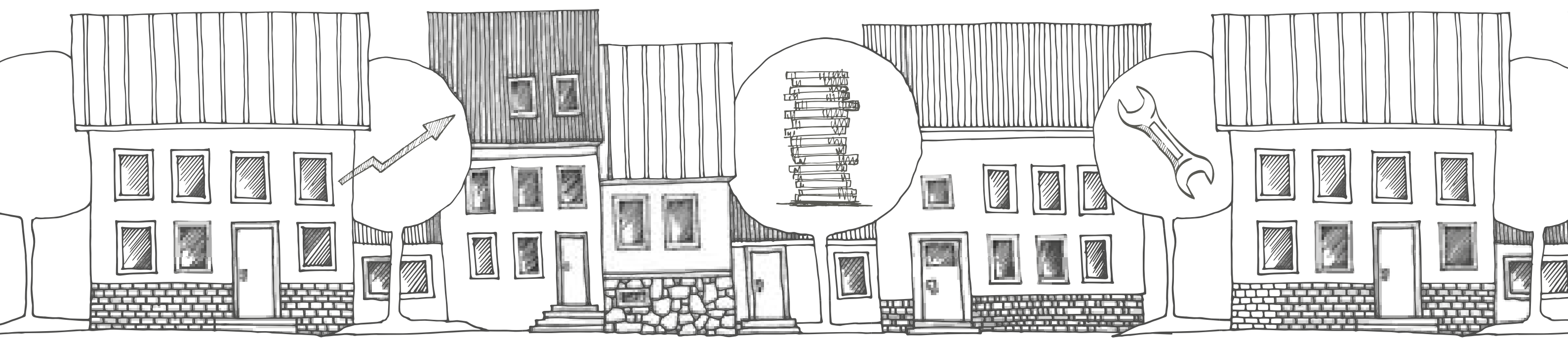
Livin Housing Ltd.

Report and Financial Statements

For the year ended 31 March 2017



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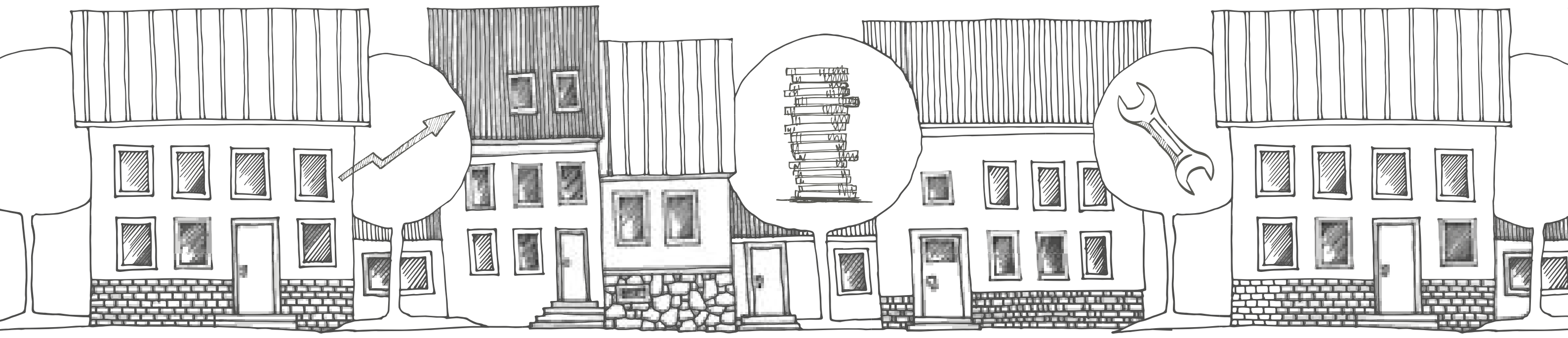


Strategic report of the Board and Financial Review

General Information

Chair of the Board
Ian Youll

Chief Executive
Colin Steel

Vice Chair
Alan Fletcher

Executive Directors
Sean Brodie (Finance and Governance)
Alan Boddy (Housing and Business Development)
Wayne Harris (Property and Development)

Board members
Adele Barnett
Oliver Colling
Dennis Bradley (from 03/11/2016)
Charlotte Harrison (from 23/02/2017)
Norman Rollo (from 03/11/2016)
David Walton (from 21/09/2016)
Ian Geldard (from 21/09/2016 to 11/05/2017)

Advisors
Bankers:
Nat West PLC
Ferryhill
Co Durham
DL17 8JN

Solicitors:
Towers & Hamlins LLP
3 Bunhill Row
London
EC1Y 8YZ

Auditors:
Grant Thornton UK LLP
Registered Auditors and
Chartered Accountants
No1 Whitehall Riverside
Leeds LS1 4BN

Internal Auditors:
Pricewaterhouse Coopers LLP
Central Square South
Orchard Street
Newcastle upon Tyne
NE1 3AZ

Registration Numbers:
Homes and Communities Agency L4538

Registered Society number 30568R

Registered office:
Farrell House
Arlington Way
DurhamGate
Spennymoor
Co Durham
DL16 6NL

Chair's statement

I am pleased to report that livin has had another year of strong progress and continues to deliver key achievements and successes.

The operating environment remains challenging and provides us with some uncertainty for the future. Continued reduction in social rents and the implementation of universal credit for many of our customers, means that livin's Board must manage these risks and respond accordingly.

This report highlights some of our key strengths which include our financial performance, healthy Statement of Financial Position and strong governance. In particular our governance is an asset that enables us to react to the challenging environment and to continue to improve performance in key areas, delivering some excellent outcomes for our tenants and communities.

During the financial year livin underwent an In Depth Assessment performed by the Homes and Communities Agency. This is a regulatory process for assessing our governance and financial viability. We were delighted that the result of this was that we retained our top level V1 and G1 rating.

There has been significant focus on developing livin's new business strategy, Plan A. This plan provides a clear direction and focus for growing and diversifying our business in line with our newly developed mission to **provide great homes, sustain strong communities and build a successful business**.

" There has been significant focus on developing livin's new business strategy, Plan A. "

It is vital that we create the right environment for building a successful business by enabling our employees to flourish, maintaining excellence in governance and providing great customer service, we believe that delivery of our business strategy will ensure this.

We recognise that to achieve the ambitions of our new Business Strategy we must fully embed our business values, maintain a continuous focus on value for money and meet the needs and expectations of our customers and communities.

I was also delighted with the smooth change in the Board's composition that occurred during the year. In September 2016 the Board moved from a traditional twelve member structure (4 councillors, 4 tenants and 4 independents) to eight independent Board members (who may be tenants) and two Councillor representatives. This allowed us to appoint all Board members specifically for their skills, knowledge and expertise, in line with our adopted Code of Governance.

I look forward to the year ahead, confident that through the delivery of livin's new Business Strategy we can continue to build on our successes and provide the excellent services that our customers expect.

Ian Youll - Chair

Chief Executive's statement

The business environment in which livin operates continues to change at a fast pace. In recognition of this, we have developed a new Business Strategy that details the measures we are taking to strengthen our business, allowing us to thrive in this challenging environment of change. The strategy reflects how we will meet the significant changes to our operating environment with our aims and objectives realigned to enable us to be adaptive, and responsive, to the dynamic needs of the sector.

The Business Strategy requires us to be agile and resourceful to meet the needs of our customers and our communities. We remain true to our values with the new strategy requiring us to focus on our need to be **Productive, Lean, Unified and Sustainable** – values that epitomise the ever more commercial and diverse nature of our social housing and communities business.

We have delivered on the savings included in our Business Plan for 2016/17, with a significant contribution from our new Construction Related Services Contract. This contract, which was let in July 2016, focuses on providing high quality repairs and home improvement services to our customers whilst providing livin with efficiencies. Savings created through staff restructuring and redesigning services have been realised whilst maintaining or improving performance in key areas.

This is highlighted by our financial position, with Operating Margin increasing from 36.7% to 39.1%, demonstrating our improved efficiency.

This increased financial capacity has enabled us to produce a plan for growth. This includes developing more than 400 homes over the next 3 years, some of which will be for open market sale.

We will continue to place a strong focus on sustaining strong communities through the provision of great homes that customers aspire to live in. We will invest in and support our staff to ensure we have the skills and the environment to succeed in delivering our ambitious future plans.

As ever, our achievements in 2016/17 are the result of the efforts and contributions of many people. I'd like to thank our staff, customers, partners and our Board for their on-going efforts and commitment to livin's success.

Colin Steel - Chief Executive

" We have remained true to our values with the new strategy requiring us to introduce four new values; Productive, Lean, Unified and Sustainable. "

At a glance

Operating Margin

2016
36.7%

2017
39.1%

Number of housing responsive repairs completed

2016
25,051

2017
24,601

Total Arrears

(adjusted for housing benefit due)

2016 1.74%

2017 1.65%

Social Value generated

2016 £4.183m

2017 £7.164m

EBITDA

2016 £17.39m

2017 £18.23m

Units in management

2016
8,480

2017
8,373

Void loss (all properties)

2016 3.18%

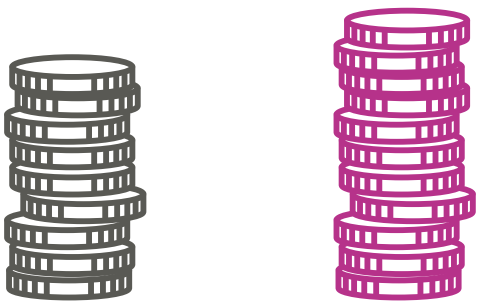
2017 2.57%

Investment

(housing development & improvements to homes)

2016
£8.349m

2017
£9.199m



Our Business

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 2017. This Strategic Report has been prepared in accordance with the ASB's 2006 Reporting Statement.

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.

The Association 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 people who are unable to rent or buy at open market rates

Meet the Board

Board members at the date of approval of these financial statements are:

Ian Youll – Chair of the Board

Ian served for more than thirty years for the Fire and Rescue Service, holding board level responsibility for risk and resilience, learning and development, HR, health and safety, information and communication technology, research and development and diversity as well as sharing the corporate responsibility for the overall performance and budgetary status of the service.
Ian is also a Master of Business Administration and holds professional qualifications in Human Resource Management and Health and Safety Audit.

Alan Fletcher – Vice Chair of the Board

Most of Alan's working life has been in transport and distribution in a variety of operational and management roles. Since retiring he has trained and worked in the voluntary sector, with a particular interest in welfare rights and benefits.

Member of:
- Human Resources and Remuneration Committee
- Housing and Communities Committee
- Assets and Development Committee

Adele Barnett – Independent Board Member

A graduate of sociology, Adele has worked in health and social care for over 14 years managing information services providing advice to disabled people and carers. Currently Community Events Manager she is responsible for the development and delivery of community outreach events.

