ARAWAK WALTON
HOUSING ASSOCIATION LIMITED
(A Charitable Co-operative and Community Benefit Society)

Financial Statements

For the Year Ended 31 March 2016

Contents

Arawak Walton Housing Association Limited
Association Details
For the Year Ended 31 March 2016

Board of Management	Ms Evelyn Asante-Mensah Mr David Brown (Deputy Chair) Ms. Gill Darling, ACA, AMCT (Resigned 16th September 2015) Mr Mike Cartwright Ms Lorri Holding Mr Charles Jarvis Ms Anita Patel Ms Nadia Fortune-Nesbit Ms Hilda Kaponda (Appointed 24th September 2015) Ms Susan Taylor
Secretary	Ms. C. D'Souza, A.C.A.
Executive Officers	Ms. C. D'Souza, A.C.A. (Chief Executive) Mr. C Page, BA (Hons, MSc), MCIH, DipHSM (Operations Director) Mr D Watmough, BA (Hons), MA, MPhil, ACMA (Finance Director)
Bankers	Royal Bank of Scotland Plc. 934 Stockport Road Levenshulme Manchester M19 3AA
Solicitors	Croftons The Lexicon Mount Street Manchester M2 5FA
Auditors	Beever and Struthers Chartered Accountants St. George's House 215-219 Chester Road Manchester M15 4JE
Registered office	Margaret House 23 Manor Street Ardwick Manchester M12 6HE
Registration Number	L3713 - Homes and Communities Agency 25160R - Co-operative and Community Benefit Societies Act 2014

The Board presents its report and audited financial statements for the year ended 31 March 2016.

Principal activities

The Association's principal activities are the acquisition and management of social housing primarily for the Black and Minority Ethnic communities in the North West.

Legal status

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is a Registered Provider with charitable status.

The Association is a Public Entity Benefit as defined by FRS102.

Review of the year

The financial year 2015/16 saw our stock of homes increasing by an additional 17 units. Turnover increased to £5.3 million compared to £5.2 million in 2015. The total comprehensive income for the year of £1,265,430, has taken total reserves to £8,804,690. These reserves have been re invested and helped to fund the acquisitions of new properties costing £1,147,025, replacing components such as bathrooms, lifts and boilers in our existing stock costing £622,119 and in completing the refurbishment at Sycamore Court costing £252,952 in the year.

The Association now has approximately £17.8 million of loan facilities in place at 31st March 2016, of which £14.3 million has been utilised. There were 1025 units in management by the end of March 2016, of which 967 were owned by the Association at 31st March 2016.

The Association was again successful in achieving the Customer Service Excellence Standard in 2016. This award replaces the Charter Mark award which has been held since 2000. It is a mark of excellent customer service and continuous improvement in service provision. It also denotes that services that are provided are effective and represent Value for Money (VfM).

Future developments

The Association intends to continue with its programme of modest growth. Growth will be through partnerships with other Housing Associations, local authorities and from acquisitions from the open market.

Changes in fixed assets

Details of the movements in fixed assets are set out in note 11 to the accounts.

Board of Management and Executive Officers

The Board of Management and Executive Officers of the Association are listed on page 1.

Each member of the Board of Management holds one fully paid share of £1 in the Association. The Executive Officers of the Association hold no interest in the Association's share capital and, although not having legal status of Directors, they act as Executives within the Authority delegated to them by the Board of Management.

Financial risk management objectives and policies

The Association uses conventional forms of working capital to finance its day to day activities and as such the figures appearing in the accounts reflect the absolute value of amounts recoverable and payable. The Board receives regular reports on these figures in order to manage the Association's requirements.

Employees

The strength of the Association lies in the quality and commitment of its employees. The Association operates an appraisal system and provides training programmes focused on quality and customer service and seeks employees' views on how to improve systems and on matters of concern.

Details of employees are set out in note 9 of the accounts.

Auditors

A resolution to reappoint Beever and Struthers as auditors will be proposed at the Annual General Meeting.

Statement of the Board's responsibilities in respect of the accounts

The Co-operative and Community Benefit Societies Act requires the Board to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Association and of the surplus of the Association for that period. In preparing these accounts the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed;
- prepare the financial statements on a going concern basis unless it is inappropriate.

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the accounts comply with the Co-operative and Community Benefit Societies Act and the Housing Acts. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, by establishing and maintaining a satisfactory system of control over the Association's accounting records, cash holdings and all its receipts and remittances.

In so far as the Board of Management is aware:-

- there is no relevant audit information of which the Association's auditor is unaware, and;
- the Board has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the auditor is aware of that information.

Statement of the Board of Management on internal controls

The Board is ultimately responsible for the Association's system of internal control and for reviewing its effectiveness. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board confirms there is an ongoing process for identifying, evaluating, and managing the significant risks faced by the Association, that has been in place for the year under review and up to the date of approval of the annual report and accounts, and that this process is regularly reviewed by the Board.

The Board has reviewed the effectiveness of the system of internal control. In particular, it has reviewed and updated the process for identifying and evaluating the significant risks affecting the business and the policies and procedures by which these risks are managed.

The executive officers are responsible for the identification and evaluation of significant risks applicable to their areas of business together with the design and operation of suitable internal controls. These risks are assessed on a continual basis and may be associated with a variety of internal or external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements.

A control self-assessment and hierarchical reporting has been established which provides for a documented and auditable trail of accountability. These procedures are relevant across all operations and provide for successive assurances to be given at increasingly higher levels of management and finally to the Board. This process is facilitated by internal audit that also provide a degree of assurance as to the operation and validity of the system of internal control. Planned corrective actions are independently monitored for timely completion.

The executive officers report regularly on their review of risk and how they are managed to the Audit Committee whose main role is to review on behalf of the Board the key risks inherent in the business and the system of control necessary to manage such risks and to present their findings to the Board. Internal audit independently review the risk identification procedures and control process implemented by the executive officers and report to the Audit Committee at least three times a year. The Audit Committee reviews the assurance procedures, ensuring that an appropriate mix of techniques is used to obtain the level of assurance required by the Board. The Audit Committee presents its findings to the Board on a regular basis.

The Chief Executive also reports to the Board on behalf of the Executive officers on significant changes in the business and the external environment, which affect significant risks. The Finance Director provides the Board with a summary update on changes to key strategic risks and with regular financial information, which includes key performance and risk indicators. Where areas for improvement in the system are identified, the Board considered the recommendations made by the delegated Committee.

Value for Money Self Assessment 2015/16

Executive Summary

Arawak Walton Housing Association (AWHA) has used the HCA's global accounts and the recently published headline cost per unit to assess its current VFM position in comparison to the sector as a whole.

AWHA's management costs compared favourably with the HCA global accounts average in 2014-15 (4.9% below) and with the new HCA headline cost per unit (2015-16 actuals were 1.6% below).

As a relatively small Association, we recognise that a "lumpy" component and planned works replacement cycle does not provide a consistent comparison with larger mainstream associations, for which the impact of major works is likely to have less impact on costs from year to year. Maintenance costs were higher in both 2014-15 (5.5% above global accounts average) and in 2015-16 (18% above) mainly due to major works spend. We have however budgeted for this to fall to less than 5% above average in 2016-17. As we grow, the impact of major works should increasingly even out and allow a better comparison with other associations.

Over the course of the last year, we have increased the number of homes we own by 1.7%, (17 homes) and we have achieved this without new grant.

Our operational performance has improved against our void loss and current and former tenant arrears measures, and against most other KPIs, our performance has either stayed the same or showed a marginal reduction. A change in the definition of voids makes direct year on year comparison difficult.

1. Introduction and background

Arawak Walton was born out of the black and minority ethnic communities initially in Manchester needing to have access to decent, affordable good quality homes which for a number of reasons, not least due to discrimination, were not being made accessible by mainstream organisations. Our mission has not changed. The Association has spent 25 years working in inner city, multicultural areas where good quality homes were and continue to be scarce and where the communities face high levels of deprivation. We work in entry areas where inward migration is on the increase. Over 68% of our 2015/16 lettings were to BME tenants and we tailor our services to meet the needs of diverse BME communities. As well as providing access to housing we also provide employment and training opportunities. Our strategy is to procure from the local community where possible and help alleviate levels of deprivation in areas where we work through reinvesting in the local economy.

Working in areas with high levels of deprivation can and often does result in higher management costs, but our management costs demonstrate our ability to do this at a lower cost than many associations providing generic services. Our repairs costs include the provision of alarms, security lighting and other features in our properties to maximise the security of our tenants, who suffer from discrimination and racist behaviour. In addition, the provision of showers, quasi wet rooms, larger kitchen storage and mixer taps are examples of how we address the religious and cultural needs of our diverse customer base.

Our success relies on providing a personal and holistic service that is valued by our customers and stakeholders at a cost-effective offer.

2. The Arawak Walton Delivery Model

Key to the generation of value by the Association is our focus on our two core products: general needs and sheltered housing. This allows us to operate within streamlined processes and procedures whilst providing a responsive service to our diverse tenants.

The delivery of services is achieved by having a well trained and qualified core staff team, supported by external advisors most of whom have had a long relationship with the Association and understand both our mission and vision and our aspirations. This enables us to access skills and expertise in a flexible manner without the need to retain an expensive staff infrastructure.

As a smaller housing Association, we work in partnership with others when this is to our mutual benefit. Procurement good practice is shared amongst the members of the North West Community Housing Associations Group. Much of our growth has been achieved by working closely with other housing associations.

