care packages into our own courts, therefore, providing both the housing and care service. This is our preferred Extra Care business model, which we believe provides better outcomes and greater value for money than if housing and care services were delivered separately, in addition to reducing the burden on healthcare services. Currently we deliver care into 65 of our 132 Extra Care courts and we aim to increase this significantly over time, if possible.

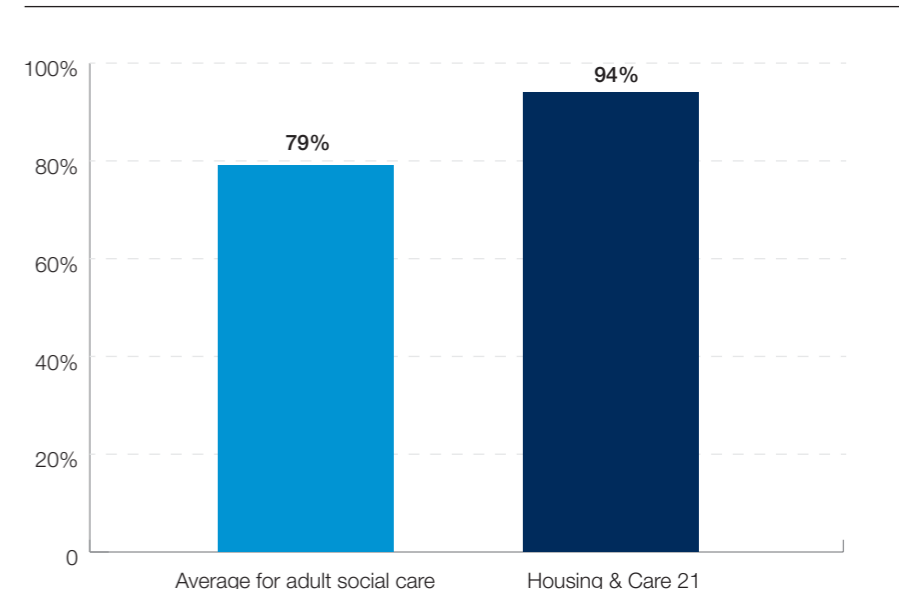
We believe that being responsible for both services does have a positive impact on care quality because there is the additional motivation that we are caring for our own residents who live in our properties.

As at 31 March 2018, 94% of our services were rated as 'good' by the CQC. This places us firmly in the upper quartile of any social care provider, as also indicated by comparing us against the wider adult social care sector², and we believe that our target of 100% is achievable.

The margin on our Extra Care services has increased from 3.3% to 4.1%, with our revenues remaining at similar levels as the previous year (£27.6m vs £27.2m). The improvement has been driven by a higher number of hours being delivered across a number of services, higher charge rates being achieved from certain local authorities and the cessation of loss-making or marginal services, particularly where we are not the landlord. These favourable developments have all worked to offset the impact of ongoing increases to the National Living Wage, which increased by 4.2% in April 2017.

The principal risk and uncertainties with the care services are in regard to care quality / safeguarding and financial viability. We transferred all of our home care services in 2016/17 to another specialist provider, allowing us to focus on Extra Care services in our own courts rather than care in the community into private individuals' homes. We believe that this strategic decision has considerably reduced, though not eliminated, the potential risk of major quality and/or

Services rated as 'good' or 'outstanding'²



safeguarding incidents occurring which would have a significant impact on our reputation. This is because the care we now deliver is based at a single location, which is predominately in our own properties and with on-site supervision. We no longer have individuals working alone in the community, unsupervised in service users' private homes.

The second risk of financial viability is driven by the funding pressures that local authorities are under which have a direct impact on the charge rates that they are willing to pay us. This is compounded by the proposed future annual increases in the National Living Wage. The margins and surpluses of our Extra Care services are very modest compared to our social housing activities; representing just 2.9% (2017: 2.7%) of our overall operating surpluses; therefore, their contribution to our financial performance and strength is minimal. We remain committed over time to ensure our care services at least breakeven whilst providing a high quality service and a fair remuneration to our carers. We will make it clear to care commissioners that our proposition and business model is predicated on quality and being a 'better than good' provider in the market. For that service, there is a minimum price that needs to be paid in order for us to continue providing the service and bidding for contracts.

4. Our people and potential

We are a service organisation. Whilst our estate / property management activities underpin much of what we deliver, it's the housing and care services that are the reason our residents and customers value our properties and use our services. As such, the people who deliver the services are the bedrock on which the success of this organisation is based.

This is why we are committed to building on our Investors in People (IIP) silver accreditation and aiming to achieve gold during 2018/19. This is more than a badge, we are committed to demonstrating that we exhibit all the attributes of a Gold Standard organisation on an ongoing basis, and addressing areas where we need to improve.

In addition, we have also been investing in the skills and qualifications of our Retirement Housing and Extra Care Managers, the management level above Court Managers, by making available and promoting opportunities to undertake the Chartered Institute of Housing (CIH) Level 3 qualifications. We have enrolled 90 staff in the year (2017: nil) to undertake the qualification. We have also promoted a similar upskilling and training programme for our CQC Registered Managers via the Health & Social Care Level 5 qualification, where we have enrolled 20 staff in the year (2017: nil).

²The state of adult social care services 2014 to 2017 – Findings from CQC's initial programme of comprehensive inspections in adult social care, April 2018

STRATEGIC REPORT

We are aiming to deliver this training and qualifications programme via the Apprenticeship Levy that came into force in April 2017. Access to the apprenticeship opportunities enables us to deliver our strategic priority and also make best value for money use of a mandatory levy.

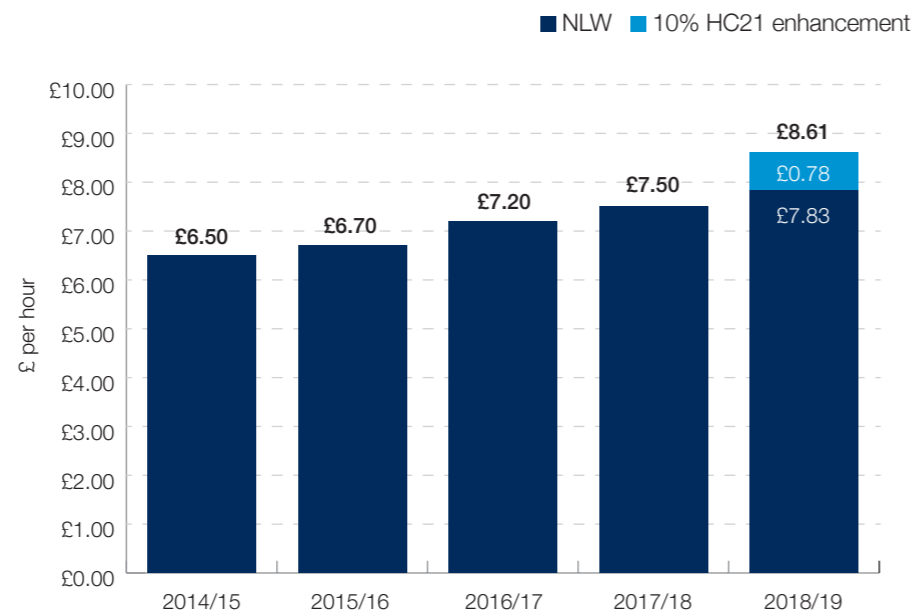
The most significant change that we have embarked on at the end of the year has been in regard to our care staff. Our review of the services indicated that further quality and commitment to our 'better than good' care target could be achieved by improving the supervisory structure for our carers, giving them more time for training, oversight and supervision, and by creating a pay differential above the National Living Wage (NLW). Therefore, from April 2018 we are pleased to announce that we have undergone a significant change to our care delivery structure where we have committed to paying all our carers at least NLW plus 10% i.e. at least £8.61 per hour vs NLW of £7.83 per hour. We have also created a new salaried role of Assistant Care Manager who will have much greater responsibility and scope to undertake the supervisory and training tasks.

5. Systems and technology

In order for us to be able to deliver quality and responsive services to our residents, we need to leverage technology to assist us in this priority. A key focus for us in the year has been the development and refresh of our housing management and finance systems. This project will also facilitate the devolved operating model that we are enhancing. In conjunction with the housing and finance systems we are also looking to implement a resident's portal which will allow a much greater degree of self-service functionality for our residents. We have incurred £1.9m of capital expenditure in the year (2017: £0.2m), the majority of which relates to this project.

From the resident's perspective there are probably two pillars of technology that they are impacted by the most. The first we have commented on already in regard to their interaction with the Court Manager and how they will be able to service their needs in respect of lettings; arrears management (including payments); and

NLW vs HC21 Extra Care carer minimum pay rate



repairs raising. The second is in regard to the warden call systems in their individual flats. We are currently undergoing a digital transformation in these systems by moving away from the old analogue pull-chord systems to digital touch screen-based devices. The functionality and responsiveness of the new digital systems enables residents to have much more effortless two-way communications with support staff and also with each other, compared to the old-fashioned analogue systems which invariably had poor quality sound and slow response times. All of our new developments have the digital call systems installed upon construction; therefore, our programme focuses on converting our older Retirement Housing courts to a digital system. During the year we installed 45 new digital systems at an investment of £2.9m (2017: £1.4m). These costs form part of the £135m Stock Investment Programme.

By making our courts digital it will also enable other developing technologies to be available to residents, as reflected by our work with the University of Sheffield which has been commented on in our Chairman and Chief Executive's statement.

6. Value for money

Our value for money performance is covered in our Value for Money Report, in the next section of this publication.

7. Innovation and influence

We undertake a wide variety of activities in order to promote the issues affecting older people's services. These include undertaking and sponsoring research; lobbying Government and policymakers; and advocating the dementia-friendly agenda, as outlined in our Chairman's and Chief Executive's statement.

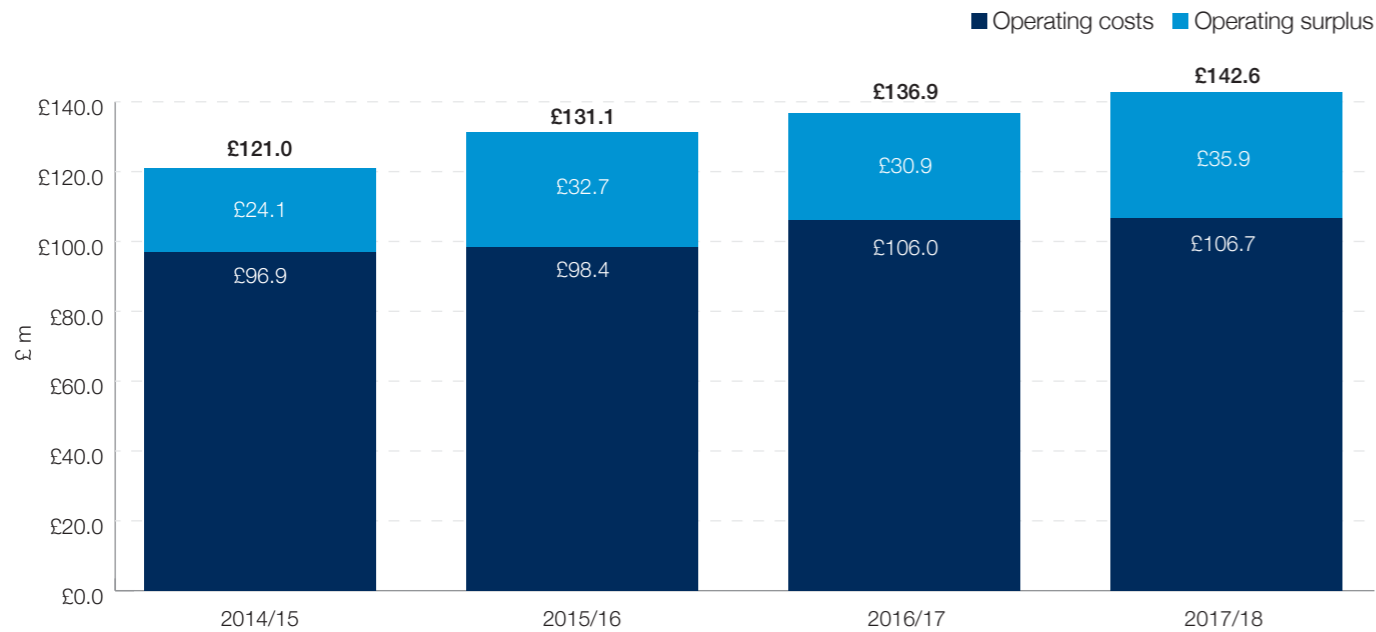


STRATEGIC REPORT

Our financial performance

We have had another strong financial year in 2017/18. The results are ahead of our budgets and in line with our forecasted expectations, which is a positive indicator that our finances are well managed.

Social housing lettings turnover



Social housing lettings activities

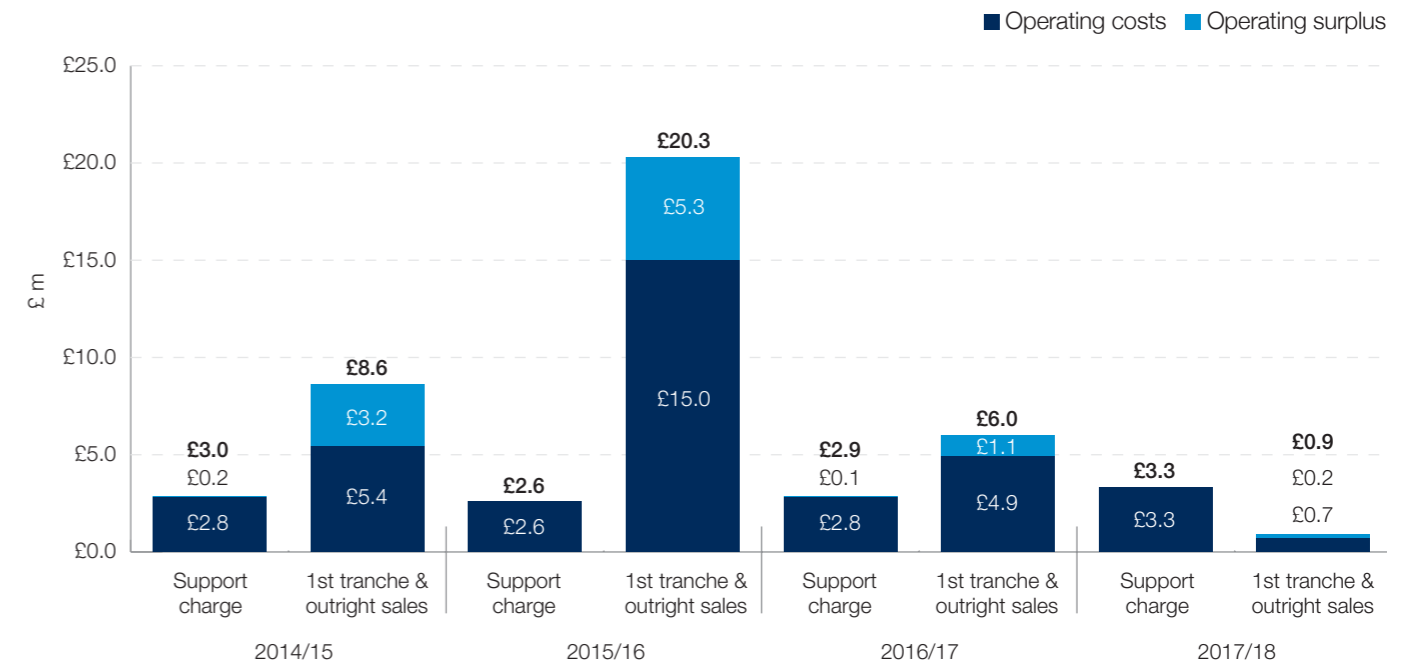
We were subject to the 1% rent decrease for the first time during 2017/18. These were applied to all of our rented accommodation in Retirement Housing, Extra Care and Walsall PPP courts, though we are exempt from the reduction for our Kent PFI courts. The rent decreases will be applicable for a further two years in 2018/19 and 2019/20. Despite the decrease, our revenues from social housing lettings have continued to increase year-on-year. In 2017/18 they increased by 4.2% to £142.6m (2017: £136.9m). This is a result of the new properties that we have developed over the past 2 years; the inclusion of the newly acquired Retirement Housing properties from Your Housing Group; and additional PFI / PPP revenue recognised in line with the contracts. We have also benefited from substantial improvements in income leakage from empty / void properties – both as a result of re-let improvements and by virtue of having fewer new properties to let for the first time.