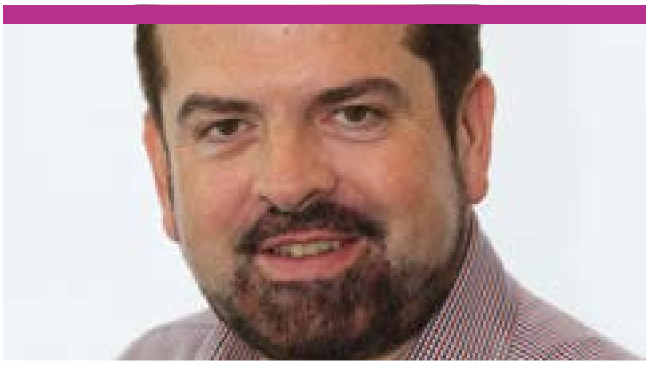
Member of:
- Audit and Risk Committee
- Human Resources and Remuneration Committee
- Chair of the Housing and Communities Committee

David Walton – Independent Board member

Masters qualified, David, has worked as an independent environmental consultant since 2013 and brings experience and knowledge of planning, project management and the environment after a career in local government and both the private and public sector.

Member of
- Audit and Risk Committee
- Assets and Development Committee
- Board of the new homes subsidiary

Meet the Board cont.



Oliver Colling – Independent Board Member

A Durham University graduate, Oliver has built three successful businesses and is a qualified accountant. With over 25 years' experience Oliver runs a management consultancy business and has helped a broad range of organisations and individuals reach their full potential through strategic business advice and enabling them to 'do things better'.

Member of:
- Assets and Development Committee
- Board of the new homes subsidiary
- Chair of the Audit and Risk Committee

Norman Rollo – Independent Board Member

With a professional career in human resources and management consultancy, Norman has also been responsible for developing community services and providing excellent customer support. Brought up in a council house, Norman, is proud of what good social housing can offer to tenants and the respect and self-worth it can bring to those it supports.

Member if
- Audit and Risk Committee
- Chair of the Human Resources and Remuneration Committee

Dennis Bradley – Independent Board Member

With two master's degrees, Dennis has over 40 years' experience in the public sector. Driven by a strong social conscience and experience of the workings of large, complex organisations Dennis spends his time since retiring assisting as a Chair of Governors as well as his work with livin.

Member of
- Housing and Communities Committee
- Human Resources and Remuneration Committee
- Chair of the Assets and Development Committee
- Board of new homes subsidiary

Charlotte Harrison – Independent Board member

With over 20 years' experience in the housing sector across Charlotte began her career in London working for a Latin American Housing Co-operative. Since then Charlotte worked in the South West and North East before joining the Northern Housing Consortium where she led the policy and public affairs service for 12 years.

Member of:
- Assets and Development Committee
- Housing and Communities Committee
- Board of new homes subsidiary

Board Changes during the year

During the year, the composition of livin's Board changed, reducing the number of positions from 12 to 10.

Board members retiring during the year:

Board Member	Date of resignation
Ian Geldard	11/05/2017
Mike Dixon	21/09/2016
Ian Gillespie	05/07/2016
Jonothan Hitchen	21/09/2016
Lucy Hovvels MBE	21/09/2016
Andrew Lowery	21/09/2016
Angela Rowlands	21/09/2016
Brian Stephens	21/09/2016
Kevin Thompson	21/09/2016

New Board members appointed during the year:

Board Member	Date of appointment
Dennis Bradley	03/11/2016
Norman Rollo	03/11/2016
David Walton	21/09/2016
Ian Geldard	21/09/2016
Charlotte Harrison	23/02/2017

Board Attendance

The table below shows each Board member's attendance at Board and Committee meetings during the financial year:

Board Member	Board	Audit & Risk	Assets & Development	Housing & Communities	HR & Remuneration
Ian Youll	8 out of 8		1 out of 4	1 out of 2	2 out of 2
Alan Fletcher	8 out of 8		4 out of 4	2 out of 2	1 out of 2
Adele Barnett	7 out of 8	3 out of 4		2 out of 2	2 out of 2
Oliver Colling	7 out of 8	4 out of 4	1 out of 2		
Dennis Bradley	4 out of 4		2 out of 2	2 out of 2	1 out of 1
Charlotte Harrison	2 out of 2				
Norman Rollo	3 out of 4	2 out of 2			1 out of 1
David Walton	4 out of 4	1 out of 2	2 out of 2		
Ian Geldard	3 out of 4	0 out of 2		2 out of 2	
Mike Dixon	3 out of 4	1 out of 2	2 out of 2		
Ian Gillespie	2 out of 3	1 out of 1	1 out of 2		
Jonothan Hitchen	3 out of 4		1 out of 2		
Lucy Hovvels MBE	2 out of 4				0 out of 1
Andrew Lowery	0 out of 4	0 out of 2	0 out of 2		
Angela Rowlands	2 out of 4	2 out of 2			
Brian Stephens	2 out of 4				0 out of 1
Kevin Thompson	2 out of 4	2 out of 2	1 out of 2		1 out of 1

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.

Business strategy

During the year we developed our new *Business Strategy*, **Plan A**, which replaced the previous corporate plan. This high-level strategic plan covers the period April 2017 to March 2019 and provides a clear direction and focus for growing and diversifying our business in line with our newly developed mission to **provide great homes, sustain strong communities and build a successful business**.

During its development, livin and the social housing sector have experienced a turbulent period of financial and regulatory challenges. In response to these challenges livin has restructured its business to ensure that it remains efficient and capable of delivering the much-needed services we provide to over 11,500 social housing tenants and a growing number of other customers. In fact, Plan A sets out an ambitious programme to relentlessly focus on the customer, grow our business, drive innovation, efficiency and productivity and stay true to our social purpose. We are doing so because we believe that everyone deserves great services and a great customer experience and because it makes business sense. This means that livin is more than ever a social business that deploys a commercial approach to the interrelated ingredients of resourcing, service design and service delivery.

Plan A is a set of eight very clear, measurable and deliverable high-level objectives designed to improve people's lives and the communities in which they live. So whilst the means of delivery may become digital and more efficient, and our employees and partners may become more productive and customer-focussed, through Plan A, we are confident we will succeed in **building a successful business that provides great homes and supports customers to improve their lives**.

Objectives and strategy

Plan A: Our Business Strategy – Mission, Vision, Priorities, Objectives

Our mission… is:
to Provide Great Homes, Sustain Strong Communities and Build a Successful Business.

Our Vision…
Building a sustainable business that provides great homes and supports customers to improve their lives

Our Priorities…
Plan A focuses on taking control of our own destiny, as we encourage customers and employees to take control of theirs. It outlines the objectives, key projects and risks we need to manage to achieve our vision and reach our full potential.

The priority drivers for Plan A are to relentlessly:

1. Focus on customers
2. Grow the business
3. Drive innovation, efficiency and improve productivity
4. Embrace our social purpose

Business strategy

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

Our criteria for success in delivering Plan A; 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.

Five Year Summary

	2016/17 (FRS 102) £'000	2015/16 (FRS 102) £'000	2014/15 (FRS 102) £'000	2013/14 (UK GAAP) £'000	2012/13 (UK GAAP) £'000
Statement of Comprehensive Income					
Turnover	34,758	35,068	34,285	33,116	31,215
Operating Surplus	13,606	12,872	7,367	6,638	6,330
Surplus for year	9,262	8,571	4,168	3,343	4,571
Statement of Financial Position					
Housing Properties (net of depreciation)	116,300	112,360	109,090	100,372	81,735
Grant	-		-	(4,532)	(2,504)
Investment Properties & Other Investments	7,748	7,487	7,479	-	-
Other Fixed Assets	3,917	4,337	4,876	5,051	5,272
Total Fixed Assets	**127,965**	**124,184**	**121,445**	**100,891**	**84,503**
Current Assets	4,849	5,282	4,155	4,047	4,708
Current Liabilities	(5,520)	(13,902)	(19,517)	(15,481)	(15,357)
Total Assets less Current Liabilities	**127,294**	**115,564**	**106,083**	**89,457**	**73,854**
Long Term Creditors	72,107	70,183	69,777	64,579	52,579
Pension Deficit/(Surplus)	5,660	2,120	2,070	(470)	2,890
Revenue Reserve	42,628	36,333	27,322	25,348	18,385
Revaluation Reserve	6,899	6,928	6,914	-	-
Total Reserves	**127,294**	**115,564**	**106,083**	**89,457**	**73,854**
Net Debt	**62,247**	**69,315**	**75,518**	**71,177**	**57,389**
Other information and performance measures					
Housing Properties (units)	8,373	8,480	8,504	8,525	8,577
Operating Surplus as a % of Turnover	39.1%	36.7%	21.5%	20.0%	20.3%
Surplus for the year as % of Turnover	26.6%	24.4%	12.2%	10.1%	14.6%
Rent losses (voids + bad debt as a % of rent receivable)	2.9%	3.5%	3.9%	3.8%	2.0%
EBITDA	18,230	17,385	13,906	12,150	10,462
Interest Cover	2.87	2.51	1.59	1.51	1.88

Financial review

The overall surplus for the year is £9.262m which is an increase of £0.691m compared to the previous year. This increase is despite a fall in turnover of £0.31m (0.88%) and is mostly due to reduced operating costs, which have fallen by £1.044m.

Rent losses from voids

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 and continue to have a positive impact.

The void loss in 2016/17 was £0.873m compared to £1.098m in the previous year.

Asset management & Property Developments

We are continuing to improve our residential accommodation. During 2016/17 we invested £9.199m to acquire homes and ensure all our homes continue to meet the Decent Homes Standard. This included spending £2.420m on new development and £4.927m on livin's regeneration scheme at York Hill, Spennymoor.

Rent arrears

Overall, rent arrears in respect of current tenancies at the year-end stood at 0.57% (2016: 0.52%) after accounting for the timing of a housing benefit payment received shortly after the year end. livin continues to work well with customers, helping tenants at an earlier stage. Support for customers who are struggling to pay their rent was provided by the Financial Wellbeing Team and this has helped customers to manage their finances and thereby maintain regular payments.

livin continues to focus on arrears given the pressures of Welfare Reform, and works with existing and potential new tenants to ensure that they are able to afford their home, creating sustainable tenancies.

Capital structure and treasury policy

The Association's treasury management arrangements are considered below.

The Association borrowed a further £0.5m (2016 £5m) during the year to finance its capital investment programme and repaid loans totalling £8.0m (2016 £9.5m). A summary of the borrowings at year end is shown in the table below.