The relative simplicity of our delivery model enables us to minimise staffing and other overheads borne by the Association, which is reflected in our comparative costs.

3. How did we perform against our plans?

In last year's VFM Statement we set out a number of plans for the period 2015-2017. We identified 10 activities in the Statement. The announcement of the four year rent cut in the 2015 Emergency budget, together with the slower than anticipated rollout of Universal Credit, led to changes in the prioritisation of some of these plans, but also saw the introduction of other measures, such as the end of the Association's subsidised social rent development programme, the introduction of a four year cost of living pay freeze for staff and major changes to our asset management strategy, which helped ensure the Association maintained its future covenant compliance.

The plans outlined in our last statement are shown below in italics, and the progress to their achievement in shown in normal type immediately after.

Overall

- *review additional opportunities to benchmark cost and quality measures with other Associations, and use this information to help prioritise future VFM activity.* We have contributed to the development of cost reporting to our suite of KPIs measured by our peer members of the Community Housing Association Group (North West). We will work within the HCA Unit Cost framework to supplement this cost comparison work in future.

- *work to increase customer satisfaction measures and measure these using a number of methods including a triennial STAR survey (2015).* The STAR survey shows consistently improving performance across almost all of the ten measures. The survey indicates these are within the first and second quartiles (Housemark STAR report, 2013/14).

- *deliver our Continuous Improvement Programme activity to help control our cost base, ensure processes are streamlined and efficient and continue to meet the needs of our customers.* We made significant progress in delivering the programme and supplemented this with a series of cost saving initiatives following the Interim Budget approved by our Board in July.

Assets

- *continue to develop our understanding of the property assets on which our business is based together with our analytical tools to inform our asset management strategy and stock profiling and integrate the property element of the Asset and Liability register in this process.* We have linked the information from our Asset and Liability Register with our property contribution model and have begun the process of stock profiling, as detailed in the section relating to Assets and the Provision of Homes.

Operations

- *drive an ambitious programme of improvement to reduce current tenant arrears by 2% (£100,000).* Our rent arrears fell by £26k (almost 10%) over the year. Significantly more work will be required to achieve our target over the 2016-17 financial year.

- *invest in the delivery of our ICT Strategy which will help operational staff better meet the needs of our customers in a cost-effective way into the future.* The rent cut announcement delayed the recruitment of staff resources to deliver this until the second half of the year. Delivery of the strategy has begun with improvements planned in our use of technology and in the opportunities for our tenants to access some of our services online.

- *develop a plan to ensure the costs of the direct payment of tenants, as the result of welfare reform, are controlled and minimised.* We are developing our experience of securing Alternative Payment Arrangements and working with the DWP to minimise financial loss.

Procurement

- *develop a Procurement Plan to optimise value for money and specifically to help maintain the Association's core costs within the increase in CPI.* Our overarching procurement plan is to operate within the 2015/16 expenditure budget over the course of the next four years, despite growing by 40 properties. Procurement plans are set out in the Asset Management Strategy.

Treasury

- *continue to fix loans at current favourable rates of interest where this is appropriate.* We fixed £700k of loans for 9 years at an average rate of 3.65%, less than our current weighted average cost of capital.

- *appoint a treasury advisor to help ensure the next funding round gives the Association the best possible funding deal.* The Rent Cut announcement significantly changed our development plans. Our Board will review growth options in the middle of 2016/17 and we will review the need for future funding and treasury support as part of this process.

4.Value for Money Strategy

The Board has overall responsibility for the Association's value for money strategy. The Board places operational responsibility for ensuring value for money on individual managers. The Finance Director has reporting responsibility for value for money issues in the Association.

The Association regards continuous improvement as a key element of its Value for Money approach. An annual programme of service reviews is designed to address current priorities as well as ensure most areas of the Association's activities are reviewed on a periodic basis. Service reviews ensure that the needs of the Association's customers are effectively and efficiently met and that value for money principles are enshrined in their design.

Specific elements of our approach to value for money are:

- an annual review of our customer profile in terms of housing and geographical location aspirations to ensure it delivers housing opportunities where our customers want to live
- a thorough budgeting and business planning process
- an annually updated Asset Management Strategy which sets out our plans for sustaining and enhancing the value of our asset base

- a feasibility model that incorporates not only funding but also housing management and long term maintenance issues to ensure the financial soundness of potential new development acquisitions
- a Treasury Strategy and Annual Treasury Plan which maps out treasury activities for the coming year, balancing value for money and mitigating risks to the Association
- consideration of the value for money implications of new initiatives at Senior Management Team (SMT) and Board level
- the requirement to tender certain procurements and obtain quotes for others to ensure market prices are paid
- attendance at a range of procurement, value for money and function specific best practice events, sharing good practice and contributing to some of our procurement efficiencies
- participation in formal and informal benchmarking activities to identify areas where our performance does not meet that of our peers
- our business plan recognises that following the introduction of the proposed new rent regime from the 2015/16 financial year it will become imperative to manage our routine activities within the Consumer Price Index measure of inflation which will require a sustained focus on efficiency to achieve value for money
- setting specific VFM projects or objectives as part of the VFM statement on an annual basis.

Key elements of our process for monitoring Value for Money are:

- annual scrutiny by the Board of the Business Plan and Budget
- a quarterly review by the Board of the Association's financial performance through the management accounts
- a quarterly review by Board of key operational and other performance through the balanced scorecard
- a monthly review of key areas of financial performance against budget by the senior management team
- a monthly review of key operational performance indicators by senior management team
- review of the "ease" of allocations and lettings in new areas of operation
- Tenant Quality Panel (TQP) review of the appropriateness of services provided
- assessment of potential development opportunities by senior management team
- reporting on potential acquisitions at each meeting of Board
- annual strategic review sessions for SMT, Board and staff to ensure the Association's mission and vision remain relevant and that both are delivered in the most appropriate way
- consideration by Board of the annual Value for Money statement
- a review of progress against Value for Money objectives at each meeting of Audit Committee

Our approach to VFM has enabled us to grow without new social housing grant over the course of the last half decade. We have achieved this by working in partnership with housing providers through their stock rationalisation plans in areas in which we want to grow, by acquiring properties from the open market to be let at social and sub market rent and by being able to secure highly competitive funding deals. The age profile of our stock means that our asset management strategy identifies the need for investment in existing homes over the course of the next few years. We recognise and have estimated the additional costs of collecting rents from tenants who don't have experience of paying us directly, as Universal Credit is rolled out. Sustaining VFM practices will be crucial in enabling us to achieve these objectives.

Achieving our value for money objectives enables us to:

- sustain our ongoing investment in the homes we own to ensure they remain desirable to the communities we serve and have a long term future
- acquire or develop new properties in or close to our current areas of operation in order to help meet the needs of some of the thousands of people aspiring to live in the areas in which we operate

Assessing value for money involves balancing the needs of our current tenants against the needs of potential future tenants. An integral part of the Association's Value for Money strategy is that resourcing the needs of existing tenants will be met before resources will be made available for potential future tenants.

5. Assets and the Provision of Homes

The table below shows the increase in the number of homes managed by the Association over the course of the last six years.

	2012	2013	2014	2015	2016
Properties in Management	947	953	1004	1008	1025
Increase		0.6%	5.4%	0.4%	1.7%

Table 1. Properties in Management, 2010-2016

Over the course of the last five years, the Association has grown by 78 homes, representing 8% growth. The Association owns 983 of these homes. The remainder are managed for others.

The table below shows that the growth has resulted in a slight increase in the average cost per property together with a slight reduction in Social Housing Grant per property. The Association has grown with no new social housing grant since 2006, although the Association has taken transfer of properties with grant from other associations, and has recycled grant on sold properties. Growth has been achieved through taking transfer of properties from other housing associations. Many of these properties would have been sold on the open market had they not been bought by the Association, so the Association has retained these in the sector for social housing purposes. In addition, our partner associations will have used the receipts from the sale of properties to Arawak Walton HA to help fund their provision of new build affordable homes.

	2016	2015	2014	2013	2012
£ per property	55,072	53,989	53,486	52,290	51,261
SHG per property	31,428	31,666	31,763	32,948	32,601
Grant rate	57%	59%	59%	63%	64%
Debt per unit	14,183	15,246	14,484	14,110	14,309
Equity Per property	9,461	7,077	7,238	5,232	4,351

Table 2. Cost, Grant, Debt and Equity Per Property, 2012-2016

At the start of the financial year, the Association saw modest growth of new homes for letting at social rent using internal subsidy to fund these acquisitions. The Rent Reduction provisions of the July 2015 Emergency Budget meant that this approach becomes unsustainable in future years. Therefore the Association's future growth plans are based on the acquisition of properties, mainly from the open market, for letting at a sub-market rent. This approach will help us meet the considerable need for quality and affordable housing for the communities we serve, whilst both sweating our assets and ensuring our long term sustainability and delivering on our commitments to our lenders and other stakeholders. We recognise that the difficulty in letting new properties at sub market rent levels may create a potential affordability issue for our customers.

The Association has undertaken an initial analysis to review the costs and income of each property in management over the next 30 years to arrive at the net present value of each property and the annual contribution (to overheads and financing costs). The analysis has been undertaken at a segmented level separately identifying General Needs properties from Sheltered Housing properties.