It has been our additional revenue that has largely driven our increase in operating surplus from £30.9m to £35.9m, an increase of 16.2%. This means that our operating costs have remained largely static at £106.7m vs £106m in the previous year. However, we have had lower depreciation charges in 2017/18 by £2.9m, which means that our 'cash' costs have increased by £3.6m, an increase of 3.9% when excluding depreciation. A significant proportion of this increase is in regard to planned maintenance which has increased by £2.6m to £8.8m. The increase is driven by our property standard commitment to undertake makeovers of communal areas at least every seven years (these costs are expenses rather than capitalised); therefore, the increase is a conscious strategic decision that we have taken to improve accommodation for our residents. Beyond that increase, we have managed our operating expenditure very effectively in the year. We are particularly pleased with our success in keeping management

costs and service costs in line with previous years with no notable increase, demonstrating our effective cost control and financial management activities.

The challenge moving forward will be continued cost control and growth of revenue in the face of two more years of rent decreases.

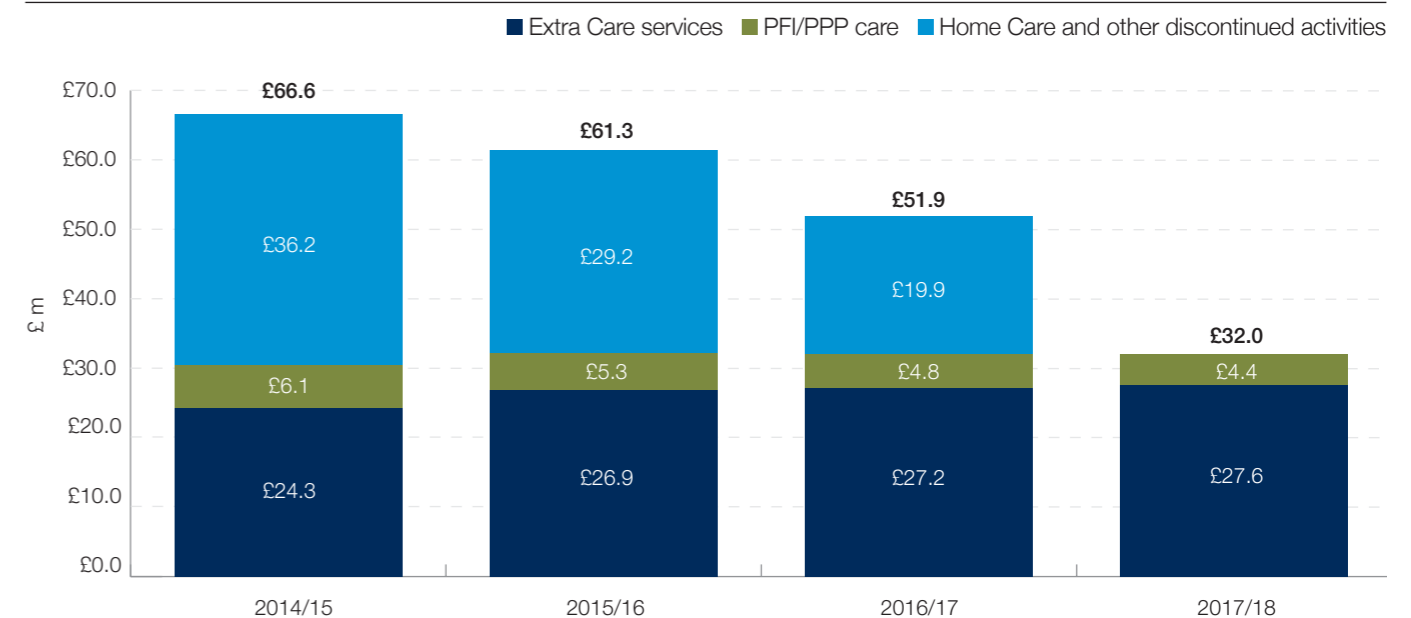
Other social housing activities



Other social housing activities

Our other social housing activities comprise support charges and our development property sales activities. 2017/18 was a quiet year for development sales as we only sold eight properties compared to 60 in 2016/17 and 192 in 2015/16. We have no unsold properties as at 31 March 2018 and the low number of sales in the year is a symptom of our current position in our development cycle. We delivered a large programme toward the end of 2014/15 (1,131 completions), resulting in a large number of sales in 2015/16. Since then we have been preparing for next cycle of development activity which forms part of our 2021 strategic priority to deliver more homes on a more consistent and ongoing basis.

Non-social housing turnover



Non-social housing activities

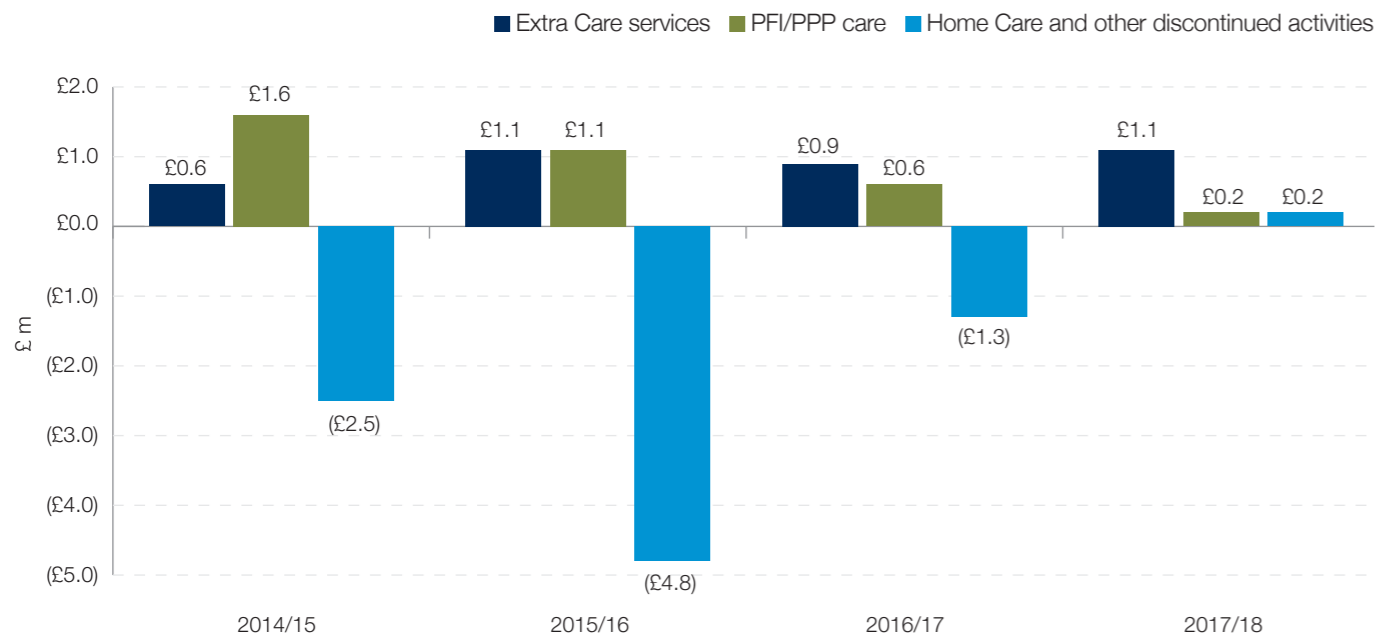
This was our first full year without a Home Care business, which was transferred to other providers in 2016/17. This is reflected in the significant decrease in our turnover from non-social housing activities, which is now just £32m compared to over £65m in 2014/15. This is now also 17.9% of our total turnover compared to 33% in 2014/15.

STRATEGIC REPORT

Our remaining non-social housing activity relates to the delivery of care services into our own Extra Care courts which is a fundamental part of our business model.

The exit from Home Care has a beneficial impact on our financial performance as it eliminates losses that the activity was generating.

Non-social housing operating surpluses

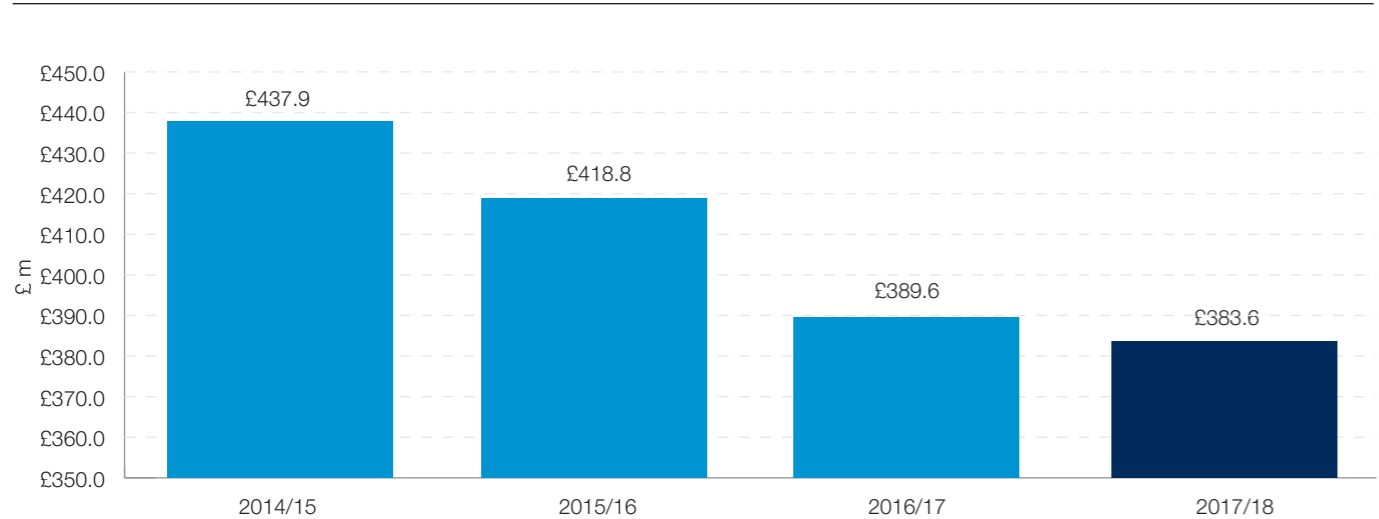


Cash flow and treasury

A significant highlight of the year was our first ever issue of a publicly listed bond in November 2017. We raised £250m at a rate of 3.28% which is testament to the confidence the capital markets have in our financial strength, our management and our business model.

The impact on our net debt has been fairly minimal so far, as detailed in the chart below. This is because whilst we have raised the financing, we have yet to spend it, with most the proceeds being held as cash or as short term investments. As more of the schemes in our development pipeline start proceeding to the on-site construction stage, then the net debt will increase as the funds are spent. Therefore, we anticipate that our net debt will be higher in future periods as we gear up to being a developing organisation of around 800 properties per year. This is in accordance with our business plan and financial projections.

Group net debt



The £250m bond issue, along with cancellation of some floating rate facilities, has had a significant impact on our debt mix. We are now in a position where we are almost entirely sheltered from interest rate volatility by virtue of our loan book being mainly on fixed rates, which includes fixing arrangements and interest rate swaps. As at 31 March 2018 the debt mix was 93% fixed (2017: 76%); 0% floating (2017: 14%); and 7% index-linked (2017: 10%).

The overall nature of our loan book and financing arrangements is very basic and simple. This means that we are not subject to onerous financing terms and are relatively sheltered from volatility in the capital markets. We have just four derivative swap instruments, three of which are embedded within the PFI contract terms, and we have no complex loans that would require them to be held at market value. It is our policy that this will continue to be the case in the future.

Our debt and financing activities are managed by a centralised treasury function, which is overseen by our Chief Financial Officer. The treasury function ensures it operates within the parameters of a Board approved Treasury Management Policy. The Policy ensures appropriate management of certain key treasury risks. These include:

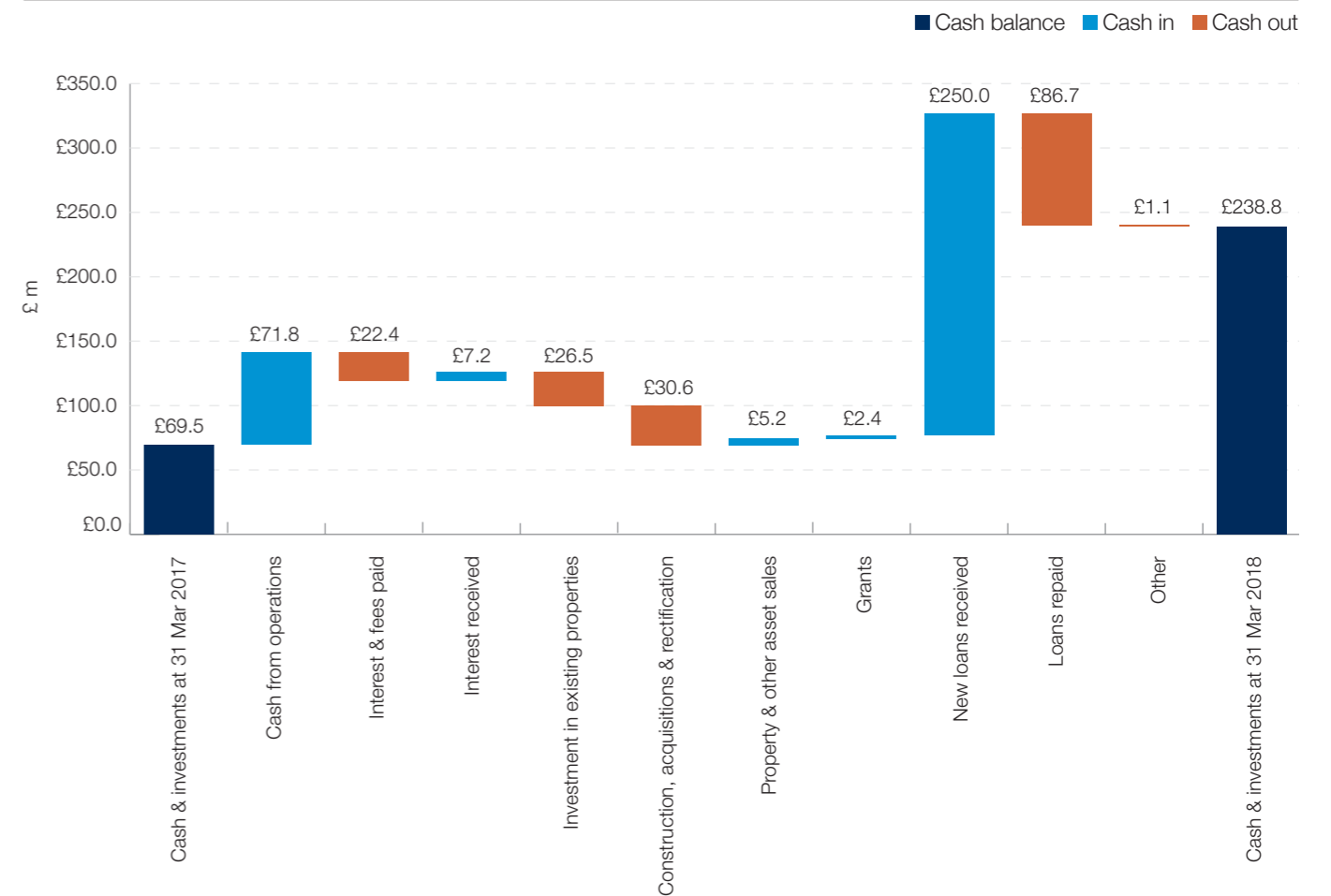
- Ensuring lenders' covenants remain within a set of 'shadow' limits (as opposed to the minimum lenders' requirement);
- Funding is available for at least two years ahead at any given time;
- Speculative investments / options are not undertaken;
- Interest rate risk is minimised.