Maturity	2017 £m	2016 £m
Within one year	-	8.40
Between one and two years	-	-
Between two and five years	-	-
After five years	65.40	64.50
	65.40	72.90

Working Capital and liquidity management

The Associations' working capital and liquidity requirements are managed through the preparation of regular cash flow forecasts. These are constantly updated to ensure liabilities can be met as they fall due. livin holds loans from RBS, Barclays and Santander, at both fixed and floating rates of interest. Cash flow is monitored to ensure that loan drawdowns are only made when required, in order to minimise borrowing costs.

Interest rates

Fixed rate loans are used to manage the Association's exposure to interest rate fluctuations. The Association's treasury policy targets a maximum of 30% variable rate loans or a maximum of 90% fixed rate loans. However, due to strong cash flow performance during the year, some variable rate loans were repaid resulting in 98.6% of the Association's borrowings being at fixed rates at the year end.

The range of interest rates on the fixed rate loans varies between 6.44% and 6.68% (including margins) and is 2.25% above LIBOR on the revolving loan. These interest rates are higher than the sector average. 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 that the loan facilities were put in place.

The costs associated with breaking the existing fixed rate loans and refinancing livin's facilities remain high. Therefore, despite currently incurring higher than average interest costs, the Board has decided that refinancing at this point is not in the interests of livin and does not deliver Value for Money. The Board will keep this decision under review.

Peak Debt

livin's Business Plan for 2017-47 has been prepared to include future development aspirations, savings from the new Construction Related Services Contract, increased component life cycles and staffing restructures, with peak debt forecast at £79.8m in March 2020.

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 Equality Act (2010), 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.

Donations

The Association donated £690 (2016 £1,051) to charitable organisations.

No political donations were made.

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 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	2016/17 Target	Performance Score	Actual versus Target
Overall satisfaction with landlord services	92%	96.17%	
Average time taken to re-let housing – all properties (days)	37	55.26	
% of responsive repairs completed right first time	85%	85.52%	
% of emergency repairs attended and completed within 4 hours	95%	96.22%	
% of repairs where an appointment which had been made was kept	98.5%	96.42%	
% of homes with a valid landlord gas safety record	100%	99.99%	
% of sustainable stock that comply with Decent Homes Standard	100%	100%	
Proportion of rent collected as a % of rent owed	99.5%	99.59%	
Rent arrears of current tenants as a proportion of rent roll	0.59%	0.55%	
% of rent lost through dwellings becoming vacant (excluding properties held void for asset management reasons)	1.28%	1.28%	
Number of working days / shifts lost due to sickness absence (Total)	4.0	4.38	
Employee turnover	13.00%	13.85%	

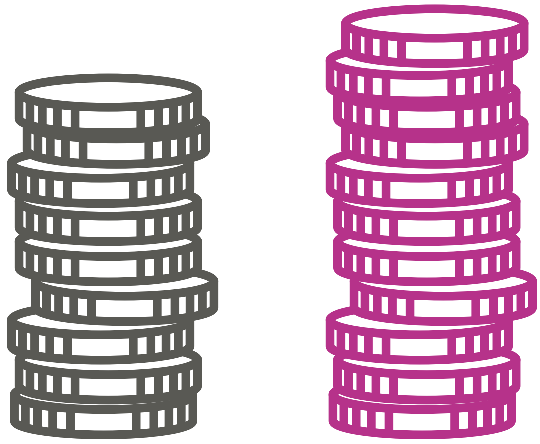
(note some of livin's performance scores above differ from Benchmarking scores due to differences in their definitions)

Future developments

The Board has approved plans to spend approximately £7.962m during the next financial year to improve existing general housing. In addition, Board approval has been given for £12.078m (net of grant) to be spent in 2017/18 on the provision of new homes. This investment will be funded by existing committed, un-drawn loan facilities, livin's rental income stream, and short term deposits.

Value for money

This is an extract from livin's full Value for Money Statement, which is available on livin's website (unaudited information).



Value for Money Strategy

livin's Value for Money (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 team 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 the Business Strategy and of the Asset Management and Development strategies, focusing on sustainable performance in line with the purpose and the objectives of the organisation.

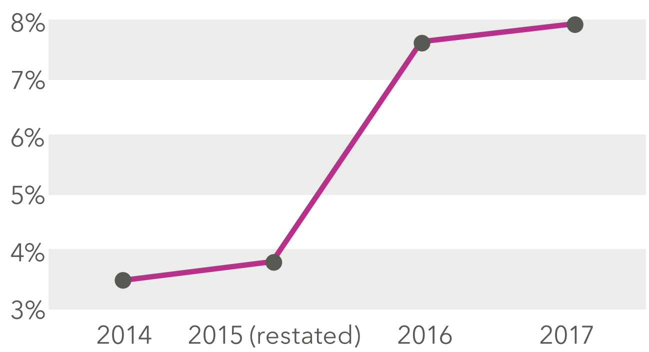
livin's approach to VfM is strategically driven by the Board. The Board's mix of skills, including expertise in Finance, Asset Management and Quality Assurance, together with high quality, independent VfM training from external providers (including training from Pricewaterhouse Coopers LLP in March 2016), 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.
The strategic direction from 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 and Business Partnering team, and reported to the Board via the Performance Management Framework.

Our Value for Money approach has four key strands:

- Optimising Return on Assets
- Performance Management and Scrutiny
- Comparative Cost Analysis
- Efficiencies, and Use of Resources

Optimising Return on Assets

Chart 1: Return on Assets



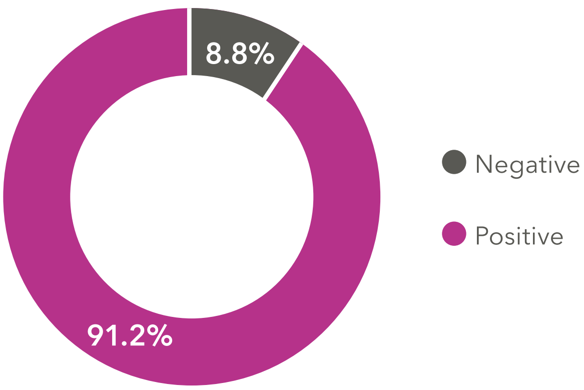
livin's Asset Management Strategy is a key component of the overall Business Strategy. It is designed to ensure that property investment and retention decisions are based upon a robust financial analysis of all available options as well as the likely social impact on the community, and works in conjunction with the Sustaining Strong Communities Strategy, which identifies socio-economic interventions to support and sustain the communities in which livin works.

Value for money

The high level performance of return on assets, as set out in Chart 1, is assessed by comparing the net surplus generated each year to the historic cost of housing assets. Pro-active management of asset performance continues to ensure that this performance improves year on year. Through this process, the return on assets performance has increased from 3.49% in 2013/14 to 7.96% in 2016/17. In 2015/16, the most recent year for which comparable data is available, livin's return on assets of 7.63% exceeded the sector average of 4.09%.

Property Sustainability

Chart 2: Property NPV



The ongoing suitability of individual properties is assessed based on the following measures:

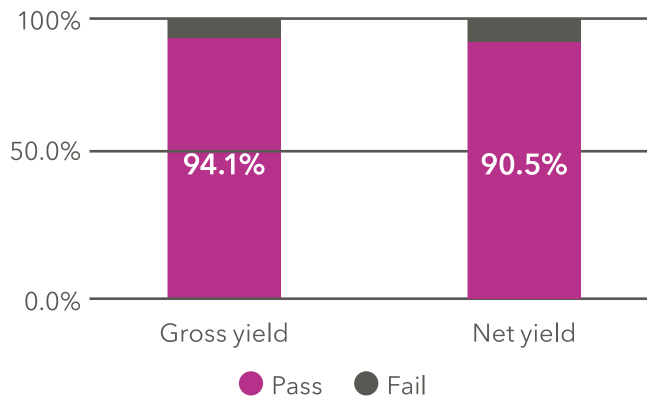
- A Net Present Value calculation. This considers future income and expenditure on properties, including major and routine repairs, housing management costs, and expected void losses, to identify poorly performing assets and to allow plans to be formulated in line with the Active Asset Management Strategy regarding future investment/disposal.
- A Gross Yield calculation. This divides the annual income generated by an asset by the open market value of that asset, and identifies properties which generate low rental income in comparison to the capital invested in them.
- A Net Yield calculation. This is a more refined calculation than Gross Yield; it takes into account ongoing costs such as repair, management, cyclical maintenance and void costs to consider the overall performance of the asset.

Properties with positive indicators add value to the business, whereas properties with negative indicators are a drain on resources. Over time, livin's aim is to ensure all homes owned are sustainable and meet the needs of local communities, through investment, redevelopment or strategic 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.

Since transfer in 2009, livin has significantly improved the NPV of its property portfolio, in part due to refurbishment works, which have increased demand, and in part due to the programme of disposals of low demand stock. livin continues to drive improvements in this area; 91.2% of livin's assets now have a positive NPV, compared to 90.1% at 31 March 2016 and 67% at 31 March 2009, as represented by Chart 2.

A full analysis of properties using gross and net yield calculations was undertaken for the first time in 2016/17. Different target yields are set for each property size, based on the number of bedrooms. Chart 3 summarises the outcome of this analysis; 94.1% of properties meet target gross yield criteria and 90.5% meet target net yield requirements. This information is used in conjunction with NPV and demand information to make informed decisions about asset investment and disposal.

Chart 3: Gross and Net Yield Performance



Community Investment

Work has continued throughout the year on the major regeneration project at York Hill. 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 physical regeneration aspect of this programme 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 tenants' lives and increase demand for the homes in this area. In order to improve the mix of home ownership on the estate, a small number of properties are being released for sale.

Demand for the regenerated properties has been high, with a large number of applicants for both the rental and sale properties. Engagement with local residents also remains very positive, with an active community centre which provides community based activities, particularly for children and families.

In March 2017 livin was successful in a bid for £284,000 from the Department for Communities & Local Government's Estate Regeneration Fund. This money will be used to undertake a feasibility study on potential regeneration within the Western Ward of Newton Aycliffe. This area has high levels of unemployment and anti-social behaviour, which contribute to high void levels and high costs of housing management. Consultation with tenants and stakeholders is currently at an early stage.

York Hill properties before regeneration

York Hill properties after regeneration

Focus on Home Ownership

Over the last few years, livin has been closely monitoring voids within the Dean Bank area of Ferryhill and within The Courts in Shildon. These areas have an overprovision of low cost rented homes and an under-representation of home ownership. Properties in these areas are hard to let, and have a highly negative Net Present Value.

Value for money

A programme of disposals in these areas is underway. These disposals are undertaken in a way which supports regeneration in these communities, offering opportunities for households to access ownership through livin's Step-Up and shared ownership schemes.

