REPORT AND FINANCIAL STATEMENTS

FREEBRIDGE COMMUNITY HOUSING

For the year ended 31 March 2017

Homes and Communities Agency No. L4463
Co-operative and Community Benefit Society No. 29744R

Freebridge
COMMUNITY HOUSING

Index to the financial statements

Board of Management Report
Year Ended March 2017

Freebridge Community Housing Limited (the Association) is a Registered Provider of Social Housing.

Annual Financial Performance

The Association is reporting Total Comprehensive Income for the year of £7.13m for 2016/17 (£9.95m pre actuarial loss on pension), a decrease of 44% over the 2015/16 total comprehensive income of £12.80m (£9.36m pre actuarial gain on pension). The Board considers the result to be in line with its financial expectations for the year and the long-term financial projections included within the Approved Financial Plan.

Further information on the Associations performance is provided in the Strategic Report.

Market Value of Land & Buildings

All of the Association's completed housing properties were valued on the 31st March 2017 based on an Existing Use Value for Social Housing (EUV-SH). The valuation of £215m is an increase of £14m (6.9%) against the previous valuation of £201m at 31st March 2016. The valuation is not used within the financial statements as the Association reports its properties at depreciated historic cost (£109m).

Board Members

The following list details the Board of Management members during the year to 31st March 2017:

Raymond Johnson	Independent Member - Chairman
Steve Clark	Independent Member – Vice Chairman
Ian Pinches	Independent Member
Marie Connell	Independent Member
Andrew Walder	Independent Member (appointed 1st August 2016)
Jasmine Rigg	Tenant Member
Colin Sampson	Council Member
Brian Long	Council Member
Anthony Hall	Chief Executive
Pauleen Pratt	Co-opted Member (appointed 1st August 2016)
Christina Smiddy	Co-opted Member (appointed 1st August 2016)
Simon Smith	Co-opted Member (appointed 1st August 2016)
Sean Kent	Deputy Chief Executive (cessation of office 30th April 2016)
Matthew Brown	Independent Member (cessation of office 6th June 2016)

Statement of the Board of Management Responsibilities

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

The Co-operative and Community Benefit Societies Act 2014 and registered provider legislation in the United Kingdom require the Board to prepare the financial statements for each financial year. Under that law the Board have elected to prepare financial statements in accordance with FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and in accordance with the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers.

Under these laws, the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Association and the surplus of the Association for that period.

In preparing these financial statements the Board is required to:

- Select suitable accounting policies and apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- Apply the requirements of FRS 102 and Housing SORP 2014 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 Association will continue in business

The Board are responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. The Board is also responsible for safeguarding the assets of the Association and for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Board of Management is responsible for ensuring that the Strategic Report is prepared in accordance with the requirements of the Housing SORP 2014.

The Board of Management has taken all steps necessary to make itself aware of any relevant audit information and to establish that the auditor is aware of that information. There is no relevant audit information of which the Association's auditor is unaware.

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

Board of Management Report on the System of Internal Control

The Board acknowledges that it has overall responsibility for establishing and maintaining the system of internal control and for reviewing its effectiveness in providing the necessary assurances. As a result of this and in accordance with the Homes and Communities Agency's overall Regulatory Framework, including the Governance and Viability Standard (April 2015) the Board receive an annual report from Management Team outlining the work undertaken and offering an opinion on the adequacy and effectiveness of the system of internal controls.

Scope of Assurance

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and provide reasonable assurance that the key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of assets and interests.

Risk Management Process

Management has assessed the key risks faced by the business and has identified the controls and further actions needed to satisfactorily manage these risks. Further work has been undertaken during 2016/17 to ensure that the Risk Management Strategy and Framework continues to meet the requirements of the business as a Registered Provider.

The process for identification and management of risks is ongoing and has been in place throughout the year under review. The overall responsibility for risk management within the Association remains with the Board.

Process for Reviewing the Effectiveness of the Internal Control System

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance aspects including treasury strategy and new investment projects. The Board also regularly reviews key performance indicators to assess progress towards key business objectives, targets and outcomes.

The Board and Management Team have implemented policies and procedures essential for ensuring a robust internal control system. A comprehensive assessment has been undertaken to identify the key risks faced by the business and corresponding control strategies and actions have been established to ensure these risks are adequately managed. The Board has played a key role in the control structure by considering a number of issues relating to the effective running of the business and service delivery to its customers.

Internal auditors are appointed to strengthen the quality and depth of assurance around internal control systems and the Audit Plan covers financial and non-financial aspects of the business in all of the significant areas of activity. The internal auditors and Audit Committee provide assurance to the Board on the Association's system of internal control.

Control Environment

There are a number of measures in place to instil and encourage a suitable culture of effective internal control. These include:

- Board recruitment and appraisal
- Standing Order and Financial Regulations which include appropriate delegations of authority, signatories and mandates
- Key policies and strategies to support the running of an effective business and service delivery to its customers
- Adoption of the National Housing Federation Codes – 'Code of Conduct' 2012 and 'Code of Governance – promoting Board Excellence for Housing Associations' (2015) to provide a Governance framework
- Experienced and suitably qualified staff is responsible for important business functions. Annual appraisal procedures are in place to maintain standards
- Forecasts and budgets are prepared which allow the Board and Management to monitor key business risks and financial objectives as well as progress towards financial plan and business plan targets. Management Accounts are prepared which provide relevant, reliable and up to date financial and other information. Significant variances from budgets are investigated and reported as appropriate
- Significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through Board (or others as appropriate) including risk assessments
- Audit Committee reviews reports from Management and Auditors to provide reasonable assurance that control procedures are in place and are being followed. Formal procedures have been established for instituting appropriate action to correct weakness.
- Assurance Statements are provided by members of Management Team for their area of responsibility in relation to the control environment

The review of the effectiveness of the system of internal controls undertaken has not revealed any significant weaknesses that could result in material loss. Actions to address any weaknesses identified are implemented, the effectiveness measured and reported to Board.

Fraud

The Anti-Fraud, Bribery and Corruption Policy outlines an approach on responding to suspected fraud, bribery and corruption. Additionally a register is maintained of all losses from proved fraudulent activity and these are reported to the Regulator.

Regulatory Performance

The Board was pleased to receive confirmation from the Regulator in November 2016 that it has retained its highest possible rating with a V1 for Financial Viability, whilst still retaining G1 for its Governance. The Board recognise this valuable assurance must be maintained and so retains a clear focus on improving performance across the business.

Board's Conclusion

The Board has reviewed the effectiveness of the system of internal control and it is satisfied that there is sufficient evidence to confirm that adequate systems of internal control existed and operated throughout the year and up to the date of signing the financial statements, and that those systems were aligned to an on-going process for the management of significant risks facing the business. No weaknesses were identified which would have resulted in material misstatement or loss, which would have required disclosure in the financial statements. The requirements of the Homes and Communities Agency's Regulatory Framework and the National Housing Federation's Code of Governance have been fulfilled. As at 31st March 2017, the Association is compliant and has been compliant throughout the year with the Homes and Communities Agency's Governance and Financial Viability Standard and with the National Housing Federation's Code of Governance (2015).

Payment of Creditors

The Association agrees terms and conditions for its business transactions with suppliers at the time of supply. Payment is then made on these terms, subject to the terms and conditions being met by the suppliers.

The proportion of invoices paid within 30 days totals 88% for 2016/17 (84% 2015/16).

Equality and Diversity

The Association promotes equality of opportunity and values the differences between its customers and staff. The Diversity Policy complies with all relevant aspects of best practice, legislation and regulation.

Auditor

The financial statements for the year ending 31st March 2017 have been audited by Grant Thornton UK LLP.

A resolution to re-appoint Grant Thornton UK LLP as auditor to the Association will be put to the Members at the forthcoming Annual General Meeting.

By order of the Board

R Johnson
Board Chairman

Strategic Report
Year Ended 31st March 2017

Principal Activities

The Association's primary activities are to support a better West Norfolk by providing homes for people in need and by creating opportunities that help sustain the local communities in which its homes are located.

The Association is registered with the Home and Communities Agency and owns and manages 6,826 homes (6,850 in 2015/16) including 17 sheltered schemes.

Business Model, Strategies & Objectives

The objectives of the Association are set out in its mission statement: 'Developing homes and creating opportunities for people within West Norfolk'. This encapsulates the key functions of the Association, those being:

- Developing and maintaining affordable homes and sustainable communities for people who are unable to access the open housing market
- To ensure that all our homes meet the requirements of the Decent Homes Standard
- To provide high quality services to, and in consultation with, our residents

The Association has a long-term vision to 'support a better West Norfolk' which explicitly communicates the Association's role in supporting other agencies as well as the tenants who reside within the communities in which it operates.

In order to ensure delivery of both the mission and vision the Association has developed three strategic goals; to deliver more and diverse homes to meet the needs of a wider group of people, deliver a high performing housing service and empower people to be the best they can be. Each of these goals has been broken down into a series of sub-tasks or milestones which are monitored together with financial and non-financial performance by the Board and support our four pillars of; Increasing Satisfaction, Community Focussed, Appreciating Assets and Increasing Capacity.

Over the last five years the culture of the Association has transformed with the adoption of five core values; Working Together, Empowerment, Integrity, Customer Focus and Enthusiasm. With the values at the centre of the Association's culture and performance management processes, they provide a common platform that unites all employees together in driving the business forward to deliver its mission and continuously improve.

Operating Review

During the year the Association's development programme provided 10 affordable rented homes and 3 new shared ownership properties. Improvement of our housing stock remains a priority and during the year the Association invested £7.7m (£7.6m 2015/16) on routine, planned and major works in its social housing stock.

