LIVIN HOUSING LTD

Report and Financial Statements

For the year ended 31 March 2016

Registered Society No 30568R

LIVIN HOUSING LIMITED
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2016

Registered Society number	30568R
Homes and Communities Agency registration number	L4538
Registered office:	Farrell House, Arlington Way, DurhamGate, Spennymoor, Co Durham, DL16 6NL
Board:	Ian Youll (Chair) Adele Barnett Oliver Colling (from 21/09/2015) Mike Dixon Alan Fletcher Ian Gillespie (to 05/07/2016) Jonothan Hitchen Lucy Hovvels MBE Andrew Lowery Paul Mullis (Co-optee to 21/09/2015) Angela Rowlands Brian Stephens Kevin Thompson
Chief Executive	Colin Steel
Executive Directors:	Sean Brodie (Finance and Governance) from 06/07/2015 Alan Boddy (Housing and Business Development) Wayne Harris (Property and Development)
Bankers:	Nat West PLC 21 Market Street Ferryhill Co Durham DL17 8JN
Solicitors:	Trowers & Hamlins LLP 3 Bunhill Row London EC1Y 8YZ
Auditors:	Grant Thornton UK LLP Registered Auditors and Chartered Accountants No1 Whitehall Riverside Leeds LS1 4BN

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The Board of livin are pleased to present this report together with the audited financial statements of Livin Housing Limited (the Association) for the year ended 31 March 2016. This Strategic Report has been prepared in accordance with the ASB's 2006 Reporting Statement.

The financial statements have been prepared in accordance with the Statement of Recommended Practice for registered social housing providers 2014 and comply with United Kingdom Generally Accepted Accounting Practice (UK GAAP), including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

Principal Activities

The Association's principal activities are the development and management of affordable housing.

The Association's head office is based in Spennymoor, County Durham and its homes are mainly in County Durham, principally in the area of the former Sedgefield Borough Council.

The Association is a Public Benefit Entity and is a Registered Society under the Co-operative and Community Benefit Societies Act with charitable objectives and operates the key business stream of:

- Housing for rent, primarily by families who are unable to rent or buy at open market rates,
- Housing for the elderly.

The Association manages over 8,470 affordable housing homes.

Board Members and Executive Directors

The Board members and Executive Directors of the Association are set out inside the front cover (page i).

This year there have been changes to the Board as follows:

- Oliver Colling was appointed as an Independent Board member, replacing co-optee Paul Mullis.
- Following an election process in June 2015, Alan Fletcher and Andrew Lowery were re-appointed as tenant Board members.

More information on livin's board, including the specialist skills of individual members, can be found at The Board (unaudited information) on our website.
During the year, the Board members served on the following Committees:

Assets & Development Committee	**Audit & Risk Committee**
Ian Gillespie (Chair)	Oliver Colling (Chair)
Mike Dixon	Adele Barnett
Alan Fletcher	Mike Dixon
Jonothan Hitchen	Ian Gillespie
Andrew Lowery	Andrew Lowery
Kevin Thompson	Angela Rowlands
Ian Youll	Kevin Thompson

HR & Remuneration Committee	Performance Committee
Adele Barnett (Chair)	Brian Stephens (Chair)
Oliver Colling	Alan Fletcher
Alan Fletcher	Ian Gillespie
Lucy Hovvels	Jonothan Hitchen
Brian Stephens	Lucy Hovvels
Kevin Thompson	Angela Rowlands
Ian Youll	Ian Youll

During the year, the Board has undertaken a review of its composition and, following consultation with its tenants and shareholders, has agreed a change in composition. From September 2016, the Board will comprise eight independent Board members (who may be tenants) and two Councillor representatives. This allows us to appoint all Board members specifically for their skills, knowledge and expertise, in line with our adopted Code of Governance.

The Executive Directors are the Chief Executive and other members of the Association's senior management team. They hold no interest in the Association's shares and act as Executives within the authority delegated by the Board. Association insurance policies indemnify Board members and staff against liability when acting for the Association.

Pensions

The Executive Directors are members of the Durham County Council Local Government Pension Scheme, a defined benefit (final salary) pension scheme. They participate in the scheme on the same terms as all other eligible staff and the Association contributes to the scheme on behalf of its employees.

Other benefits

The Executive Directors are entitled to an allowance for the provision of a car. Details of Executive remuneration are included in note 10 to the audited financial statements.

Objectives and strategy

The Association's objectives and strategy are set out in its new Business Strategy. This supersedes the 2012-2015 corporate plan that was achieved ahead of schedule.
The new business strategy titled "Plan A" will "Raise Aspirations" and provide direction to livin's future plans and strategies. Plan A links livin's Mission, Vision and Values.

Our Mission is;

- **Providing Great Homes**
- **Sustaining Strong Communities**
- **Building a Successful Business**

Our Vision is;

- **Sustaining and growing safe, cohesive and vibrant communities through excellent customer service**

Our Values are;

- **FOREVER PLUS** which means Fairness, Openness, Respect, Enterprise, Value, Excellence, Reliability, Productive, Lean, Unified and Sustainable

We do all this "**To Improve Lives by raising the aspirations of our organisation, our people and our communities"**

Plan A is underpinned by nine high level business objectives and a series of Strategic Objectives which are structured to align to our Mission.

These Business Objectives are;

Building a successful business by:

- Optimising return on assets
- Increasing Financial capacity to enable growth
- Offering great customer service
- Enabling employees to flourish
- Excellence in Governance

Provide great homes by:

- Building and acquiring homes
- Improving existing homes

Sustain strong communities by:

- Enabling sustainable tenure
- Enabling socially and economically balanced communities

Our Strategic Objectives are;

Building a successful business:

- Optimising return on commercial assets
- Optimising return on homes
- Improving business efficiency and value for money to increase business health and growth
- Minimising lost income from voids
- Minimising rent arrears
- Maximising Income by creating new services/opportunities
- Offering easy access to services 24/7
- Offering high quality first point of contact response
- Developing an enabling HR infrastructure/operating environment
- Raising skills and improve productivity
- Ensuring employees are actively engaged and involved
- Raising skills to ensure continuous effective governance
- Ensuring business success through appropriate challenge and risk management

Sustaining strong communities:

- Delivering a focussed regeneration programme to regenerate failing communities
- Developing an offer for older and vulnerable people

- Offering support for life changing events
- Securing sustainable employment for tenants and residents
- Offering products and services to enable home ownership/sustainable tenure
- Enabling tenant's financial wellbeing

Providing great homes:

- Building and acquiring homes to meet housing need
- Providing well maintained, warm and efficient homes that are affordable to run

Our success criteria for delivering Plan A is;

Our organisation will be:
Ambitious, professional and efficient. Constantly challenging ourselves to be bold but maintaining sustainability and independence by recognising and balancing ambition with risk. An organisation which others wish to emulate, with a sound reputation as a landlord of choice and a best in class employer.

Our people will be:
Committed to working together to create a winning team, believing in the part they play as individuals in making the organisation a success and why. They will feel rewarded and recognised as a result and champions for both livin and its communities.

Our communities will be:
Places where people can aspire to improve their lives because they feel challenged and supported by an organisation which they trust. Being in a livin community or a livin home will in itself be an aspiration because of the positive impact and reputation of our organisation.

Performance and development

Senior management and the Board monitor achievement of the Association's objectives by measuring performance against targets. The Board agrees targets each year that are designed to manage development and deliver continuous service improvement.

The performance measures are monitored and reported to Board on a quarterly basis. Our performance against key indicators are set out in the table below.

Performance Indicator	**2015/16 Target**	**Performance score**	**Actual versus Target**
Average time taken to re-let housing – all properties (days)	35	66.7	☹
% of responsive repairs completed right first time	80%	87.43%	☺
% of emergency repairs attended within 2 hours	95%	90.0%	☹
% of repairs where an appointment which had been made was kept	98.5%	96.91%	☹
% of homes with a valid landlord gas safety record	100%	100%	☺
% of sustainable stock that comply with Decent Homes Standard	100%	100%	☺
Proportion of rent collected as a % of rent owed	99.5%	99.14%	☹
Rent arrears of current tenants as a proportion of rent roll	0.54%	0.52%	☺
% of rent lost through dwellings becoming vacant	1.5%	3.18%	☹
Number of working days / shifts lost due to sickness absence (Total)	5.99	4.0	☺
Employee turnover	25.69%	15.0%	☺

(note some of livin's performance scores above differ from Benchmarking scores due to differences in their definitions)

Finance

Our Funders received quarterly management accounts in accordance with the Covenant requirements. Arrangements are in place for livin to monitor budgets on a monthly basis.

Internal Audit arrangements continued to work well and the recommendations made on all reports have been reviewed and an action plan has been established to ensure they are all implemented. Internal audit work was carried out by PricewaterhouseCoopers LLP (PWC) during the year. Their work not only focuses on reviewing controls and risks but also adding value and making best practice recommendations. PWC's work identified low and medium rated findings and they believe that these are isolated to the specific systems and processes audited and when taken in aggregate, were not considered pervasive to the system of internal control as a whole.

Rent losses from voids

Our target for the year was to manage our housing homes to minimise the length of time they remained empty between lettings and keep related losses below 1.5% of rental income receivable**.** Our target was not achieved for the year with overall rent losses being 3.18% (2015 3.38%). The figure excludes voids held pending redevelopment or remodelling.

The rent loss (excluding service charges) in 2015/16 in respect of lettable voids was £1,086,094. This is in comparison to £1,172,631 for 2014/15, a decrease of £86,537. The type and location of certain properties, combined with the impact of Welfare Reform on housing benefit dependent tenants has resulted in areas of low demand. Mitigations have been put in place to reduce this impact. These mitigations continue to have a positive impact on void loss performance during 2016/17.

livin continues to work with existing and potential new tenants to ensure that they are able to afford their home and that sustainable tenancies are created.

Rent arrears

Overall, rent arrears in respect of current tenancies at the year-end stood at 0.52% (2015 0.64%) against an operational target of 0.54% after accounting for the timing of a housing benefit payment received shortly after the year end. Interventions originally put in place during 2014/15 continue to work well, helping tenants at an earlier stage (before falling into arrears), and also include strong recovery action where necessary. Support for customers who are struggling to pay was provided by the Smart Money Team and this has helped customers to manage their finances and thereby maintain regular rent payments.

livin continues to focus on arrears given the pressures of Welfare Reform and the on-going economic uncertainty caused by the outcome of the EU referendum.

Big Lottery Fund Grant (Monkey)

Monkey was originally set up to support young (16 to 24 year old existing tenants in rent arrears) and new tenants by ensuring they have access to affordable finance, fuel and furniture services and products. This scheme is now offered to all livin tenants. Support is given by increasing their skills and confidence to be able to use these services and develop an understanding of the relevance of financial inclusion and capability services. These increased skills should then help to prevent tenants falling into arrears and have a positive impact on livin's overall level of arrears.

Asset management

We are continuing to improve our residential accommodation. During 2015/16 we invested £8.3m to build new homes and ensure all our homes continue to meet the Decent Homes standard.

In addition to the 37 new build properties, 4 empty homes were acquired, 8 Section 106 units and 3 new build dwellings purchased from a registered provider. In total, 76 homes were disposed of during the year. These consisted of 36 Right To Buy, 1 Right To Acquire, 10 open market sales and 2 Homesteading sales. 27 units were disposed of by converting flats into houses.

Employees

We recognised that the success of our business depends on the quality of our managers and staff. It is the policy of the Association that training, career development and promotion opportunities should be available to all employees.

We are committed to equal opportunities and in particular we support the employment of disabled people as defined under the Disability and Discrimination Act (1995), both in recruitment and in retention of employees who become disabled whilst employed by the organisation.

The Board is aware of its responsibilities on all matters relating to health and safety. The organisation has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

Risks and uncertainties

In accordance with the HCA's Governance and Financial Viability Standards, the Board of livin retains ultimate responsibility for ensuring that an effective risk management framework is in place. Structured reporting processes ensure that the Board receives a quarterly update on key risks facing the organisation, takes risk management considerations into account when making key decisions, and reviews the effectiveness of the risk management framework on an annual basis.

The Audit and Risk Committee take an active role in scrutinising the organisation's Strategic Risk Register, considering the adequacy of the controls in place to manage these risks and the outcomes.