Since the commencement of this programme, 46 such properties have been sold. In 2016/17 income of £167,000 was generated from the sale of six unsustainable properties, which has been ring-fenced for acquiring and developing new homes. As well as the capital receipts from these disposals, which will be used towards future development, this initiative has led to an ongoing cost saving through reduced Council Tax liabilities, as all properties disposed of attracted 150% Council Tax.

New Developments

In 2016/17, the Board approved plans to develop an additional 200 properties for affordable and social rent over the next three years. Whilst much of the funding for this programme is generated from livin's own operations, livin has also successfully secured grant funding of £1.3m from the Homes and Communities Agency for Shared Ownership and Affordable Homes, which will part fund 20 new properties for shared ownership and 15 Rent to Buy units.

livin continues to deliver against our commitments under the Affordable Homes Programme 2, and commenced construction of 33 new homes over 4 sites in core areas in 2016/17. In addition, livin acquired 4 new build properties; 4 empty properties, which have been brought back into use; and 4 properties from another housing association.

During the year, the Board established a subsidiary company, Livin Developments Limited, which will develop properties for sale on the open market. Our first developments are expected to start on site in 2017/18; we anticipate that the profits from these developments will allow livin to undertake additional developments of much needed affordable rent properties locally.

Social Return

livin's Community Regeneration Fund supports projects in local communities that promote economic and social resilience, build 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 2016/17, livin provided grants of £66,700 and supported local partnerships to obtain an additional £353,300 in match/external funding from other sources.

We estimate that at any one time there are around 500 customers benefiting from employability and financial wellbeing services, young people programmes, projects to tackle loneliness and wellbeing initiatives. Support is provided in communities to help people move into employment, including providing opportunities for apprenticeships within livin; arranging job fairs, where tenants can meet local employers; and supporting practical sector based training sessions with strategic and community partners.

Activity	Total social value generated 2016/17
Residents progressing into employment, training or further education after working with livin Futures	£2,779,081
Residents participating in job training through livin Futures	£1,795,289
Residents participating in volunteering through livin Futures	£117,782
Tenant groups and social groups supported by livin match funding	£1,017,726
Families participating in the Foundation of Light Family Learning programme	£752,256
Young people attending Youth Clubs, dance groups and craft clubs supported by livin match funding	£701,819
Total	**£7,163,953**

livin undertakes additional activities which provide social value through:

- The Monkey project, a Big Lottery project which supports tenants across County Durham to manage their finances;
- A dedicated Financial Wellbeing team, who work with livin tenants to help sustain tenancies; and
- A contract with Fiscus, a welfare advice and debt management service.

Support provided through these services in the year includes:

Financial inclusion training for **289** new tenants

Signposting **670** tenants to **lower cost furniture options** including reused, and low cost new furniture schemes, and discounted carpet and decorating retailers

Signposting **194** tenants to **low cost home insurance** providers

Helping **58** households to review their entitlement to welfare benefits and **to claim £643,205 in additional welfare benefits**

Helping **121** tenants to make new claims for **Discretionary Housing Payment**, with £87,658 awarded

Referring **80** tenants to **local credit unions**, helping them to access a bank account and avoid using doorstep or payday lenders

Our **Fiscus advice service** provided **42** households with **debt management advice**

Our **Monkey financial support project** supported **1,627** County Durham residents, including 760 livin tenants.

Undertook 293 energy advice home visits, supporting eligible tenants to **save £26,200 on their energy bills** through reducing usage, switching to a cheaper provider or claiming relevant grants

Helping **150** tenants apply for **discounted water rates** through Northumbria Water's Reduced Tariff scheme, saving them £18,480

Value for money

Performance Management and Scrutiny

livin's performance management framework aims to ensure the delivery of efficient and effective services that are continually improved and aligned to Plan A – our Business Strategy. Responsibility for non-executive oversight of performance is held directly by the Board; this strong performance management framework, refined over a number of years, provides the Board with information and assurance about the organisation's performance.

Performance is measured against other similar housing associations using data from HouseMark to ensure that livin's services achieve high standards at both a regional and national level.

Delivery of the VfM Strategy is monitored using livin's Performance Management Framework (PMF). The PMF 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 2016/17, the use of available benchmarking data has been effectively embedded into the performance management system. 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.

Arrangements for scrutiny have been reviewed in the year, following changes in tenant representation at Board level. We recognised that our Resident Scrutiny Group was not providing feedback representative of our wider customer base. The new Customer Voice process collates real-time transactional data, and allows a wide pool of customers to be consulted about issues that matter to them and to livin. The process is designed to ensure that focused and meaningful customer representation is a golden thread that runs through livin's service design and delivery.

Comparative Cost Analysis

Understanding the costs of running the business, how these costs differ from those of peers, and the main drivers of these variations, is a key element of livin's VfM process. Understanding the absolute and comparative costs of delivering specific services is key in delivering VfM.

Comparative costs calculated from the HCA's published Global Accounts are used to compare livin's performance to its peers. As part of the Placeshapers Group, livin contributed to the development of the proposed Sector Scorecard; information is provided this year for the first time about livin's performance against these metrics.

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 smaller size is not a barrier to achieving good quality and good value in service delivery.

The HCA have identified six factors which tend to have an effect on unit cost variation.

Of these, livin has the following characteristics which tend to increase the cost of a provider's services:

- Large Scale Voluntary Transfer (LSVT) less than 12 years old
- Operating within areas which are classified as areas of multiple deprivation as defined by the Government's Index of Multiple Deprivation

However, livin also has the following characteristics which tend to reduce the cost of a provider's service:

- No supported housing
- No housing for older people (as defined by the Welfare Reform & Work Act 2016)
- Location within the North East resulting in lower regional wages
- Compliant with the Decent Homes Standard

Our stock is also concentrated in a small geographical area, which helps us to operate efficiently.

Performance and Cost using Global Accounts Comparatives

The HCA's standardised "Headline Social Housing Cost per Unit" and five sub-categories of costs are intended to provide a consistent and robust general measure of costs across different organisations, able to be used by each organisation to compare itself to other registered providers, classifying the outcomes between upper quartile (higher cost); upper median; lower median; or lower quartile.

Many of the cost reductions have arisen following implementation of the savings set out in our VfM Self Assesment. The reduction in the average Management Cost per Unit reflects many of these savings. Re-tendering of the Construction Related Services contract has reduced our Maintenance Cost per Unit.

2015/16 Cost Comparisons	Headline social housing	Management CPU	Maintenance CPU	Service Charge CPU	Major Repairs CPU	Other Social Housing Costs CPU
livin 16/17	2.63	0.92	0.91	0.01	0.73	0.06
livin 16/17 performance against 15/16 comparatives	Lower	Lower median	Lower median	n/a	Lower median	Lower
livin 15/16	2.68	0.98	0.91	0.00	0.64	0.15
livin 15/16 performance	Lower	Lower median	Lower median	n/a	Lower median	Lower median
livin 14/15	3.36	1.00	1.15	0.00	1.00	0.20
Sector averages						
Upper quartile 15/16	4.35	1.32	1.18	0.60	1.08	0.45
Median 15/16	3.57	1.02	0.97	0.36	0.81	0.21
Lower quartile 15/16	3.12	0.74	0.79	0.24	0.54	0.08

Using the HCA's cost comparison methodology, livin's performance for 2016/17 is presented in this report. The analysis of livin against the national average costs for all English housing providers with more than 1,000 properties for 2015/16 (the last available data) shows that livin's overall costs were in the lower median quartile. Analysis for 2016/17 in the table below shows that livin's overall Headline Social Housing Cost per Unit has reduced yet further. This places livin well within the lower quartile for overall cost performance.

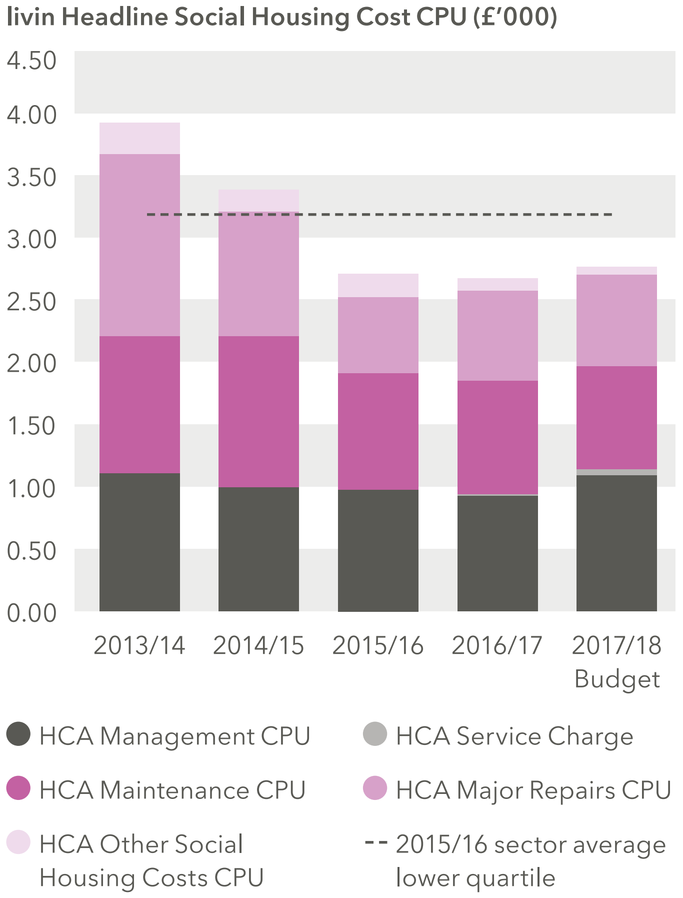
Value for money

Major Repairs Cost Per Unit remains relatively low, as most of livin's stock was refurbished following transfer and meets the Decent Homes Standard, with only a limited programme of works required to maintain properties in good condition.

The most significant cost within the Other Social Housing Costs per Unit calculation is the repayments due to Durham County Council under a VAT sharing agreement. As the post-transfer refurbishment programme comes to an end, these payments are reducing.

The Service Charge Cost per Unit is low as we have very few properties on which service charges are levied.

This data shows that livin has continued to reduce its overall 'Headline Social Housing' cost per unit over the last three years; and that livin's costs for 2017, as set out in its 2016/17 financial statements, are considerably lower than the published average cost for 2016. The reductions in delivery cost reflect the successful implementation of efficiency savings in 2016/17. Further detail on how livin has achieved these savings is set out later in this report.