The Association completed the third phase of the Hillington Square refurbishment project (52 units) at a cost of £5.8m and work started on Phase 4 (44 units, projected cost £7.3m).

This reflects the Association's commitment to invest in its homes to ensure the long-term value of its housing assets is protected.

The Association is regulated by the Homes and Communities Agency (HCA). It has a Governance rating of G1 and a Financial Viability rating of V1. The Association supports the co-regulatory approach encouraged by the HCA and remains in dialogue with the Regulator regards sector and local issues.

Financial Summary

As detailed in Note 32 to the financial statements the Statement of Financial Position has been re-stated to reflect an adjustment in respect of fixed assets accounting.

Financial Summary	**2016/17 (£'000)**	**2015/16 (£'000)**
Statement of Comprehensive Income:		
Turnover	**31,092**	**30,948**
Operating Costs	**(18,942)**	**(19,524)**
Operating Surplus	**12,150**	**11,424**
Surplus on Sale of Assets	**(59)**	**316**
Net Interest & Financing Charges	**(2,138)**	**(2,383)**
Surplus/(Deficit) before tax	**9,953**	**9,357**
Taxation	**(2)**	**-**
Surplus/(Deficit) for the year	**9,951**	**9,357**
Actuarial (Loss)/Gain in respect of Pension Schemes	**(2,819)**	**3,446**
Total Comprehensive Income for the Year	**7,132**	**12,803**
Statement of Financial Position:		
Fixed Assets	**113,236**	**107,635**
Current Assets	**8,657**	**11,078**
Current Liabilities	**(2,878)**	**(2,871)**
Total Assets less Current Liabilities	**119,015**	**115,842**
Creditors > 1 year	**68,020**	**74,952**
Other Long Term Liabilities	**5,805**	**2,832**
Income & Expenditure Reserve	**45,190**	**38,058**
Total Reserves & Long Term Liabilities	**119,015**	**115,842**

Statement of Cash flows:		
Net Cash flow from Operating Activities	**15,609**	**15,723**
Cash flows from Investing Activities	**(9,002)**	**(9,252)**
Cash flows from Financing Activities	**(9,046)**	**(192)**
Net Cash flow	**(2,439)**	**6,279**
Cash & Cash Equivalents at the beginning of the year	**9,083**	**2,804**
Cash & Cash Equivalents at the end of the year	**6,644**	**9,083**
Financial Ratios:		
Operating Margin (Operating Surplus/Turnover)	**39.1%**	**36.9%**
Operating Costs per Unit (Operating Costs/Number of Units)	**2,775**	**2,850**
Operating Surplus to Interest (Covenant requirement)	**6.88**	**6.41**
Asset Cover (Covenant requirement)	**3.49%**	**2.93%**
Debt per Unit	**9,009**	**9,996**
Other Key Performance Indicators:		
Homes in Management	**6,826**	**6,850**
Overall Customer Satisfaction	**83%**	**82%**
Current Tenant Arrears as a % of Total Rent Debt (exc HB)	**1.28%**	**1.95%**
Current Tenant Arrears	**388,000**	**592,000**
Average Re-Let time (days)	**10**	**12**

Financial Performance & Key Performance Indicators

The Board is pleased to report that in the year to the 31st March 2017 the Association delivered a surplus (excluding actuarial gain in respect of pension) of £9.951m (operating margin of 39.1%). This represents an increase of £0.594m from the equivalent 2015/16 reported surplus of £9.357m.

The Association outperformed its budget (Total Comprehensive Income) for 2016/17 by £5.4m. The key drivers to this improved performance are summarised below:

Income:

- 97.2% of the Association's income comes from social housing lettings (97.1% 2015/16). Income for 2016/17 totalled £31.092m; this represents an increase of £0.144m against the 2015/16 reported income of £30.948m. The revenue increase has been achieved despite the Welfare Reform and Work Act 2016, which requires rents to decrease by 1% per annum for years ended 2017-2020 inclusive.
- Rent collection performance remains strong, represented with rent arrears of 1.28%, excluding housing benefit, as at 31st March 2017 and outperforms the year's target of 2.5%. As Universal Credit continues its phased roll out during 2017 this performance will continue to be challenged. With the Housing team continuing to engage with tenants affected by the changes in the welfare system the team are working hard to ensure performance is not compromised and that tenants are well supported.
- Expenditure on Bad Debt and Empties (voids) outperformed budget expectations by £0.186m and is driven by the pro-active approach taken by the Housing team during the year.

- Shared Ownership first tranche receipts of £130k (nil 2015/16) were received during the year.
- Recovery of VAT income during the year has been lower than anticipated (£0.703m) owing to lower levels of expenditure on improvement works and the Hillington Square project.
- Sale proceeds of £0.500m relating to the sale of Plaxtole House have not been realised during the year while the site's development potential is evaluated further.
- Capital receipts total £0.676m owing to a greater number of properties sold under Right to Buy/Right to Acquire.

Expenditure:

- Operating Costs on social housing lettings have decreased from 2015/16 levels of £19.559m to £18.635m for 2016/17.
- Routine Maintenance, Cyclical Maintenance, Planned Maintenance and Major Works Maintenance expenditure increased in the year by £0.083m to £7.669m, yet outperformed Budget expectations. This is driven by lower than expected expenditure on components owing to good condition (£0.604m), projects (£0.535m), Planned and Grounds Maintenance works (£0.237). With components retaining a good condition for longer than anticipated the Association outperformed budget regards cyclical works (£0.233m) as well as empty properties, owing to a lower number of properties becoming void during the year and at a lower average cost. Expenditure on the Hillington Square project remains within the financial assumptions included within the Approved Financial Plan of £7.7m and outperformed budget expectations by £0.735m.
- Management Costs have decreased during the year by £0.232m to £3.907m. In comparison to the 2016/17 Budget, Management costs decreased by £0.947m. This is driven by the realisation of £0.395m of efficiencies as well as £0.391m on unfilled vacancies from across the Association, which contributes 41% of the identified underspend during the year. £0.159m in administrative expenses, £0.92m ICT hardware, software and project costs and £0.103m on various contract costs within Housing.
- Expenditure on financing costs has been lower than anticipated during the year (£0.960m). This is attributable to the Bank of England's lower for longer stance on interest rates and lower than expected debt levels.

Statement of Financial Position:

- Housing Properties are recorded within the Statutory Account's at historic cost. The carrying value of the Association's properties totals £109.353m.
- The Association has capitalised £4.088m on updating key components to our existing properties and £3.934m on the refurbishment of Phase 3 of the Hillington Square project.
- Gross Loans outstanding total £61.5m as at 31st March 2017 consisting of £50m fixed rate debt at an average interest rate of 3.85% and £11.5m variable rate debt at an average interest rate of 0.616%. The level of variable debt within the business decreased during the year as the Association repaid £7m of its revolving credit facility. As at 31st March 2017 the Association's asset cover is 350%. The loan agreement requires outstanding debt to be covered by a minimum of 105%.

- The LGPS pension liability stands at £5.805m for 2016/17 (£2.832m 2015/16).

Cash flows:

- The Association generated a cash surplus of £6.644m for 2016/17 (£9.083m 2015/16). The lower cash surplus is mostly attributable to the repayment of £7m of the revolving credit facility.
- Interest payments at £2.038m for 2016/17 are £0.345m lower than 2015/16 levels of £2.383m. This is due to the historically low interest rates incurred on the Association's variable debt.
- During the year the Association spent £9.761m on the purchase and construction of properties and other fixed assets.

Staff Turnover: The Board recognises that the success of the Association depends on the quality of its staff, driven by the belief that excessive staff turnover leads to increased recruitment costs, lower productivity, lower morale and reduced internal controls.

Staff turnover for 2016/17 at 20.96% is higher than 2015/16 levels of 15.53% and exceeds the target for the year of 15%. Of this turnover 14.29% is voluntary, which is an increase from the previous year's turnover of 8.94%. Voluntary turnover includes staff who resign or retire but excludes dismissals, ill health retirements and redundancy. During 2017 the Association is committed to working with its employees to increase satisfaction, understand what drives satisfaction and ultimately reduce turnover.

The Association cares about its employees and believes in and promotes work/life balance. A range of tools to support well-being are available to all employees including counselling and the Employee Assistance Programme. Every year the Association holds the Week of Wellbeing where a range of events and activities to support well-being are offered to employees.

<u>Investment for the Future (Development)</u>

The Association is part of the e^2 consortium of locally based, independent housing associations who have come together to provide affordable homes in East Anglia. Other Consortium members include Greenfields Community Housing, Orwell Housing, Colchester Borough Council and Saffron Housing Trust. The consortium is committed to delivering a range of new homes across the region for people in housing need. Our combined aim is to build strong and sustainable communities by providing high quality affordable homes within well designed neighbourhoods.

A total of 52 units have been completed to date under the HCA's 2015-2018 Affordable Homes Programme, of the 96 units committed. 23 properties remain under construction with 21 still to be delivered. 54 properties have been converted upon re-let from social rent to affordable rent under the programme. This brings total conversions to 94 out of the 120 conversions expected over the 3 year programme. 13 properties have been completed during 2016/17. This comprises 10 affordable rent properties and 3 shared ownership properties at circa £1.163m. This is in addition to the 52 units refurbished as part of the Hillington Square project at a cost of £5.865m.

The Board has approved an indicative bid for the 2016-2021 HCA Shared Ownership and Affordable Homes Programme consisting of 50 properties, which would provide 40 Rent to Buy properties and 10 shared ownership properties.