The key strategic risks, considered by livin's Audit and Risk Committee, are set out in the table below.

Key risk	Key controls in place, and actions being undertaken
1. Failure to deliver effective asset management	**We have an asset management programme in place setting out how we plan to:** • Consider tenure ratios in our neighbourhoods, with a view to creating balanced and sustainable communities • Consider how livin can further improve the value of its assets • Ensure that discretionary spending on our properties meets our core priorities • Regenerate our low demand supported housing properties • Ensure effective use of the recently implemented Asset Management System (Keystone) We have already made significant progress on delivering our asset management strategy.
2. Failure in the Supply Chain – considering all critical partnership and supply contracts	**Key controls include:** • Initial checks and ongoing financial monitoring for new and existing suppliers • Business Continuity Plans in place for key contracts • Use of Parent Company Guarantees with major suppliers • Insurance cover
3. Failure to deliver and maintain the Development Strategy	**Key controls include:** • Robust financial appraisal on new schemes • Board approval of development parameters • Membership of the Spirit consortium • Regular Board reporting setting out progress on key developments
4. Failure of the Open Market Sales Programme	**Key controls include:** • Structured budgeting processes, including the use of Board approved development parameters for project analysis • Limiting initial exposure to OMS risk by restricting the scope of the initial programme • Regular reporting of programme performance to the Board

Key risk	Key controls in place, and actions being undertaken
5. Failure to manage organisation capacity and increase productivity	**Key controls include:** • Performance management framework to monitor organisational performance • Competency framework for staff • Structured learning and development opportunities • livin Leaders programme livin has achieved the Investors in People Gold Accreditation, giving additional assurance over compliance in this area.
6. Failure to recognise and react to the current political and economic climate	**Key controls include:** • External validation of business plan • Board awareness sessions including away days • Use of retained Treasury Advisers • Governance framework enabling an efficient decision making process During the year the Board has considered the impact of a number of significant changes, including: • The 1% reduction in rent • Voluntary Right to Buy • Grant availability • Welfare Reform
7. Failure to effectively manage the Association's financial business plans	**Key controls include:** • Structured financial planning processes, including short, medium and long term (30 year) financial plans • Use of Business Intelligence information • Treasury Management strategy • Internal audit reviews of core financial processes • Stress testing of business plan
8. Failure to react to the financial implications of Welfare Reform	**The Welfare Reform changes, including Universal Credit and the benefit cap, are currently affecting only a small number of livin tenants, allowing us to consider the effectiveness of our processes prior to a full roll out. The controls we have in place include:** • Specialist staff able to provide welfare benefits and debt advice • Targeted campaigns providing intervention and support for tenants at risk • Business Intelligence

9. Failure to maintain effective corporate governance	**Our current control environment includes:** • Annual review of compliance against the HCA regulatory standards, NHF Code of Governance and NHF Code of Conduct • Annual probity report to Board • Structured Board reporting • Annual Statement of Internal Control considered and approved by the Board • Structured programme of internal and external audit, which includes internal audit reviews of core governance processes **Further strengthening of the Association's governance arrangements continued in 2015/16 including:** • A review of the effectiveness of our governance processes, resulting in a decision to amend the constitution of the Board • Reviews of our Risk Management and Value for Money processes
10. Failure to manage effective re-procurement of our Repairs and Maintenance contract	**Controls over this key re-procurement include:** • Use of external consultancy to ensure a robust and fair procurement process • Use of legal advice to ensure compliance with relevant legislation • Project risk register proactively identifying potential risks This contract has now been successfully re-procured and delivery of the new contract commenced on 1 July 2016.
11. Failure to deliver Value for Money	**We continue to embed VFM across the organisation, through:** • Value for Money objectives within the Business Strategy • Revised and refreshed Value for Money processes • Embedding VfM considerations in our procurement and performance management processes • Annual objectives and targets for VfM savings and achievements

Financial position

The Association's Statement of Comprehensive Income and Statement of Financial Position are summarised in Table 1 (page 28) and the following paragraphs highlight key features of the Association's financial position at 31 March 2016.

The overall surplus for the year amounts to £8.571m compared to a budgeted surplus of £1.171m, a favourable variance of £7.4m.

The main features that account for this exceeded budgeted surplus are:

- Reduced depreciation charges due to extending the useful economic life assumptions on fixed asset components.
- Lower than anticipated depreciation costs as a result of reduced improvement and development spend.
- Reduced interest costs due to savings resulting in lower than budgeted borrowing levels.
- Reduction in overheads following the Government's July 2015 budget.
- Reduction in staff costs following staff restructure and a move towards more efficient digital methods of working and communicating.
- Pension cost adjustments in accordance with Financial Reporting Standard 102.
- Lower than budgeted void losses and bad debts despite the impact of low demand areas.
- Reducing cyclical maintenance and repair costs by identifying low demand loss-making units suitable for demolition and subsequent redevelopment.

Following a review of livin's Business Plan and as part of the mitigations to reduce the impact of the 1% rent reduction, component life cycles were extended whilst still ensuring homes are properly maintained.

Housing Homes

At 31 March 2016, the Association owned 8,480 housing homes (8,504 at 31 March 2015). The homes are carried in the statement of financial position at historical cost (after depreciation) amounting to £112.36m (£109.09m at 31 March 2015). The Existing Use Value for Social Housing (EUV-SH) of these properties, as valued by Savills (UK) Limited (independent chartered surveyors) was £119.35m (£117m at 31 March 2015).

Pension costs

The Association is an Admitted Body to the Local Government Pension Scheme (LGPS). This Local Government Pension Scheme is a final salary scheme, offering good benefits for our staff. The Association has contributed to the scheme at a rate of 11% during 2015/16.

A full actuarial valuation of the LGPS is currently being undertaken (as at 31 March 2016) with results expected in late 2016.

Value for money strategy
livin's VfM Strategy was revised by the Board in July 2016 and is available on our website; it sets out the strategic approach used by the Board and executive teams to ensure that value for money is achieved when meeting the organisation's objectives. The overall vision is:

> *"to ensure that all activities and decisions undertaken by livin help to deliver the overall organisational objectives by demonstrating VfM and the effective use of resources, to achieve sustainable community benefits and continuous improvement in service delivery"*

VfM is embedded within livin's governance processes, its planning and performance management framework, and its service delivery culture. It forms a fundamental part of our Business Strategy and of our asset management and development strategies, focusing on sustainable performance in line with the purpose and the objectives of the organisation.

VfM is a key component of livin's core services, and therefore delivery of its purpose as a Social Housing business. livin believes that building sustainable communities will lead to a sustainable business.

livin's approach to VfM is strategically driven by the Board, which is comprised of non-executive directors, responsible for challenging and approving the annual budget and the long-term business plan. The Board's mix of skills, including expertise in Finance, Asset Management and Quality Assurance, together with high quality, independent VfM training from external providers, enables the Board to challenge the organisation's approach and achievements in delivering Value for Money, and to ensure that the decisions that they make about the organisation's future are grounded in sound VfM principles. During the year, the Board received training from our internal auditors on Value for Money, providing them with an update on current regulatory expectations and best practice in this area.

The strategic direction from the Board is translated into service level and individual targets, through livin's Performance Management Framework, which is monitored closely at both Board and executive level. Delivery against specific VfM initiatives is monitored by the Finance & Business Partnering team, and reported to Board via the Performance Management Framework.

We have included a summary of our Value for Money achievements in the year here in our financial statements; more detail is provided in our Annual Value for Money Statement 2015/16, which is available on our website, VfM self- assessment (unaudited information).

Making best use of our assets
During the year, livin spent £5.4m improving our existing homes, as well as £2.9m on the construction and purchase of new homes. Alongside this, we have a programme of strategic disposals for those properties which no longer meet the needs of our local communities.

We assess the ongoing suitability of our properties based on a Net Present Value calculation, which considers future expenditure on our properties, including repairs, likely anti-social behaviour, and expected void losses, to identify poorly performing assets and allow plans to be formulated in line with the Active Asset Management Strategy regarding future investment/disposal. This intelligence led approach provides an evidence base for the investment or disposal decisions to be taken by the Board and will result in a more sustainable, valuable and profitable asset base.

As a result of the 1% rent reduction to be applied from April 2016 to March 2020, announced by the Chancellor of the Exchequer on the 8th July 2015, livin has re-considered the Net Present Value of all its assets.

Return on assets

livin monitors the high level performance of return on assets by comparing the net surplus generated each year to the historical cost of its housing assets. This indicator has been chosen as it provides a broad measure of how successful livin has been in utilising its assets during the year.

Return on assets	2016	2015 (restated)	2014	2013
Surplus on net housing assets	7.63%	3.82%	3.49%	5.76%

The return on assets has doubled in the last year, reflecting the increase in livin's surplus from £4.1m to £8.5m.

During the year, livin reviewed the quality, warranty guarantees and expected lifetimes of the fixtures and fittings within its properties. The Board recognises that the right balance needs to be found between actively replacing equipment before it begins to cause inconvenience to tenants; and not wasting money or causing disruption to tenants by replacing equipment unnecessarily, and has identified that the timescales over which we had anticipated replacing some equipment within our properties, in particular cabling, boilers and windows, were too short. As a result, the Board agreed that the replacement cycles of these components could be extended; this resulted in a reduction in the depreciation charge on these components, representing a non-cash saving to the organisation of around £1.5m this year. The realisable savings have been incorporated into livin's 30 year Business Plan, and are as follows:

Component type	Increase to useful life	Savings
Cabling	+20 years	£5.5m
Windows	+15 years	£7m
Boilers	+5 years	£8.3m

Our post-transfer property investment programme was substantively completed in 2014/15, and the results in 2015/16 reflect the first year of operation where our programme of catch-up works was complete. As a result, we have incurred significantly lower capital expenditure on works to existing homes.

Asset management strategy

livin's Active Asset Management Strategy is a key component of the overall Business Strategy. The main focus of the strategy is to match livin's asset base to demand through a programme of development, acquisition, active disposal initiatives, demolitions and conversions. We have identified 197 properties which we intend to dispose of as they fall void; since the commencement of this programme, 40 such properties have been sold.

We continue to closely monitor those areas where there is low demand for our properties. The overarching Asset Management strategy defines which properties will receive investment, and provides solutions for those which are inefficient or no longer financially viable utilising the Net Present Value model, yield data and communities intelligence. VfM is a key consideration within this strategy, working within the framework of the Community Plans.

Our major regeneration project at York Hill in Spennymoor continues; we are seeking to commence significant regeneration of the community to maximise visual impact and revitalise community spirit, alongside the regeneration of the properties. The main York Hill estate consists of 150 flat roofed properties built in the 1930s, with a mixture of flats and houses; historically, there have been high levels of voids across the estate, and demand for flats in particular is very low. The regeneration scheme will replace flat roofs across the estate with pitched roofs; install external wall insulation; convert 64 flats into 32 three bedroomed houses; and improve the landscaping and external environment around the estate, in order both to improve the quality of our tenants' lives and increase demand for the homes in this area.

Over the last few years, livin has been closely monitoring voids within the Dean Bank area of Ferryhill. This area has an overprovision of rented homes and an under-representation of home ownership. livin, in common with a number of local housing associations, has many properties within this area, which are hard to let and which have a substantial negative Net Present Value. Following the success of our Homesteading initiative in 2014/15, which assisted 27 households into home ownership, we sold a further 6 long term void properties through the Homesteading programme. As well as the capital receipts from these disposals, which we intend to use towards future development, this initiative has led to an on-going cost saving through reduced Council Tax liabilities as all properties disposed of attracted 150% Council Tax.

Since transfer in 2009, livin has significantly improved the profile and NPV of its property portfolio. In our 2014/15 Value for Money report, we reported that very few of our properties had a negative NPV; in part due to refurbishment works, which have increased demand, and in part due to our programme of disposals of hard to let or low demand stock. Properties with a positive NPV add value to the business, whereas properties with a negative NPV are a drain on resources. Over time, livin's aim is to ensure all homes owned have a positive NPV.

Following the announcement of the 1% reduction in social housing rent over 4 years, from 1 April 2016 to 1 April 2020, which will decrease the expected lifetime income from our properties without having any effect on their costs, livin reassessed the net present value of its existing social housing stock. The income changes have had a negative effect on the overall NPV picture; further detail on the changes in the NPVs of our properties over time is set out in our Value for Money Statement.