The dotted line on the graph above shows the lower quartile 'Headline Social Housing' cost per unit for all registered providers for 2016, calculated from the Global Accounts 2016. In 2016, livin's costs per unit were £2,680 compared to the lower quartile average of £3,120 for all providers. This placed livin in the lower quartile for cost in 2016.

A slight increase in the cost per unit is expected for 2017/18 reflecting increases in staff costs and pension contributions. However, further savings per unit on maintenance costs are anticipated in the first full year of the re-negotiated maintenance contract.

Sector Scorecard Comparatives

As part of the Placeshapers Group, livin contributed to the development of the proposed Sector Scorecard. Information is provided here for the first time about livin's performance against these measures.

Where available, comparative commentary against sector averages is provided. These have been calculated from the HCA's 2016 Global Accounts.

Indicator	2017	2016	Trend	2016 Sector Average
Business Health				
Operating Margin	39.1%	36.7%	↑	27.6%
Operating Margin (Social Housing Lettings)	37.5%	34.2%	↑	32.1%
Interest Cover – EBITDA MRI	261%	274%	↓	170%
Development (Capacity & Supply)				
Units Developed (Absolute)	8	29	↓	185
Units developed (as % of units owned)	0.1%	0.6%	↓	Not available
Gearing	146%	191%	↓	205%
Outcomes Delivered				
% of residents very or fairly satisfied with the overall service provided	96.2%	Not available	n/a	Not available
£s invested in new housing supply (for every £ generated from operations)	0.16	0.16	→	Not available
£s invested in communities (for every £ generated from operations)	0.01	0.01	→	Not available
Effective Asset Management				
Return on capital employed	10.7%	11.1%	↓	3.7%
Occupancy	99.2%	96.5%	↑	Not available
Ratio of responsive repairs to planned maintenance	1.14	1.17	↓	0.60
Operating Efficiencies				
Rent collected from current and former tenants as a percentage of the rent due (excluding arrears b/f)	99.69%	99.68%	↑	Not available

Value for money

Business Health

livin's Operating Margin and Operating Margin (Social Housing Lettings) have both improved significantly from 2015/16 to 2016/17, despite the loss of income experienced on implementing the 1% rent cut. Operating costs have been well controlled, with significant savings made on many areas, as set out in the section 'Use of resources: Efficiency Gains'.

Interest cover (EBITDA MRI) is also well above the sector average, as a natural consequence of our strong operating margins.

Development Capacity and Supply

Gearing fluctuates significantly year on year at present; this is to be expected, given that livin has only been in existence for eight years. livin's gearing ratio is reducing year on year as the organisation matures and builds additional revenue reserves.

Consequently, and as a natural result of a focus on the regeneration of the property portfolio after transfer, livin has had limited resources for developing new units. The work recently undertaken to rationalise operating costs has freed up additional resources for investment in new developments, and as set out above, livin's Board has approved an ambitious development programme for 2017 – 2020.

Outcomes Delivered

96.2% of residents report being very or fairly satisfied with the overall service provided. This metric was measured for the first time in 2016/17. Customer focus is a key element of the Plan A strategy, and further improvements in this area are planned, through building relationships with our customers, engaging in regular conversations with them and collecting, analysing and using the insight gained from this contact to continuously improve services and products.

£s invested in new housing supply (for every £ generated from operations) remains constant, reflecting ongoing investment being made in new developments. As set out elsewhere in this report, the Board has approved a more ambitious development programme for 2017 – 2020 and it is anticipated that this measure will increase in future.

£s invested in communities (for every £ generated from operations) represents work in supporting local community initiatives, as set out above in the section on Social Return.

Effective Asset Management

Return on capital employed has reduced slightly, reflecting the repayment of our revolving loan facility (classified in the financial statements as a current liability) during the year. This metric is high compared to the sector average due to the low value of the assets acquired through the large scale voluntary transfer in 2009.

The Occupancy level of properties available for letting has improved in the year. Resources have been focused on supporting and assisting new tenants to sustain their tenancies, reducing tenancy turnover levels and void periods. Work on identifying unsustainable properties through consideration of their net present values and yields has enabled livin to make an informed decision on how void properties are managed, including identifying in a timely manner instances where it is more appropriate to suspend lettings pending disposal.

The ratio of responsive repairs to planned maintenance remains consistent year on year, with a relatively high proportion of responsive repairs. The good condition of our properties following the extensive post-transfer refurbishment means that only limited planned maintenance is required at present.

Operating Efficiencies

livin continues to collect a high percentage of the rent due from current and former tenants. High performance in this area will become increasingly challenging to sustain as livin tenants move on to the Universal Credit system, which is expected to be fully rolled out across core areas by March 2018.

Although "Overheads as a percentage of adjusted turnover" also appears on the Sector Scorecard, no clear sector definition for this figure has yet been agreed and therefore we have excluded it from this commentary.

Summary

The Sector Scorecard highlights many areas of strong performance in 2016/17: increasing our occupancy levels and reducing our tenancy turnover; ensuring that our rent collection processes are efficient and effective in preparation for the introduction of Universal Credit; and controlling costs to ensure that we generate surpluses to re-invest in new housing supply.

The focus for future years is to maximise financial capacity, allowing greater investment in generating new housing supply.

Use of Resources: Efficiency Gains

2016/17 Efficiencies Achieved

As set out in the Value for Money Strategy, livin encourages staff to take a critical view of expenditure in their service areas and to identify efficiency savings through streamlining or changing inefficient delivery practices and through effective workforce management. This practice helps to free up resources for investment in future growth and service improvements.

In the 2014/15 Value for Money report, published in September 2015, £3.02m of savings were identified for implementation throughout 2015/16, as a key part of the plans to mitigate the effect of the 1% rent cut announced on 8 July 2015. Further savings, together with potential new income streams, were identified during the 2016/17 budget setting process. The negotiations required to implement many of these were undertaken in 2015/16; the full effect of these savings has been realised in 2016/17.

In total, £3,336,000 of savings and additional income streams were achieved in 2016/17. An assessment of these gains realised against the 2015/16 targets set is below, together with the expected long-term impact of these savings.

Planned Savings	Planned Value 16/17	Achieved 2016/17	Effect in future years	Comment
Removal of free Tenants Garden Services for certain groups	£111,000	£111,000	Annual saving	A revised Grounds Maintenance contract came into effect from 1 April 2016, which excluded the provision of free garden services for all but the most vulnerable of tenants.
Reduction in Carelink Services provided by Durham County Council	£94,000	£94,000	Annual saving	These contracts were renegotiated with effect from 1 April 2016.
Cancelling of DurhamGate Duke of Edinburgh Scheme	£10,000	£10,000	Annual saving	Cancelled from 1 April 2016.
Savings from the re-tendering of community Foundations contract	£10,000	£10,000	Annual saving	Contract was renegotiated with effect from 1 Sept 2015
Operational Savings on Construction Related Services Contract	£1,284,885 (9 months of contract)	£1,212,885	£1,713,180 annually	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 within our homes	£106,900 expected in 2016/17	£161,880	Variable year on year depending on capital programme	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 to generate savings of £19.2m over the next 30 years.

Value for money

Planned Savings	Planned Value 16/17	Achieved 2016/17	Effect in future years	Comment
Improved modernisation and business efficiency leading to reduced employee costs	£606,000	£606,000	Annual saving	These savings resulted from a review of employee costs in 2015. 2016/17 was the first full year in which the benefits of the new structure were realised.
£100k Club – cost saving ideas identified by employee forum	£52,000	£25,100	Annual saving	These savings were identified in 2015/16 and came into effect in 2016/17.
Discretionary Spend Review savings identified	£350,000	£350,000	Annual saving	Areas of discretionary spend which did not add significant value to the business have been removed from the 2016/17 budget.
Voids process re-engineering	£175,000	£175,000	Annual saving	We are now seeing the full year effects of improvements to the voids process and the corresponding of reduction in void losses, following re-engineering which took effect from late 2015/16.
Additional savings secured following re-procurement of the Grounds Maintenance Contract	£117,000	£117,000	Annual saving	A revised Grounds Maintenance contract came into effect from 1 April 2016.
Support tenants to exercise their ability to participate in mutual exchanges, reducing lost tenancies and unnecessary void works	£111,000	£16,100	Not applicable	The potential for savings in this area was identified following a high number of transfers amongst failing tenancies in 2015/16. The improvement in tenancy sustainment in 2016/17 has reduced the level of transfers without the need to rely on the mutual exchange process, and we expect this trend to continue.
Tenancy Turnover Action Plan, helping tenants to sustain their tenancies and therefore reducing void management costs	£33,500	£137,000	See Future Savings	We have successfully helped more tenants to sustain their tenancies in 2016/17 than in 2015/16. We have ambitions to further improve our performance in this area in 2017/18.
Income to be generated from sale of negative NPV and low demand properties for shared ownership	£33,000	£101,000	See Future Savings	We have sold these properties for home ownership rather than through the anticipated shared ownership route.
Total	**£3,094,285**	**£3,126,965**		

Additional savings achieved in 2016/17

Opportunities for additional efficiencies were identified during the year as follows:

Nature	2016/17 savings achieved
Council tax refunds obtained on properties earmarked for demolition	£130,000
Reduction in re-let times	£30,000
Re-procurement of existing contracts	£49,212
Total	**£209,212**

Future Value for Money Efficiencies – 2017/18

livin's Plan A Business strategy includes a target to identify efficiencies and income-generation strategies within the business by a further £100,000 each year. This is a challenging target, particularly when considered in the light of the significant savings delivered since 2015/16. Areas where the potential for additional savings has been identified are set out in the table below.

Nature	Expected outcome (annualised)
Sustainable Tenancies Action Plan – help tenants to sustain their tenancies, thereby reducing void management costs	£154,000 reduction in costs
Strategic disposal of unsustainable properties, releasing monies for re-investment	£300,000 additional income, ring-fenced for investment in new properties
Renegotiation of commission rates for income collected on behalf of third parties	£148,000 additional income

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.

A comprehensive review of our use of resources over the last 18 months has allowed livin to identify and implement significant efficiency savings. The Board's decision to increase the development programme by 200 properties over the next 3 years, and the introduction of an open market sale programme, demonstrates their commitment to maximising the resources available for investment in new supply.

Further work to enhance understanding of the return on assets generated through detailed analysis of gross and net yields has been undertaken. This facilitates informed decisions about investing in, and where necessary divesting of some elements of, livin's asset base.

Performance Management and Scrutiny processes have been reviewed during the year, with the aim of improving their effectiveness in driving value for money outcomes across the business.

The use of Housemark, the Sector Scorecard and the HCA's cost comparison calculations enables livin to transparently establish, understand and challenge the costs and outcomes of delivering specific services. Whilst this provides assurance that the costs of livin's service delivery are lower than sector averages, we continue to seek further improvements.