The analysis shows the following:

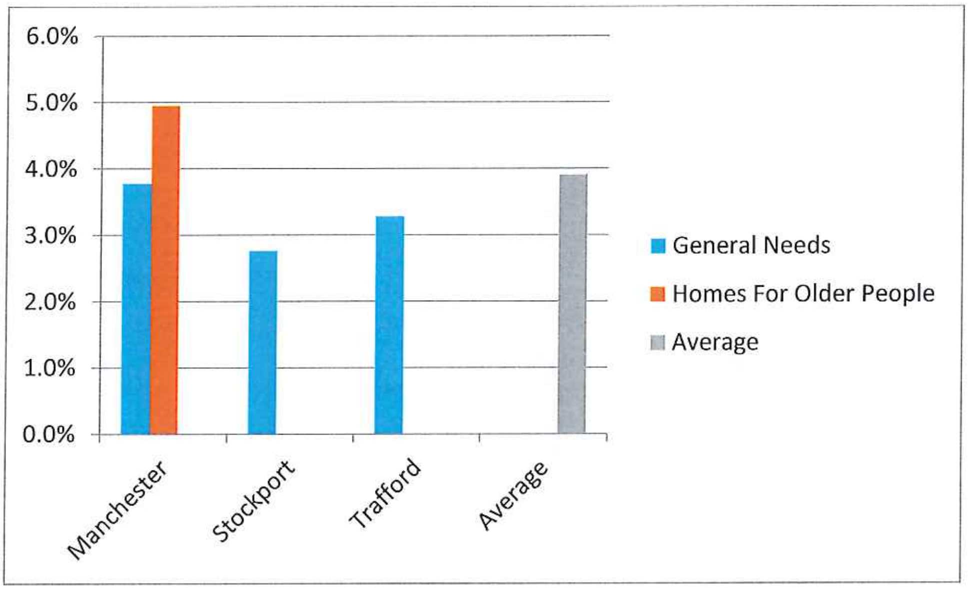

Table 3. Gross Yield by property type and local authority

The analysis shows the gross yield (rent as a percentage of valuation) of our general needs and sheltered properties. Sheltered properties have a low valuation in comparison to general needs properties. The rent charged on sheltered properties is lower than the rent charged on our general needs properties but because of the low market valuation the yield stays high. General needs properties in Stockport and Trafford have the lowest gross yield due to their high valuations.

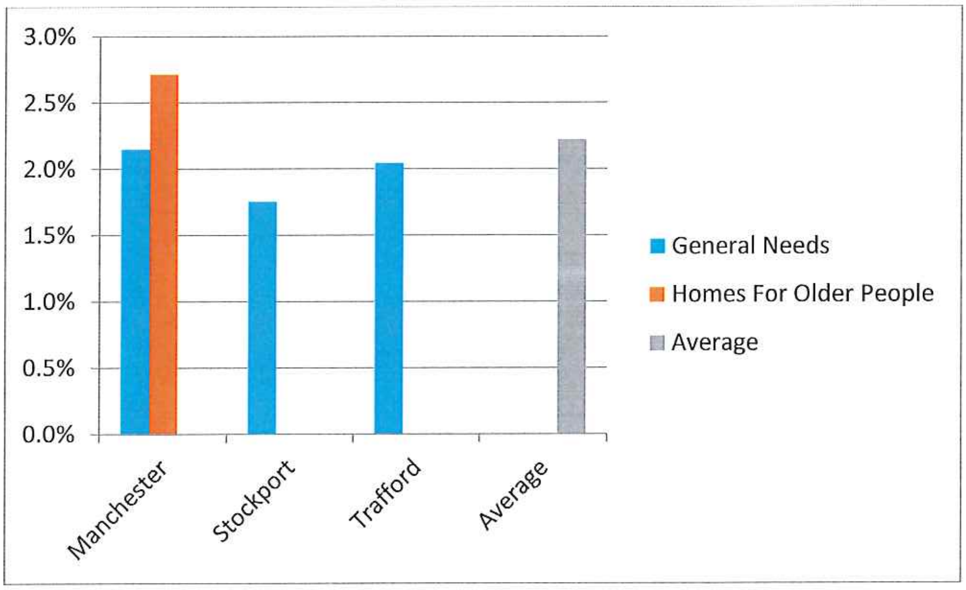

Table 4. Net Yield by property type and local authority

The analysis shows the net yield (rent less direct costs divided by valuation) of sheltered and general needs properties. Properties in Trafford and Stockport generally contribute more than properties in Manchester, due to higher rents being charged and lower maintenance costs than properties in Manchester. The valuations of the properties are significantly higher than properties in Manchester.

The acquisitions made over the course of the last few years, without social housing grant, have been of the higher yielding Sheltered properties, or lower valuation General Needs street properties in Manchester.

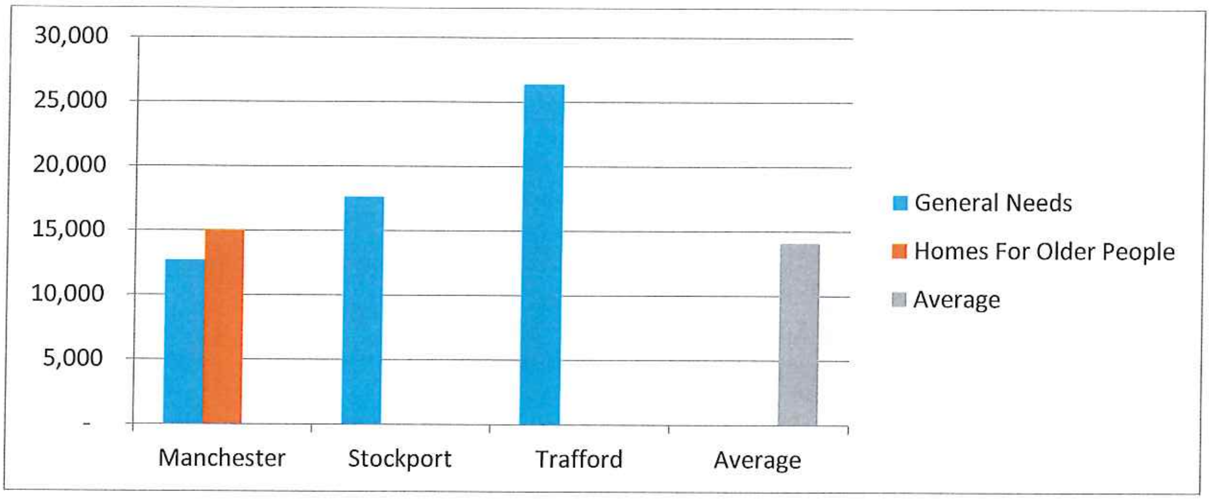

Table 5. 30 Year Average Contribution per property, in £s, by local authority and type

The analysis shows that the average contribution per property is largely driven by the level of rents, with lower rent Sheltered properties generating the lowest average contribution and higher rent properties in Stockport and Trafford generating the highest.

At an Association-wide level, the contribution is expressed as the margin between income and costs and the table below shows the gross margin over the last few years.

	2016	2015	2014	2013	2012
AWHA					
Turnover	5,361	5,103	4,461	4,262	4,082
Adjusted T'over	5,019	4,765	4,123	4,262	4,082
Operating Costs	3,502	3,416	3,103	2,754	2,574
Surplus	1,517	1,349	1,020	1,508	1,508
%age	30%	28%	25%	35%	37%
Global Accounts		28%	26%	25%	23%

Table 6. AWHA Gross Margin, 2010-2016
(2016 figures calculated on SORP 2014 basis)
Adjusted Turnover deducts Rent Restructuring Grant

Changes in accounting practices have had an impact on the margin, but the Association's gross margin compares favourably with those of larger Traditional housing associations in the Global Accounts. A key challenge for the Association going forward will be to sustain this level of margin - which enables us to fund borrowing costs and acquire new homes - in the face of the Rent Reduction and the implementation of Welfare Reform.

6. Asset Management Strategy

The condition of the stock is measured through a database that flags up when a component reaches the end of its predicted life cycle. However, many variables contribute to the actual life span of a component. We are therefore taking a more dynamic approach to replacements that can allow for failing components to be replaced earlier (and thus not wasting money on regular patching up works) and components to be replaced later where they are in good condition. This is achieved by surveying components on an annual basis as an adjunct to annual gas safety inspections.

The Association regards considered investment in its stock as crucial to ensuring the long term marketability of its homes.

In acknowledgement of the amount of resources taken with completing multiple tender exercises every year the strategy allows for one value for money exercise (formal tender) to be completed in a twelve month period for each component type. As each tranche of components is then released the price will be negotiated if the negotiated price is the same or less than the tendered price for the works to be awarded.

The Association also recognises that there are savings to be made by having purchasing agreements directly with suppliers and awarding works to contractors on a "Fit Only" basis. This avoids paying the margin that the contractor includes for supplying the parts.

Our use of small local contractors sometimes results in VAT savings as well as competitive rates because of their local presence and low overheads.

Rewires are becoming a feature of the programme from 2022 onwards however the Association is taking a relatively long replacement cycle of 30 years. Undertaking a rewire at a property involves considerable disruption to the tenants and the Association is therefore taking the opportunity to rewire the property when it becomes void if the wiring is 23 or more years old.

Towards the end of the financial year, the Association entered into a partnership agreement with a large local housing association to undertake responsive repairs on our behalf. We are currently evaluating the success of this trial - in terms of its cost and quality.

The Association entered into another partnership with a housing support organisation to survey properties being considered for acquisition and also potentially to manage programmes of investment works to either new or existing properties. This will supplement the work of our in house staff at competitive cost.