New developments

During 2015/16, livin developed or acquired 45 new build properties; acquired 4 empty properties and brought them back into use; and purchased 3 properties from another housing association. We invested £5.0m in these new homes, which are across our core areas, including 21 properties at Caden Court in Sedgefield, one of our core, high demand areas. These properties are now occupied and are let at social or affordable rent levels.

Grant funding of £280,000 was received towards the new build properties through the HCA's Affordable Homes Programme 2015 – 2018.

Before making the decision to invest in a new property, livin undertakes a robust review of the likely return on assets that will be achieved. This includes:

- The net present value of the property in comparison to the net development or acquisition cost, including any grant funding;
- The yield that will be achieved from the property in comparison to its open market value; and
- Local levels of demand for the property.

Livin has a further £1.3m of grant allocated to it under the AHP. Following the Government's announcement of the 1% reduction in rent, livin reassessed all of its planned developments to ensure that they would continue to be viable; this reassessment indicated that livin continues to be able to deliver 69 units against the original plan of 72 on a viable basis. We are actively working with the HCA to identify additional developments where we might use the remainder of our grant to meet local needs.

Social return

livin focuses its community activities on empowering residents through a range of initiatives aimed at promoting financial inclusion, employability and training opportunities.

The Community Regeneration Fund supports projects that build community spirit and give a sense of ownership helping people to be proud of the areas where they live and more importantly creating communities where people want to live. In 2015/16, we provided grants of £168,000, and supported the partnerships we worked with to obtain an additional £401,000 in funding from other sources.

Through our livin Futures programme, we are passionate about supporting people to reach their true potential in the areas where we know our help is needed the most. Tackling issues such as unemployment, poverty and education are the three biggest things we can do to help create sustainable communities and more importantly help people to improve their own lives. We provide support in our communities to help people move into employment, including ensuring that we provide opportunities for apprenticeships wherever possible; arranging job fairs, where tenants can meet local employers; and holding training sessions.

Social Value calculations estimate the impact of our activities on the local community in monetary terms. Throughout 2015/16, livin has continued to use HACT's Social Value tool to quantify the amount of social value it has created through its livin Futures initiatives. In our 2014/15 annual report we set out how we had generated £3.5m of social value; in 2015/16, we further built on this and generated £4.5m as follows:

Activity	Age 16-24	Age 25+ or unknown age	Total social value generated	
			2015/16	2014/15
Assisted to find full time employment	106	173	£3,494,802	£3,195,310
Assisted to enter an apprenticeship	2	-	£2,985	£12,338
Provided employment training	318	282	£292,488	£21,073
Provided vocational education	6	23	£25,110	£36,367
Provided volunteering opportunities	3	4	£14,443	£5,327
Attend Keep Fit activities	20	-	£41,021	£16,016
Attend Youth Clubs	76	-	£151,703	£207,594
Member of Social Group	-	179	£160,905	-
			£4,183,457	**£3,494,025**

We undertake other activities which provide social value in a less quantifiable way. These include:

Initiative	Value
Smarterbuys Store and other low cost providers	Signposted 843 tenants to Smarterbuys and other affordable decorating and furniture suppliers, helping them to avoid more expensive high street providers Signposted 314 tenants to our low cost home insurance provider
Credit Unions	Referred 143 tenants to local credit unions, helping them to avoid using doorstep or payday lenders
Welfare Benefits Adviser	Helped customers to claim £94,624 in discretionary housing payments and £274,913 in other welfare benefits Supported 17 customers through the transition to Universal Credit
Debt Advice Service	Supported customers with a total of £374,417 of debt
Warm House Discount	Undertook 207 home visits, supporting eligible tenants to claim their Warm House Discount of £140 and to switch to lower cost energy providers where appropriate
SmartStart training for new tenants	Training and support increased the percentage of new tenancies not failing within 12 months to 98.3% (compared to a prior year figure of 78%)

Support for individual tenants includes:

- Access to the Smarterbuys Store, where tenants can purchase white goods and furniture at reasonable prices on affordable finance deals;
- Access to the MonKey project, which uses Big Lottery funding to help tenants manage their finances; and
- Financial inclusion training for new tenants and those in rent arrears, supporting them to better manage their budgets and sustain their tenancies

Performance Management and Scrutiny

The Value for Money Standard requires livin to have performance management and scrutiny functions which are effective at driving and delivering improved Value for Money performance.

livin has a strong performance management framework, refined over a number of years, which provides the Board with assurance over livin's performance.

Delivery of the VfM Strategy is monitored using livin's Performance Management Framework (PMF). The PMF is designed to manage performance holistically through a 'triangulated' approach using a combination of cost, quantity and quality measures. It aligns performance measures and targets to high level objectives covering all areas of the business and enables a forensic analysis of performance across all service areas. This supports livin's Board to ensure that the organisation maintains a focus on delivering value for money services, and identifies target areas for VfM interventions.

During 2015/16, performance was reviewed by the Board's Performance Committee. Due to changes in the Committee structure, from 2016/17 non-executive oversight and the scrutiny of performance will pass directly to the Board.

Performance is reviewed on a quarterly basis at the Performance, Value and Risk Clinic, which is chaired by the Chief Executive and attended by Senior Management Team, Heads of Service and key managers. This provides an opportunity to take an overarching and in-depth view of performance, value and risk.

During 2015/16, the PMF has been developed to allow us to use available benchmarking data more effectively. We submit four Priority Performance Benchmarking submissions during the year and complete the annual Core Benchmarking submission; we use this information to set performance targets in line with the best of our peer group, and to understand the comparative costs for livin of delivering its services in comparison to our peer group.

Service Delivery Costs

Understanding the costs of running our business, how these costs differ from those of our peers, and the main drivers of these variations, is very important to us.

Understanding the absolute and comparative costs of delivering specific services is key in delivering VfM. In last year’s VfM self assessment, comparative costs were determined using Housemark. In this year’s self assessment, livin has continued to use this benchmarking data, but has also used data extracted from the HCA’s published Global Accounts.

Performance and Cost using Global Accounts Comparatives

In June 2016, the HCA wrote to the Chairs of all registered providers providing them with details of their organisation’s costs compared to other registered providers, and classifying the outcomes between upper quartile (higher cost); upper median; lower median; or lower quartiles. The cost comparison produced by the HCA was based upon the financial results for the year ended 31 March 2015. The analysis undertaken by the HCA indicated that, “there was no significant evidence of a clear relationship between scale of a provider and lower costs”. This supports the view of livin’s Board that the organisation’s relatively small size is not a barrier to achieving good quality and good value in service delivery.

The HCA defined a measure of “headline social housing cost per unit,” in June 2016. This figure, taken from the Global Accounts, is intended to provide a consistent and robust general measure of costs across different organisations. In addition to the headline social housing cost per unit, the regulator also published five sub-categories of cost within their analysis.

livin’s recently revised Value for Money Strategy sets out our commitment to use comparative cost data from the HCA’s Global Accounts to understand the cost of delivering its services in the context of the costs incurred by other organisations.

Analysis of Current Year Costs

livin has reviewed this data and compared its cost levels with those of other providers, to understand whether our services are provided efficiently in comparison to our peers, both locally, against our Housemark peer group, and nationally, against all English housing providers with more than 1,000 properties. The analysis of livin against the national average shows that livin’s costs were in the upper median or lower median quartiles in 2014/15 compared to our peer group.

2014/15 Cost Comparisons	Headline social housing cost	Management CPU	Maintenance CPU	Major Repairs CPU
livin	**3.36**	**1.00**	**1.15**	**1.00**
livin performance	Lower median	Upper median	Upper median	Upper median
Upper quartile	4.30	1.27	1.18	1.13
Median	3.55	0.95	0.98	0.80
Lower quartile	3.19	0.70	0.81	0.53

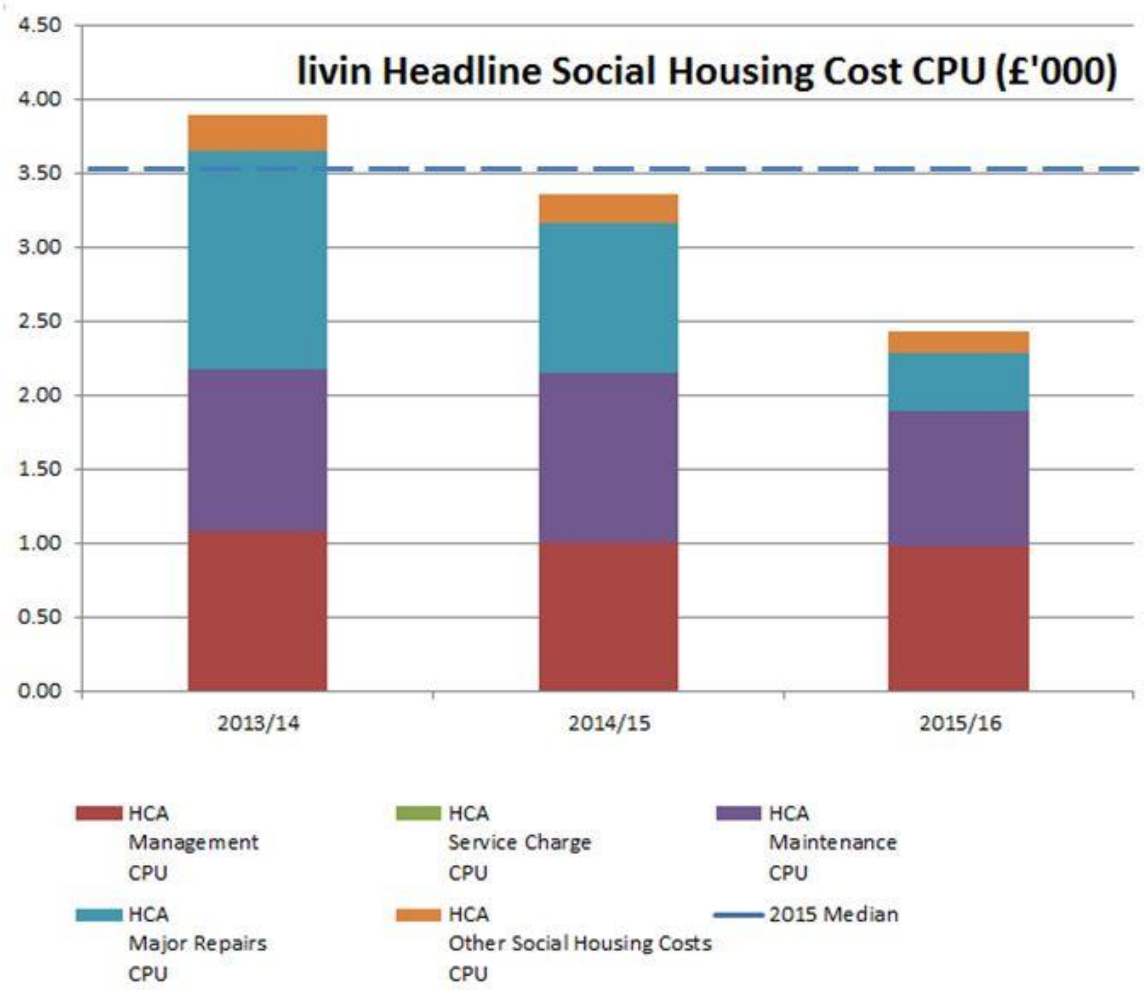
Analysis of Trends in Costs over Time

Further to the information provided by the HCA, we have used the Global Accounts to calculate the HCA's cost measures for both livin and its peer group over the past 3 years.

The table below shows the trend of livin's costs over the last three years. The cost categories shown are the same as those used by the regulator and have been reconciled to the data provided in the letter from the HCA.

livin	2015 Quartile	HCA Headline Social Housing CPU	HCA Management CPU	HCA Service Charge CPU	HCA Maintenance CPU	HCA Major Repairs CPU	HCA Other Social Housing Costs CPU
2013/14	Upper-Median	3.90	1.08	0.00	1.10	1.48	0.25
2014/15	Lower-Median	3.36	1.00	0.00	1.15	1.00	0.20
2015/16	Lower	2.44	0.98	0.00	0.91	0.40	0.15

This data shows that livin has reduced its overall 'Headline Social Housing' cost per unit over the last three years; and that livin's costs for 2016, as set out in its 2015/16 financial statements, are considerably lower than the published average cost for 2015.