Treasury Policy

The Association has adopted a Treasury Policy that sets out the parameters and controls for treasury activities.

The Association has a £111m loan facility of which £86.2m is available to use. The funds are not expected to be fully drawn until peak debt year of 2020 from which point the Association will need to start repaying its debt. A total of £61.5m of the available facility has been drawn to date, consisting of £50m fixed rate loans and £11.5m of variable rate debt. The Association repaid £7m of its revolving facility during 2016/17 to reduce its debt and interest rate exposure

Cashflow movement is recorded, monitored and reported (internally) on a weekly basis for a thirteen week period and reported to Board quarterly via Treasury Management and Strategy Update papers. The Association continues to maintain a healthy cash balance of £6.811m as at 31st March 2017 and expects to continue to do so throughout 2017/18.

Statement of Compliance

In preparing this operating and financial review the Board has followed the principles set out in FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and Housing SORP 2014 'Statement of Recommended Practice for registered social housing provides'.

Principal Strategic & Operational Risks

The Association is affected by a number of external factors including:

- Government policy – Despite being privately financed the Association is heavily influenced and directed by Government Policy. This being particularly apparent following the July 2015 budget announcement, when government policy of guaranteed rent increases of CPI + 1% for the next ten years was replaced with a 1% per annum rent reduction for each of the next four years, being 2017-2020 inclusively. The impact of the announcement will continue to affect and influence future financial and operational performance as well as our strategic direction.

- Decent Homes Standard – which defines the minimum standard deliverable by housing associations, regards the maintenance and standard of its owned and managed housing stock. The business plan for Freebridge delivers a broad programme of improvement works to the Association's properties over and above the Decent Homes Standard, although future provision will be influenced by Net Present Value work being undertaken and the impact of the extension of the Right-to-Buy to all Housing Association tenants.

- Preferred Partner Status – The Association is not recognised by the Homes and Communities Agency as a "Preferred Partner". Therefore the Association works with local 'Preferred Partners' being; Orwell Housing, Saffron Housing, Colchester Borough Homes and Greenfield Housing Association as part of the e^2 development consortium.

- Tenant Empowerment – As the Association's governance structure incorporates the principles of the Community Gateway Model in accordance with the Housing Transfer Offer Document, the Association implements and operates extensive initiatives to ensure tenant involvement and influence is included and evident within the decision-making of the organisation.

- Treasury Management – As part of the historic funding agreement the Association is legally bound to meet financial performance tests each year, so as not to breach the conditions included within its current loan/funding agreement.

- Property/Financial Markets – Changes in the property and finance markets impact on the Association. Higher property costs result in the development of new affordable homes becoming more expensive whilst the threat of rent level limitations and the potential of higher interest rates impacts on the projected financial viability of new schemes.

- Right to Buy and Right to Acquire – Where applicable tenants of the association have the legal right to buy their home from the association at a discount, this results in a reduction of stock numbers and consequently levels of rental income.

Key risks of the Association

The key risks identified by the Association as having a high and fundamental impact on its strategic and operational performance should they crystallise are highlighted in the following table:

Key Risks
1) Government housing policy / legislation change. 2) Government restrictions on rent increases. 3) Not providing a sustainable solution to Hillington Square; and 4) Delayed commencement on site – additional costs/rent loss; impact on budget/Financial Plan. 5) Failure to comply with regulatory and legislation requirements - HCA agreement to license - Funders agreement to disposal, breach of legal agreements. 6) Welfare reform: Under-occupancy deduction, benefit cap and direct payment. Local Housing Allowance Cap to Housing Benefit. 7) Risks of new ventures not properly evaluated. 8) Diversification; and 9) Breach of funding conditions.

The Association monitors, reports and updates its risk map regularly to its management team and Board. In addition, full consideration is also given to the Home & Communities Agency annual Sector Risk Profile (2016) in respect of the increasingly complex operating environment that the sector faces, as it diversifies into a wider range of different markets.

The identified risks are used to inform stress testing of the Financial Plan and Business Plan, with the most notable influences continuing to be concentrated on the impact of rent reduction levels, welfare reform and increases in maintenance costs.

The Board note the tragic events at Grenfell Tower in London and we assure our residents and stakeholders that safety is our priority. Freebridge does not own or manage any high-rise buildings and we have in place measures to assure the safety of all our homes. We have put together a plan to further raise awareness of our responsibilities and increase assurance in our systems and procedures.

Value for Money

Freebridge has been operating for eleven years and has delivered on its tenant promises set out in the Transfer Document of 2006. Tenants' homes now meet the Decent Homes requirements as a minimum, and there have been significant improvements in service delivery, particularly customer satisfaction.

The Board have re-affirmed our Values, Vision and Mission and we now have the opportunity to refine and improve our strategic plans and to develop a new Business Plan for 2017/18 at a time when there is uncertainty in both national and local policy.

However, our approach to Value for Money (VfM) continues to be demonstrated in all our arrangements to achieve Economy, Efficiency, Effectiveness, and of supporting equity of outcome and opportunities. Freebridge considers that it is critical to focus on VfM to deliver both its objectives and ongoing benefits to our customers and stakeholders.

The Board therefore has overall responsibility to ensure that VfM is addressed, and is committed to being an effective business, capable of delivering all its corporate objectives, required outcomes and deliver operational savings. Our aim is to maximise our use of resources and surpluses to subsidise new and existing housing provision, as well as to deliver and support social, environmental and economic capacity for our community across West Norfolk.

We have continued to set monetary savings targets in our business plan and budget to out-perform the Financial Plan by at least £0.300m p.a to ensure our financial viability. This year we realised an initial £0.395m of efficiencies as part of our 2016/17 budget process, and an additional £0.947m of operational savings achieved during the year. This has enabled us to plan to re-invest over £1m into our services and new opportunities for 2017/18 in order promote further developments, improvements and efficiencies.

The remaining narrative in this report provides further commentary on the Associations approach to Value for Money interwoven with a consideration of its wider objectives.

Key focus during the year

Increasing Satisfaction: *Developing a corporate culture that supports continuous improvement including:*

- Arranging ten ‘Out and About’ events across West Norfolk as part of our 2016/17 tenant involvement programme that involved 129 staff and visited almost 1200 properties, during which we completed 105 unreported repairs and undertook 135 inspections. During 2016/17 we have a programme of 8 further events planned to continue the tenant involvement programme.
- The 2016/2017 year saw the first full year of our individually tailored survey being used, having been introduced part way through the preceding year. This continued to result in savings in excess of £15k, when compared to the process we followed previously, as the surveying is completed by employees within our First Contact Centre. As the surveying is now carried out each month we are able to provide feedback to the wider organisation throughout the year. This feedback is regularly provided to the Management Team and Leader Managers Group to

help understand where our tenants think we are doing well and where they think we can improve.

- The Board continues to promote the need for feedback and engagement with residents, and as can be seen in the chart below the numbers of complaints remain at a similar level to last year with the majority of problems being around the level of customer service received from us. Learning outcomes are now recorded against each complaint received and as such this is helping shape the services we provide and the way in which we provide them. An overview of complaint themes is detailed below:

Complaint or Issue	Received for Year		Resolved at Stage 1		Resolved at Stage 2		Outstanding	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Staff Attitude	8	*10*	8	*8*	0	*0*	0	*2*
General State of Property	4	*6*	2	*4*	0	*0*	2	*2*
Customer Service	52	*45*	39	*38*	3	*3*	10	*4*
Grand Total	64	*61*	49	*50*	3	*3*	12	*8*

- The number of compliments we have received this year is considerably higher than last, in part this is due to efforts across the organisation to ensure that these are recorded when received. An overview of compliments received is detailed below:

Compliments	Received for Year	
	2016/17	2015/16
Staff Attitude	295	*87*
General State of Property	6	*3*
Customer Service	39	*4*
Grand Total	340	*94*

We consider the impact of all the feedback received and seek to use it in our learning and development of services, including staff training.

Community Focused: *Supporting our communities through working with people in ways which help them have a greater influence over decisions which affect their lives including:*

- **Benefits and Money Management Advisory Services:** Freebridge continues to support tenants to sustain their tenancies by helping them to claim the benefits that they are entitled to, as well as providing money management assistance. Our Tenancy Support Advisor carries out income and expenditure assessments with customers, to support them to manage their money, to budget and prioritise repayment of debts. The Benefits Advisor is able to provide tenants with support for applying for a variety of welfare benefits and to assist with appeals and tribunal processes. Our Financial Inclusion Advisor takes the lead in addressing barriers to financial inclusion, and in supporting customers' financial capacity through a number of internal projects. Our Financial Inclusion Advisor also has a key role in ensuring the financial sustainability of all new tenancies, through a robust financial assessment of new applicants. During the year Freebridge's Benefits and Money Management Advisory Services have supported 639 tenants including:

- Assistance with 92 Discretionary Housing Payment applications
- Appealing 32 housing benefit overpayments and clawback arrangements.
- Supporting 80 tenants to maximise their income by claiming additional benefits.
- Issuing 173 food vouchers to those in short term need.
- Assisting 34 tenants with furniture vouchers.
- 10 referrals to the Local Assistance Scheme to access funds for furniture, carpets, household goods etc; and
- Helping 55 tenants to apply (or re-apply) for housing benefit.