7. Operations

In 2014/15, AWHA's management costs were £52,000 less expensive than the average of other traditional housing associations. Maintenance costs were £69 per unit higher than the Global Accounts average, but the Association incurred £74k of investment expenditure in two sheltered schemes in the year, and adjusting for this expenditure would result in the Association's maintenance cost per unit being slightly below the Global Accounts average.

	Global	AWHA	Diff	Saving
Management	1034	983	51	51,180
Maintenance	1240	1309	(69)	(69,265)

Table 7. Management and Maintenance Costs, AWHA v Global Accounts 2015

The trend in management and maintenance costs, per unit, over the course of the last five years is shown in the table below. Due to the size of the Association and our growth profile, component replacements and major planned investment programmes have a significant effect on our maintenance spend, making single year comparisons difficult.

price per unit	2016	2015	2014	2013	2012
Management	822	983	916	872	839
Maintenance	1463	1,309	1,211	1,064	1,029
Bad Debt	25	74	79	97	83

Table 8. AWHA Management and Maintenance Costs, 2012-2015

(2016 figures calculated on SORP 2014 basis)

The increase in management costs between 2014/15 and 2010/11 was only 12%, slightly in excess of the retail price index inflation increase of 9.7%. Accounting changes make the 2016 figure difficult to compare with previous years but the increase in part reflects the age profile of our stock and our expectation is that our maintenance costs will increasingly be comparable to those of other traditional housing Associations in the future as our stock ages.

During the finalisation of this year's VFM Statement, the HCA published the information regarding its Unit Cost Model. As we owned fewer than 1,000 units at the time, we were not included in the HCA's exercise. We do, however, welcome the exercise as a step towards a more consistent sector-wide approach to VFM measurement and we have used the HCA's methodology to determine our own comparative costs and to further analyse our cost structure.

The table below shows our cost per unit (cpu) figures for 2014-15 together with the HCA's headline CPU for the same year, alongside the figures for 2015-16 and the budget for 2016-17.

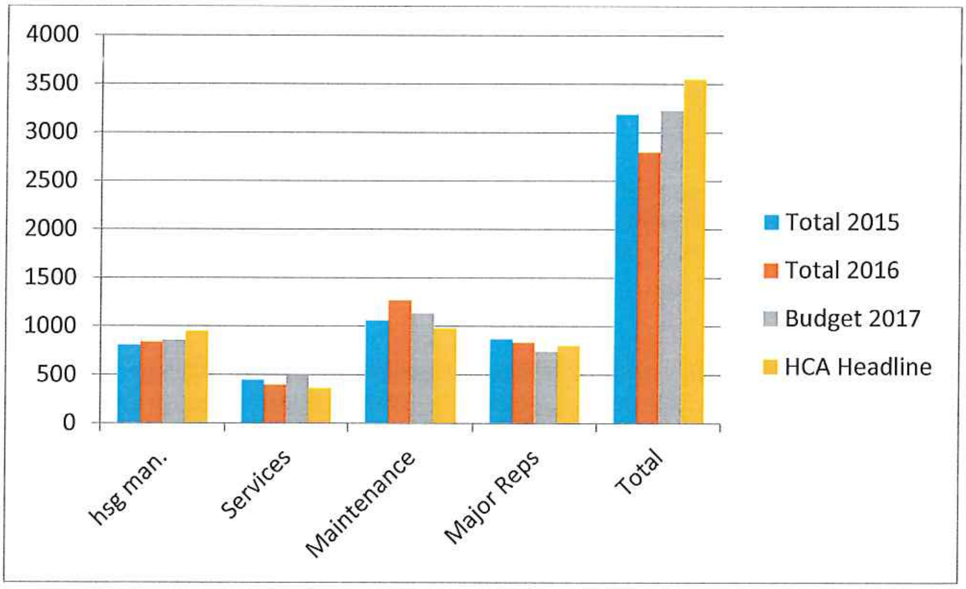

Table 9. Cost per unit, 2015 to 2017, with HCA Headline

These show that the Association performs well against the total headline social housing costs of £3,550. Equivalent costs in 2015-16 were £3,185. Also the housing management cost per unit was £807 against the HCA headline figure of £950. The cost per unit of Services is, of course, not directly comparable between housing providers. Our own c.p.u. is partly reflective of 15% of our stock being sheltered accommodation where a range of services are integral to our delivery model. Our combined asset costs (maintenance plus major repairs) were higher than the HCA headline in both 2015 and 2016, but in part this reflects one off planned investment programmes which fell in those years. The combined budget cost for 2017 (£1,874) is close to the 2015 headline figure (£1,780).

Later sections detail how we intend to manage and reduce these costs in future years. Key to understanding the opportunities to manage these costs, is the analysis of the cost structure of each of these major expenditure items. This is analysed below:

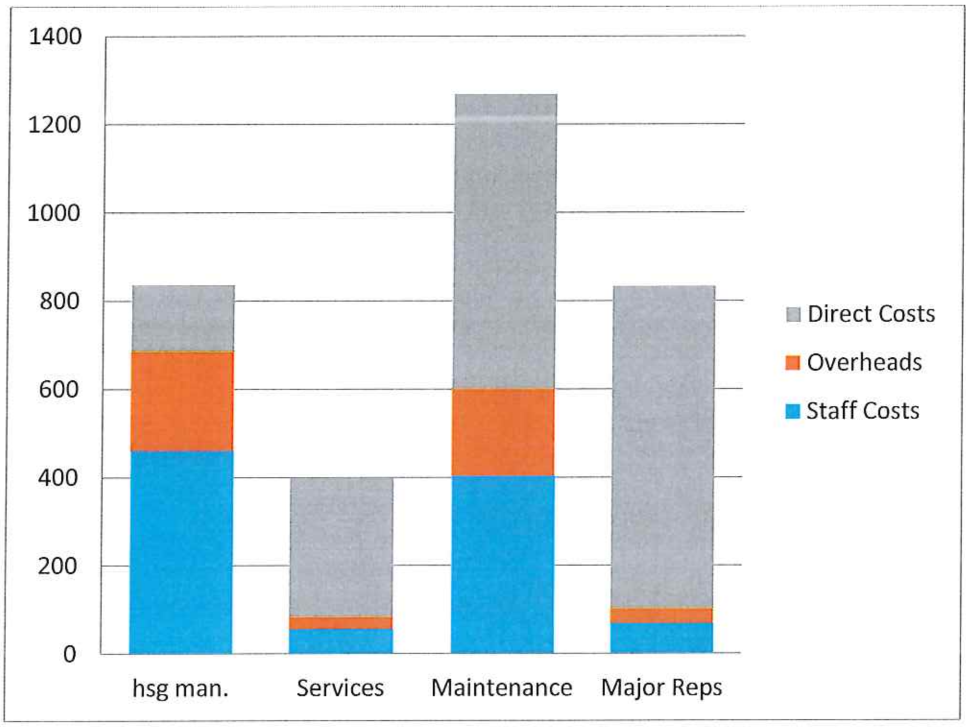

Table 10. Cost Structure of Major Expenditure Items, 2015-16

The cost structure analysis show that the most important determinant of management costs is staff costs, with overheads and direct costs being a much smaller proportion of the costs. Services and asset management expenditure are dominated by direct costs, with staff costs a significant proportion of maintenance costs. This analysis will help focus our future work to manage and reduce costs.

We utilise our financial strength to invest in capital works to our properties and also to fund the acquisition of new affordable homes in the communities in which we work. During 2015/16 we completed an investment programme of £1.45m in acquiring and refurbishing new properties, including final works to a 40 home sheltered scheme. We invested £633k in the replacement of 350 components in line with our long term strategy.

At the end of 2015-16, £32.2m had been invested by the government in Social Housing Grant in the Association. In 2015-16 this generated a saving for taxpayers and tenants of £2.4m as a result of our rents being lower than in the private sector. Of that saving, approximately £935k will go directly to tenants and £1,487k will go to the taxpayer as a result of lower housing benefit payments. This equates to an annual return on the SHG investment to the taxpayer of 4.6%. This saving is shown by each of the local authority areas in which we work in the table below, comparing our rents with the Local Housing Allowance (LHA) maximum, and the number of tenants paid by housing benefit:

	LHA	Rent	Difference	Homes	HB	Tenant Saving	HB Saving	Total Saving
Manchester	128.85	84.81	44.04	917	582	767,161	1,332,799	2,099,960
Trafford	158.52	92.30	66.22	81	42	134,301	144,631	278,932
Stockport	147.58	101.97	45.61	18	4	33,206	9,487	42,694
								-
Totals						934,668	1,486,918	2,421,586

Table 11. Savings to Taxpayer and Tenants of SHG-Funded Rent Subsidy, 2015-16

During the course of the year, the staff and management of the Association focused closely on opportunities to reduce costs and identified a range of cost reduction measures, many of which were taken forward. Some superfluous procedures were eliminated (e.g. the production and filing of paper copies of bulk documents from our operational database), some new methods of undertaking core work were also introduced (e.g. sending bulk mailings as computer files to a specialist mail distributor to despatch on our behalf and at a significantly lower cost), we also put significant effort into securing the email addresses of our tenants to enable us to communicate with them more speedily and cheaply than by post. This range of initiatives is expected to save £25,000 over the course of a full year, of which £16,000 reflects cash savings and £9,000 savings in staff time.

In the summer, we introduced the ability to take rent payments by debit and credit card directly, rather than by using an intermediary. As at the end of the financial year, we had received over £100,000 through this payment route.