The dotted line on the graph above shows the average (Median) 'Headline Social Housing' cost per unit for all registered providers for 2015, as published by the HCA. In 2015, livin's costs per unit were £3,360 compared to the median of £3,550 for all providers. This placed livin in the lower-median quartile for cost in 2015, with the lower quartile cost boundary starting at £3,180 per unit.

Analysis against Other Housing Providers

Using the HCA's cost analysis methodology, livin is able to compare itself to other relevant peer groups, as well as all English Housing Associations as a whole. The following table shows how livin compares to three different peer groups, using the published data for 2015.

	Compared with 16 other North East registered providers	Compared with all English LSVTs	Compared with livin's Housemark peer group	Compared with all other Registered Providers
livin 2015	Lower-Median	Lower-Median	Lower-Median	Lower-Median

This data again indicates that livin's service delivery costs also compare well to our peer group.

Benchmarking using Housemark

Basis of calculations

In addition to the data provided by the HCA and through the Global Accounts, livin continues to use Housemark's priority benchmarking service to compare its performance against other, similar registered providers. We seek to keep the peer* group as consistent as possible from year to year, and to report on the same performance information, to provide an unbiased and transparent indication of livin's performance, though we are dependent on our peers electing to continue participating in the priority benchmarking service; this has resulted in some changes to our peer group in 2015/16 compared to 2014/15.

The peer group selected is broadly comparable to livin although the average turnover of the peer group, at £70.7m, is higher than livin at £35m and the average number of homes managed by the peer group is 12,631 compared to livin's 8,478 (excludes shared ownership properties).

Information provided by Housemark allows us to understand our comparative costs of service delivery against other, similar providers, and is used in setting performance targets.

2015/16 Comparative Outcomes: Cost Headlines

A number of key financial, operational and satisfaction indicators have been selected to ensure the business maintains a balanced approach to its service delivery. The performance indicators for the last four years are shown below; the table also shows the trend for each indicator from 2012/13 to 2015/16.

livin's performance in comparison to its peer group is indicated in the table. Top quartile performance indicates that service delivery cost is lower than 75% of peers; bottom quartile performance indicates that service delivery cost is greater than 75% of peers. The peer group median is also given for each indicator.

Performance Indicator	**Performance**				**Trend**	**Peer group quartile**	**Peer group quartile**	**Peer group median**
	2012/13	2013/14	2014/15	2015/16	2015/16	2015/16	2014/15	2015/16
Cost headlines								
Operating margin (calculated using benchmarking criteria)	20.3%	20.0%	26.5%	36.4%	↑	Median	2	36.4%

* Peer group for 2015/16: Bolton at Home; BHPA; City West Housing Trust; Coast and Country Housing; Cross Keys Homes; Eastlands Homes; First Ark (new in 2015/16); First Choice Homes Oldham; Flagship Housing Group; Golden Gates Housing Trust; Halton Housing Trust; Incommunities; Liverpool Mutual Homes; Magenta Living; New Charter Homes; North Hertfordshire Homes Limited; One Vision Housing; Paradigm Housing Group; Pennine Housing 2000; Plymouth Community Homes; Rochdale Boroughwide Housing; Shoreline Housing Partnership; Trafford Housing Trust; Twin Valley Homes; Wakefield and District Housing; Walsall Housing Group; Wrekin Housing Trust; Yarlington Housing Group. Included in our 2014/15 peer group but not participating in 2015/16 early benchmarking were: Aspire Housing; Knowsley Housing Trust; Merlin Housing Society; North Lincolnshire Homes; Orbit Heart of England; Orbit South; WM Housing Whitefriars.

Performance Indicator	Performance				Trend	Peer group quartile	Peer group quartile	Peer group median
	2012/13	2013/14	2014/15	2015/16	2015/16	2015/16	2014/15	2015/16
Overheads as a % of adjusted turnover	11.2%	12.6%	12.4%	11.3%	↑	3	4	10.9%
Housing management CPP	£388	£345	£351	£333	↓	1	1	£433
Responsive repairs & void works CPP	£941	£1,093	£940	£968	↑	3	4	£838
Major works & cyclical maintenance CPP	£3,285	£3,277	£2,317	£1,138	↓	1	4	£1,501
Performance								
Repairs completed at first visit %	85.3%	83.6%	94.9%	95.7%	↑	1	2	91.4%
Average re-let time (days)	23.3	45.8	61.8	66.7	↑	4	4	24.42
Rent loss due to voids as % rent due	1.1%	3.3%	4.0%	3.9%	↑	4	4	1.0%
Rent arrears as % rent due (excluding voids)	3.1%	3.6%	3.1%	2.85%	↓	3	2	2.58%
Gross arrears written off as % rent due	0.3%	0.6%	0.8%	0.84%	↑	1	3	0.4%
Corporate Health								
Staff turnover	9.8%	11.5%	12.0%	25.7%	↑	3	2	18.8%
Average number of days lost to sickness	3.8	2.9	4.8	6.1	↑	1	1	7.9

Operating Margin

livin's operating margin has increased by £4.8m, which is an increase of 66% in the past year and now places us at median performance.

The main driver for this is the reduction in operating costs, which has resulted in an increased surplus, due to:

- Reduction in overheads following the Government's July 2015 budget.
- Reduction in staff costs following staff restructure and a move towards more efficient digital methods of working and communicating.
- Pension cost adjustments in accordance with Financial Reporting Standard 102.
- Lower than budgeted void losses and bad debts despite the impact of low demand areas.
- Reducing cyclical maintenance and repair costs by identifying low demand loss-making units suitable for demolition and subsequent redevelopment.
- Reduced interest costs due to savings resulting in lower than budgeted borrowing levels.
- Reduced depreciation charges due to extending the useful economic life assumptions on fixed asset components.
- Lower than anticipated depreciation costs as a result of reduced improvement and development spend.

Performance Indicators

Core benchmarking data for 2015/16 highlights the significant action taken by livin to actively manage costs, including increases in the operating margin, decreasing overhead levels, and well managed rent arrears. The completion of our catch-up property works has seen a corresponding reduction in the cost of major works and cyclical repairs, and we anticipate seeing further reductions in both these costs and our responsive repair costs following the re-negotiation of a more competitive Construction Related Services contract.

We recognise that we have further work to do, in particular in order to address our rent losses due to voids, and our average re-let times; this is being addressed through ongoing improvements to our void management processes, and also through targeted investment in or disposal of properties in line with our Asset Management Strategy.

A detailed narrative on each of the Performance Indicators is set out within our full Value for Money Self Assessment which can be found on livin's website.

Value for money gains realised and future targets

Current and Future Savings

In our 2014/15 Value for Money report, published in September 2015, livin identified £3.02m of savings to be implemented throughout 2015/16, as a key part of livin's plans to mitigate the effect of the 1% rent cut announced on 8 July 2015.

We negotiated many of these savings during the year, and were able to bring some of these in very quickly, achieving partial in year savings. We have taken all of the steps that we need to in order to ensure that the effect of the 1% rent cut is fully mitigated, and the full effect of these savings will be realised in 2016/17. Cost reductions totalling £3.6m, compared to the previous year's budget, were approved by the Board, in February 2016, when setting the budget for 2016/17. These will be monitored quarterly by the Audit & Risk Committee and by the Board to ensure that they are achieved. At the time of writing, the management accounts for the first quarter of 2016/17 have been published, and livin is currently outperforming the budget by £415,000.

An assessment of the gains realised against the 2015/16 targets set is below.

Planned Savings	**Planned Value**	**2015/16 achieved**	**2016/17 and future years**	**Comment**
Reduced Community Investment Budget	£68,000	£68,000	£69,000	Achieved in 2015/16
Removal of free Tenants Garden Services for certain groups	£118,000	-	£111,000	A revised Grounds Maintenance contract came into effect from 1 April 2016, which excluded the provision of free garden services for tenants.
Reduction in Carelink Services provided by Durham County Council	£75,000	-	£94,000	These contracts were renegotiated with effect from 1 April 2016; savings will be realised from 2016/17 onwards.
Cancelling of un-productive Durham Gate Duke of Edinburgh Scheme	£10,000	-	£10,000	Cancelled from 1 April 2016 – savings will be realised from 2016/17 onwards.
Savings from the re-tendering of community Foundations contract	£10,000	£5,800	£10,000	Contract was renegotiated with effect from 1 Sept 15
Operational Savings on Construction Related Services Contract	£1,237,500	-	£1,713,180	Significant savings achieved through re-tender, with the new contract coming into effect from 1 July 16.
Savings in capital expenditure by extending the lifecycle of certain component replacements with our homes	£265,000 per annum	-	£106,900 in 2016/17 increasing further in future years	Following a review of the warranties in place over components, and consideration of actual replacement lives incurred to date, we were able to extend these lifecycles by more than originally anticipated. This will generate savings of £19.2m over the next 30 years.
Improved modernisation and	£617,000	£490,000	£606,000	Employee costs were reviewed, challenged and reduced

business efficiency leading to reduced employee costs				between July and November 2015; we will see the full year effect of these savings in 2016/17.
£100k Club – cost saving ideas identified by employee forum	£100,000	£20,000	£52,000	This work generated some immediately achievable savings, together with others which are likely to result in future cost savings.
Discretionary Spend Review savings identified	£350,000	-	£350,000	Areas of discretionary spend which did not add significant value to the business have been removed from the 2016/17 budget.
Increased Income				
Voids process re-engineering	£170,000	£86,000	£175,000	The improvements to our voids process took effect from late 2015/16, resulting in a decrease in void losses in the latter part of the year.
Total	**£3,020,500**	**£669,800**	**£3,297,080**	

Future Savings

In our Plan A Business strategy we have set ourselves a target to reduce expenditure across the business by a further £500,000. This is a challenging target, particularly when considered in the light of the significant savings made in 2015/16. Areas where we expect to make these additional savings include:

Additional savings secured following re-procurement of the Grounds Maintenance Contract	£117,000
Support tenants to exercise their ability to participate in mutual exchanges, reducing lost tenancies and unnecessary void works	£111,000
Tenancy Turnover Action Plan, helping tenants to sustain their tenancies and therefore reducing void management costs	£33,500
Income to be generated from sale of negative NPV and low demand properties for shared ownership	£33,000

Conclusion

Value for money is embedded in livin's culture and governance structure and there is a clear understanding of how delivering efficient and effective services benefits both customers and their communities.

Having successfully delivered the transfer promises to its tenants and invested in its homes, livin is moving on to deliver its Business Strategy, Plan A.

During 2015/16, we took action to secure £3.2m of efficiency savings, mainly through employee restructuring and contract re-negotiation, but also through a critical assessment of the services that we provide. Following this, we were able to deliver savings of £1.6m in the year. These savings ensure that livin is able to continue its work in the light of the future reduction in income announced in the July 2015 Emergency Budget.

We recognise the challenge in balancing excellent services, with high levels of customer satisfaction and achieving continued efficiency savings. The HCA's comparative cost metrics provide us with assurance that our cost management is moving in the right direction, showing improvements in efficiency from year to year and against our peer group. However, the cost comparisons through Housemark continue to highlight areas where we can focus our efforts in order to deliver specific services more efficiently.

Regulatory Judgement and Financial Viability Review

The Homes and Communities Agency conducted an In Depth Assessment shortly after the year end and has issued the following regulatory judgements on livin concluding:

Viable (V1) – The provider meets the requirements on viability set out in the Governance and Financial Viability standard and has the capacity to mitigate its exposures effectively (August 2016).

Properly Governed (G1) – The provider meets the requirements on governance set out in the Governance and Financial Viability standard (August 2016).

Capital structure and treasury policy

The Association's treasury management arrangements are considered below.

The Association borrowed a further £5m (2015 £7.8m) during the year, to finance its capital investment programme. £9.5m (2015 £3.0m) of this was repaid during the financial year. At the year end, Association borrowings totalled £72.9m (2015 £77.4m), £64.5m (2015 £64.5m) of which falls due to be repaid after five years as shown below.