Our cash generation from operating activities (i.e. from our lettings and care operations) remains incredibly strong.

We have maintained our de facto 'golden rule' that we will never borrow in order to service our debt or to invest in our existing properties. These will always be resourced from our operating cash flows, and moreover, we are not reliant on capital grants or property sales receipts to underpin our debt servicing or investment in existing properties either – with development inflows (i.e. grants and sales receipts) and loans being effectively 'ring-fenced' for investments in new properties only.

During the year we generated £71.8m (2017: £73.9m) of cash from our core operations that have paid for our interest costs of £22.4m (2017: 23m) and investment in existing properties of £26.5m (2017: £26.9m), leaving £22.9m capacity for reinvestment and debt repayments.

Group cash flow



STRATEGIC REPORT

Creditor payment policy

We agree payment terms with our suppliers when we enter into binding contracts. We seek to abide by these terms when we are satisfied that the supplier has provided the goods or services in accordance with agreed terms and conditions.

Going concern

After making enquiries, the Board has a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future. The Board obtains further assurance of financial viability through the annual budgeting, quarterly re-forecasting and long term business planning exercises. Within all these exercises, we assess and stress test 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 our financial strength and viability.

For this reason the going concern basis has been adopted in these Financial Statements.

Accounting policy changes

We have not made any changes to its accounting policies in the current financial year. The key accounting policies are stated in the notes to the Financial Statements and have been consistently applied throughout the year in preparing these Financial Statements.

Charitable and political gifts

We did not directly make any charitable or political donations in the year (2017: nil). However, we do support the work undertaken by staff and residents in their various charitable initiatives.



VALUE FOR MONEY REPORT

Our value for money (VFM) activities and approach is commented on and referred to throughout the Strategic Report. This section focuses on our VFM metrics against our strategic priorities and the regulators mandated VFM metrics.

Our VFM targets on our strategic priorities

In our 2016/17 VFM self-assessment publication, we set out a series of targets for 2017/18. These targets were aligned to our strategic priorities and represent the top level targets, which are underpinned by a plethora of operational targets and metrics.

The table below shows the results for 2017/18 against the targets.

i. Providing more homes

Initiative	Key measure	2017/18 target	2017/18 result
Invest our resources in the provision of additional homes for older people	New homes completed	130 Extra Care properties	77 Extra Care properties
Provide homes for people of modest means	% of new supply which is available for affordable rent or shared ownership	83% of above	100% of above
Consider opportunities to acquire additional quality housing from other providers	Number of homes purchased	No specific target set	563 properties purchased in June 2017

ii. Quality of existing properties

Initiative	Key measure	2017/18 target	2017/18 result
Apply Housing & Care 21 property standards across all of our properties	• Investment in the stock investment programme	• £27.3m to include: £7.0m on kitchens & bathrooms; £6.1m on heating and energy efficiency	• £28.6m. £7.2m on kitchens & bathrooms; £4.2m on energy efficiency
	• % of kitchens which are 20 years old or under	• 85%	• 88%
	• % of bathrooms which are 20 years old or under	• 85%	• 90%
	• % of courts with EPC rating of at least C	• 70%	• 74%
	• % of courts which have had a design-led decoration	• 78%	• 79%
Improve residents' satisfaction with their homes	Resident satisfaction survey result – overall % of residents who are satisfied with their home	95%	Bi-annual surveys. Not due for 2017/18.

VALUE FOR MONEY REPORT

iii. Quality and responsiveness of our services

Initiative	Key measure	2017/18 target	2017/18 result
Improve the quality of our regulated Extra Care services	% rated as at least 'good' by the CQC	100%	94%
Maintain stability within our care delivery teams	% of care staff turnover	25%	25.3%
Improve customer satisfaction with our care services	% of care residents responding to our survey who tell us they are satisfied with the care services they receive	95%	94% at Sept 2017
Transition towards a devolved operating model	• Delivery of new system that will enable devolved operating model	• Phase 1 delivered by April 2018	• Delayed
	Resident satisfaction with key processes:		
	• Lettings	• 95%	• 98% (pre-go live)
	• Repairs	• 95%	• 92% (pre-go live)
Support residents to make choices about the services they receive	• % of Retirement Housing courts with a Court Service Agreement in place	• 100%	• 100%
	• % of courts holding an annual service charge consultation with residents	• 100%	• 100%

iv. People and potential

Initiative	Key measure	2017/18 target	2017/18 result
Commit to the Investors in People (IIP) framework	Accreditation rating after formal assessment by IIP	Gold standard	In progress
Improve staff satisfaction levels	% of staff who would recommend us as an employer	90%	91%
Embrace the Government's new apprenticeship arrangements	• % of court managers trained to at least Level 3	• 100 managers to be enrolled	• 90 managers enrolled
	• % of care managers trained to Level 5	• 20 managers to be enrolled	• 20 managers enrolled
	• % of apprenticeship levy drawn down from our digital account before it expires	• N/A as funds do not expire in the first 24 months after levy	• N/A

v. Systems and technology

Initiative	Key measure	2017/18 target	2017/18 result
Investment in a digital emergency call system	Number of courts which have this new technology installed	40 new installations	45 new installations
Provide residents with access to superfast broadband and media packages	Number of residents who have access to superfast broadband	8,500	6,617 (properties)

vi. Innovation and influence

Initiative	Key measure	2017/18 target	2017/18 result
Develop research which demonstrates the impact of Extra Care services	Completion of research projects	Develop a commissioners toolkit which highlights the potential impact of Extra Care services for a local authority	Achieved
Meeting the challenge of dementia	• Formal recognition as a Dementia-Friendly Organisation	• Develop our commitments to the Dementia-Friendly Housing Charter	• Achieved
	• Number of residents who have become Dementia Friends or Dementia Champions	• 2,100	• 2,322 as at 10 May 2018
Influencing the wider housing and care agenda	Annual conference to debate the future of older people's housing	Conference in October 2017	Achieved

VALUE FOR MONEY REPORT

vii. Financial performance and benchmarking (VFM)

Initiative	Key measure	2017/18 target	2017/18 result
Financial performance of Retirement Housing business stream	• Operating profit (before depreciation and allocation of central overheads)	• £44.4m	• £45.5m
	• Operating margin	• 55%	• 56%
	• Vacant (void) percentage	• 1.5%	• 1.1%
	• Average re-let days	• 31 days	• 26 days
	• Average responsive repair costs per property	• £411	• £390
Financial performance of Extra Care business stream	Housing:		
	• Operating profit (before depreciation and allocation of central overheads)	• £23.2m	• £24.1m
	• Operating margin	• 51%	• 53%
	• Vacant (void) percentage	• 2.0%	• 1.8%
	• Average re-let days	• 32 days	• 26 days
	• Average responsive repair costs per property	• £494	• £527
	Care:		
	• Operating profit (before allocation of central overheads)	• £2.1m	• £2.4m
	• Operating margin	• 8.2%	• 8.7%
	• Average weekly care hours	• 41,000	• 41,360
	• No. of loss-making contracts	• 0	• 8
	• Losses generated from lossmaking contracts	• £nil	• £207k
	Cost-efficiency of corporate services	Total corporate overheads cost	£17.5m
Understand our costs in relation to our peers and explain why there are differences	Ongoing benchmarking initiatives undertaken	• Take part in one-year pilot of the Sector Scorecard	• Completed
		• Identify opportunities to work with other housing associations of a similar nature to analyse and understand differences in our respective costs	• Detailed benchmarking undertaken with two peers who also specialise in older people's accommodation (over 5,000 properties).

We are pleased to show good progress against the targets we set ourselves last year. There are areas where the targets have not quite been met, however, we are confident that our measures and steps that we have in place will enable us to achieve them in due course – these measures and plans are commented on throughout our Strategic Report.

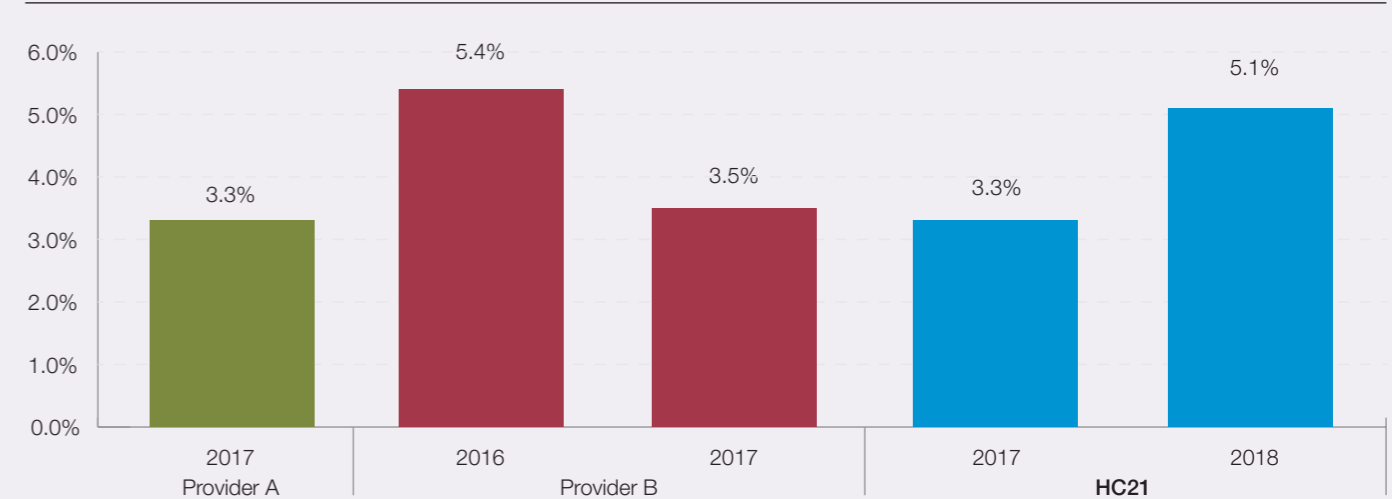
Our VFM metrics on the Regulator's measures

Our results against the Regulator's VFM metrics are shown below

In addition to showing our own results, we have compared them to two of our peers who also have 100% of their stock dedicated to older people's accommodation and who have over 5,000 properties, and who we have worked with closely over the past year to benchmark results. This also included other discrete areas of benchmarking that do not form part of these metrics.

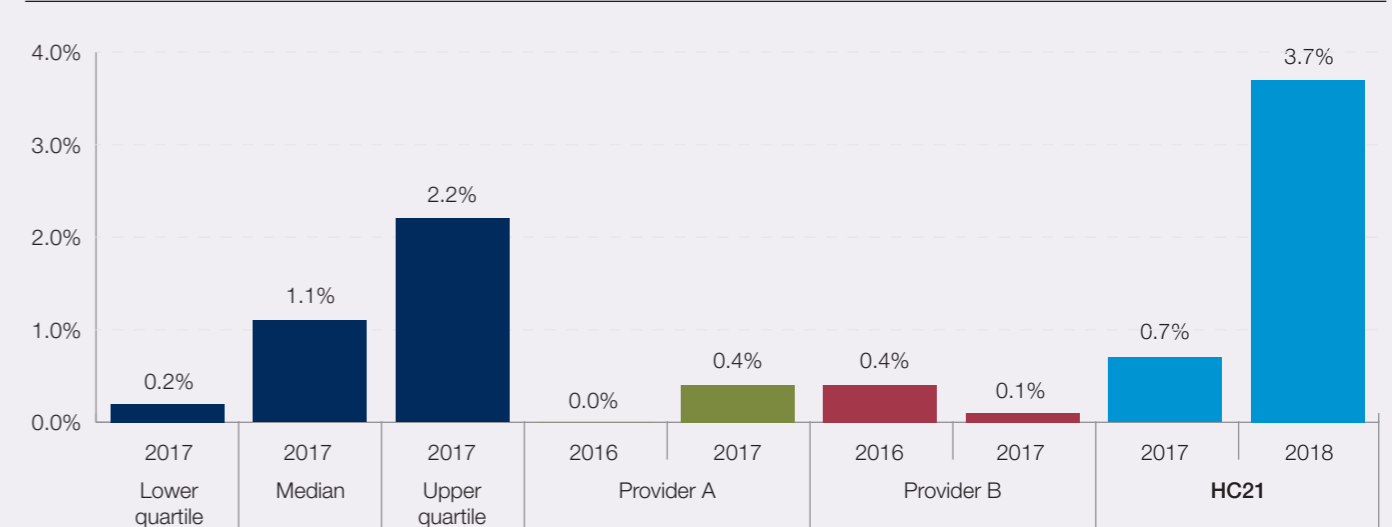
We have also shown the average results ascertained from the Sector Scorecard pilot that we have been involved in. However, it should be noted that the majority of the participants in the Sector Scorecard pilot are traditional providers of general needs accommodation that tend to have much lower costs by virtue of them not providing enhanced support services for their residents, unlike us where we provide much greater services that are recovered through the service and support charges. This is particularly the case when comparing our headline social housing cost per unit and operating margins.

1. Reinvestments %



The 5.1% reinvestment rate for 2017/18 is driven by our acquisition of 563 properties from Your Housing in June 2017. Without this acquisition it would have been 4.1%.