8. Key Performance Indicators

At the end of the financial year, we conducted a STAR survey into tenant satisfaction, the results of which are shown below:

Key Service Area	% satisfied	Quartile Position
Overall satisfaction with services provided by landlord	90	1
Satisfaction with overall quality of home	89	1
satisfaction with repairs and maintenance	89	1
satisfacton with value for money of rent	87	1
satisfaction with area as a place to live	86	2

Table 12. STAR survey results, 2016.

The figures are part of a trend of broadly increasing customer satisfaction with the services provided by the Association, the quality of the homes we provide and the areas in which we operate, over the course of the last ten years. This is shown in the table below:

Percentage Satisfaction with:	**2016**	**2012**	**2010**	**2006**
overall services provided	90	91	87	80
general condition of home	90	84	82	n/a
quality of home	89	85	82	n/a
repairs and maintenance	89	90	83	80
value for money of rent	87	75	69	n/a
area as a place to live	86	83	80	71
community	85	82	82	n/a
taking resident views into account	82	78	74	n/a
outcome of last contact	78	77	74	n/a
opportunities to take part in management and decision making	72	73	71	65

Table 13. Ten Years STAR survey satisfaction measures.

We have compared other elements of our performance against that of other North Western Associations which are members of Housemark.

	Measure	Direction of Travel	2015/16 Arawak Walton	2015/16 Quartile	2014/15 Arawak Walton	2014/15 Quartile	2013/14 Arawak Walton	2013/14 Quartile
Ave time taken to answer inbound phone calls	seconds	B	4	1	4.5	1	4.1	1
% void losses - GN	%age	B	0.59	2	0.84	2	0.74	3
Ave re-let time - GN	days	W	34.5	4	24	2	28	3
Ave re-let time - HfOP	days	W	49.5	3	16	2	30	3
Ave days lost due to sickness absence	days	B	9	3	10.9	3	7	3
% of lettings to BME households	%age	W	68	1	71	1	68	1
% rent collected - GN & HfOP	%age	W	100.5	2	100.8	1	98.4	3
Current tenant arrears - GN & HfOP	%age	B	4.6	3	5	3	5.93	4
Former tenant arrears - GN & HfOP	%age	B	1.5	4	1.8	4	1.31	3
% Rent written off - GN & HfOP	%age	W	0.6	3	0.57	3	0.62	4
Satisfaction - listens to views and acts	%age	B	82	3				
Percentage of tenants satisfied with repairs and maintenance based on repairs completion advice	%age	W	95	4	97	3	95	2
% repairs completed within target time	%age	W	98	3	98	2	99	2
% emergency repairs completed within target	%age	W	99	3	100	3	100	3
% urgent repairs completed within target	%age	W	98	3	98	2	98	2
% routine repairs completed within target	%age	W	97	3	98	2	99	2
Number of responsive repairs completed in the period	number		5422		5501		4968	
% dwellings with a valid gas safety cert	%age		100	1	100	1	100	1

Direction of Travel B= better then previous year, W= worse than previous year
Data as at 10th June 2016

Table 14. AWHA Operational performance and Quartile Ranking 2012-2015

The table shows AWHA's performance for the last three years together with the Housemark North West actuals for the period. The Quartile column indicates the performance quartile AWHA is located in, i.e. quartile 1 shows that AWHA's performance was in the top 25% of the Housemark sample. Our performance figures are not currently externally validated by Housemark.

We make customer service a top priority at the Association and we are delighted that we are top quartile for the speed we answer tenants enquiries. We are aware that many associations have allowed the speed of response to telephone queries fall in recent years to force customers to "Channel Shift" to digital platforms and this has been discussed at all levels of the Association. We believe however that contact with people is a key part of our customer service offering and will continue to provide high quality timely responses over the telephone and at reception. This is not just in recognition in the value we place in interacting with our customers but also in recognition of the specialist nature of the Association that houses and attracts a majority of people from BME communities and increasingly houses the elderly who are likely to require more support than people more familiar with the English language and technology.

We are pleased that we have managed to reduce the amount of money lost during voids periods and remain in the second quartile. The actual relet time has increased and this is partially due to the adoption of the new Housemark definition that ceases to discount major works and notice periods in the process. It also reflects the age of the stock that requires more work at voids stage and also the challenge of working in run down neighbourhoods where properties require more works. In addition the increase in the re-let time in Older Persons Housing reflects taking on the challenge of redeveloping failing sheltered schemes and bringing them up to a high standard. We are endeavouring to improve the re-let time by implementing a new element of our operational database that can track all actions relating to re-letting to identify delays in the process.

The current tenants' arrears have moved from the bottom to the third quartile and is a continuing focus of our work. In the past 12 months we have embedded changes in the way we work which is more focussed on the targeting of problem cases and extended the number of staff involved in rent arrears to ensure a consistent level of service delivery. We will continue to improve this performance in 2016/17.

Residents' satisfaction with the repairs service has remained constant across the last 3 years which is encouraging considering that we attempted to move tenants away from postal forms in 2015/16 and towards email and on-line responses. This led to a decrease in feed back that has been supplemented with telephone surveys. We are however presently researching the service with a view to change how we deliver this to tenants and particularly how we can move the quality assurance of works and contractors' performance closer to the front line.

The Association introduced a four year cost of living pay freeze for all staff commencing in 2016. This will help us contain costs in the future and will save approximately £80,000 in inflationary increases.

The Association has not explored the potential of Social Return on Investment approaches, partly because the application of the methodology is in its infancy in the social housing sector and partly because of the resource demands the use of this approach would require. This will be kept under constant review, especially as the methodology develops and becomes more widespread in the sector.

9. Procurement

As we work in some of the most deprived areas of Manchester, Trafford and Stockport and our procurements fall below OJEU thresholds, one of our objectives is to support local businesses and local employment. To that end we try to use local contractors to undertake repairs to our properties. During 2015/16, 94% of our repairs, by cost, were undertaken by north west based contractors. This retained almost £1.5m in the local economy.

Over the course of the 2015/16 financial year the Association has:

Continued to secure cost savings in the procurement and installation of components such as boilers by negotiating directly with suppliers. The average cost of a boiler installation has fallen by 15% over the course of the last four years, saving £41,000 in the 2015/16 financial year. The average cost of a bathroom installation over the same period has fallen by 29%, saving £48,000 in the 2015/16 financial year.

Our boiler replacements programme also saved our tenants an estimated £141,000 in fuel costs in 2015/16 and over the course of the last six years has saved them almost half a million pounds. In addition it has reduced carbon dioxide emissions from our properties by 1.37 million kilograms.

Likewise, the cost of bathroom installations has fallen by 29% since 2013 as the result of re-specifying the range we fit, whilst maintaining quality and also benefitting from competitive deals from new contractors. In 2015/16 this saving equated to £48,000.

The cost of individual kitchen installations has increased by 15%. In response to customer feedback the Association increased the specification of the kitchens it installs. These are expected to both better meet the needs of our customers and also to be more durable and have a longer lifespan resulting in an overall reduction in costs over a 30 year period.

The costs of window replacements have increased primarily because we have amended the specification to include the replacement of front and back doors with solid and secure UPVC doors. These are more durable than wooden doors, require less maintenance and do not incur cyclical painting costs.

Our process of tendering has ensured that our contractors continue to offer good prices for their work.

Our membership of the North West Community Housing Association's Asset Manager's Group enabled us to reduce the cost of asbestos surveys from £220 to £120 per survey.

10.Treasury

By fixing loans at favourable rates of interest for numbers of years, during 2015/16 we fixed a further £700k of loans (over 5% of our loan book) at an average rate of 3.65%.

The table below shows the changes in our loans and cost of capital over the course of the last five years. The average cost of capital has fallen by 140 basis points during that period, representing interest savings amounting to £199,000 during 2015/16. The average cost of capital for traditional housing associations in the 2014/15 Global Accounts was 5.6%, showing that the AWHA's size has not had an adverse effect on the finance deals it has been able to secure. The interest rate difference equates to a saving in 2015/16 of £229,000. The Association's cost of capital has consistently been below the traditional's average over the course of the last three years.

	2016	2015	2014	2013	2012
Average Loan £000s	14,226	14,755	13,995	13,499	13,367
Interest £000s	581	599	646	683	729
Cost of capital	4.1%	4.1%	4.6%	5.1%	5.5%
Global Accounts		5.6%	5.2%	5.1%	4.9%

Table 15. Loans, Interest and Cost of Capital, 2012-2016

The table below shows changes in our gearing ratio over the course of the last five years. It shows that our gearing remains significantly below our covenant of 55% and that the Association retains significant borrowing capacity which it can utilise to meet the future demand for homes.

	2016	2015	2014	2013	2012
Gearing	36%	38%	38%	36%	38%

Table 16. Gearing Ratio 2010-2016

11. What are our plans for the future?

Most of the activities identified in Section 3 of this assessment remain relevant for the 2016/17 financial year, and we will continue to deliver them to support our delivery of value for money.

Other specific plans for the year are:

Overall

- the introduction of a four year pay freeze for staff from April 2016 to help contain cost and save circa £80k of inflationary pay increases.

- generate efficiencies which will enable us to deal with the increased workload arising from Welfare Reform without any significant increase in staff costs.

-Address those areas in which our KPI performance is below average.

-Significantly enhance our understanding of our comparative costs by joining the Housemark benchmarking service.