Maturity	**2016**	**2015**
	£m	**£m**
Within one year	8.40	12.90
Between one and two years	-	-
Between two and five years	-	-
After five years	64.50	64.50
	72.90	77.40

The Association borrows from RBS, Barclays and Santander, at both fixed and floating rates of interest. Fixed rate loans are used to generate the desired interest profile and to manage the Association's exposure to interest rate fluctuations. The Association's policy is to have outstanding at any one time, a maximum of 30% variable rate loans, and 90% fixed rate loans. At the year-end, 88 % of the Association's borrowings were at fixed rates.

The range of interest rates on the outstanding amounts varies between 6.20% and 6.61% (including margins) for the fixed rate loans, and stands at LIBOR plus 2.75% for the revolving loan. These interest rates are higher than the sector average as the stock transfer which formed livin was concluded in March 2009. At this time, uncertainty in the financial markets meant borrowing costs were relatively high. These borrowing costs were at market rates at the time the loan facilities were put in place.

livin's Business Plan for 2016-46 has been prepared including updated estimates, assumptions on the impact of Welfare Reform, and known mitigations. In particular, savings that will be delivered following the re tender of the Construction Related Services Contract (from 1st July 2016), increased component life cycles and staffing restructures were factored into this plan. The impact of these is to reduce the forecast level of peak debt from £88.9m to £79.8m at 31 March 2017.

Costs associated with refinancing and breaking the existing fixed rate loans have increased due to adverse market conditions. Therefore, despite currently incurring higher than average interest costs, and following the Board's approval of the 2016-46 Business Plan, the Board decided that refinancing at this point was not in the interests of livin and did not deliver Value for Money. The Board will keep this decision under review.

The Association's lending agreements require compliance with a number of financial and non-financial covenants. The Association's position is monitored on an on-going basis and reported to the Performance Committee and Board each quarter. Recent reports confirmed that the Association was in compliance with its loan covenants at the statement of financial position date and the Board expects to remain compliant in the foreseeable future.

The Association had cash balances of £3.585m at 31 March 2016 (£1.882m 31 March 2015). The Association monitors cash flow forecasts closely to ensure sufficient funds are available to meet liabilities when they fall due, whilst not incurring unnecessary finance costs, by only drawing on loan facilities when required.

Interest Rate Risk

The Association finances its operations through a mixture of retained surpluses and bank borrowings. The organisation's exposure to interest fluctuations on its borrowings is managed by the use of both fixed and variable rate facilities.

Liquidity Risk

The Association seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and invest cash assets safely and profitably. In addition to drawn borrowings the Association has £17.1 million of undrawn committed facilities.

Credit Risk

The Association's principal credit risk relates to tenant arrears. This risk is managed by providing support to eligible tenants with their application for Housing Benefit and to closely monitor the arrears of self-funding tenants. The Association borrows and lends only in sterling and so is not exposed to foreign currency exchange rate risk.

Cash flows

Cash inflows and outflows during the year are shown in the Statement of cash flows (page 38).

The cash inflow from operating activities this year was £17.804m.

Future developments

The Board has approved plans to spend approximately £10.07m (after grant) during the next financial year to improve general housing (£6.0m in respect of capital improvements and maintaining homes at the decent homes standard and £4.07m after grant for the provision of new homes). £4.9m of the investment will be through new borrowings with the balance funded through the Association's rental income stream and existing bank balances.

Table 1 – Association highlights, two year summary

For the year ended 31 March	**2016**	**2015**
Statement of Comprehensive Income	**£,000**	**£,000**
Total turnover	35,068	34,285
Operating surplus	12,209	7,367
Surplus for the year transferred to reserves	8,571	4,168
Statement of financial position	**£,000**	**£,000**
Housing homes, net of depreciation	112,360	109,090
Other fixed assets	4,337	4,876
Investments including properties	7,487	7,479
Total Fixed assets	124,184	121,445
Current assets	5,282	4,155
Current liabilities	(13,902)	(19,517)
Total assets less current liabilities	115,564	106,083
Long term liabilities	70,183	69,777
Pensions liability / (asset)	2,120	2,070
Revenue Reserve	36,333	27,322
Revaluation Reserve	6,928	6,914
	115,564	106,083
Social housing properties	8,480	8,504
Non-social housing properties	-	-
	8,480	**8,504**

Statistics: -	**2016**	**2015**
Operating surplus as % of turnover	34.8%	21.5%
Surplus for year as % of turnover	24.4%	12.2%
Rent losses (voids and bad debts as % of rent and service charges receivable)	3.7%	3.9%
Liquidity (current assets divided by current liabilities)	(0.38)	(0.21)
Total reserves per home owned	£5,102	£4,026

Donations

The Association donated £40 (2015 nil) to the Teenage Cancer Trust, £30 (2015 nil) to Butterwick Hospice, £60 (2015 nil) to Text Santa, £266 (2015 £176) to Macmillan Cancer Support, £105 (2015 nil) to the Nepal Earthquake Appeal and £550 (2015 £2,786) to The Foundation of Light.

No political donations were made.

Going concern

The Association's business activities, its current financial position and factors likely to affect its future development are set out within this Strategic Report. The Association has in place long-term debt facilities (including £17.10 million of undrawn facilities at 31 March 2016), which provide adequate resources to finance committed property acquisitions, development programmes, along with the Association's day to day operations. The Association's ability to service these debt facilities and comply with lenders' covenants is monitored through cashflow forecasts, quarterly budget reports to the Performance Committee and Board, and the long-term business plan.

Announcements in the Government's Budget (July 2015) have reduced anticipated income in the Business Plan. livin's board considered and approved a revised business plan in September 2015. This plan included a series of specific mitigations and cost reductions to ensure that livin will continue to meet its financial covenants.

These cost reductions have been included in livin's 2016/17 budget and livin's Business Plan 2016-46. Performance in achieving these savings continues to be monitored through the budgetary control reports presented to Committee (and reported to Board) on a quarterly basis.

Whilst the rent reduction has impacted on the annual stock valuation for loan security purposes, livin remains compliant with the funder's asset cover ratio covenant. At 31 March 2016, this covenant was 62.3% compared to the covenant maximum of 91%.

Therefore, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Internal controls assurance

The Board acknowledges its overall responsibility, for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable assurance against material misstatement or loss.
The process for identifying, evaluating and managing the significant risks faced by the association is on-going and has been in place throughout the period commencing 1 April 2015 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

- Adoption and compliance with the NHF Code of Governance: Promoting Excellence in Governance (2015 Edition).

- Forward planning of key meeting dates and reporting requirements which are reviewed annually.

- Board approved terms of reference and delegated authorities for audit and risk, performance, assets and development and human resources committees and a scheme of delegation for the Chief Executive and Executive Directors.
- Clearly defined management responsibilities for the identification, assessment, ownership and management and evaluation and control of significant risks.
- Robust strategic and business planning processes, with detailed financial budgets and forecasts.
- Formal recruitment, retention, training and development policies for all staff.
- Business continuity arrangements including planning and testing.
- Established authorisation and appraisal procedures for significant new initiatives and commitments.
- A strategic approach to treasury management which is subject to external review each year.
- Regular reporting to the appropriate committee on key business objectives, targets and outcomes.
- Board approved whistle-blowing and anti-fraud and corruption policies.
- Board approved fraud policies, covering prevention, detection and reporting, together with recoverability of assets.
- Regular monitoring of loan covenants and requirements for new loan facilities.

A fraud register is maintained and any identified frauds are reported to the Audit and Risk Committee on a quarterly basis. During the year there were no identified frauds.

The Board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the Audit and Risk committee to regularly review the effectiveness of the system of internal control. The Board receives Audit and Risk Committee meeting minutes and where applicable would initiate follow up actions. The Audit and Risk Committee has received the Chief Executive's annual review of the effectiveness of the system of internal control for the Association, and the annual report of the internal auditor, and has reported its findings to the Board.

National Housing Federation (NHF) Code of Governance

livin has adopted the NHF's Code of Governance: Promoting Excellence in Governance (2015 Edition), and continues to follow and comply with the provisions of that Code. It is a requirement of the HCA's Governance and Financial Viability Standard that registered providers shall adopt and comply with an appropriate code of governance, and the Board considers compliance against this Code annually. In addition, livin has adopted the NHF Code of Conduct 2012, and again considers compliance against this Code on an annual basis.

The Board considers that it is fully compliant with these Codes at the date of signature of these financial statements.

Following the decision to amend the Board constituency representation arrangements, the adoption of a revised Code of Governance in 2015, and the introduction of the Co-operative and Community Benefit Societies Act, the Board and Shareholders have agreed to adopt a revised set of Rules, based on the NHF's 2015 Model Rules. The Rule change will come into effect at the September 2016 AGM.

livin continues to remunerate Board Members in accordance with its constitutional powers and probity arrangements, and periodically obtains independent advice on our remuneration levels, to ensure that these appropriately reflect the responsibilities of the Board.

Appraisal of Board Members forms a part of our regular governance processes and is independently facilitated. This assists in ensuring an appropriate development plan for members and also in ensuring the business has an appropriately skilled Board to manage the business it conducts.

Compliance with the HCA Standard: Governance and Financial Viability

The Board considers the adequacy of its governance arrangements on an ongoing basis, and specifically considered its compliance with the HCA's Governance and Financial Viability Standard at its meeting on 20 July 2016. The Board has concluded that the organisation complies with the standard.

Statement of the responsibilities of the Board for the report and financial statements

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

Co-operative and Community Benefit Societies legislation requires the board to prepare financial statements for each financial year. Under that law the Board Members have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102. Under Co-operative and Community Benefit Societies legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association for that period.

In preparing those financial statements the Board is required to:

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards and the *Statement of Recommended Practice (SORP)* for registered social housing providers 2014 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. 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.

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

Annual general meeting

The annual general meeting will be held on 21 September 2016 at livin's headquarters, Spennymoor County Durham.

Disclosure of information to auditors

At the date of making this report each of the Association's Board members, as set out on page (i), confirm the following:

- So far as each Board member is aware, there is no relevant information needed by the Association's auditors in connection with preparing their report of which the Association's auditors are unaware; and

- Each Board member has taken all the steps that he / she ought to have taken as a Board member in order to make themselves aware of any relevant information needed by the Association's auditors in connection with preparing their report and to establish that the Association's auditors are aware of that information.

External auditors

In October 2012, Grant Thornton LLP were re-appointed as auditors on a three year contract, with a two year extension, which has been exercised by livin.

Statement of compliance

In preparing this Strategic Report and Board report, the Board has followed the principles set out in the SORP 2014.

The report of the Board was approved by the Board on 21 September 2016 and signed on its behalf by:

Ian Youll
Chairman

Independent auditor's report to the members of Livin Housing Limited

We have audited the financial statements of Livin Housing Limited for the year ended 31 March 2016 which comprise the statement of comprehensive income, the statement of changes in reserves, the statement of financial position, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 (FRS 102).

This report is made solely to the housing association's members, as a body, in accordance with regulations made under 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 housing 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 housing association and the housing association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

As explained more fully in the Statement of Board Responsibilities (set out on page 31), the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2016 and of its income and expenditure for the year then ended;
- 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;

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 if, in our opinion:

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

Grant Thornton UK LLP

Graham Nunns
Senior Statutory Auditor
For and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds, England

Date:

: 21 September 2016

	Note	2016	2015
		£'000	£'000
Turnover	3	**35,068**	**34,285**
Operating costs	3	(22,859)	(26,918)
Operating surplus		**12,209**	**7,367**
Surplus on sale of fixed assets – housing properties	6	663	643
Interest receivable and other income	7	569	827
Interest payable and similar charges	8	(4,870)	(4,669)
Surplus on ordinary activities before taxation		**8,571**	**4,168**
Tax on surplus on ordinary activities		-	-
Surplus for the year		**8,571**	**4,168**
Actuarial gain/(loss) in respect of pension schemes	9	440	(2,260)
Revaluation reserve	14	14	4
Total comprehensive income for the financial year		**9,025**	**1,912**

The accompanying notes form part of these financial statements.

All activities of the Association are classed as continuing.

Historical cost surpluses and deficits were identical to those shown in the Statement of Comprehensive Income account.