- **Providence Street Community Centre:** Was purchased in 2014 from Norfolk County Council and identified a five year financial recovery plan to develop services. We are pleased that during 2016/17 Providence Street generated a surplus on its activities some two years earlier than planned. The activities of the centre continue to benefit the local community and include:

  - A range of weekly hobbies and interest groups; and
  - Wellbeing services in respect of counselling, drug and alcohol support groups, youth wellbeing, and rehabilitation of offenders.

As well as our community centre facilities, our Community Café in Hillington Square also provides a centre for local events and groups to meet. Together they form part of our PlaceShaping strategy that enables and supports many community events including the:

- Community Fete.
- Christmas Grotto and Lights.
- Easter Party.
- Community networking events with other stakeholders.
- Halloween Party; and
- Interest group event days.

Appreciating Assets: *To optimise the return on our assets to ensure high levels of customer satisfaction and meet housing needs.*

This involves maximising value for money, targeting our resources so that they have the greatest effect on raising standards, delivering good quality affordable homes and excellent customer satisfaction including:

- **Revision of our Asset Management Policy:** to concentrate on six key themes of:
  - Increasing satisfaction with our homes.
  - A targeted disposal programme.
  - Growth.
  - Optimise our maintenance programme.
  - Increasing the efficiency of our homes; and
  - Place Shaping and regeneration.

- **Stock Rationalisation:** To generate funds for new homes and carry out disposals in line with the strategy. In order to assist our appraisal of opportunities for these assets we have identified a range of Asset Disposal Triggers that include:
  - Net Present Value (NPV) below zero – Identifies those properties that cost Freebridge more money to maintain, than generate income.
  - High Value/Low NPV – Properties that may have high Open Market Value but do not perform well in terms of NPV or are in areas where Freebridge does not seek to want to operate.
  - Poor Energy Performance – that is costing customers more to run and leaving them less income to ensure their rent is paid. From 2018 properties will also not be capable of being re-let if they are either an F or G energy rating.
  - Future investment over £40k – our target total cost per unit is not to exceed £40k by 2018/19.
  - Management Issues/Social Value - Properties that generate persistent housing management or repairs issues, or are hard to let due to lack of amenities.
  - High turnover – properties with a high turnover could be an indication that we have stock in the wrong area, potentially due to lack of amenities. It could also be an indicator that there are other issues such as anti-social behaviour which relate to tenants wanting to move from the area. It could also be that the property is not fit for purpose.
  - Non-Standard form of construction - Properties which are non-traditionally built which are not able to be refurbished due to high construction or capital expenditure costs.
- **New and Empty Properties Development:** During 2016-17 Freebridge developed 13 new properties as part of the E^2 Consortium.

- **Refurbishment of non-traditional Buildings**: In 2016/17 we identified 8 non-traditional properties where it was felt that improvement to the external insulation would benefit our tenants. A further 8 properties have been identified for external insulation works during 2017/18. Whilst these works have significantly improved the efficiency for these properties, overall they have also assisted an increase in Freebridge's average total stock Standard Assessment Procedure Rating to 68.5 (67.4 in 2015/16).

- **Energy Efficiency Advisory Services:** Our energy advisor has continued to assist our customers by further focusing on helping them reduce their energy costs and consumption including:
  - 280 referrals for energy advice leading to 228 1-2-1 advice sessions and 93 tenants receiving advice over the phone
  - 75 tenants supported to apply for the Warm Home Discount leading to potential savings of £10.5k
  - Savings achieved for tenants of over £16k by switching to cheaper suppliers/payment methods and/or installation of energy efficiency measures.
  - In partnership with National Energy Action we have co-ordinated "Smart Up" a pilot research project investigating how householders use information from smart meters to manage their energy use. 22 tenants and 10 staff have taken part in the project.

For the second year of running a Big Energy Saving Network project we have:

- Supported a further 108 householders to develop better energy efficiency awareness and switching suppliers and 15 to apply for the Warm Home Discount.
- Provided 52 energy efficiency advice sessions for householders.

- Held 10 ‘drop in’ clinics for tenants to discuss energy efficiency concerns; and
- Provided energy efficiency training to 47 staff from Freebridge and external organisations including North Lynn Children’s Centre, First Focus, West Norfolk Carers, King’s Lynn Food Bank and Stonham.

Increasing Capacity: *Developing a clearer understanding of our costs and internal resources including:* As part of our response to the Government’s 1% rent reduction commencing during 2016/17, we have continued to develop our understanding of our business costs, financial reporting arrangements and our development processes. A key component of our approach this year has been the development of our Business Improvement Strategy that continues to build on our commitment to continuous improvement and adding value to all our activities and concentrates on six key themes, namely;

- Deliver an efficient business framework to keep us safe.
- Align resources and skills with vision, mission and values.
- Review and improve tactical and operational process.
- Develop business reporting, performance indicators and risk management.
- Maximise financial resources available to grow our business; and
- Continuous Improvement and Innovation.

Adding social value, where appropriate, is what drives Freebridge and offers real value for our residents and customers.

Understanding our return on assets measured against the organisation’s objectives: The Association’s housing stock was originally purchased for £15.9m (2006/07). The stock has been regularly revalued by independent, external valuers. Since 31 March 2007 to 31 March 2017 the increase in asset value is over 402% of the original value, from £53.452m to £215.049m enabling us to develop a sustainable business and to continue to invest in our properties, as well as community projects.

Appreciating Assets: The Association’s financial turnover during the period to 31st March 2017 increased to £31.092m. This gave rise to an operating surplus of £9.951m generating a return on our initial stock transfer investment (£15.9m) of 62.6% *(58.8% 2015/16)* and a return on the 2016/17 asset value (£215m) of 4.63% *(4.65% of £201.088m: 2015/16).* Overall the Association has continued to out-perform its agreed Business Plan.

Assets Fit For The Future: Over the past eleven years we have concentrated on achieving the Decent Homes Standard for our properties, which in turn has contributed to the added value of our overall stock.

However, we continue to recognise that we could be better informed on our overall use and value of assets, as well as their long term sustainability and environmental impact. To this end our Property Focus Group has assisted with the strategic shaping of the business and revisions to the Asset Management Strategy.

Net Present Value Outcomes: Following the completion of the Stock Condition Survey during 2015, we produced a model of Freebridge’s stock. The model also took account of the rent reduction that came into effect from 1st April 2016. As a result of this review, some 3.5% of our property stock was identified as generating a negative contribution to Freebridge’s activities and ambitions, which reflected either a reduced level of investment and/or was compounded by low rent levels. However, a proportion of the properties also relate to Hillington Square which are currently in the process of being redeveloped and Freebridge’s aim is to improve the living standards, image and sense of community within this area of King’s Lynn.

Whilst we are aware of the risks involved with developing a disposal programme i.e. drops in the property market; failure to sell; and managing customer and stakeholder expectations, our properties are now all subject to further investigation in accordance with the Asset Disposal Triggers identified above.

Absolute and comparative costs of delivering specific services: Value for Money remains a key strategic objective for the Association, particularly following the budget announcement. Indeed our previous commitments in this area have continued to play a significant part in helping us remain viable following the rent reduction and it is critical the Association continues to focus on Value for Money in order to achieve its aims and objectives.

In June 2016 the Homes & Communities Agency (HCA) published their analysis of unit cost variations across the social housing sector. The analysis which was based on 2014/15 sought to help Boards' and stakeholders better understand their Association' costs and how they relate to a range of cost drivers, including the potential impact of neighbourhood deprivation, the relative age of Freebridge and the associated costs of its investment in meeting the Decent Homes Standard.

We used the HCA's approach to project our successive costs and assess our relative position and performance, including the impact of two significant service and development activities (Plaxtole House and Hillington Square) through to 2016/17.

Expense Area (HCA Cost per Unit):	Year Ended 2015	Year Ended 2016	Year Ended 2017	Lower Quartile	Median	Upper Quartile
Management	0.62	0.60	0.57	0.70	0.95	1.27
Services	0.42	0.38	0.35	0.23	0.36	0.61
Routine & Planned Maintenance	0.71	0.64	0.66	0.81	0.98	1.18
Major Repairs Expenditure (exc HS)	1.37	1.01	1.05	0.53	0.80	1.13
Total Cost	**3.75**	**2.80**	**2.70**	**3.19**	**3.55**	**4.30**
Services (exc Plaxtole House)	0.38	0.38	0.35	0.23	0.36	0.61
Major Repairs Expenditure (inc HS)	1.90	1.49	1.91	0.53	0.8	1.13

The Major Repairs Costs per Unit significantly impacts on our overall Headline Social Housing Cost per Unit above the median costs of the sector. However, given that the Major Repairs costs includes our current expenditure on Hillington Square, this will continue to impact on our total costs until completion of the redevelopment.

The Service Charge Cost per Unit includes costs associated with Plaxtole House, a hostel that has now closed and no longer provides accommodation. All our other cost indicators appear to be well within the lower quartiles, but all are subject to further review.

Freebridge also continues to be an active participant with HouseMark. This enables us to review our performance against our 'Placeshapers' peer organisations which enables us to identify key areas to drive further performance improvements as information is available. The Association is also signed up as part of the year-long Sector Scorecard pilot project.

Value for money efficiencies achieved to date and how they will be realised over time: Our budget setting is important for us in driving savings and annually we continue to set monetary savings targets in our Business Plan to out-perform the plan by at least £300k p.a. It has been agreed by our Board, and our tenants, following consultation that all identified and agreed Value for Money efficiencies are allocated between future development proposals, general property improvements and providing capacity to address other, unidentifiable risk management issues.