Assets

- acquire at least ten additional properties per year for letting at below market rent for waiting list applicants

- implement our new asset management strategy which targets our finite resources

- utilise the proceeds of the new Right to Buy to provide more homes for waiting list applicants and target our acquisitions in areas offering the best value for money

Operations

- undertake a major redesign of our website which will make some of our services more accessible to tenants who opt for digital service delivery

12. How will we use value for money gains?

Value for money gains which generate a cash saving will be used to reduce the cost of borrowing to develop new homes and continue our programme of investment in existing homes.

During the course of the transition to the new Welfare reform regime, it is expected that significant additional resource will be required to collect and process rents. VFM gains will also be used to fund this work. Time savings generated by the delivery of the ICT strategy will be crucial in this regard.

We will continue our support for the local economy by using local contractors where possible.

13. Summary of Value Generation 2015/16

The table below shows the value generated by the different activities detailed in the text of the assessment, together with the immediate recipient of the benefit. The savings attributed to AWHA are recycled to help achieve the Association's objectives.

Item £000s	AWHA	Tenants	Taxpayer	Total
Rent Subsidy (SHG)		935	1,487	2,422
Interest Savings	198			198
Delivery Model	51			51
Boiler Programme	41			41
Bathroom Programme	48			48
Overhead Efficiencies	25			25
Total	**364**	**935**	**1,487**	**2,785**

Table 17. Summary of Value Generation 2015/16

14. Conclusion

Arawak Walton Housing Association complies with the requirements of the Value for Money standard.

A copy of this statement is available on the Association's website at www.arawakwalton.com

By order of the Board of Management the report was approved on 20th July 2016 and signed on its behalf by:

C. D'Souza

Secretary

Statement of Compliance

The board confirms that this Strategic Report has been prepared in accordance with the principles set out in Para 4.7 of the 2014 SORP for Registered Social Housing Providers.

The Board has undertaken a review of the requirements of the Governance and Financial Viability Standard (April 2015) published by the Homes and Communities Agency, together with the Association's performance against these requirements. Based on this review, Board certifies its compliance with the requirements of this Standard.
The Board adopted the National Housing Federation Code of Governance (2015) in December 2015 and was in the process of implementing the Code at the date of the adoption of the statutory accounts.

By Order of the Board:

Signed: **Date: 20th July 2016**

We have audited the financial statements of Arawak Walton Housing Association Limited for the year ended 31 March 2016 on pages 21 to 44. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Board and the Auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 3, the Board is 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- Give a true and fair view of the state of the Association's affairs as at 31 March 2016 and of the Association's surplus for the year then ended; and
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

In our opinion the information given in the Board Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Beever and Struthers, Chartered Accountants and Statutory Auditor
St George's House, 215-219 Chester Road
Manchester M15 4JE

Date: 20th July 2016

	Notes	Year ended 31 Mar 2016 Association £	Restated Year Ended 31 Mar 2015 Association £
Turnover	2	5,361,043	5,193,237
Operating expenditure	2	(3,501,933)	(3,456,912)
Operating surplus		1,859,110	1,736,325
Gain on disposal of property, plant and equipment (fixed assets)		-	7,642
Interest receivable		2,015	1,707
Interest and financing costs	5	(595,695)	(612,109)
Total comprehensive income for the year		1,265,430	1,133,565

The financial statements on pages 21 to 44 were approved and authorised for issue by the Board on 20th July 2016 and were signed on its behalf by:

Chairperson: .... Board Member: .... Secretary: ....

The results relate wholly to continuing activities and the notes on pages 25 to 44 form an integral part of these accounts.

	Notes	Year Ended 31 Mar 2016	Restated Year Ended 31 Mar 2015
Fixed assets			
Tangible fixed assets	11	30,067,441	28,712,578
		30,067,441	28,712,578
Current assets			
Trade and other debtors	12	235,508	422,308
Cash and cash equivalents	13	860,241	1,444,204
		1,095,749	1,866,512
Less: Creditors: amounts falling due within one year	14	2,542,065	2,085,803
Net current (liabilities)		(1,446,316)	(219,291)
Total assets less current liabilities		28,621,125	28,493,287
Creditors: amounts falling due after more than one year	15a	19,816,413	20,954,000
Reserves			
Non-equity share capital	19	22	27
Income and expenditure reserve		8,804,690	7,539,260
Total reserves		28,621,125	28,493,287

The financial statements on pages 21 to 44 were approved and authorised for issue by the Board on 20th July 2016 and were signed on its behalf by:

Board Member: ....

Board Member: ....

Secretary: ....

The notes on pages 25 to 44 form an integral part of these accounts.

	Income and expenditure reserve £
Balance as at 1 April 2014	6,405,695
Surplus from Statement of Comprehensive Income	1,133,565
Balance at 31 March 2015	7,539,260
Surplus from Statement of Comprehensive Income	1,265,430
Balance at 31 March 2016	8,804,690

The notes on pages 25 to 44 form an integral part of these accounts.

	Year ended 31 Mar 2016 £'000	Restated Year Ended 31 Mar 2015 £'000
Net cash generated from operating activities (see Note i)	2,310,260	1,957,332
Cash flow from investing activities		
Purchase of tangible fixed assets	(2,027,404)	(1,403,065)
Proceeds from sale of tangible fixed assets	-	105,201
Interest received	2,015	1,707
Cash flow from financing activities		
Interest paid	(579,279)	(571,526)
Interest element of finance lease rental payment	(41,829)	(41,313)
Issue of ordinary shares	(5)	2
New secured loans	702,000	1,400,000
Repayment of borrowings	(853,033)	(535,384)
Capital element of finance lease rental payments	(96,688)	(38,579)
Net change in cash and cash equivalents	(583,963)	874,375
Cash and cash equivalents at beginning of the year	1,444,204	569,829
Cash and cash equivalents at end of the year	860,241	1,444,204

Note i

Cash flow from operating activities	Year ended 31 Mar 2016 £'000	Restated Year Ended 31 Mar 2015 £'000
Surplus for the year	1,859,110	1,736,325
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	672,541	707,003
Decrease/(increase) in trade and other debtors	186,800	(67,943)
(Increase) in trade and other creditors	(475,044)	(313,254)
Pension costs less contributions payable	131,844	(15,124)
Adjustments for investing or financing activities:		
Government grants utilised in the year	(90,404)	(90,404)
Interest payable	25,413	729
Net cash generated from operating activities	2,310,260	1,957,332

The notes on pages 25 to 44 form an integral part of these accounts.

Legal Status

Arawak Walton Housing Association Limited is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a Private Registered Provider of Social Housing. The registered office is Margaret House, 23 Manor Street, Ardwick, Manchester M12 6HE.

1. **Principal Accounting Policies**

Basis of Accounting
The financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014.

The financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The accounts are prepared on the historical cost basis of accounting and are presented in sterling £.

The financial statements have been prepared in compliance with FRS102 as it applies for the first time to the financial statements of the Association for the year ended 31 March 2016.

The Association transitioned from previous UK GAAP to FRS102 as at 1 April 2014. An explanation of how the transition to FRS102 has affected the reported financial position and performance, as well as the exemptions taken on transition, is given in note 24.

Going concern
The financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. Government's announcements in July 2015 impacting on the future income of the Association have led to a reassessment of the Association's business plan as well as an assessment of imminent or likely future breach in borrowing covenants. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

Judgements and key sources of estimation uncertainty
The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

a. **Development expenditure.** The Association capitalises development expenditure in accordance with the accounting policy described on page 27. Initial capitalisation of costs is based on management's judgement that development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

b. **Categorisation of housing properties** The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals.

c. **Impairment.** The Association has identified a cash generating for impairment assessment purposes at a property scheme level.

1. **Principal Accounting Policies (continued)**

Other key sources of estimation and assumptions:

a. **Tangible fixed assets.** Tangible fixed assets are depreciated over their useful lives. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account.

b. **Impairment of non-financial assets.** Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income. Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of its net realisable value or its value in use. A cash generating unit is normally a group of properties at scheme level whose cash income can be separately identified.

Following the assessment of impairment no impairment losses were identified in the reporting period.

Turnover and revenue recognition
Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and the Homes and Communities Agency, income from the sale of shared ownership and other income and are recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available for let, net of voids. Income from property sales is recognised on legal completion. Supporting People Income is recognised under the contractual arrangements.

Support income and costs including Supporting People income and costs
Supporting People (SP) contract income received from Administering Authorities is accounted for as SP income in the Turnover as per note 2. The related support costs are matched against this income in the same note. Support charges included in the rent are included in the Statement of Comprehensive Income from social housing lettings note 3 and matched against the relevant costs.

Service charges
Service charge income and costs are recognised on an accruals basis. The Association operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

Loan interest costs
Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and amount of maturity of the related loan.

Loan finance issue costs
These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts amortised. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

Principal Accounting Policies (continued)

Taxation
The Association is granted charitable exemptions by HM Revenue and Customs, under reference XR48512, effective from the 19th August 1998.

Value Added Tax
The Association is not registered for VAT. All amounts disclosed in the accounts are inclusive of VAT.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation. Housing properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

Freehold land is not depreciated.

Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred.

The Association depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

UELs for identified components are as follows:

Housing properties - new build	100 years	Housing properties - rehab	60 years
Kitchens	15 years	Bathrooms	25 years
Boilers	15 years	Rewire	30 years
Windows	35 years	Lifts	25 years

The association depreciates housing properties held on long term leases in the same manner as freehold properties, except where the unexpired lease term is shorter than the longest component life envisaged, in which case the unexpired term of the lease is adopted as the useful economic life of the relevant component category.

Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected economic useful lives which are as follows:

Fixtures and fittings	15% on cost	Office Equipment	15% on cost
Computer equipment	25% on cost	Office improvements (minor)	33% on cost
Office Building	60 years		

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 sales of fixed assets.

Capitalisation of interest and 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 into their intended use.

Principal Accounting Policies (continued)

Property managed by agents
Where the Association carries the majority of the financial risk on property managed by agents, income arising from the property is included in the Statement of Comprehensive Income Account.

Where the agency carries the majority of the financial risk, income includes only that which relates solely to the Association.

In both cases, the assets and associated liabilities are included in the Association's Statement of Financial Position.

Leasing and hire purchase
Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their economic useful lives.

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

Other leases are treated as operating leases and payments are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

Reverse premiums and similar incentives received on leases to enter into operating lease agreements are released to Statement of Comprehensive Income over the term of the lease.

Short-term debtors and creditors
Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

Social Housing and other government grants
Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. SHG received for items of cost written off in the Statement of Comprehensive Income Account is included as part of Turnover.

SHG must be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes and Communities Agency and Greater London Authority. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

Recycling of Capital Grant
Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the acquisition of new properties, where recycled grant is known to be repayable it is shown as a creditor within one year.

1. Principal Accounting Policies (continued)

Disposal Proceeds Fund (DPF)
Receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal are credited to the DPF, this creditor is carried forward until it is used to fund the acquisition of new social housing.

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

Retirement benefits
The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

The disclosures in the accounts follow the requirements of Section 28 of FRS 102 in relation to multi-employer funded schemes in which the Association has a participating interest.

Contributions payable under an agreement with SHPS to fund past deficits are recognised as a liability in the Association's financial statements calculated by the repayments known, discounted to the net present value at the year ended using a market rate discount factor of 3.02% at 31 March 2014, 1.92% at 31 March 2015 and 2.06% at 31 March 2016. The unwinding of the discount is recognised as a finance cost in the Statements of Comprehensive Income in the period incurred.

Financial Instruments
Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal:

Commitments to receive or make a loan to another entity which meet the conditions in para 11.8(c) of FRS 102 are measured at cost less impairment.

- Financial assets such as cash, current asset investments and receivables are classified as loans and receivables and held at amortised cost using the effective interest method.
- Financial liabilities such as loans are held at amortised cost using the effective interest method,

Categorisation of debt
The Association's debt has been treated as "basic" in accordance with paragraphs 11.8 and 11.9 of FRS 102. At both 31.3.15 and 31.3.16 the Association had an undrawn loan facility which included provision for a fixed rate loan which had a two-way break clause (i.e. in addition to compensation being payable by a borrower to a lender if a loan is prepaid where the prevailing fixed rate is lower than the existing loan's fixed rate, compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the prevailing fixed rate is higher than the existing loan's fixed rate). The Financial Reporting Council (FRC) issued a statement on 2 June 2016 in respect of such loans with no prescriptive direction as to whether they should be classified as "basic" or "non basic". On the grounds that the Association believes the recognition of each debt liability at cost provides a more transparent and understandable position of the Association's financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, the Association has retained its "basic" treatment of its debt following the FRC announcement.

2. Turnover, cost of sales, operating expenditure and operating surplus

	2016		
	Turnover £	Operating expenditure £	Operating surplus £
Social housing lettings (note 3)	5,268,041	3,430,902	1,837,139
Other social housing activities			
Supporting people	33,844	30,827	3,017
Other:			
Managed associations	49,031	40,204	8,827
Activities other than social housing			
Other	10,127	-	10,127
Total	5,361,043	3,501,933	1,859,110

	Restated 2015		
	£	£	£
Social housing lettings (note 3)	5,095,924	3,391,730	1,704,194
Other social housing activities			
Supporting people	38,679	28,398	10,281
Other:			
Managed associations	47,938	36,784	11,154
Activities other than social housing			
Other	10,696	-	10,696
Total	5,193,237	3,456,912	1,736,325

3. Turnover and operating expenditure

	Total 2016 £	Restated Total 2015 £
Income		
Rent receivable net of identifiable service charge	**4,412,847**	4,251,210
Service charge income	**423,145**	412,665
Amortised government grants	**90,404**	90,404
Other grants	**341,645**	341,645
Turnover from Social Housing Lettings	**5,268,041**	5,095,924
Operating expenditure		
Management	**843,738**	801,021
Service charge costs	**402,295**	442,269
Routine maintenance	**1,018,582**	946,221
Planned maintenance	**261,782**	106,221
Major repairs expenditure	**219,115**	378,425
Bad debts	**25,703**	36,052
Depreciation of Housing Properties	**659,687**	681,521
Operating expenditure on Social Housing Lettings	**3,430,902**	3,391,730
Operating Surplus on Social Housing Lettings	**1,837,139**	1,704,194
Void losses	**62,667**	38,674

4. Accommodation owned, managed and in development

	2016 No. of properties		2015 No. of properties	
	Owned	Managed	Owned	Managed
Social Housing				
Under management at end of year:				
General needs housing	818	42	802	42
Supported housing and housing for older people	147		147	
Low-cost home ownership	16		16	
Intermediate Rent	1			
	982	42	965	42
Non-Social Housing				
Under management at end of year:				
Staff Units	1		1	
	1	-	1	-

5. Interest and financing costs

	Association	
	2016	Restated 2015
	£	£
Finance leases	**41,829**	41,313
Deferred benefit pension charge	**8,000**	13,000
On loans repayable within five years	**209**	477
On loans wholly or partly repayable in more than five years	**536,248**	550,621
Costs associated with financing	**9,409**	6,698
	595,695	612,109

6. Surplus for the year

	2016	Restated 2015
	£	£
The surplus is stated after charging/(crediting):-		
Auditors remuneration (excluding VAT):		
Audit of the financial statements*	**4,860**	4,860
In respect to other services	**1,270**	700
Operating lease rentals:		
- Office equipment	**10,705**	6,699
Depreciation of housing properties	**659,687**	681,521
Depreciation of other fixed assets	**12,854**	25,481
Surplus on sale of other fixed assets	**-**	7,642

7. Taxation

The Association has charitable status and hence is exempt from paying Corporation Tax.

8. Directors' remuneration

	2016	2015
	£	£
The aggregate emoluments paid to or receivable by non-executive Directors and former non-executive directors	**3,996**	3,996
The aggregate emoluments paid to or receivable by executive Directors and former executive directors	**226,587**	220,127
The aggregate compensation paid to or receivable by Directors (key management personnel)	**-**	-
The emoluments paid to the highest paid Director excluding pension contributions	**92,840**	90,746
The aggregate amount of Directors or past Directors pensions, excluding amounts payable under a properly funded pension scheme	**-**	-
The aggregate amount of any consideration payable to or receivable by third parties for making available the services of a Director	**-**	-
The aggregate amount of any consideration payable to Directors for loss of office	**-**	-

The Chief Executive is an ordinary member of the pension scheme. The pension scheme is a final salary scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by the Association of £6,808 (2015: £6,655) was paid in addition to the personal contributions of the Chief Executive.

Directors (key management personnel) are defined as members of the Board, the Chief Executive and any other person who is a member of the Senior Management Team or its equivalent.

9. Employee information

	Association 2016 No.	2015 No.
The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was:		
Office staff	**26**	24
Wardens, gardeners and cleaners	**4**	5
	30	29

	2016 £	Restated 2015 £
Staff costs		
Wages and salaries	**886,978**	846,509
Social Security costs	**72,086**	75,881
Other pension costs	**237,703**	56,146
Temporary Staff	**18,279**	4,458
	1,215,046	982,994

Other pension costs include the triennial revaluation of the Association's pension scheme amounting to £177k.

Aggregate number of full time equivalent staff whose remuneration exceeded £60,000 in the period:	2016 No.	2015 No.
£60,000 - £70,000	**2**	2
£70,000 - £80,000	**-**	-
£80,000 - £90,000	**-**	-
£90,000 - £100,000	**1**	1

10. Pension obligations

The Association participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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

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

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

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

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

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

PRESENT VALUE OF PROVISION

	31 March 2016 (£000s)	31 March 2015 (£000s)	31 March 2014 (£000s)
Present value of provision	563	431	447

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 31 March 2016 (£000s)	**Period Ending** 31 March 2015 (£000s)
Provision at start of period	431	447
Unwinding of the discount factor (interest expense)	8	13
Deficit contribution paid	(50)	(48)
Remeasurements - impact of any change in assumptions	(3)	20
Remeasurements - amendments to the contribution schedule	177	-
Provision at end of period	563	431

INCOME AND EXPENDITURE IMPACT

	Period Ending 31 March 2016 (£000s)	**Period Ending** 31 March 2015 (£000s)
Interest expense	8	13
Remeasurements - impact of any change in assumptions	(3)	20
Remeasurements - amendments to the contribution schedule	177	-
Contributions paid in respect of future service*	61	56
Costs recognised in income and expenditure account	-	-