The financial statements were approved by the Board of Directors on 21 September 2016

Ian Youll	**Alan Fletcher**	**Sean Brodie**
Chair	**Vice chair**	**Secretary**

	Income and expenditure reserve £'000	Revaluation reserve £'000	Total £'000
Balance as at 1 April 2014	25,414	6,910	32,324
Total comprehensive income for the year	1,908	4	1,912
Balance as at 31 March 2015	27,322	6,914	34,236
Total comprehensive income for the year	9,011	14	9,025
Balance as at 31 March 2016	36,333	6,928	43,261

The accompanying notes form part of these financial statements.

LIVIN HOUSING LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 March 2016

	Note	2016	2015
		£'000	**£'000**
Tangible fixed assets			
Housing properties	11	112,360	109,090
Other tangible fixed assets	12	4,337	4,876
Investments	13	4	10
Investment Properties	14	7,483	7,469
		124,184	121,445
Current assets			
Homes for Sale	15	-	46
Debtors	16	1,692	2,227
Cash at bank and in hand		3,590	1,882
		5,282	4,155
Creditors: Amounts falling due within one year	17	(13,902)	(19,517)
Net current liabilities		(8,620)	(15,362)
Total assets less current liabilities		115,564	106,083
Creditors:			
Amounts falling due after more than one year	20	70,183	69,777
Provisions for liabilities and charges			
Net pension liability	9	2,120	2,070
		72,303	71,847
Capital and reserves			
Income and expenditure reserve		36,333	27,322
Revaluation reserve	26	6,928	6,914
Association's funds		43,261	34,236
		115,564	106,083

The financial statements were approved by the Board of Directors on 21 September 2016

Ian Youll
Chair

Alan Fletcher
Vice chair

Sean Brodie
Secretary

The accompanying notes form part of these financial statements.

Livin Housing Limited (Registered under the Co-operative and Community Benefit Societies Act No 30568R)

	Note	2016	2015
		£'000	£'000
Net cash generated from operating activities	27	17,804	14,338
Cash flow from investing activities			
Purchase of tangible fixed assets		(8,426)	(16,614)
Proceeds from sale of tangible fixed assets		1,186	1,419
Grants received		500	1,141
Interest received		7	14
		(6,733)	(14,040)
Cash flow from financing activities			
Interest paid		(4,868)	(4,639)
New secured loans		5,000	7,800
Repayments of borrowings		(9,500)	(3,000)
		(9,368)	161
Net change in cash and cash equivalents		1,703	459
Cash and cash equivalents at beginning of the year		1,882	1,423
Cash and cash equivalents at end of the year		3,585	1,882

The accompanying notes form part of these financial statements.

1 Legal status

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is a registered housing provider.

2 Accounting Policies

Basis of accounting

The financial statements are prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

This is the first year in which the financial statements have been prepared under FRS 102. An explanation of the transition is provided in note 33. The date of transition to FRS 102 was 1st April 2014.

The financial statements are presented in Sterling (£).

livin holds a share in a joint venture, Spirit Regeneration and Development Co LLP. This interest has been disclosed as an investment in these accounts.

Going Concern

The Association's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. livin has long term debt facilities in place which provide adequate financial resources for reinvestment and development programmes along with financial cover for day to day operations. livin also has a 30 year business plan which shows it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the board has a reasonable expectation that there are adequate resources to continue operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates.

Significant management judgements include:

<u>Financial Instruments</u>
livin housing limited has put in place Facility Agreements with a portfolio of lenders, for the purposes of funding its stock improvement and new development programmes. Some of these Agreements contain two-way break clauses, which allow the lender to be compensated in the event of early repayment of a fixed rate loan if prevailing market rates of interest are below that fixed rate, and allow the borrower to be compensated if prevailing market rates of interest are above the fixed rate.

Under FRS 102, accounting entities must make a judgement as to whether such loan instruments should be classified on a fair value basis or an amortised cost basis. The Association has reviewed its Facility Agreements in respect of such two-way break clauses. Based on the nature of these clauses and the substance of the transactions relating to them, the Association has accounted for these loan instruments on the amortised cost basis.

Impairment
From 1 April 2016 livin has reduced social housing rents by one per cent per annum and will continue to do so until 2019/20 in accordance with the Welfare Reform and Work Act 2016. Despite cost efficiency savings and other business changes, compliance with the new rent regime has resulted in a loss of net income for certain social housing property. This is a trigger for impairment.

As a result, we estimated the recoverable amount of housing properties as follows:
(a) Determined the level at which the recoverable amount is to be assessed (i.e. the asset level or cash generating unit level (CGU)). The CGU level was determined to be an individual scheme.
(b) Estimated the recoverable amount of the CGU
(c) Calculated the carrying amount of the CGU
(d) Compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

Based on this assessment, we calculate the Depreciated Replacement Cost (DRC) of each social housing property scheme, using appropriate construction costs and land prices. Where the DRC is less than the carrying amount of each scheme, an impairment provision is made.

Useful life of depreciable assets
Management reviews its estimate of useful economic lives of depreciable assets at each reporting date. Uncertainties in these estimates may relate to changes in technology and decent homes standards which may impact on the depreciation rate used.

LGPS - Defined Benefit Obligation (DBO)
The actuaries' estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in note 9).

Fair value measurement
Management uses valuation techniques to determine the fair value of investment properties (where active market valuations are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the asset. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices.

Turnover
Turnover represents rental income receivable for the period (i.e. rent due (rent debit) less rent loss due to voids), service charges receivable, any revenue grants receivable, income from shared ownership first tranche sales and income from any other goods or services included at invoiced value (excluding VAT where recoverable) and commission on water rates collection.

Revenue Recognition
Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Revenue grants are recognised when the conditions for receipt of agreed grant funding have been met.

Social Housing Grant
Social Housing Grant (SHG) includes grant receivable from the Homes and Communities Agency (HCA), local authorities and other government organisations.

Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land), under the accruals model.

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

SHG received in respect of revenue expenditure is credited to the statement of comprehensive income in the same period as the expenditure to which it relates, once reasonable assurance has been given that livin will comply with the conditions and that the funds will be received.

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

SHG is subordinated to the repayment of loans by agreement with the HCA. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the individual component is released to the income and expenditure account. Upon disposal of the associated property, the Association is required to recycle these proceeds, as such a contingent liability is disclosed to reflect this.

Other grants
Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Website development costs
The Association has developed a website which is used to promote its activities and as a management tool for monitoring and evaluating responsive repairs. Planning, design and content development costs are charged as operating costs as incurred. On-going costs of maintaining and operating the website are also charged as operating costs as incurred.

Housing Properties and Other Fixed Assets

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing Properties are principally available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs, incidental costs of acquisition and directly attributable development administration costs. Cost also includes expenditure on the replacement of key building components incurred as part of the planned improvement programme.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income, over the lives of the properties, therefore enhancing the economic benefits of the assets, are capitalised as improvements.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element is classed as a fixed asset and included in housing properties at cost, less any provision for depreciation or impairment.

Where expenditure is incurred on an asset which does not meet the definition of capital expenditure, such as general repairs to the housing stock, it will be charged to the Income and Expenditure Account in the year in which it is incurred.

Any single repair costing £1,000 or more will be separately assessed to determine whether capitalisation is appropriate.

The Association will not capitalise expenditure on assets such as land, equipment and computer software which costs less than the following de-minimus thresholds and it will be charged to the Statement of Comprehensive Income in the year in which it is incurred.

Asset	
Land	£ 1,000
Office equipment and furniture	£10,000
Computer equipment and software	£ 5,000
Vehicles and plant	£10,000

Properties held on leases are amortised over the life of the lease or the estimated useful economic life, if shorter.

Assets under construction

Housing properties under construction are stated at cost. Cost includes the cost of acquiring land and buildings, development costs, and expenditure incurred in respect of improvements.

No depreciation is charged during the period of construction.

Depreciation of Tangible Fixed Assets
Depreciation charges reflect the write down of the net book value of fixed assets to their estimated residual value over their estimated useful lives, on a straight line basis. No depreciation is charged for land.

The following useful economic lives for identified components have been applied:

Fixed Asset Classification	Asset Life
Existing Structure	50 years
Kitchens	30 years
Bathrooms	30 years
Central Heating	20 years
Roofing and External Works	up to 50 years
Rewiring Works	30 years
Doors and Windows	40 years

Following a review during the year the asset lives for Kitchens, Bathrooms, Central Heating, Rewiring, and Doors and Windows were amended from 15 years to those shown above.

Other Fixed Assets	
Office Equipment and Furniture	5 years
Computer Equipment	3 years
Offices	50 years

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

Leased Assets
Rentals payable under operating leases will be charged on a straight line basis over the term of the lease.

Properties for sale
Shared ownership first tranche sales, completed properties for outright sales and properties under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

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

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

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at the present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in the statement of comprehensive income in the period it arises.

A provision is recognised for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Fixed Asset Investments
Investment properties consist of commercial properties and other properties not held for the social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in the statement of comprehensive income.

Pensions
The Association participates in the Durham County Council Local Government Pension Scheme, which is a defined benefit final salary scheme. The assets of the scheme are invested and managed independently of the Association.

Pension costs are assessed in accordance with the advice of an independent qualified actuary. For the Durham County Council Local Government Pension Scheme, assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the statement of financial position. A net surplus is recognised only to the extent it is recoverable by the Association.

The current service cost and costs from settlement and curtailments are charged against operating surplus. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs. Actuarial gains and losses are reported in other comprehensive income.

Rental arrears
A provision for bad and doubtful debts is made on an estimation of those debts at the statement of financial position date which are considered to be potentially irrecoverable.

Value Added Tax (VAT)
The Association is VAT registered, but the majority of its income (from rents) is classified as an exempt supply for VAT purposes. Payments that are subject to VAT (Input VAT) that cannot be re-claimed are, therefore, recorded inclusive of the irrecoverable VAT. The balance of VAT payable or recoverable at the year end is included as a current liability or asset respectively.

Development Agreement
The Association has entered into agreements with Durham County Council (the Council) whereby the undertaking of catch up repairs and improvement works remained with the Council with that obligation subcontracted to the Association. The related debtor and creditor balances in relation to the transactions under these agreements have been offset in the statement of financial position.

Right to Buy and Right to Acquire Sales
The gains or losses on disposal of Social Housing Properties under Right to Buy or Right to Acquire arrangements are calculated as being the difference between the proceeds of a sale of a property and the net book value of that property.

The gains or losses on disposal of Right to Buy or Right to Acquire Social Housing Properties are recognised in the Income and Expenditure Account at the date of legal completion after deducting the element of proceeds that is payable to the local authority under the Right to Buy sharing arrangement.

Financial Instruments
Financial Instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Basic Financial instruments are recognised at amortised historic cost.

Debtors
Short term debtors are measured at transaction price less any impairment.

Creditors
Short term creditors are measured at the transaction price.

Interest
Interest payable is charged to the Income and Expenditure account in the year.

Liquid Resources
For the purposes of the cash flow statement, cash comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand. Liquid resources are current asset investments that are readily disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying values.

Taxation
The Association has charitable status and therefore is outside the scope of Corporation Tax on its charitable activities by virtue of Part 11 Corporation Tax Act 2010 and from capital gains tax by virtue of Section 256 Taxation of Chargeable Gains Act 1992.

Reserves
livin establishes restricted reserves for specific purposes where their use is subject to external restrictions.

Revaluation Reserve
The difference on transition between the fair value of investment properties and the historical cost carrying value is credited to the revaluation reserve.