2. New supply delivered % (social housing)

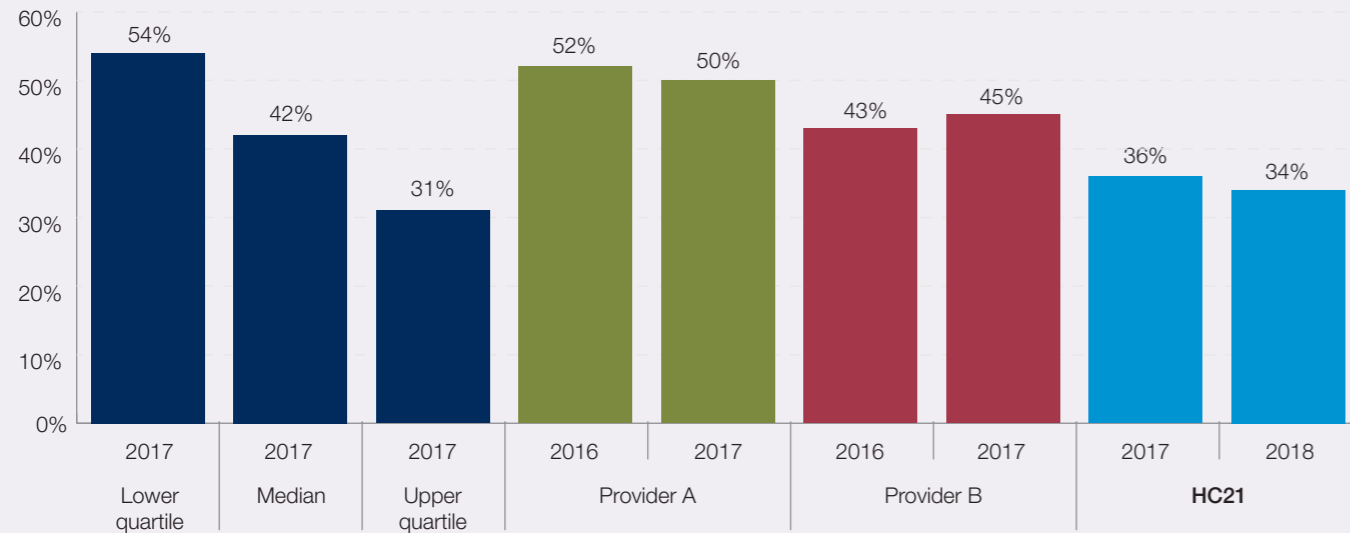


The 3.7% new supply rate for 2017/18 is again driven by our acquisition of 563 properties from Your Housing in June 2017. Without this acquisition it would have been 0.5%.

We have not delivered any new supply of non-social housing; hence we have not shown part B of the metric.

VALUE FOR MONEY REPORT

3. Gearing %

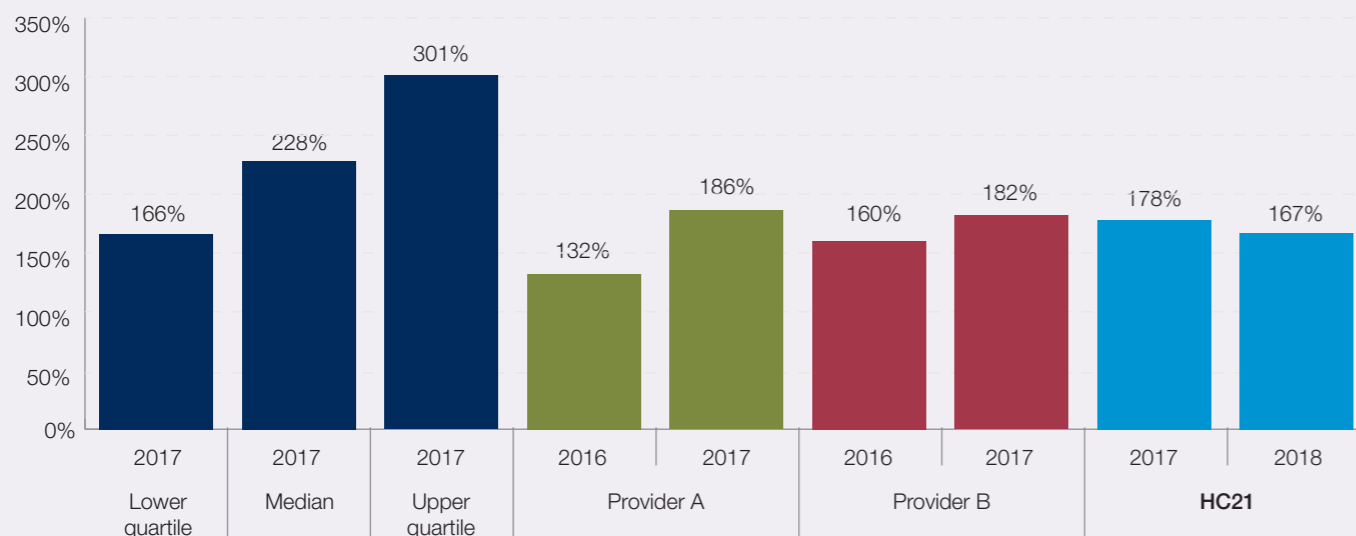


Our gearing is favourable compared to our peers, and is toward the upper quartile for the sector. However, this is partly a symptom of our properties being at the higher deemed cost as opposed to historic cost, which is where the majority of the sector is, including our peers.

Based on historic cost, our gearing would be 39% for 2017/18, which is more aligned with our peers and the wider sector median.

Furthermore, it should also be noted that we have £65m of loans that is not 'backed' by housing value; the loans being the funding for the Oldham PFI debtor asset of £115m. If this asset was included in addition to the historic cost adjustment detailed above, the ratio would be c35% which is similar to the reported number of 34%.

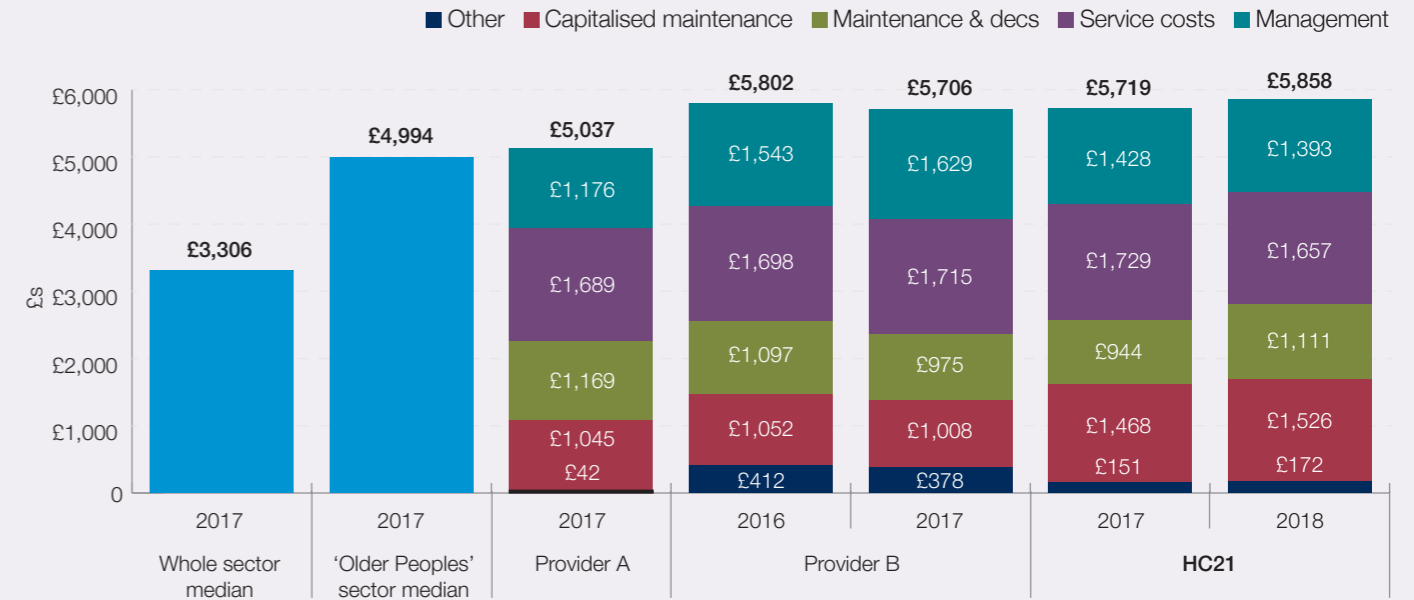
4. EBITDA MRI interest cover %



Our ratio is toward the lower quartile for the sector and is lower than our peers. This is a reflection of the current enhanced capitalised maintenance expenditure (of c£27m pa) to deliver the property standard.

If the capitalised maintenance spend was closer to £20m, as it was in previous years and is expected to be after the 5 year programme, then the rate would be 200% for 2017/18, which is just ahead of our peers and more towards the median for the sector.

5. Headline social housing cost per unit



Our cost per unit has increased over the past year as result of our enhanced capitalised maintenance expenditure.

Our enhanced capitalised maintenance expenditure does inflate the cost to £1,400 - £1,500 per unit vs c£1,000 for our peers. If we undertook a SIP spend of £20m (vs the current c£27m), then the cost per unit for 2017/18 would be c£1,100 for capitalised maintenance, and c£5,400 overall.

Service costs are consistent year-on-year and are in line with our peers.

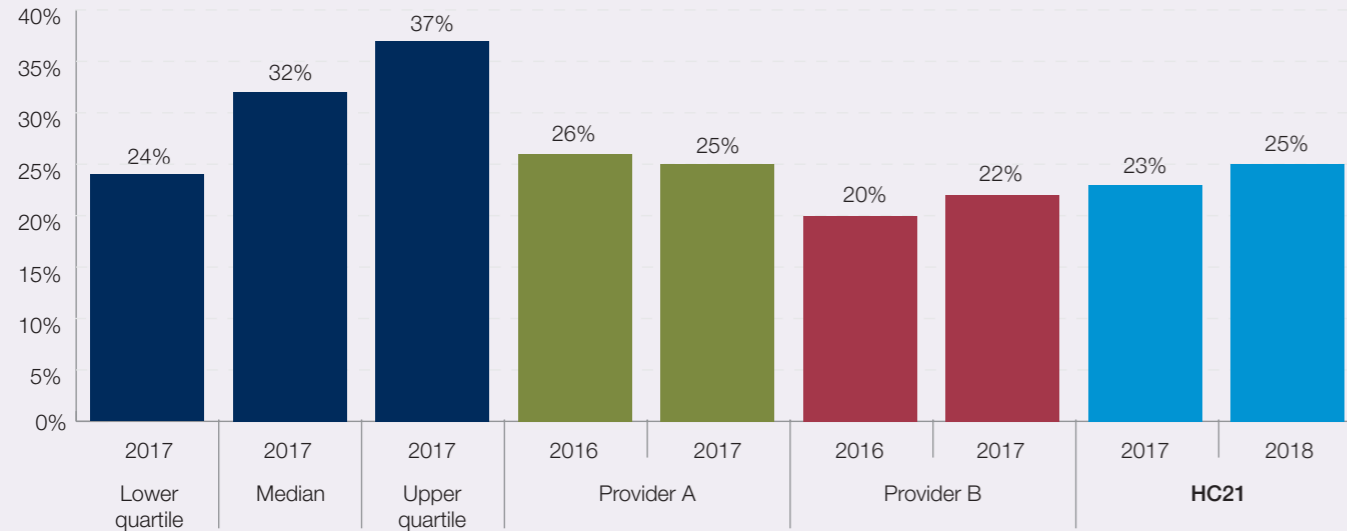
Management costs have reduced over the past two years, and work is ongoing to understand the reason why Provider B's management costs are substantially lower than ours.

NB the 'older peoples sector' metric provided by the sector scorecard pilot includes those organisations with more than 30% of accommodation that is for older people. However, this still leaves a considerable proportion of their stock that would invariably be general needs housing, which has the impact of lowering the cost per unit because of the lower amount of services being provided to those groups.



VALUE FOR MONEY REPORT

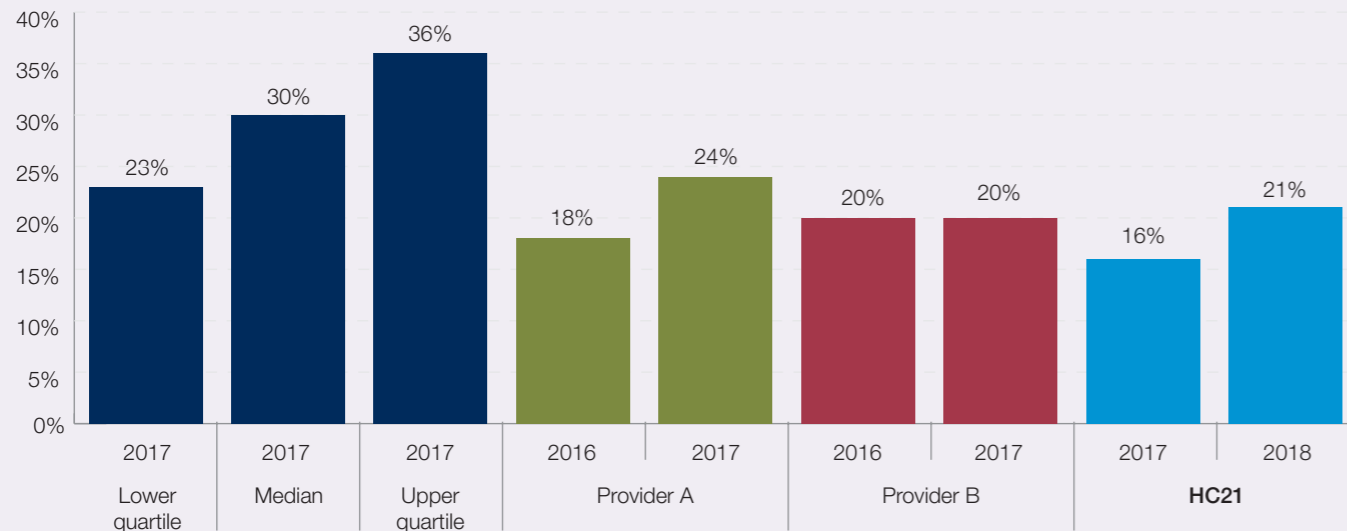
6a. Operating margin % (social housing lettings only)



Our social housing operating margin is marginally better than our peers, leaving us between the lower quartile and median for the overall sector.

Our lower performance against the sector median is undoubtedly the impact of our service and utility charges, where we have large revenues (c£40m) but with obviously little / no profit from them. If we were to adjust for this, then our margin for 2017/18 would be closer to 35%, which is above the sector median and nearer the upper quartile.

6b. Operating margin % (overall)

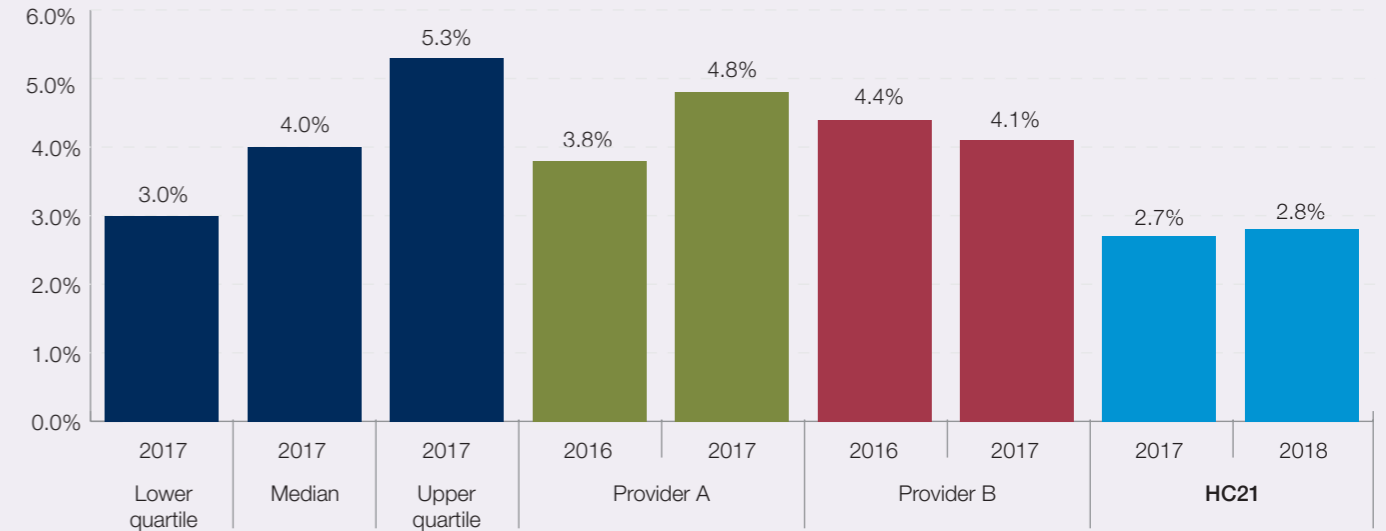


Our overall operating margin has increased over the years, bringing us closer to our peers for 2017/18. This would be a reflection of our exit from Home Care which gave us little or no profit but large revenues (of c£30m).