As demonstrated by the efficiencies delivered through the successful implementation of the Construction Related Services Contract, livin continues to seek opportunities to work in partnership with other organisations in delivering its services.

livin's Value for Money approach supports the delivery of the new Business Strategy, Plan A, in which we aim to:

- Focus on customers
- Grow the business
- Drive innovation, efficiency and productivity
- Embrace our social purpose

Governance – regulatory and other information

Regulatory Judgement and Financial Viability Review

The Homes and Communities Agency conducted an In Depth Assessment of livin in July 2016, and a further Stability Check in November 2016. Both of these reviews concluded in the following regulatory judgements on livin:

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.

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

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 on 3 May 2017 are set out in the table below.

Key risk	Key controls in place, and actions being undertaken
1. **Development and Acquisition strategy is not aligned with market demand**	**Key controls include:** • Robust financial appraisal on new schemes • Board approval of development parameters • Option appraisal report on site demographics and housing market drivers added to all development schemes using 3rd party Housing Intelligence • Regular Board reporting setting out progress on key developments
2. **Targets for Open Market Sale programme not met**	**Key controls include:** • Structured budgeting processes, including the use of Board approved development parameters for project analysis • Regular stress testing of key exposures arising from the programme • Regular scrutiny of performance by the Board
3. **Failure to focus on the customer**	**We seek our tenants' views, and look to support them, through** • Customer Experience Strategy • Customer Voice Strategy • Tenancy visits – Customer Insight • Pre-tenancy support **We monitor our performance through:** • Customer satisfaction surveys • Complaints • Internal audit

Key risk	Key controls in place, and actions being undertaken
4. **Inability to attract and retain highly skilled employees**	**We seek to build a constructive "two-way deal" with all staff members, through:** • Employee Strategy • Effective recruitment and talent management • Capacity density measures • Performance appraisal • Learning and development opportunities • Apprenticeships
5. **Effective Corporate Governance processes not in place**	**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, including robust risk management processes • 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
6. **Delivery of the Association's financial business plan not achieved**	**Key controls include:** • Robust budgetary processes • External validation of business plan • Robust scrutiny of quarterly management accounts by Audit & Risk Committee as well as by Board • Use of retained Treasury Advisers • Governance framework enabling an efficient decision making process
7. **Value for Money not demonstrated or delivered**	**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
8. **Inability of organisation to react to the political or economic climate**	**Key controls include:** • Plan A Business Strategy • Structured financial planning processes, including short, medium and long term (30 year) financial plans • Use of Business Intelligence information • Robust risk management processes • Stress testing of business plan

Key risk	Key controls in place, and actions being undertaken
9. **Supplier unable to deliver required services**	**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
10. **Property portfolio does not support a sustainable business or community**	**Key controls include:** • Robust analysis of stock sustainability using NPV and yield calculations • Planned works programme • Community Regeneration Board which oversees proposed regeneration projects
11. **Lack of funding opportunities to enable socially and economically balanced communities**	**Key measures include:** • Range of partnerships which maximise funding opportunities • Community Plans built on sound business intelligence • Partnership working with DCLG • Monitoring the social value we generate
12. **Financial implications of Welfare Reform are not understood and addressed**	We continue to carefully monitor the impact of Welfare Reform; the numbers of livin tenants claiming Universal Credit instead of traditional benefits continues to increase, and we are working to help tenants affected by the benefit cap and changes to the Local Housing Allowance. **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
13. **High levels of tenancy turnover**	**Key controls include:** • Taking the Customer Voice into account in our work • Visiting all tenants regularly, allowing us to identify and address concerns at an early stage • Working closely with applicants and new tenants to help them sustain their tenancies • Regular Monitoring of Tenancy Turnover and reasons for termination

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 by closely monitoring 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.

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 £24.6 million of undrawn facilities at 31 March 2017), which provide adequate resources to finance committed property acquisitions and 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 Audit and Risk Committee and Board, and the long-term business plan. 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.

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 overall 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 2016 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

- Adoption of 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 the Audit and Risk, Housing and Communities, Assets and Development and Human Resources and Remuneration committees, detailed financial regulations, 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.
Internal Audit arrangements continued to work well. 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 Pricewaterhouse Coopers LLP (PwC) during the year. Their work not only focuses on reviewing controls and risks but also on adding value and making best practice recommendations.

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 adopted a revised set of Rules, based on the NHF's 2015 Model Rules, effective from 1 November 2016.

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. Remuneration levels were independently reviewed in September 2016.

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 that 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 2017. 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, (United Kingdom Accounting Standards and applicable laws) including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland. 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 14 September 2017 at livin's headquarters in 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 6, 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

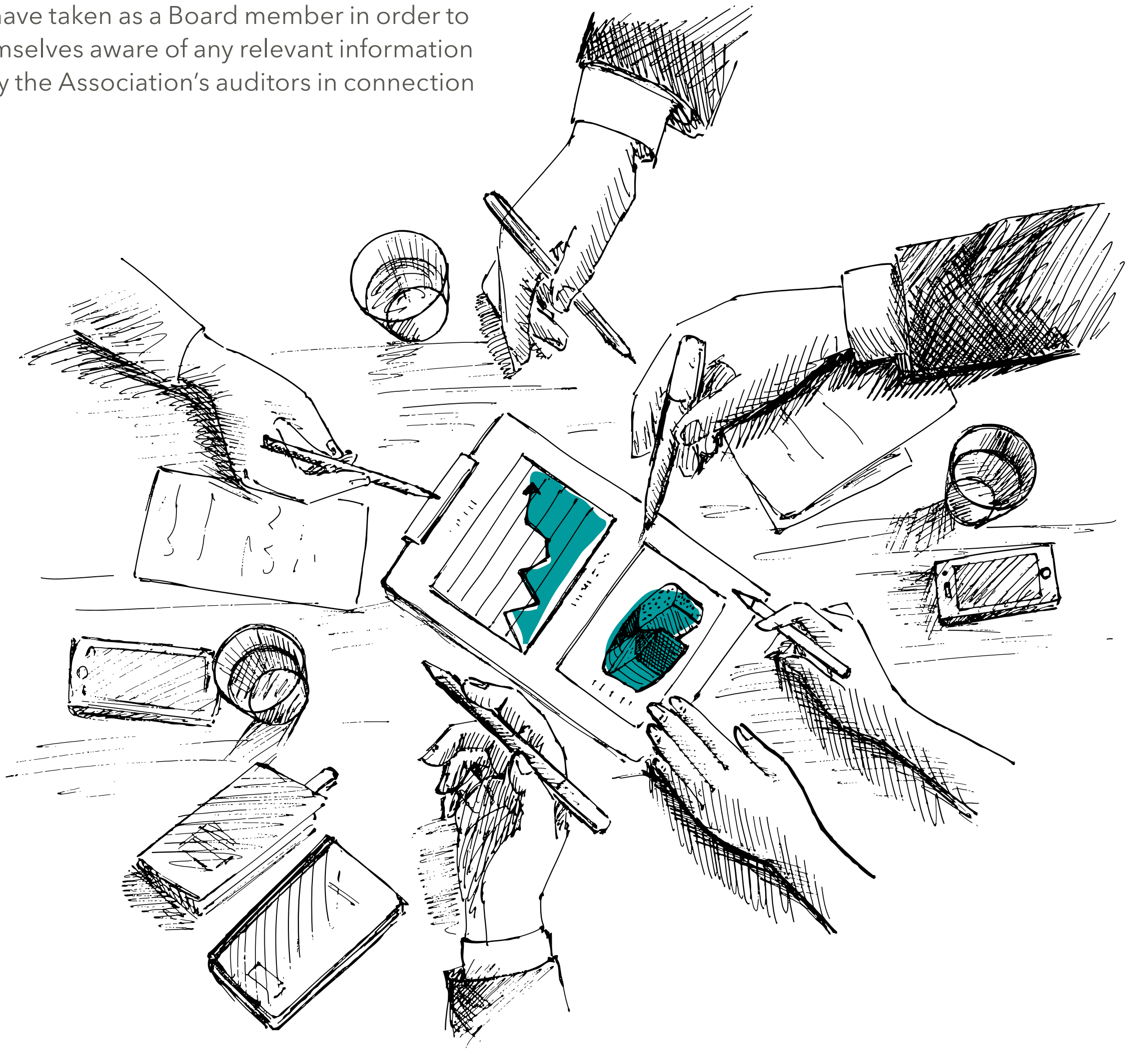
A resolution to appoint Beever and Struthers will be proposed at the forthcoming Annual General Meeting.

Statement of compliance

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

The Strategic and Board report was approved by the Board on 14 September 2017 and signed on its behalf by:

Ian Youll
Chairman



Financial Statements

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 2017 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 FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 41), the Board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the 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 housing association's affairs as at 31 March 2017 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 housing 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
Statutory Auditor, Chartered Accountants
Leeds, England

Date:

	Note	2017 £'000	2016 £'000
Turnover	3	**34,758**	**35,068**
Operating costs	3	(21,152)	(22,196)
Operating surplus		**13,606**	**12,872**
Interest receivable and other income	7	402	569
Interest payable and similar charges	8	(4,746)	(4,870)
Surplus on ordinary activities before taxation		**9,262**	**8,571**
Tax on ordinary activities		-	-
Surplus for the year		**9,262**	**8,571**
Actuarial (loss)/gain in respect of pension schemes	9	(2,980)	440
Unrealised (loss)/gain on the revaluation of investment properties	14	(16)	14
Total comprehensive income for the financial year		**6,266**	**9,025**

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 14 September 2017.

Ian Youll
Chair

Alan Fletcher
Vice Chair

Sean Brodie
Secretary

The accompanying notes form part of these financial statements.

	Income and expenditure reserve £'000	Revaluation reserve £'000	Total £'000
Balance as at 1 April 2015	27,322	6,914	34,236
Comprehensive income for the year	9,011	14	9,025
Balance as at 31 March 2016	36,333	6,928	43,261
Transfer between reserves	13	(13)	-
Total comprehensive income for the year	6,282	(16)	6,266
Balance as at 31 March 2017	42,628	6,899	49,527

The accompanying notes form part of these financial statements.

	Note	2017 £'000	2016 £'000
Tangible fixed assets			
Housing properties	11	116,300	112,360
Other tangible fixed assets	12	3,917	4,337
Investments	13	4	4
Investment properties	14	7,744	7,483
		127,965	124,184
Current assets			
Debtors	15	1,696	1,692
Cash at bank and in hand		3,153	3,590
		4,849	5,282
Creditors: Amounts falling due within one year	16	(5,520)	(13,902)
Net current liabilities		(671)	(8,620)
Total assets less current liabilities		127,294	115,564
Creditors:			
Amounts falling due after more than one year	19	72,107	70,183
Provisions for liabilities			
Defined benefit pension liability	9	5,660	2,120
		77,767	72,303
Capital and reserves			
Income and expenditure reserve		42,628	36,333
Revaluation reserve		6,899	6,928
Total Reserves		49,527	43,261
		127,294	115,564

The financial statements were approved by the Board of Directors on 14 September 2017.