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

Continuing activities

	2016		
	Turnover	**Operating costs**	**Operating surplus**
	£ ’000	**£ ’000**	**£ ’000**
Social housing lettings	33,569	(22,074)	11,495
Other social housing activities			
Garage lettings	631	(480)	151
Big lottery project	161	(150)	11
Non-social housing activities			
Lettings	273	(157)	116
Other Income	434	2	436
	35,068	(22,859)	12,209

	2015		
	Turnover	**Operating Costs**	**Operating surplus**
	£ ’000	**£ ’000**	**£ ’000**
Social housing lettings	32,753	(25,910)	6,843
Other social housing activities			
Garage lettings	659	(507)	152
Big lottery project	197	(176)	21
Non-social housing activities			
Lettings	276	(325)	(49)
Other Income	400	-	400
	34,285	(26,918)	7,367

Particulars of income and expenditure from social housing lettings

	2016			2015
	General needs housing £'000	Housing for older people £'000	Total £'000	Total £'000
Rent receivable net of identifiable service charges	21,930	11,462	33,392	32,507
Service income	36	50	86	110
Net rental income	21,966	11,512	33,478	32,617
Other income (grant amortisation)	71	20	91	136
Turnover from social housing lettings	22,037	11,532	33,569	32,753
Management and support services	(5,379)	(2,952)	(8,331)	(8,570)
Routine maintenance	(4,556)	(2,543)	(7,099)	(8,550)
Planned maintenance	(403)	(221)	(624)	(1,238)
Bad debts	(89)	(48)	(137)	(68)
Depreciation of housing properties	(3,244)	(1,780)	(5,024)	(6,446)
Impairment	(156)	(85)	(241)	-
Payment to DCC (VAT sharing agreement)	(355)	(195)	(550)	(783)
Other costs	(44)	(24)	(68)	(255)
Operating costs on social housing lettings	(14,226)	(7,848)	(22,074)	(25,910)
Operating surplus on social housing lettings	7,811	3,684	11,495	6,843
Void losses	890	208	1,098	1,201

Included in Interest receivable and other income (note 7) is £550k (2015 £783k) received relating to the VAT shelter.

Particulars of turnover from non-social housing lettings

	2016 £'000	2015 £'000
Commercial properties	199	200
Other	74	76
	273	276

4 Accommodation in management and development

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

	2016 No	2015 No
Social housing		
General housing		
- social rent	4,816	4,952
- affordable rent	901	748
- shared ownership	2	2
Supported housing and housing for older people	2,761	2,802
Total owned and managed	8,480	8,504

5 Operating surplus

The operating surplus is arrived at after charging:

	2016 £ '000	2015 £ '000
Depreciation of housing properties	4,410	6,345
Depreciation of other tangible fixed assets	616	218
Impairment of social housing assets	241	56
Impairment of other investments	6	-
Surplus on disposal of non housing assets	2	2
Operating lease rentals		
- land and buildings	11	14
- office equipment and computers	124	139
- motor vehicles	40	48
Auditors' remuneration (excluding VAT)		
- for audit services	19	18
- tax compliance services	2	2
- other services	3	3
Total non-audit services	5	5

6 Surplus on sale of fixed assets - housing properties

	2016 £ '000	2015 £ '000
Disposal proceeds	1,674	1,906
Less administration charges	(54)	(53)
Less amount payable to Durham County Council	(436)	(436)
Net disposal proceeds	1,184	1,417
Carrying value of fixed assets	(473)	(743)
	711	674
Disposal Proceeds Fund (note 21)	(48)	(31)
	663	643

7 Interest receivable and other income

	2016 £ '000	2015 £ '000
Interest receivable	7	14
Interest receivable on pension scheme	-	30
VAT shelter income	550	783
Other income	12	-
	569	827

8 Interest payable and similar charges

	2016 £ '000	2015 £ '000
Loans and bank overdrafts	4,810	4,665
Other interest charges	-	4
Interest costs for pension scheme	60	-
	4,870	4,669

9 Employees

Average monthly number of employees expressed as full time equivalents:

	2016 No.	2015 No.
Administration	38	49
Property and Development	36	47
People and Communities	62	59
	136	155

Employees (continued)

Employee costs:	2016 £ '000	2015 £ '000
Wages and salaries	4,376	4,758
Social security costs	318	357
Other pension costs	559	586
	5,253	5,701

Included in Employee costs are early retirement and voluntary redundancy costs totalling £329,804 (2015 £108,529).

The Association's employees are eligible to be members of Durham County Council Local Government Pension Scheme. Further information is given below.

Durham County Council Local Government Pension Scheme

Durham County Council Pension Fund (DCCPF)

The DCCPF is a multi-employer scheme, administered by Durham County Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2013 and rolled forward, allowing for different financial assumptions required under FRS 102, to 31 March 2016 by a qualified independent actuary.

The employers' contributions to the DCCPF by the Association for the year ended 31 March 2016 were £559,260 (2015 £585,896) at a contribution rate of 11% of pensionable salaries.

Estimated employers' contributions to the DCCPF during the accounting period commencing 1 April 2017 are £330,000.

Financial assumptions

	31 March 2016 % per annum	31 March 2015 % per annum
Discount rate	3.5%	3.3%
Future salary increases	3.4%	3.4%
Future pension increases	1.9%	1.9%
Pension accounts revaluation rate	1.9%	1.9%
Inflation assumption - RPI	3.0%	3.0%
Inflation assumption – CPI	1.9%	1.9%

Mortality assumptions

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements.

Employees (continued)

The assumed life expectations on retirement at age 65 are:	2016 No. of years	2015 No. of years
Retiring today:		
- Males	22.7	22.6
- Females	25.2	25.1
Retiring in 20 years:		
- Males	24.9	24.8
- Females	27.5	27.4

Analysis of the amount recognised in surplus or deficit:

Year ended 31 March	**2016 £'000**	**2015 £ '000**
Current service cost	840	760
Past service cost	160	-
Amounts charged to operating costs	1,000	760

Year ended 31 March	**2016 £'000**	**2015 £ '000**
Net Interest	60	(30)
Amounts charged to other finance costs	60	(30)
Actual return on scheme assets	(180)	2,700

Amounts recognised in the statement of financial position

Net pension (liability) at 31 March	**2016 £'000**	**2015 £'000**
Present value of funded obligation	(30,030)	(29,970)
Fair value of scheme assets (bid value)	27,910	27,900
Net (liability) recognised in statement of financial position	(2,120)	(2,070)

Reconciliation of opening and closing balances of the present value of scheme liabilities	**2016 £'000**	**2015 £'000**
Opening scheme liabilities	(29,970)	(24,420)
Current service cost	(840)	(760)
Past service cost	(160)	-
Interest cost	(980)	(1,070)
Contributions by scheme participants	(260)	(290)
Remeasurements	1,540	(3,860)
Benefits paid	640	430
Closing scheme liabilities	(30,030)	(29,970)

Employees (continued)

Reconciliation of opening and closing balances of the fair value of scheme assets	**2016**	**2015**
	£'000	**£'000**
Opening fair value of scheme assets	27,900	24,890
Remeasurements	(1,100)	1,600
Interest income	920	1,100
Contributions by employer	570	450
Contributions by scheme participants	260	290
Benefits paid	(640)	(430)
Closing fair value of scheme assets	27,910	27,900

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

Equities	**40.8%**	43.7%
Gilts	**32.0%**	31.3%
Bonds	**9.0%**	9.3%
Property	**8.0%**	6.1%
Cash	**10.2%**	9.6%
Other	-	-

History of asset values, present value of liabilities and (deficit) / surplus	**Year ended 31 March 2016 £’000**	**Year ended 31 March 2015 £’000**
Fair value of assets	27,910	27,900
Present value of liabilities	(30,030)	(29,970)
(Deficit) / Surplus	(2,120)	(2,070)

	2016	**2015**
	£'000	**£'000**
Actual return on scheme assets	(180)	2,700

10 Key management personnel

			2016	2015
	Basic salary and Benefits in Kind	**Pension contributions**	**Total**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Board members	38	-	38	37
Executive Directors	404	40	444	439

The full time equivalent number of staff who received remuneration, including Directors:

	2016 **No. of employees**	**2015** **No. of employees**
£60,001 and £70,000	3	5
£70,001 and £80,000	1	-
£80,001 and £90,000	-	1
£90,001 and £100,000	2	3
£100,001 and £110,000	-	-
£110,001 and £120,000	-	1
£120,001 and £130,000	-	1
£130,001 and £140,000	1	-
	7	11

Individual Board Members levels of remuneration	2016 £'000	2015 £'000
Ian Youll (Chair)	11	10
Adele Barnett	5	5
Alan Fletcher	5	5
Ian Gillespie	4	4
Jonothan Hitchen	3	3
Andrew Lowery	3	3
Angela Rowlands	3	1
Paul Mullis (until 21 September 2015)	2	-
Oliver Colling (from 21 September 2015)	2	-
Jonathan Mallen-Beadle (to 20 February 2015)	-	4
Clare Reilly (to 3 October 2014)	-	2
	38	37

Local authority nominees are presently not remunerated.

The emoluments of the highest paid Director (Chief Executive), including an adjustment for FRS 102 annual leave accrual, but excluding pension contributions, were £131,400 (2015 £124,565). The pension contributions made during the period were £12,800 (2015 £12,458).

The highest paid Director is a member of the Durham County Council Pension Fund. They are an ordinary member of the pension scheme and no enhanced or special terms apply. The Association does not make any further contribution to an individual pension arrangement for this Director.

The number of directors accruing benefits under the pension scheme at 31 March 2016 was 4 (2015: 3).

Board members

Board remuneration levels and calculations are recommended following the receipt of independent advice and adoption of an appropriate remuneration policy in accordance with livin's rules and probity policy. Performance assessment is conducted through collective and individual annual appraisal of Board and Role Profiles and contracts for services are agreed with all Board Members to assist in assessing performance.

Board remuneration as a percentage of turnover is 0.1% (2015 0.1%).

11 Tangible fixed assets – properties

Housing properties	**Social housing properties held for letting**	**Non-social housing properties held for letting**	**Housing properties for letting under construction**	**Completed Shared Ownership Housing properties**	**Total housing properties**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost					
At 1 April 2015	124,879	298	4,578	-	129,755
Additions	686	-	2,231		2,917
Works to existing homes	5,432	-	-	-	5,432
Transferred from other fixed assets	1,727	-	(1,727)	-	-
Transfer from current assets	-	-	-	46	46
Disposals	(852)	-	-	-	(852)
At 31 March 2016	131,872	298	5,082	46	137,298
Depreciation and impairment					
At 1 April 2015	(20,587)	(78)	-	-	(20,665)
Charged in year	(4,408)	(2)	-	-	(4,410)
Impairment	-	-	(241)	-	(241)
On disposals	378	-	-	-	378
At 31 March 2016	(24,617)	(80)	(241)	-	(24,938)
Net Book Value					
At 31 March 2016	107,255	218	4,841	46	112,360
At 31 March 2015	104,292	220	4,578	-	109,090

Expenditure on works to existing homes

	2016	**2015**
	£'000	**£'000**
Amounts capitalised as components	5,432	8,523
Amounts charged to the income and expenditure account	89	1,448
	5,521	9,971

Housing properties book value, net of depreciation and grants
Impairment
livin considers individual schemes to be separate Income Generating Properties when assessing for impairment, in accordance with the requirements of Financial Reporting 102 and SORP 2014.

During the current year a development contractor, used by livin on the Caden Court, Sedgefield scheme went into liquidation. A review of the scheme highlighted a number of construction related issues affecting 21 homes that had to be resolved. These issues were corrected at an additional cost to livin. The costs incurred were considered to be material and as they were not identified as part of the original development programme resulted in an impairment loss of £241,000.

The method adopted for this impairment was to assess the depreciated replacement cost in determining the Value in Use (Service Potential).

Social Housing Grant

Total accumulated Social Housing Grant Received or receivable at 31 March	2016 £'000	2015 £'000
Capital grant	5,461	5,181
Grant amortisation	(252)	(210)
Revenue grant	7	7
	5,216	4,978

12 Tangible fixed assets – other

	Offices £'000	Computers and office equipment £'000	Total £'000
Cost			
At 1 April 2015	5,318	346	5,664
Additions	64	13	77
At 31 March 2016	5,382	359	5,741
Depreciation			
At 1 April 2015	(532)	(256)	(788)
Charged in year	(571)	(45)	(616)
At 31 March 2016	(1,103)	(301)	(1,404)
Net Book Value			
At 31 March 2016	4,279	58	4,337
At 31 March 2015	4,786	90	4,876

13 Investments

	2016 £'000	2015 £'000
Investment in Spirit Regeneration and Development LLP	4	10

livin is a member of the Spirit Regeneration and Development Co. LLP. This is an agreement which allows livin to deliver its development programme in line with HCA requirements.

14 Investment properties non-social housing properties held for letting

	2016 £'000	2015 £'000
As 1 April	7,469	7,465
Increase in value	14	4
At 31 March	7,483	7,469

Investment properties were valued as at 31 March 2016. The Association's investment properties have been internally valued using a 10% yield by livin's Land and Property valuer a member of the Royal Chartered Institute of Surveyors. The full valuation was undertaken in accordance with the appraisal and valuation manual of the Royal Chartered Institute of Surveyors.