Procurement: We continue to review the effectiveness of our procurement arrangements and assess both the efficiencies and benefits achieved for our tenants and local communities. We continue to support local suppliers and providers and have procured over £3.2m during 2016/17 from within 5 miles of Juniper House. The proportion of invoices paid within 30 days totals 88% for 2016/17 *(84%: 2015/16).*

Internal Control, Audit and Assurance: We continue to both encourage and promote a culture of effective internal control that includes:

- National Housing Federation Codes – 'Code of Conduct' 2012 and 'Code of Governance: Promoting Board Excellence for Housing Associations (2015)' to provide a governance framework.
- The Audit committee reviews reports from management, internal (PricewaterhouseCoopers) and external auditors (Grant Thornton) to provide reasonable assurance that control procedures are in place, or corrective action is being taken; and
- Service Assurance assessments of the operating status of internal controls across all departments. The assessment was reported to the Audit Committee in April 2017 and both our specific Value for Money arrangements, as well as Freebridge's control framework overall, were rated as **"Good".**

The Association's Value for Money plans for next year: Our thinking around Value for Money has developed in our Business Improvement Strategy in order to accommodate both our business and community ambitions, as well as to address the reduction in rental income.

As a result, our plans going forward build on and actively promote our desire for continuous improvement across all our business activities, with a focus on growing and seeking to influence housing and social improvement for the communities within West Norfolk that enable us to:

- **Generate more and diverse homes to meet the needs of a wider group of people:** By diversifying into a wider range of tenures Freebridge will be meeting housing need and we will become relevant to a wider group of people. Some of these activities could be used to cross subsidise the provision of social housing, replacing the reduction in Government grant and in rent increases. Although there are inherent risks in some of these activities, diversification could help us to manage risk generally.
- **Empowering people to be the best they can be:** There is a sound business case to ensure that our tenants are economically active and healthy, as this provides social value and supports sustainable tenancies. This goal equally applies to the people who work for Freebridge. Our culture is inclusive and empowering, we pay attention to everyone's learning and personal development in order that we promote high levels of employee satisfaction and that we recruit and retain great people.
- **Delivering a high performing housing service:** Our provision of a high performing housing service is the foundation for all of our activities. The quality of service is important because our customers deserve it and it is our responsibility to ensure that Freebridge is fit for purpose.

We are continuing with a series of savings and efficiencies (identified below), that seek to build into a comprehensive cost savings and benefits' realisation programme during 2017/18.

Area of identified Savings & Efficiencies	*2016/17 Savings & efficiencies (£000s)*	**2017/18 Budgeted savings & efficiencies (£000s)**
Property, Land & Development Sites	-	**5**
Property and Housing Management	*358*	**57**
Staff, Development & Management	*10*	**279**
Other identified Savings (Various)	*27*	**153**
Total identified Savings	*395*	**494**

*For further details of Freebridge's Value for Money arrangements please also refer to our: **"Value for Money Statement 2016/17" which will be published on the Association's website.***

Independent auditor's report to the members of Freebridge Community Housing

We have audited the financial statements of Freebridge Community Housing (the society) for the year ended 31 March 2017 which comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Statement of Financial Position, Statement of Cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the society, as a body, in accordance with sections 87(2) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Society as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and the auditor

As explained more fully in the Statement of the Board of Management's Responsibilities set out on page 2, the directors are responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 March 2017 and of the society's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Norwich

22 August 2017

Statement of Comprehensive Income

	Note	2017 £'000	2016 £'000
Turnover	3	**31,092**	30,948
Operating expenditure			
Operating costs	3	**(18,942)**	(19,524)
Operating surplus	3	**12,150**	11,424
(Loss)/Gain on disposal of fixed Assets (non-operational)	6	**(59)**	316
Interest receivable	7	**918**	808
Interest and financing costs	8	**(3,056)**	(3,191)
Surplus before tax		**9,953**	9,357
Taxation	11	**(2)**	-
Surplus for the year		**9,951**	9,357
Actuarial (loss)/gain in respect of pension schemes	22	**(2,819)**	3,446
Total comprehensive income for the year		**7,132**	12,803

The accompanying notes form part of the financial statements.
The Association's result relate wholly to continuing activities.

The financial statements themselves were authorised and approved by the Board on 7th August 2017.

R. Johnson
Chairman

A. Hall
Chief Executive (Board Member)

A. MacQueen
Secretary

Statement of Changes in Reserves

	Income and expenditure reserve £'000
Balance as at 1 April 2015 as originally stated	**25,659**
Prior year adjustment (Note 32)	**(404)**
Balance at 1st April 2015 as re-stated	**25,255**
Total comprehensive income for the year	**12,803**
Balance at 31 March 2016 as re-stated	**38,058**
Total comprehensive income for the year	**7,132**
Income and expenditure reserves	**-**
Balance at 31 March 2017	**45,190**

Statement of Financial Position

	Note	2017 £'000	2016 Re-Stated £'000
Fixed assets			
Tangible fixed assets	12	**109,353**	103,591
Other Tangible Fixed Assets	13	**3,883**	4,044
		113,236	107,635
Current assets			
Stock		**390**	322
Trade and other debtors	15	**1,623**	1,673
Cash and cash equivalents		**6,644**	9,083
		8,657	11,078
Creditors: amounts falling due within one year	16	**(2,878)**	(2,871)
Net current assets / liabilities		**5,779**	8,207
Total assets less current liabilities		**119,015**	115,842
Creditors: amounts falling due after more than one year	17	**(68,020)**	(74,952)
Provisions for liabilities			
- Pension provision LGPS	22	**(5,805)**	(2,832)
Total net assets		**45,190**	38,058
Reserves			
Income and expenditure reserve		**45,190**	38,058
Total reserves		**45,190**	38,058

The accompanying notes form part of these financial statements.
The financial statements were issued and approved by the Board on 7th August 2017.

R. Johnson	A. Hall	A. MacQueen
Chairman	Chief Executive (Board Member)	Secretary

Freebridge Community Housing Limited
Homes and Community Benefit No. L4463
Co-operative and Community Benefit Society No. 29744R

Statement of Cash Flows

	2017	2016
	£'000	£'000
Net cash generated from operating activities (see Note 25)	**15,609**	15,723
Cash flow from investing activities		
Purchase and refurbishment of tangible fixed assets	**(9,762)**	(10,973)
Proceeds from sale of tangible fixed assets	**676**	733
Grants received	**76**	987
Interest received	**8**	1
	(9,002)	(9,252)
Cash flow from financing activities		
Interest paid	**(2,046)**	(2,192)
New secured loans	**-**	2,000
Repayments of borrowings	**(7,000)**	-
	(9,046)	(192)
Net change in cash and cash equivalents	**(2,439)**	6,279
Cash and cash equivalents at beginning of the year	**9,083**	2,804
Cash and cash equivalents at end of the year	**6,644**	9,083

The accompanying notes form part of these financial statements

Notes to the financial statements

1 Legal status

Freebridge Community Housing is a Registered Provider incorporated under the Co-operative and Community Benefit Societies Act 2014 and registered with the Homes and Communities Agency as a registered provider as defined by the Homes and Communities Act 2008.

2 Principle Accounting Policies

The financial statements have been prepared under the historic cost convention in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and the Accounting Direction for Private Registered Providers of Social Housing 2015. The financial statements have also been prepared to comply with the Housing SORP 2014 (Statement of Recommended Practice for Registered Social Housing Providers) and the Co-operative and Community Benefit Societies Act 2014. The Association is a public benefit entity in accordance with FRS 102. The financial statements are presented in Sterling (£).

Going Concern

The Association's financial statements have been prepared on a going concern basis.

The Association's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Association has long-term debt facilities in place which provide adequate resources to finance the Associations day to day operations and development pipeline. The approved financial plan demonstrates the Association's ability to service its debt facility whilst continuing to comply with lenders covenants.

On this basis the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed.

Significant Judgements and Estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for revenues and expenses during the year as well as the amounts reported for assets and liabilities at the date of the Statement of Financial Position.

The following judgements, estimates and assumptions have had the most significant effect on the amounts recognised in the financial statements:
Significant Management Judgements:

- Impairment. As part of the Association's continuous review of the performance of its assets, management identify any housing assets that have increasing void losses, are impacted by policy changes or where the decision has been taken to dispose of the properties. These factors are considered to be an indication of impairment.

Where there is evidence of impairment, the fixed assets are written down to the recoverable amount and any impairment losses are charged to operating losses.

The Association has estimated the recoverable amount of its housing properties as follows:

(a) Identified three cost generating units to assess impairment owing to their income being separately identifiable; housing assets acquired at transfer, housing assets acquired/developed post transfer and Hillington Square refurbishment properties.
(b) Estimated the recoverable amount of each cash generating unit
(c) Calculated the carrying amount of each cash generating unit
(d) Compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

Based on this assessment, we calculated the Depreciated Replacement Cost (DRC) of each group of assets, using appropriate construction costs and land prices and compared this to the carrying amount of each group of assets. Following the assessment of impairment no impairment losses have been identified in the reporting period.

- Classification of Loans as Basic. The terms of the Association's loan agreement includes provision of a two-way break clause that could give rise to a payment from the lender on early redemption. The loans in question are fixed rate loans. In a prepayment scenario that results in a break gain, the loan agreement provides for the repayment of the capital at par. Any break gain payable by the lender would be in relation to future interest periods only.

  Management have considered the terms of the loan agreement and concluded that they do meet the definition of a basic financial instrument and are therefore held at amortised cost.

Estimation Uncertainty:

- Useful Lives of Depreciable Assets. Management reviews its estimates of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to the decent homes standard which may require more frequent replacement of key components. Accumulated depreciation at 31st March 2017 was £32.3m.