However, this is still in the lower quartile for the sector. This is because of our service & utility charges, as commented on above, and because of our Extra Care services which provide a modest surplus on revenues of c£27m.

If we adjusted both service charges and Extra Care services for 2017/18, our ratio would be closer to 33%, which is above the sector median and nearer the upper quartile.

7. Return on capital employed (ROCE) %



We appear to be delivering significantly lower return on capital employed versus our peers and the median. However, as with metric 3 it is impacted by our properties being held at deemed cost and also by virtue of our PFI accounting on Oldham³.

Upon adjusting these for 2017/18, this metric would be over 3.5%, which is closer to our peers and the sector median.

Overall, none of the results give us any cause for concern that we are outliers in any of the regulatory metrics, and we have undertaken a considerable amount of work in order to understand our costs and our performance both against our peers and the wider sector. Where we are outliers, we are satisfied that they are based on conscious strategic decisions that we have made.

We will continue to monitor these metrics against the appropriate benchmarks and track progress over time.

³The Group has a large PFI debtor asset of c£115m which also provides an interest receivable return of c£7m which is not included within Operating Surplus. Therefore, the calculation omits the c£7m return from the £115m asset.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOUSING & CARE 21

Opinion

We have audited the financial statements of Housing & Care 21 ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2018 which comprise the Group and Association comprehensive income statement, the Group and Association balance sheet, the Group and Association statement of changes in reserves, the Group and Association cash flow statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2018 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance 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.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

We have determined that there are no key audit matters to communicate in our report.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take into account the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

We determined materiality for the financial statements as a whole to be £22,414,000 (2017: £25,800,000) which represents 1.5% of total assets (2017: 2% of total assets).

We also apply a specific materiality level for all items comprising operating profit (including related disclosures) as that term is defined for the purposes of the entities lending covenants. This therefore involves adjusting operating profit for depreciation, amortisation, impairment, gift aid receipts and the net profit/loss on non-outright sale properties. The specific materiality level that we applied was £3,145,000 (2017: £3,100,000), which is 5% of adjusted operating profit. (2017: 5%).

We used total assets and adjusted operating profit as our chosen benchmarks to determine materiality and for specific materiality as these are considered to be the areas of the financial statements of greatest interest to the principal users of the financial statements and the areas which will have greatest impact on investor and lender decisions.

Materiality for the parent company was set at £19,704,000 (2017: £22,100,000) with a specific materiality set at £2,858,000 (2017: £2,800,000).

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 75% (2017: 75%) of materiality or specific materiality depending on the financial statement area being audited. In setting the level of performance materiality, we considered a number of factors including the expected total value of known and likely misstatements (based on past experience and other factors) and management's attitude towards proposed adjustments.

We agreed with the Audit and Risk Management Committee that misstatements in excess of £449,000 for areas considered using financial statement materiality and £63,000 for areas considered using specific materiality (2017: £516,000 / £62,000), which were identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the geographic structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall approach to the Group audit, we assessed the audit significance of each reporting component in the Group by reference to both its financial significance and other indicators of audit risk, such as the complexity of operations and the degree of estimation and judgement in the financial results.

Classification of components

A full scope statutory audit was carried out for each subsidiary that we considered to be a significant component of the Group.

Audit work on all components was performed by BDO UK both for the purposes of reporting on the individual financial statements and for Group / consolidation purposes. The only significant component for Group purposes was the parent entity.

Other information

The Board is responsible for the other information. Other information comprises the information included in the Annual Report and Financial Statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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 by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

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

Responsibilities of the Board

As explained more fully in the board members responsibilities statement set out on page 12, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOUSING & CARE 21

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters

Following the recommendation of the Audit and Risk Management Committee, we were appointed in 2003 to audit the financial statements for the year ended 31 March 2004 and subsequent financial periods. In respect of the year ended 31 March 2018 we were reappointed as auditor by the members of the company at the annual general meeting held on 28 September 2017. The period of total uninterrupted engagement is 15 years, covering the year to 31 March 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the parent company and we remain independent of the Group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit and Risk Management Committee.

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Philip Cliftlands, Senior Statutory Auditor
For and on behalf of BDO LLP,
Statutory Auditor
Gatwick
United Kingdom

Date: 31 July 2018

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



**GROUP COMPREHENSIVE
INCOME STATEMENT**

	Note	2018			2017			
		Ongoing activities	Discontinued activities	Total	Ongoing activities	One-off items	Discontinued activities	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	3	178,770	-	178,770	177,862	-	19,888	197,750
Operating costs and cost of sales	3	(141,106)	-	(141,106)	(144,569)	505	(21,404)	(165,468)
Operating surplus	3	37,664	-	37,664	33,293	505	(1,516)	32,282
Surplus on disposal of other housing properties and other assets	5	204	1,011	1,215	502	-	136	638
Other interest receivable and similar income	8	7,650	-	7,650	7,337	-	-	7,337
Interest and financing costs	9	(25,115)	-	(25,115)	(23,436)	-	-	(23,436)
Movement in fair value of financial instruments	18	63	-	63	182	-	-	182
Surplus before taxation		20,466	1,011	21,477	17,878	505	(1,380)	17,003
Tax on surplus	11	(30)	-	(30)	(21)	-	-	(21)
Surplus for the financial year		20,436	1,011	21,447	17,857	505	(1,380)	16,982
Actuarial gains on defined benefit pension scheme	25	7	-	7	44	-	-	44
Effective movement in fair value of hedged financial instrument	9 & 18	10,273	-	10,273	(2,500)	-	-	(2,500)
Total comprehensive income for the financial year		30,716	1,011	31,727	15,401	505	(1,380)	14,526

**ASSOCIATION COMPREHENSIVE
INCOME STATEMENT**

	Note	2018			2017			
		Ongoing activities	Discontinued activities	Total	Ongoing activities	One-off items	Discontinued activities	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Turnover	3	172,583	-	172,583	171,690	-	19,888	191,578
Operating costs and cost of sales	3	(139,511)	-	(139,511)	(142,864)	505	(21,404)	(163,763)
Operating surplus	3	33,072	-	33,072	28,826	505	(1,516)	27,815
Surplus on disposal of other housing properties and other assets	5	204	1,011	1,215	502	-	136	638
Other interest receivable and similar income	8	2,299	-	2,299	1,890	-	-	1,890
Interest and financing costs	9	(17,622)	-	(17,622)	(15,732)	-	-	(15,732)
Surplus before taxation		17,953	1,011	18,964	15,486	505	(1,380)	14,611
Tax on surplus	11	-	-	-	-	-	-	-
Surplus for the financial year		17,953	1,011	18,964	15,486	505	(1,380)	14,611
Actuarial gains on defined benefit pension scheme	25	7	-	7	44	-	-	44
Effective movement in fair value of hedged financial instrument	9 & 18	2,786	-	2,786	(1,002)	-	-	(1,002)
Total comprehensive income for the financial year		20,746	1,011	21,757	14,528	505	(1,380)	13,653

GROUP STATEMENT OF CHANGES IN RESERVES

	2018				2017			
	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 1 April	398,360	(64,003)	303,440	637,797	377,993	(61,503)	306,781	623,271
Surplus for the financial year	21,447	-	-	21,447	16,982	-	-	16,982
Actuarial gains on defined benefit pension scheme	7	-	-	7	44	-	-	44
Effective movement in fair value of hedged financial instrument	-	10,273	-	10,273	-	(2,500)	-	(2,500)
Other comprehensive income for the year	7	10,273	-	10,280	44	(2,500)	-	(2,456)
Transfer from revaluation reserve to income and expenditure reserve	1,767	-	(1,767)	-	3,341	-	(3,341)	-
Balance at 31 March	421,581	(53,730)	301,673	669,524	398,360	(64,003)	303,440	637,797

ASSOCIATION STATEMENT OF CHANGES IN RESERVES

	2018				2017			
	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 1 April	388,469	(7,977)	285,866	666,358	370,473	(6,975)	289,207	652,705
Surplus for the financial year	18,964	-	-	18,964	14,611	-	-	14,611
Actuarial gains on defined benefit pension scheme	7	-	-	7	44	-	-	44
Effective movement in fair value of hedged financial instrument	-	2,786	-	2,786	-	(1,002)	-	(1,002)
Other comprehensive income for the year	7	2,786	-	2,793	44	(1,002)	-	(958)
Transfer from revaluation reserve to income and expenditure reserve	1,767	-	(1,767)	-	3,341	-	(3,341)	-
Balance at 31 March	409,207	(5,191)	284,099	688,115	388,469	(7,977)	285,866	666,358

GROUP AND ASSOCIATION BALANCE SHEETS AS AT 31 MARCH 2018

Registered number **16791R**

	Note	Group		Association	
		2018	2017	2018	2017
		£'000	£'000	£'000	£'000
Tangible fixed assets					
Housing properties	12	1,113,571	1,089,750	1,028,956	1,003,977
Other fixed assets	13	2,546	1,513	2,546	1,513
Investments	26	-	-	6,485	6,485
		1,116,117	1,091,263	1,037,987	1,011,975
Current assets					
Housing properties and stock for sale	14	4,946	1,604	4,946	1,604
Debtors — receivable after one year	15	115,504	118,400	44,897	45,745
Debtors — receivable within one year	15	18,095	17,285	11,397	12,690
Short term investments	21	53,100	-	51,000	-
Cash and cash equivalents	21	185,737	69,532	165,230	48,856
		377,382	206,821	277,470	108,895
Creditors: amounts falling due within one year	16	(103,389)	(97,422)	(77,895)	(74,568)
Net current assets		273,993	109,399	199,575	34,327
Total assets less current liabilities		1,390,110	1,200,662	1,237,562	1,046,302
Creditors: amounts falling due after more than one year	17	(720,586)	(562,865)	(549,447)	(379,944)
Net Assets		669,524	637,797	688,115	666,358
Capital and Reserves					
Share capital	22	-	-	-	-
Cash flow hedge reserve		(53,730)	(64,003)	(5,191)	(7,977)
Revaluation reserve		301,673	303,440	284,099	285,866
Income and expenditure reserve		421,581	398,360	409,207	388,469
		669,524	637,797	688,115	666,358

These financial statements were approved and authorised for issue by the Board on 20 July 2018 and are signed on behalf of the Board by:



Lord Ben Stoneham (Chairman)



Anne Turner (Director)



Paul Hutton (Secretary)

GROUP AND ASSOCIATION CASH FLOW STATEMENTS

	Note	Group		Association	
		2018	2017	2018	2017
		£'000	£'000	£'000	£'000
Cash from operations	20	71,824	73,892	64,203	65,297
Taxation		(19)	(32)	-	-
Net cash generated from operating activities		71,805	73,860	64,203	65,297
Cash flow from investing activities					
Proceeds from the sale of housing properties		5,129	6,683	5,129	6,683
Proceeds from the sale of other fixed assets		53	1,458	53	1,458
Expenditure on housing properties		(57,112)	(41,002)	(56,856)	(38,733)
Expenditure on other fixed assets		(1,489)	(252)	(1,489)	(252)
Net receipt of grants		2,404	2,201	2,404	2,201
Interest received		7,180	7,319	2,241	1,611
Net return from / (investment in) subsidiaries		-	-	689	(849)
Net proceeds from sale of other assets		391	1,913	391	1,913
Purchase of short term investments		(53,100)	-	(51,000)	-
Net cash from investing activities		(96,544)	(21,680)	(98,438)	(25,968)
Cash flow from financing activities					
Repayment of finance lease obligations		(96)	(68)	(96)	(68)
Repayment of bank borrowings		(86,604)	(9,008)	(83,938)	(3,968)
Proceeds from new loans		250,000	-	250,000	-
Debt issue costs incurred		(1,814)	-	(1,814)	-
Interest paid		(20,542)	(23,002)	(13,542)	(14,784)
Net cash used in financing activities		140,944	(32,078)	150,610	(18,820)
Net increase in cash and cash equivalents		116,205	20,102	116,374	20,509
Cash and cash equivalents at the beginning of the year		69,532	49,430	48,856	28,347
Cash and cash equivalents at the end of the year		185,737	69,532	165,230	48,856

Notes to the Financial Statements

for the year ended 31 March 2018



NOTES TO THE FINANCIAL STATEMENTS

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

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 and under the historic cost basis, as modified for (a) the valuation of derivative financial instruments; and (b) the deemed cost basis of valuation of housing properties upon transition to FRS 102 on 1 April 2014.

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.

1.4. Business combinations that are gifts

Where there is a business combination that is in substance a gift (i.e. 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 in full 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.

NOTES TO THE FINANCIAL STATEMENTS

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 can not be recovered from invoiced income, then appropriate provisions are made in full in the year that they are identified.

1.7. Supporting people

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, including sinking fund contributions from rental tenants for future capital works.

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 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 principal 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. Interest receivable on finance lease assets

The Group's finance lease assets represent the capital costs incurred on its PFI and PPP contracts – where the underlying properties and associated services are fundamentally controlled by another party. The debt is recovered via the unitary charge contract income over the remaining life of the contract. Until the debtor is fully recovered, an interest charge is released to the Comprehensive Income Statement which is based upon the value of the financial debt outstanding. This interest is included within interest receivable.

NOTES TO THE FINANCIAL STATEMENTS

1.13. 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.

1.14. 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.

1.15. 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.

Planned 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 1.16)

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 1.18), 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. 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 housing property (net of accumulated depreciation to date and impairment, where applicable) and components are depreciated over the useful economic lives of the assets on the following basis:

Component	Years
Land	Infinite
Structure	100
Roof	50
Windows & doors	30
Kitchens & bathrooms	20
Mechanical services	20
Heating & 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.

Where a major component is replaced before the end of its economic useful life and is not fully depreciated, an additional charge (accelerated depreciation),

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equivalent to the remaining net book value of the component, is recognised in the Comprehensive Income Statement.

1.17. 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.

1.18. 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 properties 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. When a sale occurs of a property, a proportionate amount is written off to the Comprehensive Income Statement as a cost of sale based on the number of properties and equity percentage sold.

1.19. 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.

1.20. 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 & 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.

1.21. 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 lives 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 1.22). 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 within 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.

Where properties are acquired from other providers where the purchase price includes the associated grant, no accounting adjustment is made for the grant. The acquired grant is disclosed as a contingent liability in Note 19.