15 Homes for sale

	2016 £'000	2015 £'000
Homes completed for Shared Ownership	-	46

A reassessment in judgement has resulted in homes completed for shared ownership being reclassified as a fixed asset at the year end.

16 Debtors

	2016 £'000	2015 £'000
Due within one year		
Rent and service charges receivable	1,746	1,940
Less: provision for bad and doubtful debts	(476)	(621)
	1,270	1,319
Trade debtors	73	192
Social housing grant receivable	-	215
Other debtors	79	247
Prepayments and accrued income	270	254
	1,692	2,227

17 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Overdraft	5	-
Debt (note 22)	8,400	12,900
Trade creditors	447	1,015
Rent and service charges received in advance	226	203
Grant Creditor (note 18)	142	91
Recycled capital grant fund (note 19)	80	80
Other taxation and social security	292	113
Other creditors	989	1,263
Accruals	3,321	3,852
	13,902	19,517

Included in Other creditors is £550,470 (2015 £782,734) owed to DCC in respect of the VAT shelter and £nil (2015 £38,629) relating to grant received in advance from the Big Lottery Fund.

Included in Other creditors is £27,345 (2015 £32,059) relating to holiday balances accrued as a result of services rendered in the current period which employees are entitled to carry forward. The amount is measured as the salary cost payable for the period of absence.

18 Deferred Capital Grant

	2016 £'000	2015 £'000
At 1 April	5,319	4,322
Grant received in the year	500	1,141
Released to income in the year	(91)	(135)
Recycled in the year (note 19)	(31)	(9)
At 31 March	5,697	5,319

	2016 £'000	2015 £'000
Amounts to be released within one year	142	91
Amounts to be released in more than one year	5,555	5,228
	5,697	5,319

19 Recycled capital grant fund

	2016	2015
	£'000	£'000
At 1 April	89	79
Grants recycled	31	9
Interest accrued	-	1
At 31 March	120	89

£80k of the £89k stated above has been transferred into Creditors: amounts falling due within 1 year. The balance remains in Creditors: amounts falling due after more than one year.

20 Creditors: amounts falling due after more than one year

	2016	2015
	£'000	£'000
Debt (note 22)	64,500	64,500
Grant Creditor	5,555	5,228
Recycled capital grant fund (note 19)	40	9
Disposal proceeds fund (note 21)	88	40
	70,183	69,777

21 Disposal Proceeds Fund

	2016	2015
	£'000	£'000
At 1 April	40	-
Net sales proceeds recycled	48	40
At 31 March	88	40

The £48,000 proceeds recycled in the year, above, is made up of £47,457 RTA surplus sale proceeds. The remaining balance is interest accrued.

22 Debt analysis

Borrowings

	2016 £'000	2015 £'000
Due within one year		
Bank overdraft	5	-
Bank loans	8,400	12,900
	8,405	12,900

	2016 £'000	2015 £'000
Due after more than one year		
Bank loans	64,500	64,500
	64,500	64,500

23 Security

The bank loans are secured by a floating charge over the assets of the Association and by fixed charges on individual homes.

24 Terms of repayment and interest rates

The bank loans, due after one year, are repayable upon maturity at an average rate of interest of 3.8325% together with the Bank's margin which is currently 2.25%. The loans mature on the following dates:

Amount	Rate	Repayment Date
£6,000,000	6.1936%	31/03/2034
£20,000,000	6.3353%	31/03/2035
£15,500,000	6.4353%	31/03/2036
£11,000,000	6.6053%	31/03/2032
£12,000,000	6.8403%	31/03/2033

At 31 March 2016, the Association had available further loan facilities of £17.1m (2015 £12.6m).

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

	2016 £'000	2015 £'000
Within one year or on demand	8,400	12,900
Five years or more	64,500	64,500
	72,900	77,400

25 Non-equity share capital

	2016	2015
	£	£
Shares of £1 each issued and fully paid		
At 1 April and 31 March	9	9

The shares provide members with the right to vote at general meetings of the Association, but do not provide any rights to dividends or distributions on a winding up.

26 Reserves

Revaluation Reserve

The revaluation reserve comprises unrealised surpluses or deficits on the revaluation of investments.

Revenue Reserve

Includes all current and prior year retained surpluses and deficits. Included in the Revenue Reserve is £76k (2015 £65k) relating to the Big Lottery Project (MonKey).

27 Cash flow from operating activities

	2016	2015
	£'000	£'000
Surplus for the year	8,571	4,168
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	5,026	6,563
Impairment of tangible fixed assets	241	56
Impairment of investments	6	-
Defined benefit pension scheme operating charge	840	760
Defined benefit pension scheme contributions paid	(570)	(450)
Other income	(12)	-
Decrease/(increase) in Debtors	535	106
(Decrease)/increase in Creditors	(940)	(710)
Adjustments for investing or financing activities:		
Surplus on the sale of tangible fixed assets	(665)	(645)
Interest receivable	(7)	(44)
Interest payable	4,870	4,669
Government grant amortised	(91)	(135)
Net cash inflow from operating activities	17,804	14,338

28 Capital commitments

	2016	2015
	£'000	£'000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	11,870	9,149
Expenditure authorised by the Board, but not contracted	5,075	8,488
	16,945	17,637

The above commitments will be financed through borrowings, operating surpluses and HCA grant.

The reduction in authorised capital spend is as a result of the completion of the five year major improvement programme and the development programme 2012-15. Future capital requirements are lower than previous years as 100% of livin stock is now at the Decent Homes Standard.

livin submitted a bid for the Affordable Homes Programme (phase 2) and the level of HCA grant attached to this is £1,261,000 for 85 units. The remaining capital commitments will be funded through revenue reserves.

Stock transfer obligations regarding housing homes

The Association entered into a Stock Transfer Agreement to acquire the housing homes of the former Sedgefield Borough Council (SBC) on 30 March 2009. Immediately prior to entering into the Stock Transfer Agreement, SBC contracted with the Association to complete the refurbishment works necessary to bring the housing homes up to an agreed standard. The contract was for a fixed sum of £248.694m equal to the expected costs of the work. At transfer, the Association contracted with SBC to acquire the benefit of SBC's obligation to carry out the refurbishment works £248.694m plus the housing homes at a price equal to the agreed value of the property in its unenhanced condition (£4.1m). A right of set off exists between the contracts. These contracts have enabled the Association to recover VAT on improvement costs that would otherwise have been expensed.

Sums received from the VAT shelter are split between Durham County Council and livin in the ratio 45:55. livin's share will be used to fund new development works.

At the time of transfer, no monies were deemed due to SBC in relation to the above transactions, by virtue of the right to set off these contracts.

The impact of these transactions is that whilst SBC (DCC) has a legal obligation to complete the improvement works, this work has been contracted back to the Association who are also legally obligated. The underlying substance of the transaction is therefore that the Association has acquired the homes in their unenhanced condition at their agreed value, and will complete certain agreed improvements in line with guarantees to tenants of not less than £248.694m. The risks and responsibilities to the Association arising from this arrangement would be identical had these transactions not been entered into. As a result, the contractual assets and liabilities have been set off in these accounts.

29 Contingent assets / liabilities

The Association had no contingent assets or liabilities as at the 31 March 2016 (2015 £nil).

30 Leasing commitments

The future minimum lease payment of leases are set out below. These relate to office premises, equipment provided for residents use and office equipment.

Minimum future operating lease payments are as follows:

	2016		2015	
	Land and Buildings £'000	Other Assets £'000	Land and Buildings £'000	Other Assets £'000
In one year or less	11	124	14	135
Between one & two years	-	-	-	4
Between two to five years	-	-	-	-
Over five years	-	-	-	-
	11	124	14	139

There is an obligation on livin to pay maintenance charges as part of the lease for office accommodation at Farrell House. In 2015/16, these charges were £105k (2014/15 £103k).

31 Related parties

There were four tenant board members throughout the year, Jonothan Hitchen, Alan Fletcher, Andrew Lowery and Angela Rowlands. Their tenancies are on normal commercial terms and they are not able to use their position to their advantage. Due to the timing of Housing Benefit and payment cycles the arrears relating to tenant board members at the year end was £775 (2015 £96), these accounts were all cleared one week after the respective year ends.

Four members of the Board, Kevin Thompson, Mike Dixon, Brian Stephens and Lucy Hovvels MBE are Councillors with Durham County Council, a local authority having nomination rights over tenancies for certain Association homes. All transactions with the council are on normal commercial terms and none of them are able to use their position to any advantage.

32 Financial assets and liabilities

Categories of financial assets and financial liabilities

	2016	2015
	£'000	£'000
Financial assets that are debt instruments measured at amortised cost	4,864	3,391
Financial liabilities measured at amortised cost	(5,196)	(6,333)
Loan commitments measured at cost	(72,900)	(72,400)
	(73,232)	(75,342)

Financial Assets

Other than short term debtors, financial assets include instant access sterling denominated deposit accounts and cash at bank

	2016	2015
	£'000	£'000
Rent and service charges receivable	1,270	1,319
Cash at bank and in hand	3,590	1,882
Other debtors	4	190
	4,864	3,391

Financial Liabilities

	2016	2015
	£'000	£'000
Overdraft	5	-
Trade Creditors	447	1,015
Grants Received	142	91
Employment Taxes and VAT Liability	292	113
Other creditors and Accruals	4,310	5,114
	5,196	6,333

Borrowing Facilities

	2016	2015
	£'000	£'000
Financial liabilities measured at amortised cost	72,900	77,400
	72,900	77,400

Financial assets and liabilities (continued)

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

	2016 £'000	2015 £'000
Expiring in one year or less	8,400	12,900
Expiring in more than one year but not more than two years	-	-
Expiring in more than two years	64,500	64,500
	72,900	77,400

33 Transition to FRS 102

The association has adopted FRS 102 for the year ended 2015 and has restated the comparative prior year amounts.

The accounting policies set out in note 2 have been applied when preparing the financial statements for year ended 31 March 2016.

<u>Fair Value Adjustments – Commercial properties and Garages</u>

Commercial assets (shops and privately rented garages) are to be shown separately as Investment Properties and held at fair value.

The fair value of these assets at 1 April 2014 was £7,465,000. The fair value is higher than the historical cost and therefore creates a revaluation reserve of £6,914,000. The revaluation reserve as at 1 April 2014 was £6,910,000.

Accumulated depreciation of £46,000 has also been reversed. Future depreciation on these assets will be nil, however, the value will be regularly assessed at each year end and any increase or decrease in value adjusted through the Statement of Comprehensive Income.

<u>Grants</u>

All existing grants shown within Fixed Assets have been reclassified as a liability. Previously grants in respect of Housing (including ECO grants for external wall insulation and boilers) were set against Housing Fixed Assets (components) and this reclassification has resulted in a reduced depreciation charge.

The Social Housing Grants opening balance of £4,322,000 has been transferred and is now charged to the Statement of Comprehensive Income over the asset's Useful Economic Life. This has increased previous years reserves by £100,000.

Other Grants have also been treated the same way and resulted in £483,000 being reclassified as a liability and £110,000 being credited to reserves.

Transition to FRS 102 (continued)

Depreciation
The removal of accumulated grant has increased the carrying value of the assets and therefore increased depreciation by £181,000 up to 31 March 2014.

Pensions
The actuary revised their calculations under FRS 102 but had no overall impact on the pension deficit. The adjustments resulted in an increase in the interest charged by £330,000 and an increase in pension costs (included in operating costs) of £30,000. These were offset by £360,000 reduction in the Actuarial loss relating to the pension scheme (Other Comprehensive Income).

Restated Statement of Financial Position

	31 March 2015 £'000	1 April 2014 £'000
Original Reserves	27,193	25,348
Amortisation of government grants	346	210
Increase to depreciation	(263)	(190)
Reversal of depreciation on investment properties	46	46
Revaluation of investment properties	6,914	6,910
Restated Reserves	34,236	32,324

Restated surplus for the financial year ended 31 March 15

	2015 £'000
Original surplus on ordinary activities before tax	4,465
Amortisation of government grant	137
Increased depreciation charge	(82)
Reversal of depreciation in investment assets	8
Pension interest	(330)
Pension costs	(30)
Restated surplus for the financial year	4,168