- Defined Benefit Obligation. The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans, such estimates are subject to significant uncertainty. The liability at 31st March 2017 was £5.8m.

Turnover

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities, income from the sale of shared ownership properties, other properties developed for outright sale and the invoiced value of other services of goods and/or services supplied in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of voids. Income from first tranche sale proceeds and properties built for sale is recognised at the point of legal completion of the sale. Supporting People income is recognised under the contractual arrangements with the relevant administering authorities.

Service Charges

The Association operates variable service charges on a scheme by scheme basis. The charges include an allowance for the surplus or deficit from prior years. Surpluses are returned to residents by a reduced charge and deficits are recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Taxation

The Association is recognised as an exempt charity by HM Revenue and Customs.

VAT

The Association exercises it rights under the partial exemption method to recover Value Added Tax (VAT) incurred on expenditure from HM Revenue and Customs. VAT recoverable or payable is disclosed in the Statement of Financial Position. Irrecoverable VAT is accounted for in the Statement of Comprehensive Income.

All capitalised assets include VAT. VAT retained by the Association is disclosed through the Statement of Comprehensive Income and the details are disclosed in the notes to the accounts.

Interest Payable and Receivable and Arrangement Fees

Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and the amount of maturity of the related loan. Interest is charged to income and expenditure in the year.

Arrangement Fees are allocated at a constant rate over the anticipated life of the loan.

Financial Instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS102 are accounted for under the amortised historic cost model. Basic financial instruments are recognised at amortised historic cost.

Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short-term trade creditors are measured at the transaction price.

Stock

Stock of materials is held at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase. Work in progress and finished goods include labour and attributable overheads.

Current Asset Investments

Current asset investments include cash and cash equivalents invested for periods of more than 24 hours. They are recognised at cost.

Pension

The Association participates in the Norfolk County Council Pension Fund which is a defined benefit pension scheme so provides benefits based on final pensionable pay. The assets of the scheme are separate from those of the Association and are invested in independently managed funds. Contributions to the scheme are calculated as a percentage of pensionable salaries. The contribution made by the Association is charged to the Statement of Comprehensive Income during the period of the employee's pensionable service. The surplus/deficit of funds is disclosed in the Statement of Financial Position in accordance with FRS 102.

Pension costs are assessed in accordance with the advice of an independent qualified actuary.

The Association supports two other pension schemes for the benefit of employees not covered by the Norfolk County Council Pension Fund. A defined contribution pension operated by Standard Life with employee contributions at a maximum 6% of salary with the Association doubling this up to a maximum of 12%. The compulsory NEST pension with employee contributions recommended at 1% of salary with the Association also contributing 1%.

Housing Properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost, less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs and directly attributable administration costs. Only directly attributable costs that are incurred after a development scheme has been awarded are capitalised in the Financial Statements.

Freehold land is not depreciated.

Housing properties under construction are stated at cost and are not depreciated. These properties are reclassified as housing properties on practical completion of construction.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. Therefore, a housing property comprises two or more major components with substantially different useful economic lives, each component is accounted for separately and depreciated over its individual useful economic life. Expenditure relating to subsequent replacement or renewal of components is capitalised as it is incurred.

The de-minimus level to be applied in respect of capitalisation of assets is £1,000.

Social Housing and Other Government Grants

Government Grants include grants receivable from the Homes and Communities Agency (HCA), local authorities and other government organisations.

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received is included as deferred income and recognised in Turnover over the estimated useful economic life of the recognised asset structure (not land), under the accruals model.

Social Housing Grant must be recycled by the Association under certain conditions, if a property is sold or if another 'relevant event' takes place. Under these circumstances the Social Housing Grant can be used for projects approved by the Homes and Communities Agency. However, Social Housing Grant may have to be re-paid if certain conditions are not met.

Government grants released on the sale of a property are credited to a Recycled Capital Grant Fund and included in the Statement of Financial Position in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Other grants received in respect of revenue expenditure from local authorities and other organisations are credited to the Statement of Comprehensive Income in the same period as the expenditure to which they relate.

Capitalisation of Administration Costs

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property to its intended use.

Depreciation of Housing Properties

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

The Association depreciates the major components of its housing properties at the following annual rates:

Useful Economic Lives of Identified Components	Life (years)	Life (%)
Traditional Structure	100	1
Non-Traditional Structure	30	3.3
Roof	50	2
Kitchen	20	5
Bathroom	30	3.3
Heating	15	6.7
Windows	30	3.3
Doors	25	4
Biomass	20	5
Photovoltaics	20	5
Hillington Square Lifts	25	4
Hillington Square Garage Doors	25	4

Impairment

Housing properties are assessed annually for impairment indicators. Where indicators of impairment are identified an assessment for impairment is undertaken comparing the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based on it service potential. The resulting impairment loss is recognised as expenditure in the Statement of Comprehensive Income. Where an asset is currently deemed not to be providing service potential to the Association, its recoverable amount is its fair value less costs to sell.

Other Tangible Fixed Assets

Other Tangible Fixed Assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives.

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

The principle rates used for other assets are:

Useful Economic Life	Life (years)	Life (%)
Office Fittings & Equipment	10	10
Computer Hardware & Software	5	20
Commercial Vehicles (Not Leased)	5	20
Freehold Buildings	50	2

The de-minimus level to be applied in respect of capitalisation of assets is £1,000.

Low Cost Home Ownership Properties

The costs of low cost home ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as a sale of fixed assets.

Low Cost Home Ownership properties are not depreciated on the basis of immateriality, as indicated within the Housing SORP 2014.

Recycling of Capital Grant (RCGF)

Where Social Housing Grant is recycled the Social Housing Grant is credited to the RCGF fund and appears as a ‘Creditor’ until it is used to fund the acquisition of new properties. Where recycled grant is known to be repayable it is shown as a ‘Creditor within 1 Year’.

Disposals Proceeds Fund (DPF)

Receipts from the sale of Social Housing Grant funded properties less the net book value of the property and costs of disposal are credited to the Disposals Proceeds Fund. This ‘Creditor’ is carried forward until it is used to fund the acquisition of new social housing.

Lease Obligations

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset at the inception of the lease. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

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

Properties Held for Sale

Properties available for sale under Right to Buy are accounted for as sales of fixed assets. The surplus or deficit arising on sale is net of the clawback payable to the Borough Council of King's Lynn & West Norfolk and after deducting the carrying value of the property and related sale expenses.

Provision for Liabilities

Provisions are recognised when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable the Association will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the date of the Statement of Financial Position and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the date of the Statement of Financial Position.

Notes to the financial statements

3 Particulars of turnover, cost of sales, operating costs and operating surplus

Continuing activities

	2017 Turnover £'000	2017 Operating expenditure £'000	2017 Operating surplus £'000
Social housing lettings	**30,245**	**(18,635)**	**11,610**
Other social housing activities			
First tranche low cost home ownership sales	**130**	**(55)**	**75**
Charges for support services	**-**	**-**	**-**
Supporting people	**144**	**-**	**144**
Other	**99**	**-**	**99**
	373	**(55)**	**318**
Activities other than Social Housing	**474**	**(252)**	**222**
	31,092	**(18,942)**	**12,150**

	2016 Turnover £'000	2016 Operating expenditure £'000	2016 Operating surplus £'000
Social housing lettings	30,135	(19,155)	10,980
Other social housing activities			
First tranche low cost home ownership sales	-	-	-
Charges for support services	-	-	-
Supporting People	160	-	160
Other	76	-	76
Other Social Housing activities	236	-	236
Total Social Housing activities	30,371	(19,155)	11,216
Activities other than Social Housing	577	(369)	208
	30,948	(19,524)	11,424

Notes to the financial statements

Particulars of income and expenditure from social housing lettings

	2017 General needs housing £'000	2016 General needs housing £'000
Rent receivable net of identifiable service charges	**29,481**	29,367
Service charge income	**706**	692
Amortised government grants	**58**	76
Government grants taken to income	**-**	-
Other Income	**-**	-
Other grants	**-**	-
Turnover from social housing lettings	**30,245**	30,135
Management	**(3,907)**	(4,139)
Service charge costs	**(2,438)**	(2,608)
Routine maintenance	**(3,243)**	(3,376)
Planned maintenance	**(1,293)**	(1,010)
Major repairs expenditure	**(3,133)**	(3,200)
Bad debts	**(132)**	(75)
Depreciation of housing properties	**(4,281)**	(4,502)
Depreciation of other fixed assets	**(208)**	(246)
Impairment of housing properties	**-**	-
Other costs (Note 32)	**-**	-
Operating expenditure on social housing lettings	**(18,635)**	(19,155)
Operating surplus on social housing lettings	**11,610**	10,980
Void Losses	**251**	304

Notes to the financial statements

4 Accommodation in management and development

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

	2017 No of properties	2016 No of properties
Social housing		
General housing:		
- social rent	**5,778**	5,866
- affordable rent	**416**	353
Supported housing and housing for older people	**611**	612
Low cost home ownership	**21**	19
Total owned	**6,826**	6,850

Notes to the financial statements

5 Operating surplus

The operating surplus is arrived at after charging/(crediting):

	2017	2016
	£'000	£'000
Depreciation of housing properties	**4,281**	4,502
Depreciation of other tangible fixed assets	**208**	246
Operating lease rentals		
- Vehicles	**219**	283
- Land and Buildings	**28**	29
	247	311
Auditors' remuneration (excluding VAT)		
- Fees payable to the Association's auditors for the audit of the financial statements	**16**	17
- Fees payable to the Association's auditors for other services (covenant and other certifications):	**3**	3
Total audit services	**19**	20