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1.22. Recycled Capital Grant Fund

On the occurrence of certain relevant events, primarily the sale of properties, Homes England 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 Homes England 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.

1.23. Impairments of fixed assets

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.

1.24. 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.

1.25. 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.

1.26. 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 also reviews the age profile of the debt, historical collection rates and the class of debt.

1.27. Loans, investments and short term investments

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 on demand or within one year are not discounted.

1.28. Cash and cash equivalents

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

1.29. 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 fix 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, which represents all effective cumulative movements in fair value. 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.

1.30. 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.

NOTES TO THE FINANCIAL STATEMENTS

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 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.

1.31. Leasehold sinking funds

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

1.32. 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 grants which are dependent on the disposal or cessation for the social letting of related properties.

1.33. Reserves

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 1st 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.

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 1.29).

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.** 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 criterion in FRS 102 for the classification as property, plant and equipment. The Group does not have any commercial or student accommodation.
- 2.2.** 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.
- 2.3.** 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 sheltered or extra care court.

An impairment assessment is undertaken when an indicator of impairment is identified in the year. There were no such indicators in the year ended 31 March 2018. An impairment assessment was undertaken in 2017 as the 1% rent reduction applicable from April 2017 included in the 2016 Welfare Reform Act was an indicator for impairment.

- 2.4.** Unplanned major repairs and component replacements on discrete properties are not capitalised in accordance with Accounting Policy 0, but expensed as repairs to the Comprehensive Income Statement. This is because the Group judges that such expenditure does not enhance the value of the overall scheme but maintains the quality of the property in line with the wider scheme. Only planned stock investment projects for the entire scheme are capitalised.
- 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 properties 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).

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Any associated HCA grant is assigned to individual properties 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 3.2% has been used for 2018 (2017: 2.9%). 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.** Hedge accounting effectiveness is determined by use of the 'critical terms method'. It is deemed effective where the terms of the underlying loan match 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.

The hypothetical value is assessed against the actual fair value of the instrument. Where the fair value is favourable to the hypothetical value, the hedge is deemed to be effective. Where the fair value is adverse to the hypothetical value, the cumulative difference between the two is taken to be ineffective, and this portion taken through the Comprehensive Income Statement.

- 2.9.** 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 cash flow from Investing Activities, as opposed to Cash from Operations, because of their association and relationship with the wider development-related capital cash flows. Therefore, they are reported in the Cash Flow Statement as Investing Activities. The surpluses on sale are shown as an adjustment when reconciling the Operating Surplus to Cash from Operations.

- 2.10.** The sale of other properties and assets are included below Operating Surplus. This is because they are adjudged to be non-operating activities that do not form part of core day-to-day operations, but a reflection of reorganisation and rationalisation of existing core activities. This is in contrast to the sale of shared ownership first tranche and outright sale properties which are developed with the intention of sale from the outset.

- 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 FRS 102 transitional exemption has been adopted for the accounting for service concession arrangements (the PFI and PPP contracts). These 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.

- 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.



NOTES TO THE FINANCIAL STATEMENTS

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

Group	2018			2017			
	Turnover	Operating costs and cost of sales	Operating surplus	Turnover	Operating costs and cost of sales	One-off items	Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings (Note 4)	142,612	(106,690)	35,922	136,935	(106,502)	505	30,938
Other social housing activities							
Support charge	3,299	(3,299)	-	2,926	(2,813)	-	113
First Tranche low cost home ownership sales	870	(670)	200	5,983	(4,886)	-	1,097
	4,169	(3,969)	200	8,909	(7,699)	-	1,210
Total social housing activities	146,781	(110,659)	36,122	145,844	(114,201)	505	32,148
Non-social housing activities							
Extra Care services	27,616	(26,492)	1,124	27,236	(26,343)	-	893
PFI / PPP non-lettings services	4,373	(4,155)	218	4,782	(4,225)	-	557
Other	-	200	200	-	200	-	200
	31,989	(30,447)	1,542	32,018	(30,368)	-	1,650
Total continuing activities	178,770	(141,106)	37,664	177,862	(144,569)	505	33,798
Discontinued activities							
Home Care services	-	-	-	19,888	(21,404)	-	(1,516)
Total	178,770	(141,106)	37,664	197,750	(165,973)	505	32,282

- In 2017, the Home Care business division was disposed of and classified as a discontinued activity.
- Total development administration costs capitalised were £659k (2017: £576k) for both Group and Association.
- There are no one-off items in 2018. Included in one-off items in 2017, for both Group and Association, is a non-cash impairment of housing properties of £3,995k and the receipt of a legal settlement relating to the Oldham PFI contract of £4,500k.

NOTES TO THE FINANCIAL STATEMENTS

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

Association	2018			2017			
	Turnover	Operating costs and cost of sales	Operating surplus	Turnover	Operating costs and cost of sales	One-off items	Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Social housing lettings (Note 4)	136,425	(105,095)	31,330	131,185	(105,258)	505	26,432
Other social housing activities							
Support charge	3,299	(3,299)	-	2,926	(2,813)	-	113
First Tranche low cost home ownership sales	870	(670)	200	5,983	(4,886)	-	1,097
	4,169	(3,969)	200	8,909	(7,699)	-	1,210
Total social housing activities	140,594	(109,064)	31,530	140,094	(112,957)	505	27,642
Non-social housing activities							
Extra Care services	27,616	(26,492)	1,124	26,814	(25,882)	-	932
PFI / PPP non-lettings services	4,373	(4,155)	218	4,782	(4,225)	-	557
Other	-	200	200	-	200	-	200
	31,989	(30,447)	1,542	31,596	(29,907)	-	1,689
Total continuing activities	172,583	(139,511)	33,072	171,690	(142,864)	505	29,331
Discontinued activities							
Home Care services	-	-	-	19,888	(21,404)	-	(1,516)
Total	172,583	(139,511)	33,072	191,578	(164,268)	505	27,815

- In 2017, the Home Care business division has been disposed of and as such has been classified as a discontinued activity.
- Total development administration costs capitalised were £659k (2017: £576k) for both Group and Association.
- There are no one-off items in 2018. Included in one-off items in 2017, for both Group and Association, is a non-cash impairment of housing properties of £3,995k and the receipt of a legal settlement relating to the Oldham PFI contract of £4,500k.

NOTES TO THE FINANCIAL STATEMENTS

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

Group	2018					2017
	Retirement Housing	Extra Care	PFI / PPP	Corporate	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover from social housing lettings						
Rents net of identifiable service charges	54,632	28,854	4,255	(3)	87,738	84,980
Service and utility charges	22,045	13,883	2,217	-	38,145	36,622
Amortisation of government grants	-	309	-	-	309	320
Other income	1,777	484	13,401	758	16,420	15,013
	78,454	43,530	19,873	755	142,612	136,935

Expenditure on social housing lettings						
Management	(5,014)	(3,372)	(4,651)	(13,702)	(26,739)	(26,520)
Service and utility costs	(17,552)	(11,627)	(1,935)	(703)	(31,817)	(32,107)
Routine maintenance	(6,642)	(2,726)	(2,933)	-	(12,301)	(11,369)
Planned maintenance	(2,815)	(2,380)	(1,540)	(2,296)	(9,031)	(6,160)
Major repairs	(38)	(332)	(288)	-	(658)	(1,129)
Bad debts	(7)	(13)	(1)	(171)	(192)	(72)
Depreciation of housing properties	(14,989)	(8,809)	(1,512)	-	(25,310)	(28,235)
Other depreciation	-	-	-	(642)	(642)	(910)
	(47,057)	(29,259)	(12,860)	(17,514)	(106,690)	(106,502)

One-off items						
Impairment of housing properties	-	-	-	-	-	(3,995)
Other	-	-	-	-	-	4,500
	-	-	-	-	-	505
Operating expenditure on social housing lettings	(47,057)	(29,259)	(12,860)	(17,514)	(106,690)	(105,997)
Operating surplus on social housing lettings	31,397	14,271	7,013	(16,759)	35,922	30,938
Void losses	(1,370)	(1,119)	(54)	(3)	(2,546)	(3,494)

- Retirement Housing, Extra Care, PFI / PPP and Corporate all represent 'supported housing and housing for older people'.
- Included within void losses are first-let voids on new properties of £223k (2017: £633k).
- The prior year comparative Service & utility charge and Service & utility costs lines have been restated in order to remove the impact of an accounting grossing-up. Both lines have decreased by £4,603k, in order to remove the gross-up. There is no impact on operating or net surpluses. The change reflects the difference between service charge accounting (where notional costs are charged to residents) and financial accounting which only reflect actual direct costs incurred by Housing & Care 21 only.
- Included in one-off items in 2017, for both Group and Association, is a non-cash impairment of housing properties of £3,995k and the receipt of a legal settlement relating to the Oldham PFI contract of £4,500k.

NOTES TO THE FINANCIAL STATEMENTS

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

Association	2018					2017
	Retirement Housing	Extra Care	PFI / PPP	Corporate	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Turnover from social housing lettings						
Rents net of identifiable service charges	54,632	28,518	4,255	(3)	87,402	84,648
Service and utility charges	22,045	13,659	2,217	-	37,921	36,448
Amortisation of government grants	-	309	-	-	309	320
Other income	1,777	624	7,634	758	10,793	9,769
	78,454	43,110	14,106	755	136,425	131,185

Expenditure on social housing lettings						
Management	(5,014)	(3,347)	(6,319)	(13,702)	(28,382)	(28,092)
Service and utility costs	(17,552)	(11,403)	(1,935)	(703)	(31,593)	(31,937)
Routine maintenance	(6,642)	(2,705)	(1,886)	-	(11,233)	(10,452)
Planned maintenance	(2,815)	(2,379)	(749)	(2,296)	(8,239)	(5,584)
Major repairs	(38)	(332)	(288)	-	(658)	(1,129)
Bad debts	(7)	(13)	(1)	(171)	(192)	(71)
Depreciation of housing properties	(14,989)	(8,716)	(451)	-	(24,156)	(27,084)
Other depreciation	-	-	-	(642)	(642)	(909)
	(47,057)	(28,895)	(11,629)	(17,514)	(105,095)	(105,258)

One-off items						
Impairment of housing properties	-	-	-	-	-	(3,995)
Other	-	-	-	-	-	4,500
	-	-	-	-	-	505
Operating expenditure on social housing lettings	(47,057)	(28,895)	(11,629)	(17,514)	(105,095)	(104,753)
Operating surplus on social housing lettings	31,397	14,215	2,477	(16,759)	31,330	26,432
Void losses	(1,370)	(1,116)	(54)	(3)	(2,543)	(3,492)

- Retirement Housing, Extra Care, PFI / PPP and Corporate all represent 'supported housing and housing for older people'.
- Included within void losses are first-let voids on new properties of £223k (2017: £633k).
- The prior year comparative Service & utility charge and Service & utility costs lines have been restated in order to remove the impact of an accounting grossing-up. Both lines have decreased by £4,603k, in order to remove the gross-up. There is no impact on operating or net surpluses. The change reflects the difference between service charge accounting (where notional costs are charged to residents) and financial accounting which only reflect actual direct costs incurred by Housing & Care 21 only.
- Included in one-off items in 2017, for both Group and Association, is a non-cash impairment of housing properties of £3,995k and the receipt of a legal settlement relating to the Oldham PFI contract of £4,500k.

NOTES TO THE FINANCIAL STATEMENTS

5. Surplus on disposal of housing properties and other assets

Group and Association	2018				2017			
	Shared ownership staircasings	Other housing properties	Sale of Home Care	Total	Shared ownership staircasings	Other housing properties	Sale of Home Care	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Proceeds	347	3,991	137	4,475	827	1,513	1,713	4,053
Costs of sale at carrying value	(264)	(3,870)	874	(3,260)	(574)	(1,264)	(1,577)	(3,415)
Surplus on disposal	83	121	1,011	1,215	253	249	136	638

The disposals of the above housing properties and other assets on a historical cost basis would have resulted in a gain of £3,052k (2017: £1,216k).

In 2017, the Home Care business division was sold as a going concern for £1,713k. In 2018, we received the final deferred proceeds from the disposal of Home Care and released a debtor provision for Home Care debts of £1,307k, which is offset by an onerous lease provision.

6. Directors' and the Executive Team remuneration

The directors of Housing & Care 21 are defined as members of the Board and the Executive Team. The Board consists of 10 non-executive members (2016: 10).

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

	2018	2017
	£'000	£'000
B Stoneham (Chair)	20	19
S Robinson	13	11
R Humphries	10	10
J Owen CBE	10	10
K Boyle	10	10
S Hughes	10	10
M Knott	10	10
L Potter	10	10
A Turner Appointed 1 Sept 2017	7	-
M McDonagh Appointed 1 Sept 2017	6	-
N Revely Appointed 1 Sept 2017	6	-
S Fanshawe OBE Resigned 28 Sept 2017	5	10
K Jeffries Resigned 28 Sept 2017	5	10
S Heeley Appointed 1 Jan 2018	2	-
Total	124	110

NOTES TO THE FINANCIAL STATEMENTS

Stephanie Heeley is the new resident Board member, and was a resident of the Association for 12 months of the year. Her tenancy is on the same terms and conditions as other residents. She is unable to use her position as a Board member to any advantage in her relationship with the Association as a resident. The rent & service charged for the year was £4,862 (2017: £4,911) and she had a credit balance of £250 at 31 March 2018.

Kenneth Jeffries resigned as the resident Board member on 28 September 2017. He was a resident of the Association for 12 months of the year. The rent & service charged for the year was £7,049k (2017: £6,929) and he had a credit balance of £427 at 31 March 2018.

The Executive team (see page 9 for more information) received the following emoluments during the financial year:

	2018	2017
	£'000	£'000
Emoluments	553	524
Pension contributions	46	71
Total	599	595

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

	2018	2017
	£'000	£'000
Emoluments	238	233
Pension contributions	28	28
Total	266	261

The Chief Executive is an ordinary member of the SHPS (Defined Contribution) pension scheme as set out in Note 25. Employer's contribution in respect of the Chief Executive's pension in the year was £28k (2017: £28k), of which £18k (2017: nil) was taken as cash. The above remuneration excludes any employer's social security costs.

NOTES TO THE FINANCIAL STATEMENTS

7. Employee information

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

	Group		Association	
	2018	2017	2018	2017
Management, court managers and administration	1,126	1,165	1,123	1,163
Care and ancillary	1,838	2,620	1,836	2,611
	2,964	3,785	2,959	3,774

The number of full-time equivalents included in the Home Care business was nil (2017: 925).