Ian Youll
Chair

Alan Fletcher
Vice Chair

Sean Brodie
Secretary

The accompanying notes form part of these financial statements.

	Note	2017 £'000	2016 £'000
Net cash generated from operating activities	24	18,970	17,804
Cash flow from investing activities			
Purchase and refurbishment of tangible fixed assets		(9,489)	(8,426)
Proceeds from sale of tangible fixed assets		1,590	1,186
Grants received		808	500
Interest received		13	7
		(7,078)	(6,733)
Cash flow from financing activities			
Interest paid		(4,824)	(4,868)
New secured loans		500	5,000
Repayments of borrowings		(8,000)	(9,500)
		(12,324)	(9,368)
Net change in cash and cash equivalents		(432)	1,703
Cash and cash equivalents at beginning of the year		3,585	1,882
Cash and cash equivalents at end of the year		3,153	3,585

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 provider of social housing.

livin owns 100% of the ordinary share capital (£1) of Livin Developments Limited (Registered Company No: 10474352). This subsidiary did not trade during the year and was dormant at 31 March 2017.

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.

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.

livin is a public benefit entity in accordance with FRS102.

The financial statements are presented in Sterling (£).

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:

Financial Instruments
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, management have concluded that they meet the definition of a basic financial instrument, therefore are held at amortised cost.

Impairment
From 1 April 2016 livin 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 properties. 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.

Estimation uncertainty
Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

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.

Investment in subsidiaries
Investments in subsidiaries are accounted for at cost less impairment.

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 agency commission received.

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 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 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 such expenditure will instead 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
Other Fixed Assets	
Office Equipment and Furniture	5 years
Computer Equipment	3 years
Offices	50 years

Impairment
Housing properties are assessed annually for impairment indicators. Where such 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 a finance cost in the statement of comprehensive income in the period in which 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 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 Statement of Comprehensive Income 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

	2017 Turnover	Operating costs	Operating surplus
	£ '000	£ '000	£ '000
Social housing lettings	33,305	(20,827)	12,478
Other social housing activities			
Garage lettings	636	(316)	320
Big Lottery project	144	(158)	(14)
Sale of Housing Properties (note 6)	-	285	285
Non-social housing activities			
Lettings	262	(136)	126
Other Income	411	-	411
	34,758	(21,152)	13,606

	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
Sale of Housing Properties (note 6)	-	663	663
Non-social housing activities			
Lettings	273	(157)	116
Other Income	434	2	436
	35,068	(22,196)	12,872

Particulars of turnover, cost of sales, operating costs and operating surplus (continued)

	General needs housing	Housing for elderly	2017 Total	2016 Total
	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	21,785	11,304	33,089	33,392
Service income	9	56	65	86
Net rental income	21,794	11,360	33,154	33,478
Other income (grant amortisation)	98	53	151	91
Turnover from social housing lettings	21,892	11,413	33,305	33,569
Management and support services	(4,899)	(2,776)	(7,675)	(8,234)
Service charge cost	(11)	(65)	(76)	(97)
Routine maintenance	(4,605)	(2,730)	(7,335)	(7,099)
Planned maintenance	(187)	(101)	(288)	(624)
Bad debts	(92)	(50)	(142)	(137)
Depreciation of housing properties	(3,096)	(1,679)	(4,775)	(5,024)
Impairment	-	-	-	(241)
Payment to DCC (VAT sharing agreement)	(251)	(136)	(387)	(550)
Other costs	(97)	(52)	(149)	(68)
Operating costs on social housing lettings	(13,238)	(7,589)	(20,827)	(22,074)
Operating surplus on social housing lettings	8,654	3,824	12,478	11,495
Void losses	689	184	873	1,098

Particulars of turnover from non-social housing lettings

	2017	2016
	£'000	£'000
Commercial properties	198	199
Other	64	74
	262	273

4 Accommodation in management and development

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

	2017 No	2016 No
Social housing		
General housing		
- social rent	4,709	4,816
- housing for older people	2,665	2,761
- affordable rent	997	901
- Shared Ownership	2	2
Total owned and managed	8,373	8,480

5 Operating surplus

The operating surplus is arrived at after charging:

	2017 £ '000	2016 £ '000
Depreciation of housing properties	4,348	4,410
Depreciation of other tangible fixed assets	427	616
Impairment of social housing assets	-	241
Impairment of other investments	7	6
Surplus on disposal of non housing assets	2	2
Operating lease rentals		
- land and buildings	12	11
- office equipment and computers	58	124
- motor vehicles	37	40
Auditors' remuneration (excluding VAT)		
- for audit services	21	19
- tax compliance services	10	2
- other services	3	3
Total non-audit services	13	5

6 Surplus on sale of fixed assets - housing properties

	RTB/RTA	Other Housing Sales	Demolitions	2017 Total	2016 Total
	£ '000	£ '000	£ '000	£ '000	£ '000
Disposal proceeds	1,995	167	-	2,162	1,674
Less administration charges	(77)	-	-	(77)	(54)
Less amount payable to Durham County Council	(509)	-	-	(509)	(436)
Net disposal proceeds	1,409	167	-	1,576	1,184
Carrying value of fixed assets	(495)	(66)	(342)	(903)	(473)
Grant attributable to disposal	4	-	-	4	-
	918	101	(342)	677	711
Disposal Proceeds Fund (note 20)	(392)	-	-	(392)	(48)
	526	101	(342)	285	663

7 Interest receivable and other income

	2017	2016
	£ '000	£ '000
Interest receivable	13	7
VAT shelter income	387	550
Other income	2	12
	402	569

8 Interest payable and similar charges

	2017	2016
	£ '000	£ '000
Loans and bank overdrafts	4,686	4,810
Interest costs for pension scheme	60	60
	4,746	4,870

9 Employees

Average monthly number of employees expressed as full time equivalents:

	2017 No.	2016 No.
Administration	35	38
Property and Development	30	36
Housing, Support and Care	53	62
	118	136

	2017 £'000	2016 £'000
Employee costs:		
Wages and salaries	4,183	4,376
Social security costs	399	318
Other pension costs	391	559
	4,973	5,253

Included in Employee costs are early retirement and voluntary redundancy costs totalling £34,577 (2016 £329,804).

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 2016 and rolled forward, allowing for different financial assumptions required under FRS 17, to 31 March 2017 by a qualified independent actuary.

The employers' contributions to the DCCPF by the Association for the year ended 31 March 2017 were £390,795 (2016 £559,260) at a contribution rate of 11% of pensionable salaries.

Estimated employers' contributions to the DCCPF during the accounting period commencing 1 April 2018 are £1,440,000.

Financial assumptions

	31 March 2017 % per annum	31 March 2016 % per annum
Discount rate	2.6%	3.5%
Future salary increases	3.5%	3.4%
Future pension increases	2.0%	1.9%
Pension accounts revaluation rate	2.0%	1.9%
Inflation assumption - RPI	3.1%	3.0%
Inflation assumption – CPI	2.0%	1.9%

Employees (continued)

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.

The assumed life expectations on retirement at age 65 are:

	2017 No. of Years	2016 No. of Years
Retiring today:		
- Males	23.2	22.7
- Females	24.9	25.2
Retiring in 20 years:		
- Males	25.4	24.9
- Females	27.2	27.5

Analysis of the amount recognised in surplus or deficit:

Year ended 31 March	2017 £'000	2016 £ '000
Current service cost	890	840
Past service cost	-	160
Amounts charged to operating costs	890	1,000

Year ended 31 March	2017 £'000	2016 £ '000
Net Interest	60	60
Amounts charged to other finance costs	60	60
Actual return on scheme assets	3,220	(180)

Amounts recognised in the statement of financial position

Net pension (liability) at 31 March	2017 £'000	2016 £'000
Present value of funded obligation	(37,240)	(30,030)
Fair value of scheme assets (bid value)	31,580	27,910
Net (liability) recognised in statement of financial position	(5,660)	(2,120)

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

	2017 £'000	2016 £'000
Opening scheme liabilities	(30,030)	(29,970)
Current service cost	(890)	(840)
Past service cost	-	(160)
Interest cost	(1,050)	(980)
Contributions by scheme participants	(250)	(260)
Remeasurements	(5,210)	1,540
Benefits paid	190	640
Closing scheme liabilities	(37,240)	(30,030)

Employees (continued)

Reconciliation of opening and closing balances of the fair value of scheme assets	2017 £'000	2016 £'000
Opening fair value of scheme assets	27,910	27,900
Remeasurements	2,230	(1,100)
Interest income	990	920
Contributions by employer	390	570
Contributions by scheme participants	250	260
Benefits paid	(190)	(640)
Closing fair value of scheme assets	31,580	27,910

Major categories of plan assets as a percentage of total plan assets		
Equities	47.2%	40.8%
Gilts	32.5%	32.0%
Bonds	8.2%	9.0%
Property	7.5%	8.0%
Cash	4.6%	10.2%

History of asset values, present value of liabilities and (deficit) / surplus	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Fair value of assets	31,580	27,910
Present value of liabilities	(37,240)	(30,030)
(Deficit) / Surplus	(5,660)	(2,120)

	2017 £'000	2016 £'000
Actual return on scheme assets	3,220	(180)

10 Key management personnel

The aggregate remuneration for key management personnel, which includes board members and executive directors, charged in the year is:

	Basic salary	Benefits in kind	Pension Contributions	Total 2017 £'000	Total 2016 £'000
Board Members	45	-	-	45	38
Executive Directors	433	4	43	480	444

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

	2017 No. of Employees	2016 No. of Employees
£60,001 and £70,000	3	3
£70,001 and £80,000	1	1
£80,001 and £90,000	-	-
£90,001 and £100,000	-	2
£100,001 and £110,000	3	-
£110,001 and £120,000	-	-
£120,001 and £130,000	1	-
£130,001 and £140,000	-	1
	8	7

Individual Board Members levels of remuneration	2017 £'000	2016 £'000
Ian Youll (Chair)	12	11
Adele Barnett	6	5
Alan Fletcher	6	5
Ian Gillespie (until 5 July 2016)	1	4
Jonothan Hitchen (until 21 September 2016)	1	3
Andrew Lowery (until 21 September 2016)	1	3
Angela Rowlands (until 21 September 2016)	1	3
Paul Mullis (until 21 September 2015)	-	2
Oliver Colling	6	2
Dennis Bradley (from 3 November 2016)	3	-
David Walton (from 21 September 2016)	2	-
Norman Rollo (from 3 November 2016)	4	-
Ian Geldard (from 21 September 2016)	2	-
Charlotte Harrison (from 23 February 2017)	-	-
	45	38

Key management personnel (continued)

The emoluments of the highest paid Director (Chief Executive), including an adjustment for FRS 102 annual leave accrual, but excluding pension contributions, were £126,325 (2016 £131,400). The pension contributions made during the period were £13,073 (2016 £12,800).