Notes to the financial statements

6 Surplus on sale of fixed assets – housing properties

	2017 £'000	2016 £'000
Disposal proceeds	**676**	360
Carrying value of fixed assets	**(780)**	(325)
	(104)	35
Capital grant recycled (note 19)	**-**	-
Disposal proceeds fund (note 20)	**45**	281
	(59)	316

7 Interest receivable and other income

	2017 £'000	2016 £'000
Interest receivable and similar income	**8**	1
Income received on Pension Scheme	**910**	807
	918	808

8 Interest and financing costs

	2017 £'000	2016 £'000
Defined benefit pension charge	**1,010**	999
Loans and bank overdrafts	**2,046**	2,192
	3,056	3,191

Notes to the financial statements

9 Employees

Average monthly number of employees expressed as full time equivalents (calculated based on a standard working week of 37hrs):

	2017	2016
	No	No
Administration	**107**	108
Property and Development	**18**	16
Housing, support and care	**11**	11
Property Services (Direct employees)	**75**	74
	211	209

Employee costs:

	2017	2016
	£'000	£'000
Wages and salaries	**5,663**	5,609
Social security costs	**509**	445
Pension Costs: Defined Contribution scheme	**203**	190
Pension Costs: Defined Benefit scheme	**569**	717
	6,944	6,961
Restructuring costs	**29**	7
	6,973	6,968

The full time equivalent number of staff who received remuneration (*including* directors):

	2017	2016
	No.	No.
£150,001 - £160,000	**1**	**1**
£130,001 - £140,000	**-**	**1**
£90,001 - £100,000	**-**	**-**
£80,001 - £90,000	**1**	**1**
£70,001 - £80,000	**1**	**1**
£60,001 - £70,000	**2**	**1**

Notes to the financial statements

10 Board members and Executive Directors

Executive directors

The aggregate remuneration for key management personnel charged in the year is:

	2017	2016
	£'000	£'000
Basic salary	**456**	504
Benefits in kind	**3**	3
Pension contributions	**61**	79
	520	586

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £157k (2016: £154k).

The Chief Executive is a member of the Norfolk County Council (LGPS) Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The association does not make any further contribution to an individual pension arrangement for the Chief Executive.

Non-Executive Board Members

The remuneration for Non-Executive Board Members charged in the year is:

	2017				2016
	Basic remuneration £'000	**Benefits in kind £'000**	**Pension contributions £'000**	**Total £'000**	Total £'000
Raymond Johnson	**10**	**-**	**-**	**10**	10
Matthew Brown	**1**	**-**	**-**	**1**	3
Steve Clark	**5**	**-**	**-**	**5**	5
Marie Connell	**4**	**-**	**-**	**4**	4
Brian Long	**4**	**-**	**-**	**4**	3
Ian Pinches	**4**	**-**	**-**	**4**	4
Jasmine Rigg	**4**	**-**	**-**	**4**	4
Colin Sampson	**4**	**-**	**-**	**4**	4
Pauleen Pratt	**2**	**-**	**-**	**2**	-
Christina Smiddy	**2**	**-**	**-**	**2**	-
Simon Smith	**2**	**-**	**-**	**2**	-
Andrew Walder	**2**	**-**	**-**	**2**	-
	44	**-**	**-**	**44**	37

Notes to the financial statements

11 Tax on surplus on ordinary activities

	2017 £'000	2016 £'000
Current tax		
UK corporation tax on surplus for the year	**(1)**	-
Adjustments in respect of prior years	**(1)**	-
Total current tax	**(2)**	-

A £2K tax liability has been identified as a consequence of external works carried out by the Property Services Department.

Notes to the financial statements

12 Fixed assets – housing properties

Association - Housing Properties

	Assets Under Construction £'000	Traditional Properties Held for Letting £'000	Non-Traditional Properties Held for Letting £'000	Housing Properties - Shared Ownership £'000	Total Housing Properties £'000
Cost					
Balance 1 April 2015 (as originally stated)	632	125,654	5,271	826	132,383
Prior Year Adjustment (Note 32)	(165)	(217)	(101)	(9)	(492)
Balance 1 April 2016 (re-stated)	467	125,437	5,170	817	131,891
Additions	2,862	4,154	-	-	7,016
Works to existing properties	-	3,959	129	-	4,088
Transfers in Year	(1,026)	1,028	-	(2)	-
Shared Ownership Staircasing	-	-	-	(27)	(27)
Disposals	-	(1,150)	(189)	-	(1,339)
At 31 March 2017	2,303	133,428	5,110	788	141,629
Depreciation and impairment					
At 1 April 2016	-	27,800	500	-	28,300
Depreciation charged in year	-	3,592	689	-	4,281
Impairment charged in year	-	-	-	-	-
Released on disposal	-	(292)	(13)	-	(305)
At 31 March 2017	-	31,100	1,176	-	32,276
Net book value					
At 31 March 2017	2,303	102,328	3,934	788	109,353
At 31 March 2016	467	97,637	4,670	817	103,591

Notes to the financial statements

Fixed assets – housing properties (continued)

Expenditure on works to existing properties

	2017	2016
	£'000	£'000
Improvement works capitalised	3,934	3,271
Components capitalised	4,088	3,714
Amounts charged to income and expenditure	3,133	3,200
	11,155	10,186

On 31st March 2017, the Association's housing properties were revalued by Savills, an independent firm of Chartered Surveyors. The valuation of the housing stock for loan security purposes has been prepared using discounted cash-flow methodology and is in accordance with the Royal Institute of Chartered Surveyors [RICS] Valuation – Professional Standards, the "RICS Red Book", effective from 6th January 2014.

The valuation of £215.049m (2016: £201.088m) takes into account regulatory `performance indicators' for Registered providers and the Rent Restructuring regime applicable from 2002 onwards.

It should be noted that future growth in both capital and rental values may not occur and values can fall as well as rise.

All properties are freehold.

Impairment

An impairment assessment has taken place in the current year and the Association has recognised an impairment loss of nil value (2016: £nil)

Notes to the financial statements

13 Tangible Fixed Assets – Other

	Long leasehold property	Computers and office equipment £'000	Furniture, fixtures and fittings £'000	Total £'000
Cost				
At 1 April 2016	4,169	1,151	442	5,762
Additions	-	36	14	50
Disposals	-	(285)	-	(285)
At 31 March 2017	4,169	902	456	5,527
Depreciation				
At 1 April 2016	471	956	291	1,718
Charged in the year	84	104	20	208
Released on disposal	-	(282)	-	(282)
At 31 March 2017	555	778	311	1,644
Net book value				
At 31 March 2017	3,614	124	145	3,883
At 31 March 2016	3,698	195	151	4,044

Notes to the financial statements

14 Properties for sale

	2017 £'000	2016 £'000
Shared ownership properties:		
Completed properties	**250**	-
Work in progress	**8**	-
	258	-

15 Debtors

	2017 £'000	2016 £'000
Due within one year		
Rent and service charges receivable	**1,479**	1,673
Less: provision for bad and doubtful debts	**(711)**	(663)
	768	1,011
Other Debtors	**326**	140
Trade Debtors	**120**	117
Prepayments and accrued income	**409**	405
	1,623	1,673

Notes to the financial statements

16 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Debt (note 21)	**-**	-
Trade creditors	**356**	258
Rent and service charges received in advance	**187**	409
Deferred grant income (note 18)	**76**	80
Corporation tax	**-**	-
Other taxation and social security	**134**	128
Other creditors	**208**	241
Accruals and deferred income	**1,917**	1,756
	2,878	2,871

Other grants received in advance will be utilised against capital expenditure in 2017-18.

17 Creditors: amounts falling due after more than one year

	2017 £'000	2016 Re-stated £'000
Debt (note 21)	**61,500**	68,500
Recycled capital grant fund (note 19)	**27**	27
Disposal proceeds fund (note 20)	**627**	581
Deferred grant income (note 18)	**5,866**	5,844
	68,020	74,952

Notes to the financial statements

18 Deferred grant income

	2017	2016
	£'000	£'000
Balance at 1 April (as originally stated)	(5,924)	(5,100)
Prior year adjustment (Note 32)	-	87
Balance at 1 April (re-stated)	(5,924)	(5,013)
Grant received in the year	(76)	(987)
Released to income in the year	58	76
At 31 March	(5,942)	(5,924)

	2017 £'000	2016 £'000
Amounts to be released within one year	(76)	(80)
Amounts to be released in more than one year	(5,866)	(5,844)
	(5,942)	(5,924)

19 Recycled capital grant fund

	2017 £'000	2016 £'000
At 1 April	(27)	(27)
Grants recycled	-	-
Withdrawals	-	-
	(27)	(27)
Repayment of grant	-	-
At 31 March	(27)	(27)
Amount of grant due for repayment	-	-

20 Disposal proceeds fund

	2017 £'000	2016 £'000
At 1 April	(581)	(410)
Net sales proceeds recycled	(46)	(281)
Interest accrued	-	2
Withdrawals	-	108
Transfers to other providers	-	-
At 31 March	(627)	(581)

Withdrawals from the disposal proceeds fund are used for approved works to existing housing properties. All funds are fully allocated.

As at 31 March 2017, there are no amounts due for repayment and £nil has been paid in the year (2015/16 £nil).