Staff costs (including the Executive Team) consist of:

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Wages and salaries	54,093	70,115	54,001	69,792
Redundancy and other costs	357	85	357	85
Social security costs	3,921	5,091	3,915	5,070
Pension costs	1,470	1,647	1,470	1,647
	59,841	76,938	59,743	76,594

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 and Association	2018	2017
£230,000 – £239,999	1	1
£170,000 – £179,999	-	1
£160,000 – £169,999	2	1
£100,000 – £109,999	2	2
£90,000 – £99,999	5	5
£80,000 – £89,999	2	4
£70,000 – £79,999	4	5
£60,000 – £69,999	5	6
	21	25

NOTES TO THE FINANCIAL STATEMENTS

8. Interest receivable and similar income

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Interest received on cash deposits and short term investments	568	135	515	106
Finance asset interest	7,082	7,202	368	376
Interest receivable from group undertakings	-	-	1,416	1,408
	7,650	7,337	2,299	1,890

9. Interest and financing costs

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	(23,304)	(20,054)	(15,926)	(12,469)
All other loans	(767)	(1,514)	(767)	(1,514)
Finance leases	(57)	(91)	(57)	(91)
Other financing fees and charges	(1,103)	(1,591)	(988)	(1,472)
Net interest on pension liabilities	(143)	(454)	(143)	(454)
	(25,374)	(23,704)	(17,881)	(16,000)
Interest capitalised on construction of housing properties	259	268	259	268
	(25,115)	(23,436)	(17,622)	(15,732)
Other financing costs through Other Comprehensive Income:				
Gain / (loss) on fair value of hedged derivative instruments (see Note 18)	10,273	(2,500)	2,786	(1,002)

NOTES TO THE FINANCIAL STATEMENTS

10. Operating surplus on ordinary activities before tax

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
This is arrived at after (charging) / crediting:				
Depreciation of housing properties	(25,310)	(28,235)	(24,156)	(27,084)
Impairment of housing properties	-	(3,995)	-	(3,995)
Depreciation on other fixed assets	(642)	(910)	(642)	(909)
Amortisation of grant	309	320	309	320
Interest element of finance lease payments	(57)	(91)	(57)	(91)
Payments under operating leases				
- land & buildings	(962)	(943)	(962)	(943)
- other	(137)	(122)	(136)	(120)
Auditors' remuneration (excluding VAT):				
- In their capacity as auditors	(86)	(79)	(73)	(67)
- Covenants compliance audit	(3)	(3)	(3)	(3)
- Leasehold audit	(5)	(5)	(5)	(5)

11. 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 UK taxation charge for the year is analysed as follows:

Current taxation	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
UK Corporation Tax	(30)	(21)	-	-

NOTES TO THE FINANCIAL STATEMENTS

Current tax reconciliation

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

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Surplus on ordinary activities before taxation	21,477	17,003	18,964	14,611
Tax at the standard rate of tax of 19% (2017: 20%)	(4,081)	(3,401)	(3,603)	(2,922)
Effects of:				
Exemption for charitable activities	4,051	3,380	3,603	2,922
Total current tax (charge) / credit	(30)	(21)	-	-



NOTES TO THE FINANCIAL STATEMENTS

12. Housing properties at deemed historic cost – Group

	Retirement Housing		Extra Care		PFI & PPP		Assets under construction		Total
	Rented	Shared ownership	Rented	Shared ownership	Rented	Shared ownership	Rented	Shared ownership	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

Deemed historic cost

1 April 2017	773,951	48	409,631	21,473	112,475	749	9,233	944	1,328,504
Acquisitions & construction costs	12,000	-	828	-	-	-	8,816	6,635	28,279
Works to existing properties	26,286	-	2,191	-	163	-	-	-	28,640
Transfers (to) / from current assets	-	-	-	-	-	-	-	(3,888)	(3,888)
Completed property transfers	-	-	8,983	-	-	-	(8,983)	-	-
Disposals	(12,712)	-	(508)	(305)	-	-	-	-	(13,525)
31 March 2018	799,525	48	421,125	21,168	112,638	749	9,066	3,691	1,368,010

Accumulated depreciation and impairments

1 April 2017	(171,150)	(2)	(54,864)	(724)	(11,987)	(27)	-	-	(238,754)
Charge in the year	(14,989)	-	(8,599)	(210)	(1,504)	(8)	-	-	(25,310)
Eliminated on disposals	9,140	-	485	-	-	-	-	-	9,625
31 March 2018	(176,999)	(2)	(62,978)	(934)	(13,491)	(35)	-	-	(254,439)

Net book value

31 March 2018	622,526	46	358,147	20,234	99,147	714	9,066	3,691	1,113,571
31 March 2017	602,801	46	354,767	20,749	100,488	722	9,233	944	1,089,750

Land tenure

Freehold	562,170	46	222,522	15,493	9,383	-	-	-	809,614
Long leasehold	58,502	-	135,625	4,741	89,764	714	9,066	3,691	302,103
Finance Lease	1,854	-	-	-	-	-	-	-	1,854
31 March 2018	622,526	46	358,147	20,234	99,147	714	9,066	3,691	1,113,571

Depreciation charge in the year of £25,310k includes £5,300k of accelerated depreciation on replaced components (2017: £8,729k).

There was no impairment charged this year (2017: £3,995k).

During the year the Group purchased 563 properties from another registered provider for a fair value monetary consideration of £12,000k (2017: nil). There was no non-monetary exchange element to the transaction.

NOTES TO THE FINANCIAL STATEMENTS

12. Housing properties at deemed historic cost – Association

	Retirement Housing		Extra Care		PFI & PPP		Assets under construction		Total
	Rented	Shared ownership	Rented	Shared ownership	Rented	Shared ownership	Rented	Shared ownership	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000

Deemed historic cost

1 April 2017	773,951	48	404,178	21,473	22,679	749	9,233	944	1,233,255
Acquisitions & construction costs	12,000	-	828	-	-	-	8,816	6,635	28,279
Works to existing properties	26,286	-	2,196	-	163	-	-	-	28,645
Transfers (to) / from current assets	-	-	-	-	-	-	-	(3,888)	(3,888)
Completed property transfers	-	-	8,983	-	-	-	(8,983)	-	-
Disposals	(12,712)	-	(508)	(305)	-	-	-	-	(13,525)
31 March 2018	799,525	48	415,677	21,168	22,842	749	9,066	3,691	1,272,766

Accumulated depreciation and impairments

1 April 2017	(171,150)	(2)	(53,929)	(724)	(3,446)	(27)	-	-	(229,278)
Charge in the year	(14,989)	-	(8,507)	(210)	(443)	(8)	-	-	(24,156)
Eliminated on disposals	9,140	-	484	-	-	-	-	-	9,624
31 March 2018	(176,999)	(2)	(61,952)	(933)	(3,889)	(35)	-	-	(243,810)

Net book value

31 March 2018	622,526	46	353,725	20,235	18,953	714	9,066	3,691	1,028,956
31 March 2017	602,801	46	350,249	20,749	19,233	722	9,233	944	1,003,977

Land tenure

Freehold	562,170	46	218,096	15,494	-	-	-	-	795,806
Long leasehold	58,502	-	135,629	4,741	18,953	714	9,066	3,691	231,296
Finance Lease	1,854	-	-	-	-	-	-	-	1,854
31 March 2018	622,526	46	353,725	20,235	18,953	714	9,066	3,691	1,028,956

Depreciation charge in the year of £24,156k includes £5,300k of accelerated depreciation on replaced components (2017: £8,730k).

There was no impairment charged this year (2017: £3,995k).

During the year the Association purchased 563 properties from another registered provider for a fair value monetary consideration of £12,000k (2017: nil). There was no non-monetary exchange element to the transaction.

NOTES TO THE FINANCIAL STATEMENTS

12. Housing properties at deemed historic cost (continued)

Works to existing properties

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

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
New components capitalised	15,505	15,087	15,505	15,087
Capitalised enhancements	13,135	11,047	13,140	10,907
Major repairs expensed (see note 4)	658	1,129	658	1,129
	29,298	27,263	29,303	27,123

The total amount of interest capitalised in the year was £259k (2017: £268k) and interest is capitalised at a rate of 4.5% (2017: 4.5%). The cumulative value of capitalised interest included in the net book value in Note 12 and properties held for sale in Note 14 is not separately recorded.

Housing accommodation

	Group		Association	
	2018	2017	2018	2017
	No.	No.	No.	No.
Retirement housing				
Rented	11,608	11,031	11,608	11,031
Rented - general needs / family	64	91	64	91
Shared ownership	12	12	12	12
Leasehold	739	738	739	738
Staff accommodation	138	160	138	160
Owned but managed by others	224	248	224	248
Managed for others	29	29	29	29
	12,814	12,309	12,814	12,309

	Group		Association	
	2018	2017	2018	2017
	No.	No.	No.	No.
Extra care				
Rented	4,352	4,242	4,301	4,191
Shared ownership	803	812	803	812
Leasehold	109	116	74	81
Staff accommodation	1	1	1	1
Managed for others	8	8	94	94
	5,273	5,179	5,273	5,179

	Group		Association	
	2018	2017	2018	2017
	No.	No.	No.	No.
PFI / PPP				
Rented	555	555	215	215
Shared ownership	70	70	70	70
Managed for others	1,476	1,476	1,816	1,816
	2,101	2,101	2,101	2,101
Total	20,188	19,589	20,188	19,589

	Group		Association	
	2018	2017	2018	2017
	No.	No.	No.	No.
Properties in development				
For rent	83	163	83	163
For shared ownership	91	78	91	78
For outright sale	15	25	15	25
Total	189	266	189	266

NOTES TO THE FINANCIAL STATEMENTS

12. Housing properties at deemed historic 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	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Historic cost (including assets under the course of construction)	1,221,215	1,179,942	1,142,937	1,101,659
Accumulated depreciation	(250,443)	(234,758)	(239,812)	(225,282)
	970,772	945,184	903,125	876,377

13. Other fixed assets

Group	Leasehold offices & improvements	IT & other equipment	Total
	£'000	£'000	£'000
Cost			
At 1 April 2017	1,459	21,493	22,952
Additions	69	1,905	1,974
Disposals	(21)	(3,723)	(3,744)
At 31 March 2018	1,507	19,675	21,182
Accumulated depreciation			
At 1 April 2017	(900)	(20,539)	(21,439)
Charge for the year	(101)	(541)	(642)
Disposals	21	3,424	3,445
At 31 March 2018	(980)	(17,656)	(18,636)
Net book value at 31 March 2018	527	2,019	2,546
<i>Net book value at 31 March 2017</i>	<i>559</i>	<i>954</i>	<i>1,513</i>

Association	Leasehold offices & improvements	IT & other equipment	Total
	£'000	£'000	£'000
Cost			
At 1 April 2017	1,459	21,484	22,943
Additions	69	1,905	1,974
Disposals	(21)	(3,723)	(3,744)
At 31 March 2018	1,507	19,666	21,173
Accumulated depreciation			
At 1 April 2017	(900)	(20,530)	(21,430)
Charge for the year	(101)	(541)	(642)
Disposals	21	3,424	3,445
At 31 March 2018	(980)	(17,647)	(18,627)
Net book value at 31 March 2018	527	2,019	2,546
<i>Net book value at 31 March 2017</i>	<i>559</i>	<i>954</i>	<i>1,513</i>



NOTES TO THE FINANCIAL STATEMENTS

14. Housing properties and stock for sale

Group and Association	2018	2017
	£'000	£'000
Low Cost Home Ownership & Outright Sale properties available for sale	-	520
Low Cost Home Ownership & Outright Sale properties under construction	4,946	1,084
	4,946	1,604

15. Debtors

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Greater than one year				
Finance asset receivable	115,504	118,400	6,009	6,169
Amounts owed by group undertakings	-	-	2,130	2,129
Amounts owed by group undertakings – concessionary loans	-	-	36,758	37,447
	115,504	118,400	44,897	45,745
Within one year				
Rent and service charge arrears	2,245	2,396	2,240	2,391
Less provision for bad debts	(1,390)	(1,496)	(1,387)	(1,493)
	855	900	853	898
Trade debtors	3,209	3,774	3,212	3,800
Amounts owed by group undertakings	-	-	497	1,987
Prepayments, accrued income and other debtors	14,031	11,986	6,834	5,380
SHG and other capital grants receivable	-	625	-	625
	18,095	17,285	11,396	12,690

Other debtors include £800k (2017: £1,000k) owing as deferred consideration from the sale of Surecare and First Call subsidiary companies in November 2015.

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

	1 April 2017	Movement	31 March 2018
	£'000	£'000	£'000
Kent Community Partnership	6,976	-	6,976
Oldham Retirement Housing Partnership	30,471	(689)	29,782
	37,447	(689)	36,758

The interest rates on the concessionary loans are as follows:

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

NOTES TO THE FINANCIAL STATEMENTS

16. Creditors: amounts falling due within one year

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Loans and borrowings (see Note 17)	(17,830)	(22,063)	(12,080)	(17,976)
Finance leases (see Note 17)	(85)	(75)	(85)	(75)
Trade creditors	(2,037)	(3,750)	(2,043)	(3,929)
Amount owed to Group undertakings	-	-	(6,830)	(6,593)
Other creditors	(13,532)	(9,131)	(12,804)	(8,560)
Accruals and deferred income	(68,798)	(61,334)	(42,945)	(36,366)
SHPS pension deficit contribution	(1,108)	(1,069)	(1,108)	(1,069)
	(103,390)	(97,422)	(77,895)	(74,568)

Further information on the SHPS pension deficit contribution is included in Note 25.

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

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Loans and borrowings	(602,492)	(434,863)	(481,091)	(309,132)
Finance leases	(2,005)	(2,111)	(2,005)	(2,111)
	(604,497)	(436,974)	(483,096)	(311,243)
Less: funding costs to be amortised	2,939	1,391	1,601	(21)
Interest rate swap	(65,544)	(75,880)	(14,841)	(17,627)
Deferred capital grants (see Note 19)	(35,761)	(33,843)	(35,761)	(33,843)
Recycled capital grants fund	(1,635)	(2,005)	(1,635)	(2,005)
Leasehold sinking fund balances	(8,299)	(6,797)	(7,926)	(6,448)
SHPS pension deficit contribution	(7,600)	(8,570)	(7,600)	(8,570)
Lewisham pension liability	(189)	(187)	(189)	(187)
	(720,586)	(562,865)	(549,447)	(379,944)

Further information on the SHPS pension deficit contribution and Lewisham pension liability is included in Note 25.

The Recycled Capital Grant Fund balance consists of:

Group and Association	2018	2017
	£'000	£'000
At 1 April	(2,005)	(2,720)
Grants recycled	(122)	(267)
Transferred to deferred capital grants	500	1,000
Interest accrued	(8)	(18)
At 31 March	(1,635)	(2,005)
Amount due for repayment to the HCA / GLA	-	-

NOTES TO THE FINANCIAL STATEMENTS

17. 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 shown in the table below:

	Group		Association	
	2018	2017	2018	2017
Weighted Average Interest rate	4.58%	4.68%	4.20%	4.26%

At the 31 March 2018, the Group and Association had undrawn loan facilities of £25,000k (2017: £70,000k).