ASSUMPTIONS

	31 March 2016 % per annum	31 March 2015 % per annum	31 March 2014 % per annum
Rate of discount	2.06	1.92	3.02

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

11. Tangible fixed assets

	Housing Properties	Other fixed assets					Total Fixed Assets
	Social Housing Properties for Letting Completed £	Office Improvements £	Fixtures & Fittings £	Office Equipment £	Computer Equipment £	Office Buildings £	Total fixed assets £
Cost							
At start of the year	33,428,270	126,865	49,624	33,417	105,625	242,004	33,985,805
Additions to properties acquired	1,147,025	2,227	-	1,408	1,674	-	1,152,334
Works to existing properties	875,071	-	-	-	-	-	875,071
Disposals	(228,396)	-	-	-	-	-	(228,396)
At end of the year	**35,221,970**	**129,092**	**49,624**	**34,825**	**107,299**	**242,004**	**35,784,814**
Depreciation and impairment							
At start of the year	4,915,694	123,440	43,203	32,994	100,731	57,166	5,273,228
Charge for the year	659,687	4,167	1,269	521	2,864	4,033	672,541
Disposals	(228,396)	-	-	-	-	-	(228,396)
At end of the year	**5,346,985**	**127,607**	**44,472**	**33,515**	**103,595**	**61,199**	**5,717,373**
Net book value at 31 March 2016	**29,874,986**	**1,485**	**5,152**	**1,311**	**3,704**	**180,804**	**30,067,441**
Net book value at 31 March 2015	28,512,576	3,425	6,421	423	4,894	184,838	28,712,577

Housing Properties comprise:

	2016 £	Restated 2015 £
Freeholds	**16,790,649**	16,422,000
Long leaseholds	**13,084,337**	12,090,576

Cost of properties includes £0 (2015:£0) for direct administrative costs capitalised during the year

Works to existing properties in the year:	2016 £	2015 £
Improvement works capitalised	**208,666**	232,936
Components capitalised	**666,405**	778,755
Amounts charged to expenditure	**480,898**	484,646

The net book value of other fixed assets includes £1,145,662 (2015: £1,152,268) in respect of assets held under finance leases.

12. Trade and other debtors

	2016 £	2015 £
Rent arrears	**258,243**	284,380
Less: provision for bad debts	**(89,577)**	(99,485)
Other debtors	**4,695**	11,847
Prepayment and accrued income	**62,147**	225,566
Debtors are all due within one year	**235,508**	422,308

13. Cash and cash equivalents

	2016 £	2015 £
Cash at bank	**860,241**	1,444,204
	860,241	1,444,204

14. Creditors: amounts falling due within one year

	2016 £	Restated 2015 £
Loans and overdrafts (Note 15b)	**696,529**	787,859
Trade creditors	**6,071**	15,948
Rents and service charges paid in advance	**100,261**	76,351
Other taxation and social security payable	**18,303**	21,186
Accruals and deferred income	**452,231**	594,500
SHPS pension agreement plan (Note 10)	**56,865**	42,156
Deferred Capital Grant (Note 16)	**90,404**	90,404
Other Grant	**341,650**	341,646
Disposal proceeds fund (Note 17)	**-**	-
Other creditors	**16,695**	19,065
Obligations under finance leases (Note 18)	**763,056**	96,688
	2,542,065	2,085,803

15(a). Creditors: amounts falling due after more than one year

	2016 £	Restated 2015 £
Loans (Note 15b)	**13,660,977**	13,720,679
Deferred Capital Grant (Note 16)	**5,579,933**	5,670,337
Other grant	**34,399**	376,047
SHPS pension agreement plan (Note 10)	**506,358**	389,222
Disposal proceeds fund (Note 17)	**34,746**	34,659
Obligations under finance leases (Note 18)	**-**	763,056
	19,816,413	20,954,000

15(b). Debt analysis

	2016 £	2015 £
Loans repayable by instalments:		
Within one year	**696,529**	787,859
In one year or more but less than two years	**715,907**	666,113
In two years or more and less than five years	**2,524,899**	2,351,370
In five years or more	**10,600,044**	10,819,839
Less: loan issue costs	**(179,873)**	(116,643)
Total loans	**14,357,506**	14,508,538

The loans are repayable monthly/quarterly and half yearly at varying rates of fixed and variable interest rates. The loans are repayable over terms of 15,25,30 and 35 years.

All loans are secured by specific charges on the Association's Housing Properties.

The interest rate profile of the Association at 31 March 2016 was:

	Total **£**	**Variable Rate** **£**	**Fixed rate** **£**	**Weighted Average rate** **%**	**Weighted average term** **Years**
Instalment loans	14,537,379	3,672,952	10,742,363	4	14

16. Deferred capital grant

	2016 £	Restated 2015 £
At start of the year	**5,760,741**	5,851,145
Grant received in the year	-	-
Released to income in the year	**(90,404)**	(90,404)
At the end of the year	**5,670,337**	5,760,741

	£	£
Amount due to be released < 1 year	**90,404**	90,404
Amount due to be released > 1 year	**5,579,933**	5,670,337
	5,670,337	5,760,741

17. Disposal proceeds fund

		2016 £	2015 £
At start of year:	Funds recycled	**34,659**	80,781
	Net PRTB receipts	-	55,622
	Certain proceeds of profit making PRPs	-	-
	Interest accrued	**87**	256
	Transfers from other PPRPs	-	-
Use/allocation of funds:	New build		
	Major repairs and works to existing stock	-	(102,000)
	Transfers to other PPRPs	-	-
	Other	-	-
Repayment of funds to the HCA/GLA		-	-
At end of year		**34,746**	34,659
Amounts three years old or older where repayment may be required		-	-

18. Obligations under finance leases

	2016 £	2015 £
Due within one year	**763,056**	-
In one year or more but less than two years	-	859,744
In two years or more and less than five years	-	-
In five years or more	-	-
	763,056	859,744

The obligations under finance leases are repayable by equal instalments. Finance leases relate to housing properties and have options to purchase at the end of the lease.

19. Non-equity share capital

	2016 £	2015 £
Allotted Issued and Fully Paid		
At the start of the year	27	25
Issued during the year	1	2
Surrendered during the year	(6)	-
At the end of the year	22	27

The par value of each share is £1. The shares do not have a right to any dividend or distribution in a winding-up, and are not redeemable. Each share has full voting rights. All shares are fully paid.

20. Capital commitments

	2016 £	Restated 2015 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	101,000	902,269
Capital expenditure that has been authorised by the Board but has not yet been contracted for	-	-
	101,000	902,269
The Association expects these commitments to be financed with:		
Social Housing Grant	-	-
Proceeds from the sales of properties	-	-
Committed loan facilities	101,000	902,269
	101,000	902,269

21. Operating leases

The Association holds office equipment under non-cancellable operating leases. At the end of the year the PRP had commitments of future minimum lease payments as follows:-

	2016 £	Restated 2015 £
Within one year	7,368	7,855
In one year or more but less than two years	7,368	6,200
In two years or more and less than five years	2,068	8,267
In five years or more	-	-

22. Grant and financial assistance

	2016	Restated 2015
	£	£
Amortised Capital Grant	**1,113,023**	1,022,619
Obligation to recycle grant on disposal of stock transfers	**25,430,833**	25,136,154
Deferred Capital Grant (note 16)	**5,670,337**	5,760,741
Total Obligation to recycle on event of housing property disposal.	**32,214,193**	31,919,514

The Association receives grant from the Homes and Communities Agency which is used to fund the acquisition and development of housing properties and their components. The Association is responsible for recycling the grant in the event of the housing properties being disposed of. At 31st March 2016 this amounted to £32,214,193 (2015 - £31,919,514).

At 31/03/14, the date of transition to FRS102, the association transferred £5,851,145 grant to creditors. During the year ending 31/03/15 £90,404 was amortised leaving a balance of £5,760,741 within creditors.

23. Related parties

The following are related parties:

- The Board has tenant members who hold tenancy agreements on normal terms and cannot use their position to their advantage. Rent charged to the Tenant Board member was £4,332 (2015: £4,339). There are no arrears on their tenancies at the reporting period end £Nil (2015: £Nil).
- Directors Car Loan:
  The amount Outstanding on car loans for directors (key management personnel at the reporting period end £0 (2015: £1,764). £1,764 was repaid in the year on car loans.

Related party balances are not secured

24. First time adoption of FRS 102

	Note	Reserves as at transition date 1 Apr 2014 £'000	Surplus/(deficit) Year ended 31 Mar 2015 £'000	Reserves as at 31 Mar 2016 £'000
As previously stated under former UK GAAP		6,623,944	1,096,637	7,720,581
Transitional adjustments				
Increase in depreciation of housing properties	a	(703,962)	(68,600)	(772,562)
Increase in amortisation of grants relating to housing properties	b	932,215	90,404	1,022,619
Inclusion of SHPS pension deficit payment liability	c	(446,502)	15,124	(431,378)
As stated in accordance with FRS102		6,405,695	1,133,565	7,539,260

Explanation of changes to previously reported profit and equity:

a. FRS102 requires that capital grant previously deducted from the cost of fixed assets, is treated as creditors where the fixed assets are carried at cost. The effect compared to current UK GAAP is an increase to the carrying cost of housing properties resulting in an increase in the depreciation at transition of £703,962 and a decrease in the surplus for the year ended 31 March 2015 of £68,600.

b. FRS102 requires that government capital grant previously deducted from the carrying cost of housing properties is treated as a deferred capital grant creditor and released to the statement of comprehensive income over the useful life of the associated assets. The effect compared to current UK GAAP is an increase in income recognised on transition of £932,215, and £90,404 increase in surplus for the year ended 31 March 2015.

c. FRS102 requires that a liability is recognised for the contributions that arise from an agreement to fund a deficit in a multi-employer pension scheme. The effect is that a liability for the SHPS payment plan has been recognised at the present value of the contributions payable using the discount rate specified in note 10. This has resulted in a decrease in reserves of £446,502 at transition and an increase in the surplus in the year ended 31 March 2015 of £15,124.