Notes to the financial statements

21 Debt analysis

Borrowings

	2017 £'000	2016 £'000
Due within one year		
Bank overdraft	**-**	-
Bank loans	**-**	-
	-	-
Due after more than one year		
Bank loans	**(61,500)**	(68,500)
Total loans	**(61,500)**	(68,500)

Security

Properties are charged as security in accordance with the Association's current loan agreements

Terms of repayment and interest rates

The Association has a £111m loan facility of which £86.2m is available to use. The funds available are not expected to be fully drawn until peak debt year of 2020 from which point the Association will need to start repaying its debt.

A total of £61.5m of the available facility has been drawn to date, consisting of £50m fixed rate loans and £11.5m variable rate debt.

The Association pay interest on a quarterly basis and rates currently range from 1.90% to 4.59% on its £50m of fixed debt with the balance of £11.5m subject to variable rate debt.

The association typically keeps its fixed: variable loan ratio within the optimum range of 70% +/- 10% as per Treasury Management Policy, in order to balance its exposure to inflation and interest rate rises prevalent in fixed and variable loans respectively.

All finance costs are included in the cost of housing properties.

Notes to the financial statements

Debt analysis (continued)

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2017	2016
	£'000	£'000
Within one year or on demand	**-**	-
One year or more but less than two years	**-**	-
Two years or more but less than five years	**(20,000)**	(10,000)
Five years or more	**(41,500)**	(58,500)
	(61,500)	(68,500)

Notes to the financial statements

22 Pensions

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

Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method.

The latest formal valuation of the fund for the purpose of setting employers' actual contributions was at 31st March 2016, with the next formal valuation due at 31st March 2019.

The employer's contributions to the LGPS by the Association for the year ended 31 March 2017 were £516k (2016: £544k). The employer's contribution rate was 20% of pensionable pay during the year.

At the date of joining (3rd April 2006) the LGPS scheme contribution of £1.03m was made by the Borough Council of Kings Lynn and West Norfolk from the purchase price of the housing stock to ensure the funding level was 100%.

Principal actuarial assumptions

Financial assumptions

	31 March 2017 % per annum	31 March 2016 % per annum
Discount rate	**2.6%**	3.5%
Future salary increases	**2.7%**	3.2%
Future pension increases	**2.4%**	2.2%

Mortality assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2010 model assuming the current rate of improvement has reached a peak and will converge to a long term rate of 1.25% pa.

	2017 No. of years	2016 No. of years
Retiring today:		
Males	**22.1**	22.1
Females	**24.4**	24.3
Retiring in 20 years:		
Males	**24.1**	24.5
Females	**26.4**	26.9

Notes to the financial statements

Pensions (continued)

Amounts recognised in surplus or deficit

	2017 £'000	2016 £'000
Current service cost	569	717
Loss on settlements	-	-
Amounts charged to operating costs	569	717

	2017 £'000	2016 £'000
Net interest	1,010	999
Amounts charged to other finance costs	1,010	999

Reconciliation of opening and closing balances of the present value of scheme liabilities

	2017 £'000
Opening scheme liabilities	28,751
Current service cost	569
Interest cost	1,010
Remeasurements	4,695
Plan participants' contributions	163
Benefits paid	(490)
Closing scheme liabilities	34,698

Reconciliation of opening and closing balances of the fair value of plan assets

	2017 £'000
Opening fair value of plan assets	25,919
Interest income	910
Return on plan assets (in excess of interest income)	1,875
Contributions by employer	516
Plan participants' contributions	163
Benefits paid	(490)
Closing fair value of plan assets	28,893

	2017 £'000	2016 £'000
Actual return on scheme assets	2,785	616

Notes to the financial statements

Pensions (continued)

Major categories of plan assets as a percentage of total plan assets

	2017 %	2016 %
Equities	**62%**	58%
Bonds	**25%**	27%
Properties	**10%**	13%
Cash	**3%**	2%

Sensitivity analysis

Change in assumption at 31 March 2017	**Approx Increase to Employer Liability %**	**Approx Monetary Amount £'000**
0.5% decrease in Real Discount Rate	**11%**	**3,878**
0.5% increase in the Salary Increase Rate	**2%**	**706**
0.5% increase in the Pension Increase Rate	**9%**	**3,106**

Notes to the financial statements

23 Provisions for liabilities – other provisions

	Leave pay £'000	**Total £'000**
At 1 April 2016	46	46
Additions	78	78
Utilised	(46)	(46)
At 31 March 2017	78	78

The leave pay provision represents holiday balances accrued as a result of services rendered in the current period and which employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

24 Share capital

All members of the Board of Management hold a share of £1 in the Association. The shares carry the right to vote at meetings on a basis of proportional weighting depending on class of share. They do not carry any right to a dividend, to any redemption value or to any distribution on winding up.

	2017 No	2016 No
Number of members		
At 1 April	**221**	224
Joining during the year	**12**	3
Leaving during the year	**(18)**	(6)
At 31 March	**215**	221

Notes to the financial statements

25 Cash flow from operating activities

	2017	2016
	£'000	£'000
Surplus for the year	**9,951**	9,357
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	**4,281**	4,503
Depreciation of other fixed assets	**208**	246
Decrease / (increase) in stock	**(67)**	21
Decrease / (increase) in trade and other debtors	**51**	889
Increase / (decrease) in trade and other creditors	**132**	(1,413)
Profit from the sale of tangible fixed assets	**(676)**	(360)
Government grants utilised in the year	**(58)**	(76)
Prior Year Adjustment (Note 32)	**(404)**	-
Interest payable	**2,046**	2,192
Interest received	**(8)**	(1)
Defined benefit pension movement	**153**	365
Net cash generated from operating activities	**15,609**	15,723

26 Capital commitments

	2017 £'000	2016 £'000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	**7,283**	10,884
Expenditure authorised by the board, but not contracted	**6,943**	4,851
	14,226	15,735

The above commitments will be financed primarily through borrowings, which are available for draw-down under existing loan arrangements, with the balance (£465k) funded through social housing grant.

Notes to the financial statements

27 Contingent assets/liabilities

The group and association had no contingent assets at 31 March 2017 (2016: nil).

28 Leasing commitments

The future minimum lease payments of leases are as set out below. Leases relate to vehicles and homes.

The association and group's future minimum operating lease payments are as follows:

	2017	2016
	£'000	£'000
Within one year	**273**	292
Between one and five years	**584**	770
Later than five years	**-**	-

29 Related parties

The tenant Board members rent properties from the Association under the same terms and conditions as tenants in similar properties.

There is one tenant member on the Board, Jasmine Rigg. The tenancy is on normal commercial terms and they are not able to use their position to their advantage. No amounts were due to or from the tenant member at the reporting date.

Notes to the financial statements

30 Financial assets and liabilities

The board policy on financial instruments is explained in the Board Report as are references to financial risks.

Categories of financial assets and financial liabilities

	2017	2016
	£'000	£'000
Financial assets that are debt instruments measured at amortised cost	**7,859**	10,351
Financial liabilities measured at amortised cost	**(70,896)**	(78,206)
Total	**(63,037)**	(67,855)

The financial assets comprise of Trade and Other Debtors, Prepayments and Cash & Equivalents. The financial liabilities comprise of Creditors falling due within one year and Creditors falling due after more than one year.

Borrowing facilities

The Association has a £111m loan facility of which £86.2m is available to use. The funds available are not expected to be fully drawn until peak debt year of 2020 from which point the association will need to start repaying its debt.

A total of £61.5m of the facility has been drawn to date, consisting of £50m fixed rate loans and £11.5m variable debt.

The group has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent had been met were as follows:

	2017	2016
	£'000	£'000
Expiring in one year or less	**-**	-
Expiring in more than one year but not more than two years	**-**	-
Expiring in more than two years	**(61,500)**	(68,500)
	(61,500)	(68,500)

Notes to the financial statements

31 VAT Sharing Agreement

Prior to the completion of the transfer of properties from the Borough Council of King's Lynn and West Norfolk, Freebridge Community Housing entered into a Development Works Agreement with the Borough Council whereby the latter was required to carry out works on the transferred properties at its own expense, at a fixed price. At the same time, the Borough Council appointed Freebridge Community Housing as the main subcontractor to carry out the work, either on its own behalf or through external contractors.

Under the VAT Sharing Agreement established at transfer between the Association and the Borough Council of King's Lynn & West Norfolk, the Association is required to settle an initial estimated liability of £13.33m on a reducing balance basis. As at 31st March 2017, total payments of £13.153m have been paid leaving a balance of £0.177m outstanding.

In April 2012 the Agreement was updated as part of the Hillington Square project whereby the Borough Council of King's Lynn & West Norfolk agreed that the Association would retain 100% of the VAT recovered as a result of works completed on the project. To date £3.207m has been retained.

The Association paid the outstanding obligation of the £0.177m to the Borough Council of King's Lynn and West Norfolk in June 2017/18.

Notes to the financial statements

32 Prior Year Adjustment

During the course of implementing new fixed asset accounting modules a full and detailed review of asset value allocations and grant amortisation was undertaken. As a consequence a number of adjustments were identified which are considered to be material and as a consequence have been reflected as a prior year adjustment to the financial statements. The effect of this may be summarised as follows:

	Income and Expenditure Reserve **£'000**
Reserves at 1 April 2015 as originally stated	25,659
Correction to rate of grant amortisation allocated to fixed asset components	(404)
Reserves at 1 April 2015 as re-stated	25,255

There is no material effect on the surplus for the year ended 31 March 2016.

In addition there has been a reclassification of £88,000 to reduce deferred grant income falling due after more than one year and to reduce fixed assets by the same amount. This reclassification is reflected in the comparative information at 31 March 2016.