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 2017 was 4 (2016: 4).

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% (2016 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 2016	131,872	298	5,082	46	137,298
Additions	643	-	7,347	-	7,990
Works to existing homes	1,209	-	-	-	1,209
Schemes completed	3,319	-	(3,319)	-	-
Disposals	(1,105)	-	-	-	(1,105)
Transfer (note 14)	(7)	-	-	-	(7)
At 31 March 2017	135,931	298	9,110	46	145,385
Depreciation and impairment					
At 1 April 2016	(24,617)	(80)	(241)	-	(24,938)
Charged in year	(4,348)	-	-	-	(4,348)
Schemes completed	(241)	-	241	-	-
On disposals	201	-	-	-	201
At 31 March 2017	(29,005)	(80)	-	-	(29,085)
Net Book Value					
At 31 March 2017	106,926	218	9,110	46	116,300
At 31 March 2016	107,255	218	4,841	46	112,360

Expenditure on works to existing homes

	2017	2016
	£'000	£'000
Amounts capitalised as components	1,209	5,432
Amounts included in housing properties for letting under construction	4,927	1,471
Amounts charged to the income and expenditure account	736	89
	6,872	6,992

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. No impairment charge has been made this year (2016: £241,000).

Tangible fixed assets – properties (continued)

Social Housing Grant

Total accumulated Social Housing Grant Received or receivable at 31 March	2017 £'000	2016 £'000
Capital grant	5,909	5,202
Recognised in the Statement of Comprehensive Income	362	252
Revenue grant	7	7
	6,278	5,461

12 Tangible fixed assets – other

	Offices £'000	Computers and office equipment £'000	Total £'000
Cost			
At 1 April 2016	5,382	359	5,741
Additions	-	7	7
At 31 March 2017	5,382	366	5,748
Depreciation			
At 1 April 2016	(1,103)	(301)	(1,404)
Charged in year	(392)	(35)	(427)
At 31 March 2017	(1,495)	(336)	(1,831)
Net Book Value			
At 31 March 2017	3,887	30	3,917
At 31 March 2016	4,279	58	4,337

13 Investments

	2017 £'000	2016 £'000
Investment in Spirit Regeneration and Development LLP	4	4

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.

During the year livin acquired 100% of the ordinary share capital (£1) of Livin Developments Ltd. The subsidiary did not trade during the year and was dormant at 31 March 2017.

14 Investment properties: Non-social housing properties held for letting

	2017 £'000	2016 £'000
At 1 April	7,483	7,469
Works to Investment Properties	283	-
Increase in value	-	14
Revaluation loss	(16)	(-)
Disposals	(13)	-
Transfer (note 11)	7	-
At 31 March	7,744	7,483

Investment properties were valued as at 31 March 2017. The associations' 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 Debtors

	2017 £'000	2016 £'000
Due within one year		
Rent and service charges receivable	1,356	1,746
Less: provision for bad and doubtful debts	(433)	(476)
	923	1,270
Trade debtors	60	73
Other debtors	236	79
Prepayments and accrued income	477	270
	1,696	1,692

16 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Overdraft	-	5
Debt (note 21)	-	8,400
Trade creditors	722	447
Rent and service charges received in advance	253	226
Deferred grant income (note 17)	151	142
Recycled capital grant fund (note 18)	6	80
Other taxation and social security	302	292
Other creditors	448	989
Accruals	3,638	3,321
	5,520	13,902

Included in Other Creditors is £386,097 (2016 £550,470) owed to DCC in respect of the VAT shelter and £7,839 for grant received in advance from E.S.F. Wisesteps, which is a new project for the financial year 2017/18.

Included in Other Creditors is £34,637 (2016 £27,345) 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.

17 Deferred Capital Grant

	2017 £'000	2016 £'000
At 1 April	5,697	5,319
Grant received in the year	808	500
Released to income in the year	(151)	(91)
Grants disposed during the year	(4)	-
Recycled in the year (note 18)	-	(31)
At 31 March	6,350	5,697

	2017 £'000	2016 £'000
Amounts to be released within one year	151	142
Amounts to be released in more than one year	6,199	5,555
	6,350	5,697

18 Recycled capital grant fund

	2017	2016
	£'000	£'000
At 1 April	120	89
Grants recycled	-	31
Withdrawals	(114)	(-)
At 31 March	6	120

At 31 March 2017, there was £nil due for repayment.

Withdrawals from the Recycled capital grant fund have been used for the purchase of housing properties.

19 Creditors: amounts falling due after more than one year

	2017	2016
	£'000	£'000
Debt (note 21)	65,400	64,500
Deferred grant (note 17)	6,199	5,555
Recycled capital grant fund (note 18)	-	40
Disposal proceeds fund (note 20)	508	88
	72,107	70,183

20 Disposal Proceeds Fund

	2017	2016
	£'000	£'000
At 1 April	88	40
Net sales proceeds recycled	392	41
Discount received	81	9
Administration expenses	(17)	(2)
Withdrawals	(36)	(-)
At 31 March	508	88

At 31 March 2017, there was £nil due for repayment and £nil has been paid in the year.

The above is made up of £456,718 RTA surplus sale proceeds and withdrawals of £36,100 utilised in Extra Satisfactory purchases. The remaining balance is interest accrued.

21 Debt analysis

Borrowings	2017 £'000	2016 £'000
Due within one year		
Bank overdraft	-	5
Bank loans	-	8,400
	-	8,405

	2017 £'000	2016 £'000
Due after more than one year		
Bank loans	65,400	64,500
	65,400	64,500

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

Terms of repayment and interest rates
The bank loans are repayable upon maturity at an average rate of interest of 3.2689% (2016 3.8325%) together with the Bank's margin which is currently 2.25%. Fixed loans mature on the following dates:

Amount	Rate	Repayment Date
£6,000,000	6.4472%	31/03/2034
£20,000,000	6.5872%	31/03/2035
£15,500,000	6.6872%	31/03/2036
£11,000,000	6.6872%	31/03/2032
£12,000,000	6.8350%	31/03/2033

At 31 March 2017 the Association had available further loan facilities of £24.6m (2016 £17.1m). Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2017 £'000	2016 £'000
Within one year or on demand	-	8,400
Five years or more	65,400	64,500
	65,400	72,900

22 Non-equity share capital

	2017 £	2016 £
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.

23 Reserves

Revaluation Reserve
This comprises of unrealised surpluses or deficits on the revaluation of investments

Revenue Reserve
This includes all current and prior year retained surpluses and deficits. Included in the Revenue Reserve is £62k (2016 £76k) relating to the Big Lottery Project – MonKey.

24 Cash flow from operating activities

	2017	2016
	£'000	£'000
Surplus for the year	9,262	8,571
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	4,775	5,026
Impairment of tangible fixed assets	-	241
Impairment of investments	-	6
Defined benefit pension scheme operating charge	890	840
Defined benefit pension scheme contributions paid	(390)	(570)
Other income	(2)	(12)
(Increase)/decrease in Debtors	(4)	535
Increase/(decrease) in Creditors	144	(940)
Adjustments for investing or financing activities:		
Surplus on the sale of tangible fixed assets	(287)	(665)
Interest receivable	(13)	(7)
Interest payable	4,746	4,870
Government grant amortised	(151)	(91)
	18,970	17,804

25 Capital commitments

	2017	2016
	£'000	£'000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	8,092	11,870
Expenditure authorised by the Board, but not contracted	11,251	5,075
	19,343	16,945

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

26 Contingent assets / liabilities

The Association had no contingent assets or liabilities as at 31 March 2017 (2016 £nil).

27 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:

	2017		2016	
	Land and Buildings £'000	Other Assets £'000	Land and Buildings £'000	Other Assets £'000
In one year or less	12	58	11	124
Between one & two years	-	-	-	-
Between two to five years	-	-	-	-
Over five years	-	-	-	-
	12	58	11	124

28 Related parties

During the year, four tenants of livin served as Board Members: Jonothan Hitchen, Andrew Lowery, Angela Rowlands to 21st September 2016 and Alan Fletcher throughout the year. Their tenancies are on normal commercial terms and they are not able to use their position to their advantage. The arrears relating to tenant board members at the year end was £nil (2016 £775).

Four members of the Board who served until 21 September 2016, Kevin Thompson, Mike Dixon, Brian Stephens and Lucy Hovvels MBE and one member of the Board who served from 21 September 2016, Ian Geldard, are Councillors with Durham County Council, a local authority having nomination rights over tenancies for certain Association homes and which is also a shareholder of the association. All transactions with the council are on normal commercial terms and none of them are able to use their position to any advantage.

David Walton is a director of Valley Environmental Consulting which provided services to livin during the early part of 2016. These services ceased prior to David's appointment to the Board on 21 September 2016 and no transactions with the company have taken place during his tenure as a Board member.

Included in other debtors is £1,124 intending to be recharged to livin developments limited.

29 Financial assets and liabilities

Categories of financial assets and financial liabilities

	2017	2016
	£'000	£'000
Financial assets that are debt instruments measured at amortised cost	4,080	4,864
Financial liabilities measured at amortised cost	(5,262)	(5,196)
Loan commitments measured at cost	(65,400)	(72,900)
	(66,582)	(73,232)

Financial assets

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

	2017	2016
	£'000	£'000
Rent and service charges receivable	923	1,270
Cash at bank and in hand	3,153	3,590
Other Assets	4	4
	4,080	4,864

Financial liabilities

	2017	2016
	£'000	£'000
Overdraft	-	5
Trade Creditors	722	447
Grants Received	151	142
Employment Taxes and VAT Liability	302	292
Other creditors and Accruals	4,087	4,310
	5,262	5,196

Borrowing facilities

	2017	2016
	£'000	£'000
Financial liabilities measured at amortised cost	65,400	72,900
	65,400	72,900

Financial assets and liabilities (continued)

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

Borrowing facilities

	2017 £'000	2016 £'000
Expiring in one year or less	-	8,400
Expiring in more than one year but not more than two years	-	-
Expiring in more than two years	65,400	64,500
	65,400	72,900

Livin