The loans and finance lease repayments are due as follows:

Group	2018				2017
	Bank loans	Other loans	Finance leases	Total	Total
	£'000	£'000	£'000	£'000	£'000
In one year or less, or on demand (see Note 16)	(17,828)	(2)	(85)	(17,915)	(22,138)
In more than one year and less than two years	(31,880)	(2)	(94)	(31,976)	(9,999)
In more than two years and less than five years	(56,301)	(8)	(214)	(56,523)	(38,950)
More than five years	(514,149)	(152)	(1,697)	(515,998)	(388,025)
	(620,158)	(164)	(2,090)	(622,412)	(459,112)

Association	2018				2017
	Bank loans	Other loans	Finance leases	Total	Total
	£'000	£'000	£'000	£'000	£'000
In one year or less, or on demand (see Note 16)	(12,078)	(2)	(85)	(12,165)	(18,051)
In more than one year and less than two years	(27,632)	(2)	(94)	(27,728)	(5,669)
In more than two years and less than five years	(42,970)	(8)	(214)	(43,192)	(26,525)
More than five years	(410,327)	(152)	(1,697)	(412,176)	(279,049)
	(493,007)	(164)	(2,090)	(495,261)	(329,294)

NOTES TO THE FINANCIAL STATEMENTS

18. Financial instruments

Entity	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Financial assets				
Financial assets measured at historical cost				
- Rental & Service charge debtors (Note 15)	855	900	853	898
- Trade debtors (Note 15)	3,209	3,774	3,212	3,800
- Other debtors	13,023	11,369	5,989	9,014
- Investments in subsidiaries (Note 26)	-	-	6,485	6,485
- Cash and cash equivalents (Note 21)	185,737	69,532	165,230	48,856
- Short term investments (Note 21)	53,100	-	51,000	-
- Amounts owed from group undertakings - concessionary loans (Note 15)	-	-	36,758	37,447
- Finance lease asset (Note 15)	115,504	118,400	6,009	6,168
Total financial assets	371,428	203,975	275,536	112,668

Financial liabilities				
Financial liabilities measured at amortised cost				
- Loans payable (Note 17)	(620,322)	(456,926)	(493,170)	(327,108)
Financial liabilities measured at historic cost				
- Trade creditors (Note 16)	(2,037)	(3,750)	(2,043)	(3,929)
- Other creditors	(30,599)	(26,192)	(26,796)	(22,760)
- SHPS pension deficit contribution (Note 25)	(8,708)	(9,639)	(8,708)	(9,639)
- Amounts owed to group undertakings (Note 16)	-	-	(6,830)	(6,593)
- Finance leases (Note 17)	(2,090)	(2,186)	(2,090)	(2,186)
Derivative financial instruments designated as hedges of variable interest rate risk (Note 17)	(65,544)	(75,880)	(14,841)	(17,627)
Total financial liabilities	(729,300)	(574,573)	(554,478)	(389,842)

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 5.3%	April 2040
Oldham Retirement Housing Partnership	(66,412)	LIBOR	Receive LIBOR, pay a fixed 4.8%	October 2034
Kent Community Partnership	(28,922)	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

NOTES TO THE FINANCIAL STATEMENTS

18. Financial instruments (continued)

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 2017	Ineffective movement recognised in CIS	Effective movement recognised in OCI	31 March 2018
	£'000	£'000	£'000	£'000
Housing & Care 21	(17,627)	-	2,786	(14,841)
Oldham Retirement Housing Partnership	(22,159)	63	3,778	(18,318)
Kent Community Partnership	(36,094)	-	3,709	(32,385)
Group	(75,880)	63	10,273	(65,544)

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, while 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).

The method of assessing hedge effectiveness is disclosed in Note 2.8



NOTES TO THE FINANCIAL STATEMENTS

19. Deferred capital grants

Group	Retirement Housing	Extra Care	PFI/PPP	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Grants					
1 April 2017	(197,554)	(279,870)	(11,363)	(3,245)	(492,032)
Grants received	-	-	-	(1,752)	(1,752)
Transfer to / (from) RCGF	62	60	-	(500)	(378)
31 March 2018	(197,492)	(279,810)	(11,363)	(5,497)	(494,162)
Amortisation					
1 April 2017	197,554	249,272	11,363	-	458,189
Charge for the year	-	309	-	-	309
Disposals	(62)	(35)	-	-	(97)
31 March 2018	197,492	249,546	11,363	-	458,401
Net book value					
31 March 2018	-	(30,264)	-	(5,497)	(35,761)
31 March 2017	-	(30,598)	-	(3,245)	(33,843)

Association	Retirement Housing	Extra Care	PFI/PPP	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Grants					
1 April 2017	(197,554)	(274,208)	(11,363)	(3,245)	(486,370)
Grants received	-	-	-	(1,752)	(1,752)
Transfer to / (from) RCGF	62	60	-	(500)	(378)
31 March 2018	(197,492)	(274,148)	(11,363)	(5,497)	(488,500)
Amortisation					
1 April 2017	197,554	243,610	11,363	-	452,527
Charge for the year	-	309	-	-	309
Disposals	(62)	(35)	-	-	(97)
31 March 2018	197,492	243,884	11,363	-	452,739
Net book value					
31 March 2018	-	(30,264)	-	(5,497)	(35,761)
31 March 2017	-	(30,598)	-	(3,245)	(33,843)

The Group receives grants from the Homes England and from the Greater London Authority, which are 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 2018, the total value of grant recycled is £1,635k (2017: £2,005k). See Note 17 for more information.

The Group and Association also has £21,067k of grants (2017: nil) associated with properties that it has acquired from other providers that are not shown in the analyses above.

NOTES TO THE FINANCIAL STATEMENTS

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

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Operating surplus	37,664	32,282	33,072	27,815
Depreciation – housing properties	25,310	28,235	24,156	27,084
Impairment – housing properties	-	3,995	-	3,995
Depreciation – other fixed assets	642	910	642	909
Grant amortisation	(309)	(320)	(309)	(320)
Property sales included in Operating Surplus	(200)	(1,097)	(200)	(1,097)
Sale of subsidiaries	(200)	(200)	(200)	(200)
SHPS deficit contributions paid	(1,069)	(1,043)	(1,069)	(1,043)
Decrease / (increase) in debtors	5,689	10,700	4,699	8,403
Increase / (decrease) in creditors	4,297	430	3,412	(249)
Cash from operations	71,824	73,892	64,203	65,297

21. Analysis of the changes in net debt

Group	At 1 April 2017	Cash Flows	At 31 March 2018
	£'000	£'000	£'000
Cash	69,532	116,205	185,737
Short term investments	-	53,100	53,100
Bank loans and bonds (excl capitalised debt issue costs)	(456,926)	(163,396)	(620,322)
Finance leases	(2,186)	96	(2,090)
Net debt	(389,580)	6,005	(383,575)

Association	At 1 April 2017	Cash Flows	At 31 March 2018
	£'000	£'000	£'000
Cash	48,856	116,374	165,230
Short term investments	-	51,000	51,000
Bank loans and bonds (excl capitalised debt issue costs)	(327,108)	(166,062)	(493,170)
Finance leases	(2,186)	96	(2,090)
Net debt	(280,438)	1,408	(279,030)

22. Share capital

	2018	2017
	£	£
Allotted, issued and fully paid	21	22

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.

NOTES TO THE FINANCIAL STATEMENTS

23. Capital commitments

Group and Association	2018	2017
	£'000	£'000
Capital expenditure contracted but not provided for	9,978	22,221
Capital expenditure approved but not contracted for	170,585	96,099
Total	180,563	118,320

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 which form part of the business plan approved by the Development Steering Group. A formal investment appraisal is conducted on each development scheme before the Group enters a contractual obligation.

The capital commitments at 31 March 2018 will be funded by:

Group and Association	2018	2017
	£'000	£'000
Grant	26,102	12,504
Existing cash reserves and loans available for drawing	-	105,816
Existing cash reserves and loans already drawn	154,461	-
Total	180,563	118,320

24. Commitments under operating leases

Amounts payable as lessee	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
On land and buildings:				
Not later than 1 year	530	479	530	479
Later than 1 year and not later than 5 years	1,913	1,677	1,913	1,677
Later than 5 years	2,310	2,722	2,310	2,722
	4,753	4,878	4,753	4,878
On other assets:				
Not later than 1 year	220	207	220	207
Later than 1 year and not later than 5 years	131	235	131	235
Later than 5 years	-	-	-	-
	351	442	351	442

NOTES TO THE FINANCIAL STATEMENTS

25. Pensions

Housing & Care 21 participates in a number of defined benefit and defined contribution schemes. At the balance sheet date, 2,541 (2017: 2,743) employees contributed to a defined contribution scheme with the majority of employees a member of the National Employment Savings Trust (NEST).

At the balance sheet date 96 (2017: 134) 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.

25.1. 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 £170k (2017: £192k) with 78 employee members at the year end (2017: 84). This includes £22k (2017: 22k) outstanding contributions at the Balance Sheet date.

25.2. 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 £12k (2017: £14k) with four employee members at the year end (2017: six). This includes £1k (2017: £1k) outstanding contributions at the Balance Sheet date.

25.3. 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 £192k (2017: £293k) with 1815 employee members at the year end (2017: 2,131). This includes £27k (2017: £35k) outstanding contributions at the Balance Sheet date.

25.4. 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 £854k (2017: £734k) with 548 employee members at the year end (2017: 389). This includes £221k (2017: £200k) outstanding contributions at the Balance Sheet date.

25.5. 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. The Board also decided to close the scheme to active members from 1 April 2015. This means that Housing & Care 21 is no longer accruing benefits in this scheme but retain responsibility for deferred and pensioner benefits earned up to 31 March 2015. Accordingly, Housing & Care 21 is still responsible for meeting deficit payments and expenses for its proportion of SHPS liabilities relating to past membership up to this date (see below).

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

The following disclosure has been provided by the administrators:

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)

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, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore, 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:

NOTES TO THE FINANCIAL STATEMENTS

25. 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 commenced from April 2016 onwards.

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 2018	31 March 2017	31 March 2016
	£'000	£'000	£'000
Present value of provision	(8,708)	(9,639)	(10,237)

Reconciliation of opening and closing provisions	31 March 2018	31 March 2017
	£'000	£'000
Provision at start of period	(9,639)	(10,237)
Unwinding of the discount factor (interest expense)	(138)	(445)
Deficit contributions paid	1,069	1,043
Provision at end of period	(8,708)	(9,639)

Comprehensive Income Statement impact	31 March 2018	31 March 2017
	£'000	£'000
Interest expense	(138)	(445)
Remeasurement – amendments to the contribution schedule	-	-

Present values of provision	31 March 2018	31 March 2017	31 March 2016
Assumptions	3.2%	2.9%	3.1%

NOTES TO THE FINANCIAL STATEMENTS

25. 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.

It is these contributions that have been used to derive the Housing & Care 21's balance sheet liability.

The contributions outstanding at the balance sheet date for both the SHPS Defined Contribution and SHPS Defined Benefit schemes is £200k (2016: £159k).

25.6. Local authority pension schemes

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

25.6.1. Oldham Metropolitan Borough Council Pension Scheme

Oldham 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 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 20% (2017: 18.8%) totalling £34k (2017: £44k). This includes £4k (2017: £4k) outstanding contributions at the Balance Sheet date. There were 8 employee members at the year end (2017: 10). Employee contributions were between 5.8% and 6.5% (2017: 5.5% - 6.5%).

25.6.2. Walsall Metropolitan Borough Council Pension Scheme

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 24.7% (2017: 18.3%) totalling £326k (2017: £259k). There were 81 employee members at the year end (2017: 91). This includes £21k (2016: £31k) outstanding contributions at the Balance Sheet date.

The 10% difference between Housing & Care 21's capped employer contributions (14.7%) and actual employer contributions (24.7%) is reclaimed from Walsall Metropolitan Borough Council. Employee contributions were between 5.5% and 6.8% (2016: 5.5% - 6.8%).

25.6.3. Suffolk County Council Pension Scheme

The Association is an admitted body to the Suffolk County Council Pension Scheme which is administered by Suffolk County Council. Suffolk County Council'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% (2017: 25.1%) totalling £14k (2017: £19k). This includes £1k (2017: £nil) outstanding contributions at the Balance Sheet date. There were 5 (2017: 6) employee members at the year end. Employee contributions were between 5.5% and 5.8% (2017: 5.5% - 5.8%).

25.6.4. North Yorkshire Pension Scheme

The Association is an admitted body to the North Yorkshire County Council Pension Scheme which is administered by North Yorkshire County Council. North Yorkshire County Council'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% (2017: 5%) totalling £1k (2016: £2k). This includes £1k (2017: £1k) outstanding contributions at the Balance Sheet date.

There was 1 employee member at the year end (2017: 1). Employee contributions were 5.5% (2017: 5.5%).

25.6.5. London Borough of Lewisham Pension Scheme

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

The last formal valuation of the Funds was at 31 March 2016. Actuarial valuations have been prepared as at 31 March 2018 on behalf of Housing & Care 21 (the Employer). For this purpose the value of the Funds as at 31 March 2018 have been estimated based upon the latest split of investments by category which was at 31 December 2016. The value of the Funds' liabilities as at 31 March 2018 were assessed by rolling forward the value of the Employer's liabilities reported as at the latest valuation.

NOTES TO THE FINANCIAL STATEMENTS

25. Pensions (continued)

Reconciliation of defined benefit contributions	31 March 2018	31 March 2017
	£'000	£'000
Opening defined benefit obligation	511	502
Current service costs	10	12
Interest cost on defined benefit obligation	13	17
Contributions by members	2	2
Actuarial gains / (losses)	(7)	24
Benefits paid	(19)	(46)
Closing defined benefit obligation	510	511

Reconciliation of fair value of assets employed	31 March 2018	31 March 2017
	£'000	£'000
Opening fair value of assets employed	324	283
Interest income on plan assets	8	9
Contributions by members	2	2
Contributions by employers	6	8
Actuarial gains / (losses)	-	68
Benefits paid	(19)	(46)
Closing fair value of assets employed	321	324

	31 March 2018	31 March 2017
	£'000	£'000
Fair value of plan assets	321	324
Present value of plan liabilities	(510)	(511)
Net pension scheme liability	(189)	(187)

Analysis of actuarial loss recognised in Other Comprehensive Income	31 March 2018	31 March 2017
	£'000	£'000
Changes in financial assumptions	7	(65)
Other experience	-	41
Return on assets excluding amounts included in net interest	-	68
	7	44

Composition of plan assets	31 March 2018	31 March 2017
Equities	58%	70%
Bonds	25%	19%
Property	8%	8%
Cash	9%	3%

NOTES TO THE FINANCIAL STATEMENTS

25. Pensions (continued)

Principal actuarial assumptions used at the balance sheet date	31 March 2018	31 March 2017
Pension increase rate	2.4%	2.4%
Salary increase rate	3.1%	3.1%
Discount rate	2.6%	2.5%

Mortality

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

	31 March 2018	
	Males	Females
Current pensioners	22.2 years	24.6 years
Future pensioners*	24.0 years	26.5 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 £6k (2017: £7k). This includes £1k (2017: £1k) outstanding contributions at the Balance Sheet date.

There were 1 employee members at the end of the year (2017: 2). The average contribution rate of the Association for the year ended 31 March 2018 was 22.9% (2017: 22%) and for employees 5.8% (2017: 5.8%).

25.7. Closed schemes

There are no closed schemes in the year.



NOTES TO THE FINANCIAL STATEMENTS

26. Investments and subsidiary undertakings

	Group	Association
	£'000	£'000
Cost		
At 1 April 2017 and 31 March 2018	-	25,602
Accumulated impairments		
At 1 April 2017 and 31 March 2018	-	(19,117)
Net book value		
At 31 March 2017 and 31 March 2018	-	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 2018:

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 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 4,999,514 £1 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.

NOTES TO THE FINANCIAL STATEMENTS

26. Investments and subsidiary undertakings (continued)

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:

	2018				2017
	Turnover	Operating costs	Interest payable	Total	Total
	£'000	£'000	£'000	£'000	£'000
Kent Community Partnership	2,157	(536)	(767)	854	802
Housing 21 Guernsey LBG	-	(140)	-	(140)	(237)
Oldham Retirement Housing Partnership	-	(3,753)	(649)	(4,402)	(4,106)
Total	2,157	(4,429)	(1,416)	(3,688)	(3,541)

27. 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 Note 27 for further information on related party transactions).

28. Post-balance sheet events

There are no post balance sheet events.







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